Report No. D-2011-101 August 17, 2011

Inspector General
United States
Department of Defense

Controls Over Army Deployable Disbursing System Payments Need Improvement

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Acronyms and Abbreviations

CAPS	Computerized Accounts Payable System
COOP	Continuity of Operations Plan
CSI	Customer Support Initiative
DASA-FO	Deputy Assistant Secretary of the Army (Financial Operations)
DDS	Deployable Disbursing System
DFAS	Defense Finance and Accounting Service
DoD FMR	DoD Financial Management Regulation
DSSN	Disbursing Station Symbol Number
EFT	Electronic Funds Transfer
FMC	Financial Management Center
LOA	Line of Accounting
NIST FIPS PUB 200	National Institute of Standards and Technology, Federal Information Processing Standards Publication 200
OMB	Office of Management and Budget
PMO	Program Management Office
SOA	Statement of Accountability
STANFINS	Standard Finance System
SWA	Southwest Asia
USAFMCOM	U.S. Army Financial Management Command
U.S.C.	United States Code

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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August 17, 2011

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Controls Over Army Deployable Disbursing System Payments Need Improvement (Report No. D-2011-101)

We are providing this report for review and comment. Army disbursing offices processed over 272,131 commercial and miscellaneous payments, totaling $13.1 billion, through the Deployable Disbursing System. Army controls were inadequate and resulted in access control issues, payment certification deficiencies, and improper payments. In addition, the databases provided by Defense Finance and Accounting Service were missing 13,795 payments for $801.3 million. We also identified potential monetary benefits for duplicate payments, totaling $162,258, that, if collected, the Government could put to better use. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. The comments from the Deputy Chief Financial Officer and the Assistant Secretary of the Army (Financial Operations) were responsive and require no further comment. Although most comments from the Deputy Director, Operations, Defense Finance and Accounting Service, were responsive and require no further comment, we request additional comments on Recommendation B.2.b by September 16, 2011.

If possible, send a .pdf file containing your comments to audfmr@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868 (DSN 664-5868).

Patricia A. Marsh

Patricia A. Marsh, CPA
Assistant Inspector General
Financial Management and Reporting

Results in Brief: Controls Over Army Deployable Disbursing System Payments Need Improvement

What We Did

The objective of the audit was to determine whether the controls over transactions processed through the Deployable Disbursing System (DDS) were adequate to ensure the reliability of the data processed, including financial information processed by disbursing stations supporting Operation Iraqi Freedom. Army processed at least 272,131 commercial and miscellaneous payments, totaling $13.1 billion, through DDS from FY 2006 through FY 2008. Disbursing office controls over these payments were inadequate.

What We Found

Army disbursing personnel at 16 disbursing stations did not adequately control access to commercial and miscellaneous payment data processed through DDS. Specifically, disbursing personnel used accounts that bypassed controls to process $595.6 million in payments and assigned the system administrator privilege to 90 of the 253 individual main site user accounts in DDS. Furthermore, the disbursing offices at the seven disbursing stations visited did not properly restrict access to DDS interface files, maintain adequate separation of payment duties, and maintain adequate security and contingency plans. This occurred because the Army Financial Management Centers did not effectively review DDS user access or oversee the payment process, and the DDS Program Management Office did not provide sufficient visibility in DDS for management to review and identify access control weaknesses. As a result, the Army is at risk for losing disbursing data, improperly modifying payment transactions, improper payments, and unauthorized viewing of personally identifiable or classified information for 272,131 commercial and miscellaneous payments, totaling $13.1 billion. We identified potential monetary benefits for duplicate payments, totaling $162,258, that, if collected, the Government could put to better use.

The Army's financial system did not maintain accurate or complete information. Specifically, out of the 402 commercial payments that we nonstatistically sampled from 211,808 payments ($9.6 billion) in DDS, the financial system did not maintain:

- accurate line of accounting (LOA) information for 296 payments;
- accurate payment method information for 140 payments; and
- complete fundamental payment information, such as invoice line item information for 370 payments, contract or requisition number for 54 payments, invoice received date for 48 payments, and invoice number for 30 payments.

This occurred because Army finance offices did not properly use DDS interfaces. Further, the Assistant Secretary of the Army (Financial Management and Comptroller) and Director, DFAS (Information and Technology) did not develop systems within Army's financial system, including DDS, with sufficient functionality to make foreign currency electronic funds transfer (EFT) payments using DDS and comply with the Core Financial System Requirements in requiring fundamental payment information. Without accurate and complete data, DoD cannot maintain complete and documented audit trails, which are necessary to demonstrate the accuracy, completeness, and timeliness of transactions. Furthermore, DoD funds are at increased risk for improper payments.

The Army disbursing offices and DFAS did not maintain a complete repository that included 210 DDS database changes. This occurred because the U.S. Army Financial Management Command and DFAS officials did not have procedures on how to request, approve, document, execute, and retain DDS database changes. In addition, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, did not publish guidance on how to properly document and control changes to DoD databases. As a result, disbursing offices initiated 294 database changes to adjust $49.7 million in fund

accountability without supporting documentation or approval. Further, disbursing offices initiated 53 database changes to end-of-day balances on the Statement of Accountability report without documented approval of the updated report. Until controls over these payments are strengthened, DoD funds will continue to be at risk for improper payments and fraud. Additionally, unauthorized personnel may be able to view personally identifiable and classified information.

What We Recommend

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, issue guidance establishing controls and audit trails for changes to DoD databases. We also recommend that the Deputy Assistant Secretary of the Army (Financial Operations) improve DDS internal controls and data reliability, implement database change procedures with DFAS, and review DDS database changes that affected accountability.

Management Comments and Our Response

The Deputy Chief Financial Officer, Deputy Assistant Secretary of the Army (Financial Operations), and Deputy Director, Operations, Defense Finance and Accounting Service, agreed with the recommendations. In addition, the U.S. Army Financial Management Command concurred with the potential monetary benefits. The management comments provided were responsive in all but one instance. We request that the Director, Defense Finance and Accounting Service, provide additional comments in response to Recommendation B.2.b. Please see the recommendations table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD		C.1.a, C.1.b, C.1.c, C.1.d, C.1.e
Deputy Assistant Secretary of the Army (Financial Operations)		A.1.a, A.1.b, A.1.c, A.1.d, A.1.e, A.1.f, A.1.g, A.1.h, A.2.a, A.2.b, A.3, A.4, A.5, A.6, A.7, B.1.a, B.1.b, B.1.c, C.2.a, C.2.b, C.3
Director, Defense Finance and Accounting Service	B.2.b	B.2.a, C.3

Please provide comments by September 16, 2011.

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Introduction

Audit Objective

Our audit objective was to determine whether DoD internal controls over transactions processed through the Deployable Disbursing System (DDS) were adequate to ensure the reliability of the data processed. Specifically, we reviewed Army commercial and miscellaneous payments processed through DDS from FY 2006 through FY 2008. We also examined financial information on commercial and miscellaneous payments processed by disbursing stations supporting Operation Iraqi Freedom. See Appendix A for scope and methodology and Appendix B for prior coverage related to the objective. See the Glossary of Technical Terms for definitions of terminology used in this report.

Background on the Deployable Disbursing System

DoD Inspector General Audit Report No. D-2008-098, "Internal Controls Over Payments Made in Iraq, Kuwait, and Egypt," May 22, 2008, addressed a material internal control weakness over contingency payment audit trails. In response to a draft of that report, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, stated that DDS would improve the controls. As follow-on to the audit, we reviewed the controls over commercial and miscellaneous payments processed through DDS. This audit is the fourth in a series of audits that addresses DDS internal controls. The first audit reported that the U.S. Marine Corps recorded classified information in unclassified DoD systems.[1] The second audit reported that the U.S. Marine Corps' internal controls over payments processed through DDS were inadequate.[2] The third audit reported on the Army's ineffective internal controls over the handling of classified information posted in DDS.[3]

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 U.S. 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.

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[1] DoD Inspector General Audit 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.
[2] DoD Inspector General Audit Report No. D-2010-037, "Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System," January 25, 2010.
[3] DoD Inspector General Audit Report No. D-2010-038, "Identification of Classified Information in an Unclassified DoD System and an Unsecured DoD Facility," January 25, 2010 (FOUO).

From FY 2006 through FY 2008, the Army used DDS at disbursing offices located in Europe, Korea, and Southwest Asia (SWA). These disbursing offices processed 285,926 commercial (contract and vendor) and miscellaneous payments totaling $13.9 billion through DDS. Miscellaneous payments included condolence,[4] travel, and military payments. Of the 285,926 DDS payments totaling $13.9 billion, disbursing personnel in SWA processed at least 115,809 payments, totaling $6.8 billion, through DDS. Table 1 provides a breakout of commercial and miscellaneous payments processed through DDS from FY 2006 through FY 2008.

Table 1. Army Commercial and Miscellaneous Payments Processed Through DDS from FY 2006 through FY 2008

Source/Type of Files	Number of Payments	Value (in millions)
DDS Databases	**272,131**	**$13,111.6**
Commercial Payments	211,808	9,607.7
Miscellaneous Payments	60,323	3,503.9
Missing DDS Data	**13,795**	**801.3**
Total	**285,926**	**$13,912.9**

We performed internal control and data reliability reviews on the 272,131 payments in the DDS databases; however, we did not determine the validity of an additional 13,795 payments, totaling $801.3 million, because the Army and DDS PMO did not provide a complete universe of payments to review.[5] See Appendix A for details.

We completed internal control reviews for disbursing offices at 16 Army disbursing station's symbol numbers (DSSNs). We visited 7 of the 16 DSSNs: four in Europe, one in Korea, and two in SWA. In addition, we used a nonstatistical random sample to select 425 out of 211,808 commercial payments to review from 10 of the 16 DSSNs: three from Europe, one from Korea, and six from SWA.

Army Roles and Responsibilities for Disbursements

The U.S. Army Financial Management Command (USAFMCOM), Indianapolis, Indiana, is an operational activity for the Assistant Secretary of the Army (Financial Management and Comptroller). USAFMCOM is the Army approval authority for finance technical issues and provides technical guidance to the Army Financial Management Centers (FMCs) in Europe, Korea, and SWA. The FMCs are responsible for management and

[4] DoD Regulation 7000.14-R, "DoD Financial Management Regulation," defines a condolence payment as payments to individual civilians for death, injury, or property damage caused by U.S. coalition forces, generally during combat.

[5] We identified DDS data for 13,523 of the 13,795 missing payments; however, the data were not available in time for our review.

oversight of internal controls for theater finance operations. They are also the focal point for all finance-related systems and policy for theater operations.

Army Procurement and Payment Process

The audit trail for the Army procurement and payment process begins with the identified need for goods or services and the commitment of funds using the Resource Management Tool; the process ends with a payment from DDS and the transfer of data to the accounting system, Standard Finance System (STANFINS). When a vendor provides an invoice, the vendor pay office enters it into the entitlement system, Computerized Accounts Payable System (CAPS), and generates a voucher from CAPS. When the certifying official certifies the voucher and supporting documentation, the disbursing office can make the payment using DDS. The disbursing cycle ends when STANFINS records and reports the disbursement data. See Appendix C for a flowchart of this process.

Federal Financial System Requirements

DDS is an integral component of the Army's financial system (based on the dollar value of processed transactions). Office of Management and Budget Circular No. A-127, "Financial Management Systems" (OMB Circular A-127), July 23, 1993,[6] states that a "financial system" is an information system consisting of applications that 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), presents the 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. 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. In addition, the financial system must provide automated functionalities to support the processes for document and transaction control, invoicing, disbursing, and audit trails.

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[6] OMB Circular A-127, July 23, 1993, was the policy in place during our audit. A new version of OMB Circular A-127, dated January 2009, has since superseded this version.

Internal Controls Over Army Payments

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for the Army. Army disbursing offices did not have adequate internal controls over the authorization of payments, separation of duties, DDS access, and database changes. We also identified potential monetary benefits for duplicate payments, totaling $162,258, that, if collected, the Government could put to better use. We will provide a copy of this report to the senior official responsible for internal controls in the Army.

Finding A. Army Needs to Enhance Controls Over DDS Access and Payment Authorization

Army disbursing personnel at 16 DSSNs did not adequately control access to commercial and miscellaneous payment data processed through DDS. Specifically, disbursing personnel used 22 multiple user accounts and 56 generic user accounts to process $595.6 million in payments; using these accounts bypassed controls and did not allow for identification of individuals processing payments. In addition, Army disbursing offices assigned the system administrator privilege to 90 of the 253 individual main site user accounts. Furthermore, the disbursing offices at the seven DSSNs visited had the following control deficiencies.

- Two DSSNs did not maintain adequate separation of payment duties.
- Seven DSSNs did not properly restrict access to DDS interface files.
- Six DSSNs did not maintain adequate contingency plans.

In addition, for 334 of the 425 payments reviewed,[7] disbursing offices could not provide the certifying officer appointment letters; the appointment letter was not signed; or the appointment letter was not signed by authorized personnel. These deficiencies occurred because:

- Army FMCs did not have effective control procedures in place for reviewing DDS user access or overseeing the DDS payment process, and
- the DDS PMO did not provide sufficient visibility in DDS for management to readily review and identify access control weaknesses.

In addition, Army disbursing personnel did not provide proper certifying officer appointment letters because the FMCs did not have adequate procedures for appointing certifying officials and maintaining appointment letters.

As a result, the Army is at risk for losing disbursing data, improperly modifying payment transactions, and unauthorized viewing of personally identifiable or classified information for 272,131 commercial and miscellaneous payments, totaling $13.1 billion. In addition, Army officials could not show whom they should hold pecuniarily liable if the disbursing personnel made improper payments.

[7] We used a nonstatistical random sample to select 425 commercial payments from 211,808 commercial payments totaling $9.6 billion (Appendix A).

Authorization and Access Requirements for DDS

Legal Requirements for Making Payments

According to section 3325, title 31, United States Code (31 U.S.C. § 3325 [2007]), Defense agencies, such as the Army, are required 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."

Public Law 107-300, "Improper Payments Information Act of 2002," section 2, states that an agency must annually review all programs and activities that it administers and identify all such programs and activities that may be susceptible to significant improper payments. This act defines an improper payment as one that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. This includes any payment to an ineligible recipient, ineligible service, duplicate payments, payments for services not received, and any payment that does not account for credit for applicable discounts.

DoD Guidance for Proper Payment Certifications

DoD Regulation 7000.14-R, "DoD Financial Management Regulation" (DoD FMR) implements 31 U.S.C. § 3325 (2007) and Federal financial system requirements. The DoD FMR provides guidance on authorizing and certifying payment vouchers and on the separation of duties between certifying and disbursing officials. In addition, DoD Instruction 8500.2, "Information Assurance (IA) Implementation," February 6, 2003, states that authorized users access only the data that applies to their authorized privileges.

DoD FMR, volume 5, chapter 33, defines a proper appointment as the completion of a DD Form 577, "Appointment/Termination Record/Authorized Signature" (appointment letter). The DD Form 577 must identify the payment type, such as vendor pay, purchase card, centrally billed accounts, travel, transportation, or civilian pay, for which the head of the DoD Component appointed the certifying officer.

DoD FMR, volume 5, chapter 21, requires that the original disbursing office records, including appointments and revocations of accountable individuals, be retained and readily accessible to the disbursing office or the designated settlement office for a 6-year 3-month period. In addition, the National Archives and Records Administration General Records Schedule 6, "Accountable Officers' Accounts Records," requires the retention of accountable officer's files for 6 years and 3 months. This guidance also identifies the certifying officer as an accountable officer.

System Requirements for Access Controls

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 9, 2006 (NIST FIPS PUB 200), states that

organizations must limit system access to authorized users and must limit authorized user access to permitted types of transactions and functions. Furthermore, the Government Accountability Office, "Federal Information System Controls Audit Manual," January 1999,[8] 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 have only the access needed to perform their duties,
- user access is limited to only a few individuals, and
- users are restricted from performing incompatible functions.

Disbursing Office Personnel Bypassed DDS Access Controls

Army disbursing offices at 16 DSSNs did not have adequate controls over the access to commercial and miscellaneous payment data processed through DDS. The disbursing offices exposed DDS payment information to unauthorized modification, loss, or disclosure. Specifically, the Army disbursing offices:

- assigned multiple user accounts to individual DDS users at 14 DSSNs,
- created generic user accounts in DDS that were not assigned to specific individuals at 16 DSSNs,

The disbursing offices exposed DDS payment information to unauthorized modification, loss, or disclosure.

- assigned access to system administrator privileges to an excessive number of user accounts at 16 DSSNs, and
- did not have procedures implementing DoD requirements for restricting access to users with a need-to-know at five DSSNs.

Specifically, disbursing personnel used 22 multiple user accounts and 56 generic user accounts to process $595.6 million in payments; using these accounts bypassed controls and did not allow for identification of individuals processing payments. In addition, Army disbursing offices assigned the system administrator privilege to 90 of the 253 individual main site user accounts.

[8] The "Federal Information System Controls Audit Manual" was revised in February 2009; however, the January 1999 version applied to the scope of our audit of FY 2006 through 2008 U.S. Army DDS data.

Disbursing Offices Assigned Multiple User Accounts

Army disbursing offices circumvented DDS controls by assigning multiple user accounts to 859 individuals who used DDS (Table 2) at 14 DSSNs. An individual with multiple user accounts can access several privileges in DDS that are not available to a single user account. A privilege allows a user to perform assigned disbursing functions in DDS. These privileges include system administrator, accounting, payment certification, check printing, and voucher input. In addition, this individual has the ability to bypass separation of duties to process payments.

Of the 859 individuals with multiple user accounts, 22 processed 1,645 payments for approximately $115.8 million by using the multiple accounts. For example, one individual from DSSN 5499 (Europe theater) processed 1,207 payments for $87.5 million with multiple user accounts.

Table 2. Army Multiple User Accounts from FY 2006 through FY 2008

Theater	Number of Multiple User Accounts		Number of Payments Processed	Value (in millions)
	Created	Used		
Europe	172	11	1,401	$88.0
Korea	29	0	0	0.0
SWA	658	11	244	27.7
Total	**859**	**22**	**1,645**	**$115.8***

*The difference is due to rounding.

By creating multiple user accounts in DDS, the Army disbursing offices circumvented DDS controls that reduce the risk of using one user account to process a payment from beginning to end. The DDS controls limit the types of privileges assigned to a single user account and do not allow for incompatible privileges. However, the user account list, which provides the user's name, identification, and outstanding fund balance, did not reflect the system privileges assigned to the user. Because DDS did not provide this visibility of user privileges, Army management could not readily identify incompatible privileges in reviewing DDS for multiple user accounts. In response to our identification of this issue, the DDS PMO modified DDS to display privileges assigned to each individual on the user list. As a result, we are not making a recommendation on this issue.

Army FMCs did not have adequate control procedures in place for reviewing DDS user access or overseeing the DDS payment process. According to the European FMC's internal control procedures, FMC's internal control personnel review the individual DSSNs to ensure that disbursing personnel review system access controls. Two DSSNs in the Europe FMC provided evidence of reviews over DDS access. The Korea and SWA FMCs' disbursing offices did not include a review of DDS system access controls.

Therefore, USAFMCOM should instruct the FMCs to standardize reviews of DDS user account lists and monitor user access. This oversight review should:

- include a review for multiple user accounts and privileges,
- eliminate the use of multiple user accounts, except for rare mission critical situations with written justification, and
- reduce the risk of misuse of these accounts and privileges.

Generic User Accounts Allowed Access Without Identification

Army disbursing offices at 16 DSSNs established 1,062 generic user accounts that allowed individuals access to DDS without identification of who processed payments in DDS (Table 3). Of the 1,062 generic user accounts, Army disbursing personnel used 56 generic user accounts to process 10,077 payments in DDS for $479.8 million. Generic user accounts in DDS are not specific to an individual. For example, we identified user accounts assigned to the following user names: CASHER CASHER and CASHIER CASHIER. Army disbursing personnel used the generic user account, CASHER CASHER, from DSSN 5579 (SWA theater) to process 7,280 payments for $353.6 million in DDS.

Table 3. Army Generic User Accounts from FY 2006 through 2008

Theater	Number of Generic User Accounts		Number of Payments Processed	Value (in millions)
	Created	Used		
Europe	111	17	759	$44.9
Korea	13	1	5	0.0*
SWA	938	38	9,313	434.9
Total	**1,062**	**56**	**10,077**	**$479.8**

*The total of these five payments was $2,068.

The electronic signature block in the DDS user setup screen does not require the system administrator to input the position title of the disbursing personnel that corresponds to the position on the appointment letter, such as deputy disbursing officer, cashier, or accountant while assigning user accounts. Requiring the system administrator to select a position title that corresponds to an appointment letter when creating a DDS user account would mitigate the risk of creating a generic user account. In the DoD Inspector General Audit Report No. D-2010-037, "Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System," January 25, 2010, we recommended that DFAS update the DDS signature block to require the system administrator to enter the disbursing office position title that correlates to the individual appointment letters. In response to our recommendation,

DDS PMO modified DDS to produce an electronic appointment letter that should ensure proper correlation in DDS between disbursing officer position and appointment letter. As a result, we are not making any additional recommendations on this issue.

Army FMCs did not have adequate control procedures in place for reviewing DDS user access or overseeing the DDS payment process. USAFMCOM should instruct the FMCs to establish standardized procedures addressing the review of DDS user account lists and monitor user access. The oversight review should:

- identify generic user accounts and privileges, if any,
- eliminate the use of generic user accounts, and
- reduce the risk of misusing user accounts and privileges.

Army disbursing offices should periodically review the DDS user account list for multiple and generic user accounts. To verify that the Army disbursing offices properly paid the 1,645 and 10,077 payments processed by multiple and generic user accounts, USAFMCOM and Army FMCs should review the payments. In addition, USAFMCOM and Army FMCs should review disbursing personnel using the multiple and generic user accounts and, as appropriate, initiate administrative action against the appropriate personnel associated with these accounts.

System Administrator Access Assigned to Numerous Users

Army disbursing officials assigned the system administrator privilege to a large number of user accounts even though this privilege allows users to manipulate DDS user access and payment data and to view personally identifiable information. Specifically, Army disbursing offices at 16 DSSNs assigned the system administrator privilege to 90 (36 percent) of the 253 individual main site user accounts in DDS. This privilege allowed the user to access the user setup screen, which included Privacy Act personally identifiable information of DDS users, such as social security number and name. The system administrator privilege also allowed the user to:

- manipulate DDS payment data,
- grant or deny user access by creating user accounts,
- update user accounts,
- assign access privileges,
- reset passwords,
- activate or deactivate accounts,

- back out payments already certified or paid, and
- archive and purge data.

Table 4 illustrates, by theater, the number of disbursing station users assigned the system administrator privilege.

Table 4. Army System Administrator Privilege from FY 2006 through FY 2008

Theater	Number of Disbursing Station User Accounts	Number of User Accounts With System Administrator Privilege	Percent of User Accounts With System Administrator Privilege
Europe	118	42	36
Korea	28	9	32
SWA	107	39	36
Total and Percent	**253**	**90**	**36**

Army disbursing personnel stated that they needed to assign the system administrator privilege to DDS users so they could back out payments in DDS. Army disbursing offices should assign the system administrator privilege to only a minimum number of user accounts. Army FMCs did not have control procedures for Army disbursing personnel to review DDS user access and to document and monitor the assignment of the system administrator privilege to DDS users. As part of the Army oversight function, USAFMCOM should instruct the FMCs to develop standardized procedures, such as reviewing DDS user access privileges, to restrict this level of access to a minimum number of users as necessary.

Army Needs to Follow DoD Requirements for Restricting Access

Army disbursing offices did not document DDS users' security clearances, need-to-know, and information assurance responsibilities when granting access to DDS. Army disbursing offices did not follow DoD Instruction 8500.2, "Information Assurance (IA) Implementation," February 6, 2003, for restricting access to users with a need-to-know. Only users with a need-to-know should access the system because DDS maintained personally identifiable information such as name, social security number, or personal information that linked to an individual's identity. DoD Instruction 8500.2 requires that each information assurance officer ensure that all users have the requisite security clearances and supervisory need-to-know authorization and are aware of their information assurance responsibilities before granting access to DoD information systems,. Army disbursing offices should limit access to users with a need-to-know to provide reasonable assurance that they are protecting computer resources against unauthorized modification, disclosure, loss, or impairment.

Of the seven DSSNs we visited, five did not have standard procedures requiring the Army to comply with DoD Instruction 8500.2. The remaining two DSSNs documented in their standard procedures a formal process for granting DDS access, such as completing the DD Form 2875 "System Authorization Access Request" (DD Form 2875). These DSSNs used DD Form 2875 to record names, signatures, and social security numbers for validating the trustworthiness of individuals requesting access to DoD systems and information. The form specified the authorized level of system access for an individual. In addition, these two DSSNs also implemented local guidance to review DDS on a regular basis to ensure user access and privileges are consistent with the DD Forms 2875. This will assist in ensuring the privileges assigned to the user are consistent with their roles and responsibilities in DDS.

Although DoD provides DD Form 2875 to ensure all DDS users meet the DoD information assurance requirements before granting access to a DoD system, Army disbursing offices did not require the form for users to access DDS. To ensure that only individuals with a need-to-know access DDS at all Army disbursing offices, USAFMCOM should require the FMCs to either use the DD Form 2875 or another method that ensures users' security clearances, need-to-know, and awareness of information assurance responsibilities are consistent with their DDS privileges.

DDS PMO Took Action to Address Previous Recommendations

DoD Inspector General Report No. D-2010-037, "Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System," January 25, 2010, recommended that DFAS management address modifications to DDS that would assist the U.S. Marine Corps in reviewing for and monitoring the use of multiple, generic, and system administrator accounts. DFAS management agreed to our recommendations, and DDS PMO personnel addressed the changes to DDS through system change requests. As of September 20, 2010, DDS PMO personnel modified DDS to produce an electronic DD Form 577, "Appointment/Termination Record," and display the privileges assigned to each individual on the user report.

DFAS management agreed to our recommendations, and DDS PMO personnel addressed the changes to DDS through system change requests.

Procedures Need to be Established to Ensure Separation of Duties

The disbursing offices at two of the seven DSSNs visited did not establish procedures to ensure adequate separation of duties:

- Finance office personnel at DSSN 8763 (Europe theater) in Kosovo had the capability to enter transactions into CAPS and make payments through DDS, and a disbursing officer certified and disbursed funds; and

- a disbursing officer at DSSN 5579 (SWA theater) inappropriately appointed certifying officials.

In addition, the lack of separation of duties between Army contracting and paying activities led to the opportunity for stealing Government funds.

Finance Office Personnel Entered Entitlements and Made the Payments

An Army finance office did not comply with the DoD FMR in separating the duties of recording transactions and making payments. Army officials at DSSN 8763 allowed the same individuals in the finance office to maintain the ability to record transactions into CAPS and make payments from DDS. DoD FMR, volume 5, chapter 1, states that separate individuals are required to perform each step in the disbursing process, such as:

- authorizing, approving, and recording transactions;
- issuing or receiving assets; and
- making payments.

Because finance office personnel had the ability to access payments in CAPS, Army procedures should prohibit them from processing disbursements out of DDS.

Disbursing Officer Certified a Payment

The disbursing officer at DSSN 8763 certified one commercial payment processed from CAPS through 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. Therefore, disbursing officers should not sign vouchers as certifying officers.

Disbursing Officer Appointed Certifying Officers

The disbursing officer at DSSN 5579 appointed four certifying officers who certified 10 commercial payments. DoD FMR, volume 5, chapter 33, states that a disbursing officer may not appoint a certifying officer. However, current Army guidance allows the appointment of commanding officers as disbursing officers. Individuals that are dual-appointed as disbursing officers and commanding officers have the ability to appoint certifying officers. This ability for dual-appointed officers to appoint certifying officers conflicts with the DoD FMR policy restricting disbursing officers from appointing certifying officers.

Contracting Representative Stole Government Funds

We assisted Defense Criminal Investigative Service on a case that involved a theft of $690,000 in Commander's Emergency Response Program funds. The lack of separation of duties between Army contracting and paying activities, such as an Army contracting representative who also performed payment functions, led to the opportunity for stealing Government funds. These activities included creating questionable contracts and making the payments associated with those contracts. If the Army had sufficient controls in place to prevent the contracting representative from performing both contracting and payment activities, it may have prevented the theft of Government funds. On December 7, 2009, this Army contracting representative pled guilty to money laundering and stealing Government funds.

> *The lack of separation of duties between Army contracting and paying activities…led to the opportunity for stealing Government funds.*

In addition, the Army paying agents who gave the Commander's Emergency Response Program funds to the Army contracting representative neglected their duties. The paying agents were legally responsible for those funds as the paying agent appointment letter specifically states, "funds will not be entrusted to others." The contracting representative paid out $4.5 million in funds provided by the paying agents. USAFMCOM should work with U.S. Central Command to order an Army Regulation 15-6, "Procedures for Investigating Officers and Board of Officers," investigation of the two Army paying agents' activities and, based on the investigation results, initiate appropriate criminal, civil, or administrative actions. We are conducting an audit to review controls over Commander's Emergency Response Program payments made in Afghanistan.

USAFMCOM Should Implement Policy to Improve Separation of Duties

The Deputy Assistant Secretary of the Army (Financial Operations) established policy on June 26, 2009, that states that Commands, with subordinate activities performing disbursing operations, should regularly review disbursing and entitlement systems' access profiles to ensure appropriate separation of duties. USAFMCOM provided evidence that Army disbursing offices performed reviews of disbursing system access profiles. However, these reviews did not indicate whether there was proper separation of duties between users of the entitlement and disbursing systems. Therefore, USAFMCOM should require that Army finance offices perform periodic reviews of access profiles to ensure proper separation of duties between users of the entitlement and disbursing systems. In addition, USAFMCOM needs to issue guidance clarifying that those individuals who are dually appointed as disbursing officers and commanding officers cannot appoint certifying officers. USAFMCOM should require all FMCs to certify payments in accordance with DoD FMR.

Disbursing Offices Need to Use Interfaces Properly

Army disbursing offices did not implement an interface strategy or interface-processing procedure ensuring proper restriction to access interface data and processes. The seven DSSNs visited either did not use the interfaces with DDS or manually manipulated the DDS interface files.

- DSSN 8763 (Europe theater) did not use the CAPS interface to process payments with DDS.

- DSSN 6335 (Europe theater) did not use the STANFINS interface to pass accounting information from DDS to STANFINS.

- Six of the seven DSSNs adjusted data in the accounting interface file before submitting it for upload into STANFINS.

Controls over the use of DDS and its interfacing systems were not adequate and allowed Army disbursing personnel to manually intervene with the processing of the interfaces. Therefore, the data between the systems may not match, and there may not be a transparent audit trail between the interfacing systems. USAFMCOM should require all FMCs to limit access to interface data and processes to personnel responsible for processing interface files. See Finding B for further detail on Army disbursing offices' use of DDS interfaces with CAPS and STANFINS.

Army Needs to Develop Contingency Plans

Six of the seven DSSNs visited did not maintain adequate continuity of operations plans (COOP) for DDS. A COOP establishes procedures necessary to ensure uninterrupted, essential functions across a wide range of potential emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies.

Army FMCs did not ensure the Army maintained an adequate COOP for six of the seven DSSNs. The NIST FIPS PUB 200 states that, "organizations must establish, maintain, and effectively implement plans for emergency response, backup operations, and post-disaster recovery for organizational information systems to ensure the availability of critical information resources and continuity of operations in emergency situations." In addition, Army Regulation 500-3, "U.S. Army Continuity of Operations Program Policy and Planning," April 2008, states that Commanders or senior Army officials will ensure their subordinate organizations or activities develop and maintain their own supporting COOP procedures. The Government Accountability Office, "Federal Information System Controls Audit Manual," also provides that organizations develop and document an application contingency plan as part of control activities.

DSSN 6411 (Korea theater) was the only disbursing office that had an adequate COOP in place. The COOP included DDS as a "Priority 1" system that needs to be operational within 24 hours of COOP activation. Disbursing offices for three of the four DSSNs in the Europe theater maintained a COOP, but the plans were outdated or did not

specifically address DDS. The DSSNs in the SWA theater did not maintain a COOP. Because the Army FMCs did not ensure all disbursing offices using DDS had a COOP, the Army did not comply with NIST FIPS PUB 200 requirements and Army regulations. USAFMCOM should require all DSSNs using DDS to develop and implement an adequate COOP.

Army Needs to Maintain Certifying Officer Appointment Letters

Army disbursing offices did not maintain proper certifying officer appointment letters for personnel who certified payments in our sample. We used a nonstatistical random sample to select 425 payments, obtained from 10 DSSNs in the Europe, Korea, and SWA theaters, from 211,808 commercial payments, totaling $9.6 billion, paid in FY 2006 through 2008 (Appendix A). For 334 of the 425 sample payments, Army disbursing offices did not maintain proper certifying officer appointment letters for personnel who certified vouchers. Having properly appointed officers certify that a voucher is ready for payment is a critical internal control function that the Army needs to ensure a payment is proper. We did not identify issues with the appointment letters for the certifying officers who were appointed at the time of our visits to the Europe and Korea DSSNs. Table 5 shows a breakout of the results of our request for certifying officer appointment letters by theater and number of payments affected.

Having properly appointed officers certify that a voucher is ready for payment is a critical internal control function that the Army needs to ensure a payment is proper.

Table 5. Results of Review for Proper Payment Authorization

Results	Europe	Korea	SWA	Total
Inadequate Support for Proper Authorization Provided	**61**	**130**	**143**	**334**
Payments Certified - Appointment Letter Not Provided	53	130	114	297
Payments Certified - by Unauthorized Personnel	1	0	27	28
Payments Not Certified – Appointment Letter Not Signed	7	0	2	9
Payments Certified – Proper Authorization Provided	**89**	**0**	**2**	**91**
Total Payments Reviewed for Proper Authorization	**150**	**130**	**145**	**425**

Certifying Officer Appointment Letters Not Available

Army disbursing offices did not provide certifying officer appointment letters for individuals who certified 297 of the sample payments, totaling $8.7 million, from eight DSSNs. Personnel at DSSN 6411 (Korea theater) stated that they destroyed certifying officer appointment letters upon terminating appointments. Personnel at DSSN 8547 (SWA theater) forwarded the documents to a storage facility; however, the storage facility personnel could not locate the requested documents. Army disbursing personnel did not explain why the remaining six DSSNs in the European and SWA theater did not provide certifying officer appointment letters.

Unauthorized Personnel Certified Payments

Army disbursing personnel from DSSNs 8763 (Europe theater), 5579, 5588, 8549, and 8589 (SWA theater) did not properly authorize 28 of the sample payments, totaling $500,000. The appointment letters for the certifying officers who certified these 28 sample payments included authorizations for disbursing personnel to certify military pay, but not commercial payments, and letters that were not officially signed. In other appointment letters, disbursing officers had improperly appointed certifying officers. For example, a disbursing officer appointed four certifying officers using a memorandum for record; however, the DoD FMR volume 5, chapter 33, requires a DD Form 577, "Appointment/Termination Record/Authorized Signature," to appoint a certifying officer.

Payments Were Not Certified and Not Authorized

Army disbursing personnel did not certify nine of the sample payments, totaling $31,236. We obtained the uncertified payments from DSSNs 5499, 6335, 8763 (Europe theater), 5579, and 8547 (SWA theater). According to DoD FMR, volume 5, chapter 33, the payments are unauthorized unless signed by an authorized certifying officer.

Disbursing Offices Provided Proper Certifying Officer Appointment Letters

Army disbursing offices provided proper certifying officer appointment letters for the individuals who certified 91 of the sample payments, totaling $1.3 million. We obtained appointment letters for those who certified 89 of the payments for two European DSSNs where the appointed individuals who signed the vouchers were still serving as certifying officers during the audit. Although we received those appointment letters, these DSSNs did not retain appointment letters for previous certifying officers.

Army FMCs Need to Improve Certifying Officer Appointment Procedures

The Army FMCs did not support the proper certification of 334 of the 425 sample commercial payments obtained from the 10 DSSNs reviewed for certifying officer appointment letters. Army did not comply with 31 U.S.C. § 3325 (2007) and DoD FMR, volume 5, chapters 21 and 33, for document retention and written authorization for certifying vouchers. Without certifying officer appointment letters, auditors and reviewers cannot determine whether the certifying officers properly reviewed the

commercial payments or who the Army should hold pecuniarily liable if the Army made improper payments. Therefore, USAFMCOM should require the FMCs to certify vouchers and retain documents in accordance with 31 U.S.C. § 3325 (2007) and DoD FMR, volume 5, chapters 21 and 33.

Internal Control Weaknesses Affected Payment Data and Security

Gaps in Army FMC and disbursing office internal controls over system access, separation of duties, data protection, contingency plans, and payment authorizations place payments at increased risk for lost disbursing data, unauthorized modification of transactions, improper payments, unauthorized viewing of personally identifiable or classified information. Army disbursing personnel made duplicate payments and processed classified information through DDS.

Army Personnel Made Duplicate Payments to Vendors

Because of the gaps in Army FMC and disbursing office controls, disbursing personnel made nine duplicate payments, totaling $162,258, to vendors for goods or services and did not collect on these improper payments. We referred two of the duplicate payments to the Defense Criminal Investigative Service because of the suspicious and potentially fraudulent nature of the payments. USAFMCOM should review the remaining seven duplicate payments, collect the overpayments, and determine whether to proceed with administrative action against the personnel responsible for the duplicate payments. If the Army collects these duplicate payments, the Government can put the funds to better use.

Unauthorized Access to Personally Identifiable or Classified Information in DDS

Gaps in internal controls over system access could cause personnel without a need-to-know to gain unauthorized access to personally identifiable or classified information in DDS. We disclosed the presence of classified information in DoD Inspector General Report No. D-2010-038, "Identification of Classified Information in an Unclassified DoD System and an Unsecured DoD Facility," January 25, 2010 (For Official Use Only). Specifically, Army disbursing personnel processed 655 payments that contained classified information in DDS, an unclassified DoD system. The Army corrected these issues through implementing the recommendations identified in that report.

Conclusion

Army disbursing offices circumvented internal controls for access to DDS information, did not properly separate certifying and disbursing duties when making payments, and did not comply with regulations when supporting certifying officer appointments. In addition, Army FMCs did not ensure that the disbursing offices maintained plans for protecting data.

Army FMC officials need to strengthen their control procedures and management oversight of disbursing offices to prevent disbursing personnel from making unauthorized 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. At a minimum, these procedures should address:

- eliminating the use of multiple user accounts and requiring written justification when multiple user accounts are needed,
- eliminating the use of generic user accounts,
- minimizing number of users with the system administrator privilege,
- requiring proper voucher certification, and
- separating voucher certification and payment functions.

Because of these control deficiencies, the Assistant Secretary of the Army (Financial Management and Comptroller) should establish a standardized control process for the FMCs to use in examining the listed control procedures. DoD depends on responsible officials to make payments and to oversee the disbursement of Government funds. Strong internal controls over the disbursing operations are critical to reducing the risk of improper payments or fraudulent activity.

Recommendations, Management Comments, and Our Response

A. We recommend that the Deputy Assistant Secretary of the Army (Financial Operations):

1. Instruct the Financial Management Centers to establish procedures requiring Army disbursing offices to:

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

b. Eliminate the use of generic user accounts in the Deployable Disbursing System.

c. Minimize the number of users with the system administrator privilege.

d. Use the System Authorization Access Request form or another method for verifying security clearances, need-to-know, and awareness of information assurance responsibilities in granting access to users of the Deployable Disbursing System.

e. Review the Deployable Disbursing System user account lists periodically for the use of multiple and generic user accounts and monitor user access.

f. Maintain certifying officer appointment letters in accordance with DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 5, chapter 21.

g. Ensure access to interface data and processes is limited to personnel responsible for processing interface files.

h. Maintain adequate continuity of operations plans in accordance with the National Institute of Standards and Technology, Federal Information Processing Standards Publication 200 and Army Regulation 500-3.

2. Instruct Financial Management Centers to establish procedures requiring the:

a. Appointment of certifying officers in accordance with requirements of section 3325, title 31, United States Code, and DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 5, chapter 33.

b. Performance of periodic reviews of access profiles to ensure proper separation of duties between users of the entitlement and disbursing systems.

Department of the Army Comments

The Deputy Assistant Secretary of the Army (Financial Operations) (DASA-FO) agreed with Recommendations A.1 and A.2 and stated that he has addressed each of these issues in his memorandum, "Army Disbursing and Entitlement Systems Controls," June 6, 2011.

3. Establish a standardized control process for the Financial Management Centers to use in examining control procedures implemented in Recommendations A.1 and A.2.

Department of the Army Comments

The DASA-FO agreed and stated that the Army would establish a standardized control process for the FMCs to use in examining control procedures implemented in Recommendations A.1 and A.2. On August 2, 2011, USAFMCOM provided an updated internal control checklist incorporating the results of the audit.

4. Review the payments processed using multiple and generic user accounts to ensure the payments were proper.

Department of the Army Comments

The DASA-FO agreed and stated that the Army would review the payments processed using multiple and generic user accounts. He stated that the Special Inspector General for Iraq has performed reviews and continues to do work in this area. In addition, he requested that the Army Audit Agency conduct a theater-wide audit of commercial payments emphasizing payments processed in DDS with generic user identification. Finally, he stated that his office would analyze results of the audit findings of the Special Inspector General for Iraq and the Army Audit Agency to determine the level of further review required to ensure the propriety of these payments.

5. Review disbursing personnel using multiple and generic user accounts and, if improper payments are associated with these accounts, take administrative action against the personnel using those accounts.

Department of the Army Comments

The DASA-FO agreed and stated that the Army would take appropriate action in accordance with Army Regulation 15-6 and DoD FMR, volume 5, in situations where the Army identifies an erroneous payment resulting from misusing multiple and generic user accounts.

6. Coordinate with U.S. Central Command to conduct an investigation as described in Army Regulation 15-6, "Procedures for Investigating Officers and Board of Officers," for the activities of the two Army paying agents and, based on the results of the investigation, initiate appropriate criminal, civil, or administrative actions.

Department of the Army Comments

The DASA-FO agreed and stated that he has requested copies of the investigation initiated by the Multi-National Corps-Iraq into the theft of Commander's Emergency Response Program Funds by an Army captain. Upon review of this investigation report, and in coordination with the DFAS legal staff, deficiencies would be provided to the command for correction and further disciplinary action, as applicable.

7. Review the seven of the nine duplicate payments, totaling $162,258, collect the overpayments, and determine whether the Army should take administrative action against those responsible for the duplicate payments.

Department of the Army Comments

The DASA-FO agreed and stated that as of June 10, 2011, $75,864.06 of the duplicate payments has been collected. The other $20,910 is being pursued and he anticipates its successful collection. The balance of $65,483.94 paid to one contractor is under investigation. For overpayments that cannot be collected, he stated he would direct an investigation by the appropriate command in accordance with DoD FMR, volume 5, to determine liability for uncollectable balances and appropriate administrative action. In

addition, USAFMCOM agreed with the potential monetary benefits associated with these duplicate payments.

Our Response

The DASA-FO comments on Recommendations A.1.a through A.7 were responsive and the actions met the intent of the recommendations.

Finding B. Army's Financial System Did Not Maintain Reliable Payment Data

The Army's financial system, including CAPS, DDS, and STANFINS, did not maintain accurate or complete information. Specifically, out of the 402 commercial payments[9] that we nonstatistically sampled from 211,808 payments (totaling $9.6 billion) in DDS, the financial system did not maintain:

- accurate line of accounting (LOA) information for 296 payments;
- accurate payment method information for 140 payments; and
- complete fundamental payment information, such as invoice line item information[10] for 370 payments, contract or requisition number for 54 payments, invoice received date for 48 payments, and invoice number for 30 payments.

The financial system did not maintain accurate or complete information because Army finance offices did not properly use DDS interfaces. Further, the Assistant Secretary of the Army (Financial Management and Comptroller) and Director, DFAS (Information and Technology), did not develop systems within Army's financial system, including DDS, with sufficient functionality to:

- provide the ability to make foreign currency electronic funds transfer (EFT) payments using DDS, and
- comply with the Core Financial System Requirements in requiring fundamental payment information.

Also, the Army disbursing offices could not provide a complete universe of commercial payments made through DDS. This occurred because the Army's financial system did not maintain a centralized database of DDS payment transactions.

Without accurate and complete data, DoD cannot maintain complete and documented audit trails, which are necessary to demonstrate the accuracy, completeness, and timeliness of transactions. Furthermore, DoD funds are at increased risk for improper payments.

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[9] We did not review 23 of the 425 sample commercial payments for data reliability based on the hardcopy documentation because they represented Government Purchase Card payments for which visited Army disbursing offices did not maintain the supporting documentation.

[10] Invoice line items are document line items from an invoice, an itemized list of supplies delivered or services performed.

Data Reliability Requirements for DDS

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 data reliability. 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:

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

DoD FMR, volume 6A, chapter 2, requires that DoD Components, including the Army and DFAS, maintain complete and documented audit trails. Audit trails enable tracing a transaction from the manual vouchers and supporting documentation to the financial statements. According to the DoD FMR, 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 Army and submitted to DFAS for recording in the accounting systems and for using in financial reports. In addition, the DoD FMR requires that agencies code each charge to an appropriation or fund with a complete accounting classification and country code, when applicable.

Army's Financial System Needs to Maintain Accurate and Complete Payment Information

The data in the Army's financial system were inaccurate or incomplete when compared to the supporting documentation or to data in interfacing systems for 402 commercial payments. To determine data reliability, we reviewed a nonstatistical random sample, obtained from 10 DSSNs, of 402 Army commercial payments out of 211,808 (totaling $10.5 million of $9.6 billion), from FY 2006 through 2008 commercial DDS payments (see Appendix A). The Army's financial system maintained inaccurate and incomplete data because Army disbursing offices did not properly use DDS interface capabilities and the Assistant Secretary of the Army (Financial Management and Comptroller) and the Director, DFAS (Information and Technology), did not develop systems within Army's financial system, including DDS, with sufficient functionality to:

> *…the Assistant Secretary of the Army (Financial Management and Comptroller) and the Director, DFAS (Information and Technology), did not develop systems within Army's financial system, including DDS, with sufficient functionality...*

- require the input of fundamental commercial payment information and
- provide the ability to disburse EFT payments in foreign currencies.

Because of the inaccurate and incomplete data, the Army's financial system did not provide a transparent audit trail for required data elements in the payments processed through the Army's financial system that includes CAPS, DDS, and STANFINS.

DDS Interface Capabilities Need to Be Used Properly

Army disbursing personnel did not properly use DDS interfaces. The Army processed commercial payments through its financial system, which included the entitlement system, CAPS; the disbursing system, DDS; and the accounting system, STANFINS. Although CAPS and STANFINS interface directly with DDS, three of the seven Army DSSNs visited did not use either the CAPS or STANFINS interfaces to process payments; six of the seven DSSNs manipulated the STANFINS interface files when processing payments.

The DoD FMR states that audit trails are necessary to demonstrate the accuracy and completeness of a transaction. In addition, the Core Financial System Requirements state that core financial systems must provide automated functionality to generate an audit trail of all accounting classification[11] additions, changes, and deactivations, including effective dates of the changes. Furthermore, OMB Circular A-127 states that financial system designs must eliminate unnecessary duplication of transaction entry. Wherever appropriate, users should enter only once the data needed by the systems to support financial functions and data in other parts of the system should electronically update, consistent with the timing requirements of normal business or transaction cycles.

DSSNs Did Not Use Interfaces Appropriately to Process Payments

Although the capability existed for DDS to interface with CAPS and STANFINS, personnel at three of the seven Army DSSNs did not use the interfaces appropriately when processing payments. For example, Army personnel from DSSN 6335 (Europe theater) indicated that they did not use the STANFINS interface file because it does not separate the LOA information for multiple accounting sites. DSSN 6335 personnel explained that because they disburse funds for multiple fiscal stations, they use a manual process to ensure that they assign the LOAs to the respective accounting site. The DDS PMO, however, stated that DDS has the capability to process information when disbursing funds for multiple fiscal stations and that Army personnel at DSSN 6335 should be able to use the interface. The manual process is inefficient and creates the opportunity for human error, lack of audit trail, and the possibility of duplicate payments. USAFMCOM should require the FMCs to use the DDS interface with STANFINS to minimize the manually entered data, ensure a complete audit trail, and comply with OMB Circular A-127.

Army disbursing personnel processed 76 payments, totaling $1.4 million, of the 402 sample payments, without using the CAPS-to-DDS interface. For example, Army

[11] The accounting classification process categorizes financial information using elements such as Treasury Account Symbol, fiscal year, fund code, and organization.

personnel from DSSN 8763 explained that they did not use the CAPS interface because training officials told them that the CAPS interface did not work. Army personnel from DSSN 5579 manually entered CAPS payment information into DDS. Since our site visits, personnel at both DSSNs 8763 and 5579 have taken action to use the CAPS-to-DDS interface.

Disbursing Offices Need to Maintain Interface File Integrity

Army disbursing offices did not maintain the integrity of the STANFINS interface files. Army disbursing personnel adjusted the DDS payment data in the STANFINS interface. However, because DDS does not generate an audit trail of changes to the accounting classification, the interfaces with DDS must maintain their integrity for the audit trail to remain intact. Therefore, when Army disbursing personnel made changes to the STANFINS interface file, DDS did not reflect the changes.

Army disbursing personnel processed 296 of the 402 sample payments in which the LOAs in DDS did not reconcile to the STANFINS LOAs…

Army disbursing personnel processed 296 of the 402 sample payments in which the LOAs in DDS did not reconcile to the STANFINS LOAs; therefore, there is not a transparent audit trail between the two systems. In addition, personnel at six of the seven Army DSSNs manually adjusted the LOA information in the STANFINS interface file before submitting it to STANFINS. Of the six DSSNs that manually adjusted the LOA information, four maintained inadequate procedures for the changes made to the STANFINS interface files. These procedures did not identify the data elements Army disbursing personnel changed before completing the STANFINS interface. The remaining two DSSNs did not maintain any procedures for the changes made to the STANFINS interface file. In addition, these six DSSNs did not maintain procedures on recording the changes made to the STANFINS interface file in the original supporting documentation. To maintain a transparent audit trail in the STANFINS interface files, USAFMCOM should require the FMCs to develop procedures for making necessary changes and recording the changes in the original supporting documentation.

DDS Interface with CAPS Did Not Always Provide an Audit Trail

DFAS personnel were unable to provide an audit trail for 125 CAPS payments, totaling $1.9 million, of the 425 sample payments.[12] We provided the DDS payment information for the 125 payments to DFAS personnel to locate the corresponding CAPS data. However, DFAS personnel were not able to provide corresponding CAPS data. Army and DFAS personnel explained that it is possible the data were not available because Army personnel did not use the DDS and CAPS interface and did not update the payment

[12] We reviewed all 425 sample payments for audit trail completeness.

information in CAPS. Therefore, we were unable to verify whether the DDS interface with CAPS provided a complete audit trail for these 125 unmatched payments. USAFMCOM should review the CAPS and DDS data for completeness to ensure a transparent audit trail exists for these 125 payments.

Army Personnel Inconsistently Processed Foreign EFT Payments

DDS did not maintain accurate payment method information for 140 of the 402 sample payments, totaling $2.9 million, because DDS could not disburse EFT payments in foreign currencies. Army disbursing offices developed workarounds to make foreign currency EFT payments outside of DDS and record the payments as "check" payments in DDS. However, the Army did not consistently employ these workarounds and inaccurately recorded payment method information in DDS. For example, Army disbursing personnel at DSSN 6335 (Europe theater) identified a foreign EFT payment as a "check" in DDS and then processed the foreign EFT payment outside of DDS through a local banking system. The DDS PMO, as of June 19, 2009, implemented a system change request to be able to process foreign EFT payments in the international banking community. However, the DDS PMO stated that despite this system change, system limitations necessitate that disbursing offices like Korea and Belgium will still need to use workarounds in processing foreign EFT payments through DDS. Because this will not correct the accuracy of the payment method in DDS for disbursing offices using those workarounds, USAFMCOM should require Army disbursing offices to develop consistent methods for handling foreign EFT payments. In addition, USAFMCOM should coordinate with DFAS to develop a consistent method within DDS to identify the differences in the payment method of the foreign EFT payments.

Army's Financial System Was Missing Key Payment Information

The Army's financial system did not require entering fundamental information for commercial payments processed through DDS. Specifically, the Army's financial system did not maintain complete invoice line item, contract or requisition number, invoice received date, or invoice number information. The Core Financial System Requirements state that adequate internal controls must be in place to verify that the goods or services paid for were actually ordered, received, and accepted; that proper due dates and payment amounts were computed; and that duplicate payments were prevented. DDS provided different voucher methods for processing commercial payments; however, not all methods captured information required by the Core Financial System Requirements.

DDS provided the following different voucher methods for processing commercial payments, such as manual disbursements, CAPS, Standard Form 1034s,[13] and Standard Form 44s.[14]

[13] Standard Form 1034, "Public Voucher for Purchases and Services Other Than Personal" (SF 1034).
[14] Standard Form 44, "Purchase Order-Invoice-Voucher" (SF 44).

- The manual disbursement voucher method recorded disbursement vouchers prepared offline and required entering a minimal amount of information to process a payment in DDS.

- The CAPS-DDS voucher method processed pre-certified vendor payments that DDS received through an interface from the CAPS entitlement system.

- The SF 1034 voucher method permitted a DDS user to input complete payment data that resulted in a payment to an individual or organization for goods furnished or services rendered. This method provides an audit trail of the payment.

- The SF 44 voucher method permitted a DDS user to input complete payment data that resulted in on the spot, over-the-counter purchases of supplies and non-personal services. This method provides an audit trail of the payment.

The DDS voucher methods for the 402 Army payments reviewed for data reliability included 130 manual disbursements, 257 CAPS payments, and 15 SF 1034s. Army payments processed through DDS using the manual disbursement and CAPS voucher methods did not require the input of key information.

Manual Disbursement Voucher Method Did Not Capture Key Information

Because Army disbursing personnel used the manual disbursement voucher method to process commercial payments through DDS, the Army's financial system did not maintain the following key information for the 402 sample commercial payments:

- invoice line items for 129 payments, totaling $4.9 million;

- contract or requisition numbers for 54 payments, totaling $3.5 million;

- invoice received dates for 48 payments, totaling $3.5 million; and

- invoice numbers for 30 payments, totaling $2.6 million.

The financial system could not maintain the information because the manual disbursement voucher method required entering a limited amount of information into DDS to process a commercial payment. DDS personnel described this method as the "catch all" disbursement voucher process that required the least amount of input. The manual disbursement voucher method required entering payee information, amount, and LOA data to process a commercial payment in DDS. This voucher method did not allow for entering key data elements such as invoice line item, contract or requisition number, and invoice received date information, and did not allow for entering invoice numbers for cash or check payments. However, the Core Financial System Requirements state that the core financial system must provide the automated functionality to capture:

- invoice line items;
- an agency-assigned source document number, which may be a contract or requisition number;
- an invoice receipt date; and
- a vendor invoice number.

Army disbursing personnel processed SF 44 payments in DDS with the manual disbursement voucher method excluding key information. Although 30 of the sample payments, totaling $1.3 million, contained 175 SF 44s in the supporting documentation, disbursing personnel processed them using the manual disbursement voucher method. DDS provides the functionality to process SF 44 payments using either the SF 44 or the SF 1034 voucher method. Because disbursing personnel did not use the SF 44 or the SF 1034 voucher method to process these payments, DDS did not provide information such as the invoice line items, contract or requisition number, invoice received date, invoice number, payee, or the amount of the individual purchases. For example, instead of entering the vendor information in the payee field, disbursing personnel entered the name of the paying agent. Because the individual SF 44 payment data are not in DDS, it is not possible to identify from DDS data what the Army purchased or from whom they purchased the invoice line items. Without this basic information in the Army's financial system, Army management does not have sufficient information to analyze payment data to identify and minimize duplicate payments or other forms of improper payments. To maintain an adequate audit trail associated with these payments, USAFMCOM should require Army disbursing offices to use the SF 44 voucher method in DDS.

By using the manual disbursement voucher method, the Army disbursing offices entered only the minimal amount of information entered into DDS and weakened the audit trail associated with the payments. In addition, the Army's financial system did not comply with the Core Financial System Requirements to capture key payment information. To maintain an adequate audit trail and comply with regulations, USAFMCOM should require the disbursing offices to restrict the use of the manual disbursement voucher method in DDS.

CAPS Voucher Method Did Not Capture Invoice Line Items

Because Army disbursing personnel used the CAPS voucher method to process commercial payments through DDS, the Army's financial system did not maintain invoice line item information for 241 payments, totaling $5 million. These 241 payments are in addition to the 129 manual disbursements previously discussed, totaling 370 payments missing invoice line item information. The 241 payments did not contain the invoice line item information because neither the CAPS entitlement system nor the DDS CAPS voucher method allowed for entering this information. The CAPS voucher method captured only the data transferred from CAPS through an interface. Because the

Army's financial system did not comply with the Core Financial System Requirements to capture invoice line item information, DFAS should modify CAPS and the manual disbursement function within DDS to capture invoice line item information before processing all commercial payments in DDS.

DDS PMO Took Action to Address Previous Recommendations

In DoD Inspector General Report No. D-2010-037, "Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System," January 25, 2010, we made recommendations to DFAS management addressing modifications to DDS regarding key payment information, including contract or requisition numbers, invoice received dates, and invoice numbers for commercial payments processed through DDS. DFAS management agreed to our recommendations. As of September 20, 2010, the DDS PMO personnel modified DDS to require entering a contract or requisition number and invoice number for commercial payments. In addition, in March 2011, the DDS PMO personnel modified DDS to require the invoice received date for commercial payments. Therefore, we will not make any recommendations to DFAS management related to the contract or requisition number, invoice number, and invoice received date.

Army Did Not Have a Centralized Database of DDS Data

The Army disbursing offices could not provide a complete universe of DDS data for 13,795 commercial payments for $801.3 million in time for our review. This occurred because the Army's financial system did not maintain a centralized database of DDS payment transactions. Following our requests for Army DDS data from FY 2006 through FY 2008, the Army disbursing offices provided separate Army DDS databases with a total of 211,808 commercial payments. However, these databases did not include 13,795 commercial payment transactions; therefore, we were not able to include them in our assessment of internal controls or data reliability. During the review for missing payment transactions, we identified DDS data for 13,523 of the 13,795 payment transactions. An automated audit trail does not exist for the remaining 272 payment transactions; however, we observed the hard copy vouchers associated with these payments.

OMB Circular A-127 states that financial management systems must be in place to provide complete, timely, reliable, and consistent information to deter fraud, waste, and abuse of Federal Government resources. Although the Army did not maintain a centralized database and could not provide a complete universe of DDS payments during the audit, in November 2009, DDS PMO officials stated that the office developed a centralized repository. The DDS PMO developed this repository, the DDS Data Reporting Initiative, to provide visibility over summary level data associated with payments processed through DDS starting in FY 2009. However, this repository did not contain summary level data for all DDS payments processed before FY 2009. In addition, the repository did not maintain all key data elements associated with DDS payments, such as LOA and information to identify the users processing the payments in DDS. In April 2011, the DDS PMO modified the repository to display the LOA and user information. Therefore, we will not make any recommendation to DFAS management

relating to the modification of the repository providing visibility of LOA and user information. However, DFAS should still incorporate the 13,523 payments into the repository.

Conclusion

The Army's financial system did not maintain accurate and complete data elements such as LOA, payment method, invoice line item, contract or requisition number, invoice received date, and invoice number. As a result, critical gaps of inaccurate and incomplete data exist in the audit trail of the commercial payments Army disbursing personnel processed through DDS. USAFMCOM and DFAS should implement the recommendations in this report to improve the accuracy and completeness of Army commercial payment data processed through DDS and to comply with OMB Circular A-127 and the Core Financial System Requirements. Without a complete audit trail, Army management does not have sufficient information to oversee the commercial payment process and ensure payments are proper; without appropriate oversight and proper payments, the Army places DoD funds at an increased risk for human error, lack of audit trail, and improper payments.

Management Comments on the Finding and Our Response

Department of the Army Comments

The DASA-FO provided additional comments on the finding to note that abnormal balances related to DDS payments did not exceed acceptable threshold levels during the audit.

Our Response

Our audit did not include a review of abnormal balances resulting from DDS payments; therefore, we cannot comment on the validity of this statement.

Defense Finance and Accounting Service Comments

The Deputy Director, Operations, DFAS, provided additional comments on the finding to highlight DFAS corrective actions that we did not include in the draft report. These actions included the DDS PMO implementing system change requests to provide Army management with sufficient visibility to readily review and identify access control weaknesses, and to incorporate the LOA and user information into the Data Reporting Initiative.

Our Response

The actions taken by DFAS relate to recommendations made in the DoDIG Report No. D-2010-037, "Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System," January 25, 2010, or modifications to the system as a result of our ongoing audit work. In this report on controls over Army's DDS payments, we state that, "As of

September 20, 2010, DDS PMO personnel modified DDS to require entering a contract or requisition number and invoice number for commercial payments. In addition, in March 2011, the DDS PMO personnel modified DDS to require the invoice received date for commercial payments." Because of the DDS PMO's actions, we do not make any recommendations to DFAS management related to the contract or requisition number, invoice number, and invoice received date. We also explain that as of June 19, 2009, the DDS PMO had implemented a system change request to be able to process foreign EFT payments in the international banking community.

In April 2011, the DDS PMO modified the Data Reporting Initiative to display the line of accounting data and user information. We issued the draft of this report on controls over Army's DDS payments on May 11, 2011; therefore, we did not capture the actions taken by the DDS PMO. Because the DDS PMO took actions before the final report issuance, we removed recommendation B.2.b that DFAS modify the Data Reporting Initiative to LOA and user information.

Recommendations, Management Comments, and Our Response

Deleted and Renumbered Recommendations

In response to management comments, we deleted draft Recommendation B.2.b; therefore, we renumbered draft Recommendation B.2.c as Recommendation B.2.b.

B.1. We recommend that the Deputy Assistant Secretary of the Army (Financial Operations):

a. Require the Financial Management Centers to:

(1) Use the Deployable Disbursing System and Standard Finance System interface.

(2) Develop procedures for Army disbursing offices making changes to the Standard Finance System interface files and the recording of these changes in the original supporting documentation.

(3) Use consistent methods for those Army disbursing offices using workarounds to handle foreign electronic funds transfer payments.

(4) Restrict the use of the manual disbursement voucher method.

Department of the Army Comments

The DASA-FO agreed with Recommendations B.1.a(1) through B.1.a(4) and stated that he had addressed these issues in his memorandum, "Army Disbursing and Entitlement Systems Controls," June 6, 2011.

(5) Use the Standard Form 44 voucher method in the Deployable Disbursing System when processing Standard Form 44 payments.

Department of the Army Comments

The DASA-FO agreed with Recommendation B.1.a(5) and stated that he had addressed these issues in his memorandum, "Army Disbursing and Entitlement Systems Controls," June 6, 2011. He added, however, that "due to resource constraints and processing of classified payments in contingency operations, disbursing offices are authorized to process multiple SF 44s on a single SF 1034 voucher in the system provided key data is included on the 1034 input or, for classified payments, use separately established procedures for cross-referencing to separate classified files."

b. Review the Computerized Accounts Payable System and Deployable Disbursing System data for completeness to ensure a transparent audit trail exists for the 125 payments in our sample that had no trail.

Department of the Army Comments

The DASA-FO agreed and stated that DFAS has performed an exhaustive search of copies of the CAPS databases. He also stated that the original CAPS data for these payments have probably been archived. He further explained that the Business Transformation Agency maintained a CAPS repository for the contingency theaters, but there was not a centralized CAPS repository for all Army CAPS sites. Therefore, DFAS was developing a deployable version of CAPS that would include a central repository. He expected this improvement to be implemented in 2012.

c. Coordinate with Defense Finance and Accounting Service to develop a consistent method within the Deployable Disbursing System to identify the differences in the payment method of the foreign electronic funds transfer payments.

Department of the Army Comments

The DASA-FO agreed and stated that USAFMCOM, in coordination with DFAS, would publish guidance on standardizing how electronic payments made through local depository accounts were to be recorded in DDS. On August 2, 2011, the Director, USAFMCOM agreed to provide this guidance no later than September 30, 2011.

Our Response

The DASA-FO comments to Recommendations B.1.a(1) through B.1.a(5), B.1.b, and B.1.c were responsive and the actions met the intent of the recommendations.

B.2. We recommend that the Director, Defense Finance and Accounting Service:

a. Modify the Computerized Accounts Payable System and the manual disbursement function within the Deployable Disbursing System to capture invoice line item information for all commercial payments,

Defense Finance and Accounting Service Comments

The Deputy Director, Operations, DFAS, agreed and stated that CAPS-Clipper did not require invoice line item information. However, the invoice line item information was required to be maintained in CAPS-Windows and DFAS was converting all remaining sites that use CAPS-Clipper to CAPS-Windows by December 31, 2011.

Our Response

The Deputy Director, Operations, DFAS, comments were responsive, and the actions met the intent of the recommendation.

b. Incorporate the 13,523 Deployable Disbursing System payments into the Data Reporting Initiative.

Defense Finance and Accounting Service Comments

The Deputy Director, Operations, DFAS, agreed and stated that the DDS PMO developed the Data Reporting Initiative in January 2009, and it contains all but 272 DDS payment transactions since 2009. He also stated that the DFAS provided hard copy vouchers for the outstanding 272 transactions.

Our Response

The Deputy Director, Operations, DFAS, comments were not responsive. His comments did not specifically address whether the DDS PMO incorporated the 13,523 Army DDS payments, which occurred before January 2009, into the Data Reporting Initiative. We request that the Deputy Director, Operations, DFAS, provide additional comments on recommendation B.2.b.

Finding C. Army and DFAS Had Inadequate Controls Over DDS Database Changes

Army disbursing offices and DFAS did not have adequate controls for the 1,017 DDS database changes that we reviewed. Specifically, Army disbursing offices and DFAS:

- did not maintain adequate supporting documentation for 1,017 DDS database changes, and

- did not document the review and approval of 294 DDS database changes.

In addition, the Army disbursing offices and DFAS did not maintain a complete repository that included 210 DDS database changes. This occurred because USAFMCOM and DFAS officials did not have a memorandum of agreement that included procedures on how to request, approve, document, execute, and retain DDS database changes. In addition, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, did not publish guidance on how to properly document and control changes to DoD databases. As a result, disbursing offices initiated 294 database changes with the intent to adjust $49.7 million in fund accountability without supporting documentation or approval. Further, disbursing offices initiated 53 database changes to end-of-day balances on the Statement of Accountability report without documented approval of the updated report.

Database Change Audit Trail Requirements

According to the DoD FMR, the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, is responsible for overseeing the establishment of internal controls and audit trails required for preparing financial reports and for processing associated transactions. The DoD FMR also requires that DoD Components ensure that they maintain audit trails in sufficient detail to permit tracing transactions from their sources to their transmission to DFAS. Audit trails enable tracing a transaction from the manual vouchers and corresponding supporting documentation to the financial statements.

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, the core financial system must capture all document change events, including the date, time, and user identification. Adequate audit trails enable agencies to reconcile accounts, research document history, and query data stored in the core financial system.

DDS Database Change Process

According to DDS PMO personnel, disbursing office personnel called the DDS PMO help desk when they had a problem with DDS. The DDS PMO entered call information such as the caller name, date, location, problem description, and the resolution into the Customer Support Initiative (CSI) database. The DDS PMO stated that most issues were resolved over the phone; however, some circumstances required a database change, also known as a script, to resolve the problem. When the DDS PMO determined the disbursing office needed a database change, the DDS PMO requested a copy of the disbursing office's DDS database to verify the problem. The DFAS Technology Services Organization[15] created the database change file, the DDS PMO provided it to the disbursing office, and the disbursing office executed the database change file. The Technology Services Organization attached the database change file to Tracker, which was a repository for database change files. DFAS did not have procedures for documenting this process and should develop procedures documenting the process for requesting and executing database changes.

Controls Need to Be Established Over Army DDS Database Changes

Army disbursing offices and the DDS PMO did not have adequate internal controls over changes made to the DDS database. The DDS PMO provided a list of 1,036 Army DDS database changes made during FY 2006 through FY 2008; we identified an additional 210 DDS database changes through a review of the CSI database. As a result, the DDS PMO issued 1,246 DDS database changes during FY 2006 through FY 2008. The DDS PMO was not able to provide 229 database changes in time for our review. Therefore, we were able to review only 1,017 of the 1,246 DDS database changes. Table 6 shows a breakout of the DDS database changes.

Table 6. Army DDS Database Changes from FY 2006 through FY 2008

Source of Database Change	Number of Database Changes	Number of Database Changes Reviewed
Database Changes Originally Identified by DDS PMO	1,036	1,017
Additional Database Changes Identified During Audit	210	0
Total	**1,246**	**1,017**

[15] The DFAS Technology Services Organization oversees the development, implementation, operation, and maintenance of DFAS systems.

DDS Database Changes Not Adequately Supported

Army disbursing offices and the DDS PMO did not maintain adequate supporting documentation for the 1,017 DDS database changes. Specifically,

- the DDS PMO did not provide complete and accurate descriptions of database changes, and

- Army disbursing offices and the DDS PMO did not maintain adequate controls in DDS to determine whether the Army disbursing personnel made changes to the DDS database.

Database Change Descriptions Incomplete and Inaccurate

The DDS PMO did not document a complete and accurate description of database changes. Specifically, the DDS PMO:

- did not document in CSI

    - key information on what caused the problem and how it was resolved, including the lines and amounts modified by a database change, and

    - the name of the database change file when the DDS PMO issued a database change to the Army disbursing personnel, and

- did not document in the database change file the complete or accurate description as to what lines the database change affected.

The DDS PMO did not document complete and accurate information because the DDS PMO did not have policy and procedures on the information and documentation that should be included in either CSI or the database change file. On May 10, 2010, the DDS PMO issued an internal standard operating procedures manual providing new guidance on documentation and maintenance of database changes. However, the procedures did not include specific guidance on how to document the effect of a database change on the data. DFAS needs to create procedures that will capture a complete and accurate description of DDS database changes.

Adequate Controls Needed to Maintain Evidence of Database Changes

Army disbursing offices and the DDS PMO did not have adequate controls to maintain system information to identify database changes executed by disbursing offices. When an Army disbursing office executes a database change, DDS records the name of the database change file and a brief description of the change in the error log. In addition, this documentation in the error log prevents the disbursing office from incorporating the same database change multiple times. However, when Army disbursing offices archive and delete their DDS data, DDS does not maintain the error log. Without the error log, Army management cannot determine whether the disbursing office executed a database

change, and consequently, the disbursing office may inadvertently run a database change multiple times, which would cause the data to be further changed.

In response to our identification of this issue, the DDS PMO created controls to maintain system information…

In response to our identification of this issue, the DDS PMO created controls to maintain system information to identify whether a disbursing office executed a database change. When a disbursing office executes a database change, DDS records the database change name in the application history table. DDS maintains the application history table when the disbursing offices archive and delete their DDS data. Because the DDS PMO established adequate controls to retain system information, we will not make a recommendation on this issue.

Database Changes Did Not Have Adequate Review and Approval Documentation

Army disbursing offices and the DDS PMO did not document the review and approval of DDS database changes. Specifically,

- Army disbursing offices and the DDS PMO did not document approval for at least 294 of 1,017 database changes, affecting $49.7 million in Army fund accountability as reported on Statement of Accountability[16] (SOA) reports; and

- Army disbursing personnel requested at least 53 of the 1,017 database changes to DDS data used to create previous SOA reports. However, the Army did not have procedures requiring the review and approval of the revised SOA report.

Accountability Changes Need Documented Approval

The DDS PMO, at the request of the Army disbursing personnel, provided at least 294 of 1,017 DDS database changes to increase or decrease $49.7 million in fund accountability. These changes represented modifications in the classification of funds for which disbursing officers were accountable to the U.S. Treasury. Army disbursing offices and the DDS PMO did not provide documented evidence of review and approval of these database changes.

[16] The Statement of Accountability reports impacted by database changes include the DD Form 2657 and DD Form 2665. Disbursing officers maintain their daily accountability on the DD Form 2657 (Daily Statement of Accountability). Deputies, cashiers, and agents report their accountability to the disbursing officer on DD Form 2665 (Daily Agent Accountability Summary).

USAFMCOM and the DDS PMO did not require formal disbursing officer approval of DDS database changes affecting accountability.

The DDS PMO did not require written approval for creating, issuing, and implementing database changes that increase or decrease accountability. Although the Army disbursing officers should have oversight over any increases or decreases in their accountability, USAFMCOM did not have requirements for formally approving DDS database change requests that affect the disbursing officer's accountability. USAFMCOM and the DDS PMO did not require formal disbursing officer approval of DDS database changes affecting accountability. Therefore, there was no evidence that the disbursing officer acknowledged accountability increases or decreases resulting from the database change. In addition, the DoD FMR does not contain guidance on documenting and making changes to a database. However, during our audit, the DDS PMO added a requirement for the DDS PMO to approve database changes affecting accountability, to notify the disbursing officer of the changes, and to document the information in CSI.

Army disbursing offices and the DDS PMO also did not properly document database changes that affected accountability. Database changes that affected accountability contained a brief description on the printed SOA report. However, these descriptions were unreliable. For example, a DDS database change description showed that the change updated the day's beginning balance, when actually, it corrected the previous day's ending balance. USAFMCOM and DFAS need to create guidance that requires formal disbursing officer approval of all DDS database changes affecting accountability and proper documentation of the changes. In addition, USAFMCOM should review the 294 DDS database changes that affected accountability to ensure that DoD funds were not at risk for fraud, waste, or abuse.

DDS Database Changes Affect Daily Balances for Reporting Amounts

The DDS PMO provided at least 53 of 1,017 database changes that affected DDS data and were used to create SOA reports. However, USAFMCOM and the DDS PMO did not establish procedures requiring the review and approval of an updated SOA report resulting from DDS database changes. These 53 database changes would revise end of day balances to closed business days' reports. For example, a database change increased the ending day balance for the previous day's SOA report by $478,697.94; however, the DDS PMO did not require the Army disbursing officer to review and sign the modified SOA report associated with this change. Changing the end of day balances could cause the Army disbursing offices to have obsolete signed SOA reports that do not match the DDS data used to create the reports. Signed SOAs provide the signees acknowledgment of the amount of funds for which they are liable.[17] The DDS PMO also provided database changes that affected only the report amounts, but did not correct the transactional data that supports the report. For example, the DDS PMO issued a database change to adjust an SOA report that the day's accountability and month-to-date

[17] A signed SOA represents the disbursing officer's acknowledgment of the amount of funds under his/her control for which he/she is liable per the appointment letter. See the Glossary of Technical Terns for additional information.

accountability were out of balance by $54,329 for over 20 days. This adjustment to the SOA report was not supported by transactional data. USAFMCOM should require that the disbursing officer review and approve modified SOA reports. In addition, USAFMCOM should review and approve modified SOA reports impacted by the 53 database changes.

DDS Database Change Repository Was Incomplete

The DDS PMO did not maintain a complete repository of database change files. The DDS PMO could not locate the database change files for 69 (5.5 percent) of the 1,246 database changes. Because the DDS PMO did not provide the actual database change file, we could not determine whether the changes were legitimate.

As a result of this audit, the DDS PMO incorporated a central repository to maintain all database change files. The Technology Services Organization reconciles the repository to CSI and the Tracker system to verify the repository accounts for all database change files. Because the DDS PMO established a central repository to retain copies of all DDS database change files, we will not be making a recommendation on this issue.

Guidance on Database Changes Needs to Be Complete

USAFMCOM and the DDS PMO need to improve internal controls over Army DDS database changes by developing a memorandum of agreement or formal procedures providing guidance on how to request, approve, document, execute, and retain DDS database changes. DoD FMR, volume 1, chapter 3, requires DFAS to establish a memorandum of agreement with each DoD organization supported by DFAS systems. Army disbursing offices and the DDS PMO did not have adequate documentation on the procedures for making database changes. The formal procedures that the DDS PMO provided relating to the DDS database change process was included in the Help Desk Night-Shift Operations standard operating procedures. For the database change process, this standard operating procedure discussed only the approval process for database changes affecting accountability. However, the approval process was inadequate because it did not require the disbursing officer's approval for changes affecting accountability. In addition, the Technology Services Organization did not have any written procedures on how to create the database change files. USAFMCOM and DFAS need to create guidance and procedures on how to request, approve, document, execute, and retain DDS database changes.

DoD Needs Policies for Documenting and Controlling Database Changes

Although the Office of the Under Secretary of Defense (Comptroller/Chief Financial Officer) established policy on audit trails, DoD has not published guidance on how to properly document and control changes to DoD databases. The DoD should incorporate into the DoD FMR guidance establishing internal controls and audit trails for changes to

DoD databases. At a minimum, the guidance should provide requirements for documenting database changes to include justification, approval, dollar amount of the change, date and time of the change, and the identification of the system user making the change.

Conclusion

USAFMCOM and the DDS PMO did not have adequate guidance on how to request, approve, document, execute, and retain DDS database changes. In addition, the DoD has not issued guidance on controls for database changes. As a result, the Army and DDS PMO did not have a proper audit trail to determine the reliability of DDS data nor support the validity of changes to Army fund accountability. It is essential that USAFMCOM and the DDS PMO create guidance to document procedures on how to request, approve, document, execute, and retain DDS database changes. A transparent audit trail requires complete and accurate documentation. USAFMCOM should review each instance in which DDS database changes affected accountability to ensure safeguarding taxpayer funds against fraud, waste, or abuse.

Management Comments on the Finding and Our Response

Defense Finance and Accounting Service Comments

The Deputy Director, Operations, DFAS, provided additional comments on the finding to highlight some of the internal controls that existed over database changes. He explained that internal controls existed through the standard operating procedures and processes in place to reconcile the database changes.

Our Response

On page 37, we discuss an internal standard operating procedures manual that the DDS PMO issued on May 10, 2010. We acknowledged that this manual provided new guidance and controls over the documentation and maintenance of database changes. However, the manual "did not include specific guidance on how to document the effect of a database change on the data." Therefore, we concluded the procedures did not provide adequate controls over the documentation and maintenance of database changes. In addition, although the database change reconciliation process started in February 2010, the DDS PMO was not able to provide supporting documentation for 229 database changes in time for our review.

Recommendations, Management Comments, and Our Response

C.1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, update the DoD 7000.14-R, "DoD Financial Management Regulation" with guidance establishing internal controls and audit trails for changes to DoD databases. At a minimum, this guidance should require:

a. Justification for the database change,

b. Dollar amount of the database change,

c. Date and time of the database change,

d. Name and position of the individual reviewing and approving the database change, and

e. User identification of the individual making the database change.

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, Comments

The Deputy Chief Financial Officer partially agreed. He stated that although he agreed that there should be published guidance on how to properly document and control changes to DoD databases, he did not agree that this detailed guidance be included in the DoD FMR. Rather, he agreed to add a statement that directs Components to include appropriate internal controls and audit trails for adjustments to data and databases as outlined in the OMB Circular A-123, "Management's Responsibility for Internal Control." The estimated completion date for the update to DoD FMR, volume 1, chapter 3, is January 2012.

Our Response

The Deputy Chief Financial Officer's comments were responsive and he agreed to add a statement to the DoD FMR directing Components to include appropriate internal controls and audit trails for adjustments to data and databases in compliance with the OMB Circular A-123. This action met the intent of the recommendations.

C.2. We recommend that the Deputy Assistant Secretary of the Army (Financial Operations):

a. Review the 294 Deployable Disbursing System database changes that affected accountability to ensure that DoD funds were not subjected to fraud, waste, or abuse.

b. Review and approve modified Statement of Accountability reports impacted by the 53 Deployable Disbursing System database changes identified in this audit.

Department of the Army Comments

The DASA-FO agreed and stated that the internal review office would review a sample of the 294 database changes to ensure disbursed funds were not subjected to fraud, waste, or abuse. He also agreed to review a sample of the 53 database changes identified in the audit, which impacted Statement of Accountability reports. He anticipated that the preliminary results of this review would be available by December 31, 2011.

Our Response

The DASA-FO comments were responsive, and the actions met the intent of the recommendations.

C.3. We recommend that the Deputy Assistant Secretary of the Army (Financial Operations), in coordination with the Director, Defense Finance and Accounting Service, develop a memorandum of agreement or formal procedures providing guidance on how to request, approve, document, and execute Deployable Disbursing System database changes. In addition, require the disbursing officer to approve all changes that affect their accountability and review and approve all modified Statement of Accountability reports.

Army Comments

The DASA-FO agreed. He will implement the enhanced controls and audit logs that DFAS developed for using script files to modify the DDS database values for uncorrected errors. He said he would limit scripts affecting daily accountability to those requested by the responsible disbursing official. He stated he would coordinate with DFAS to codify these changes in a formal document.

Defense Finance and Accounting Service Comments

The Deputy Director, Operations, DFAS, agreed and stated that the DDS PMO and DASA-FO have collaborated to modify the DDS Help Desk Standard Operating Procedures for requesting changes to DDS. The Standard Operating Procedures require notifying the disbursing officer before making changes to the database. On July 8, 2011, the DDS PMO provided the DDS Help Desk Standard Operating Procedures signed by the Director, USAFMCOM; the DDS Program Manager; and the Director, U.S. Marine Corps Disbursing Operations.

Our Response

The DASA-FO and the Deputy Director, Operations, DFAS, comments were responsive. They have taken actions that met the intent of the recommendations.

Appendix A. Audit Scope and Methodology

We conducted this performance audit from August 2009 through March 2011 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

From FY 2006 through FY 2008, the Army processed more than 285,926 commercial and miscellaneous payments, totaling $13.9 billion, through DDS. We received DDS data for 272,131 payments. We identified an additional 13,795 payments, totaling $801.3 million, for which we were missing DDS data. We could not review the 13,795 payments because Army disbursing offices did not provide the DDS data in time for our review. 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 Army payments made from FY 2006 through FY 2008, which included 272,131 payments, totaling $13.1 billion. The universe included commercial and miscellaneous payment from Army disbursing offices located in Europe, Korea, and Southwest Asia. Our nonstatistical sampling approach resulted in the selection of 425 payments, totaling $10.5 million, from a universe of 211,808 commercial payments, totaling $9.6 billion. We excluded the 60,323 miscellaneous payments from the sample universe because miscellaneous payments included payments such as condolence or travel payments, which were not in the scope of our data reliability review.

Table A-1 shows a breakout of the nonstatistically sampled commercial payments by location. We tested the reliability of DDS payment information by comparing 425 hard copy vouchers and supporting documentation to the DDS data. We could not assess reliability for 23 of these commercial payments because they represented Government Purchase Card payments for which visited Army disbursing offices did not maintain the supporting documentation.

Table A-1. Nonstatistical Sample of Army Payments

Location	Number of Payments	Amount
Europe	150	$1,418,650
Korea	130	2,732,457
Southwest Asia	145	6,391,811
Total	**425**	**$10,542,918**

We also performed site visits to evaluate the effectiveness of current internal controls. We visited seven Army DSSNs, completed internal control reviews for 16 Army DSSNs, and manually reviewed hard copy vouchers for 10 Army DSSNs. The nonstatistical sample did not include payments from all 16 DSSNs because some DSSNs processed few or no commercial payments. Table A-2 provides a breakout of each DSSN included in our reviews.

Table A-2. Army Disbursing Offices Reviewed

Disbursing Offices	Systems Control Review*	Internal Control Review	Sites with Nonstatistical Sample Payments
Europe Theater (6 sites)			
DSSN 5499	X	X	X
DSSN 6335	X	X	X
DSSN 6387	X	X	
DSSN 6460		X	
DSSN 6583		X	
DSSN 8763	X	X	X
Korea Theater (2 sites)			
DSSN 5023		X	
DSSN 6411	X	X	X
SWA Theater (8 sites)			
DSSN 5579	X	X	X
DSSN 5588		X	X
DSSN 8485		X	
DSSN 8547		X	X
DSSN 8549		X	X
DSSN 8589		X	X
DSSN 8748	X	X	X
DSSN 8788		X	
Total	**7**	**16**	**10**

*Performed at the disbursing offices we visited.

We analyzed the sampled payments to determine the reliability of the data processed through DDS. We completed a review of the sample payments to determine whether key data elements, such as certifying official information, contract and requisition numbers, invoice received date, and invoice number, were complete and accurate. We did not perform any audit work relating to the recording of related obligations because DDS is not involved in the recording of Army obligations.

We compared the DDS data for the 425 sampled commercial payments to STANFINS and CAPS data to verify that all matched and that the data were complete and accurate.

We also reviewed 1,017 database changes of the 1,246 the DDS PMO created in response to Army disbursing personnel requests to alter DDS data. The DDS PMO could not provide 229 database changes in time for our review; therefore, we consider this a scope limitation.

Use of Computer-Processed Data

The objective of the audit was to assess the reliability of DDS data. We found DDS data to be incomplete and inaccurate and, therefore, unreliable. We relied upon computer-processed data obtained from STANFINS, CAPS, and CSI to perform this audit. We assessed the reliability of STANFINS data by comparing the LOA from DDS data to STANFINS data. Although we found discrepancies in comparing the DDS data with STANFINS data, we found the STANFINS data sufficiently reliable for our purposes. We assessed the reliability of CAPS data by comparing CAPS data and hard copy vouchers to DDS data. We found discrepancies in the CAPS data, and we made a recommendation to ensure a transparent audit trail exists; otherwise, the CAPS data as they related to the audit objective were reliable. We found CSI did not contain complete documentation of the database changes and made a recommendation to correct the incomplete documentation; otherwise, the information in CSI as it related to the audit objective was reliable.

Use of Technical Assistance

The DoD Office of Inspector General Quantitative Methods and Analysis Division provided a sample of payments from DDS to test for reliability. In addition, the Quantitative Methods and Analysis Division consolidated the DDS databases provided by the DDS PMO into the data-mining program for the audit team to analyze.

Appendix B. Prior Coverage of the Deployable Disbursing System

During the last 5 years, the Department of Defense Inspector General (DoD IG) and the Army Audit Agency (AAA) have issued 12 reports discussing the Deployable Disbursing System. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/audit/reports. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at https://www.aaa.army.mil/.

DoD IG

DoD IG Report No. D-2010-038, "Identification of Classified Information in an Unclassified DoD System and an Unsecured DoD Facility," January 25, 2010 (FOUO)

DoD IG Report No. D-2010-037, "Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System," January 25, 2010

DoD IG Report No. D-2010-034, "Internal Controls Over the Army, General Fund Cash and Other Monetary Assets Held in Southwest Asia," January 8, 2010

DoD IG Report No. D-2009-062, "Internal Controls Over DoD Cash and Other Monetary Assets," March 25, 2009

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 the Deployable Disbursing System Compliance with the Defense Business Transformation System Certification Criteria," January 4, 2008

Army

AAA Report No. A-2010-0062-ALL, "Audit of Controls Over Vendor Payments - Southwest Asia (Phase II)" March 16, 2010

AAA Report No. A-2010-0057-ALL, "Audit of Controls Over Vendor Payments - Southwest Asia (Phase II)" February 24, 2010

AAA Report No. A-2010-0012-ALL, "Audit of Controls Over Vendor Payments - Southwest Asia (Phase II)" January 5, 2010

AAA Report No. A-2009-0173-ALL, "Audit of Controls Over Vendor Payments - Kuwait (Phase I – U.S. Army Contracting Command, Southwest Asia, Camp Arifjan, Kuwait)" July 29, 2009

Appendix C. Army Vendor Payment Cycle

The audit trail for the Army procurement and disbursing process begins with the identified requirement for goods and services and ends with a payment out of DDS.

1. The Army:
   - acknowledges the requirement for goods or services,
   - develops a Purchase Request and Commitment, and
   - forwards the purchase request information to the Resource Management Shop.

2. The Resource Management Shop:
   - assigns the funding and
   - enters the commitment into the Resource Management Tool or database Commitment Accounting System, which in turn sends the information to STANFINS.

3. The Army contracting office:
   - confirms the purchase request in Resource Management Tool,
   - uses the approved Purchase Request and Commitment to create the contract, and
   - enters the contract fulfilling the requirements for goods and services in Standard Procurement System/Procurement Desktop Defense.

4. The Army forwards the contract from Standard Procurement System/Procurement Desktop Defense through an automated interface to the entitlement system, CAPS, or manually provides it to vendor pay.

5. The vendor:
   - provides the goods and services and
   - submits an invoice.

6. The receiving official:
   - acknowledges receipt of goods or services on the receiving report and
   - forwards the receiving report to vendor pay.

7. Army vendor pay personnel enter vendor invoice and receiving report information into CAPS.

8. CAPS creates a voucher for payment.

9. The certifying officer, in accordance with DoD FMR, volume 5, chapter 33:
   - reviews the payments and
   - authorizes the hard copy CAPS vouchers.

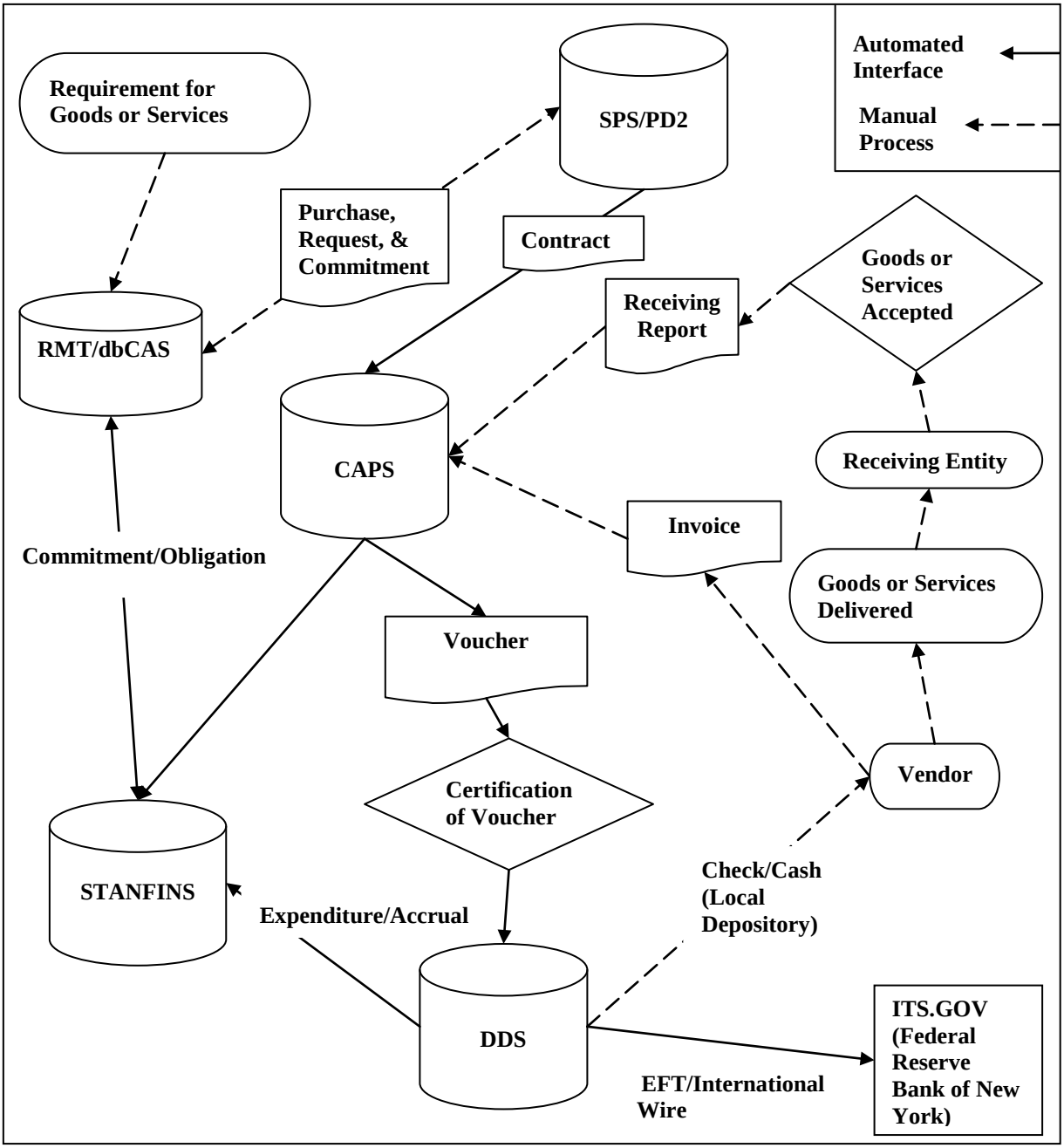
10. Through an interface, CAPS passes the payment data to the disbursing system, DDS.

However, not all commercial payments flow through CAPS. The Army processes some commercial payments through manual entry of payment information into DDS.

11. Whether processed through an interface or manual entry into DDS, the disbursing office:
    - makes payments by cash, check, or EFT,
    - sends payments to vendors in one of two ways:
        - through an EFT/International Wire to the vendor's account through the International Treasury System or
        - through payment to a local depository account for the vendor to withdrawal the cash, and then
    - sends payment data to STANFINS, where the disbursement cycle ends.

The following figure illustrates the automated interface and manual process for Army vendor payments.

Figure. Army Automated Flow of Vendor Payments



- Resource Management Tool (RMT) or database Commitment Accounting System (dbCAS)- Commitment System
- Standard Procurement System/Procurement Desktop Defense (SPS/PD2)- Contracting System
- Computerized Accounts Payable System (CAPS)- Entitlement System
- Deployable Disbursing System (DDS)- Disbursing System
- Standard Finance System (STANFINS)- Accounting System
- International Treasury System (ITS.GOV)

*Payments manually disbursed from DDS do not flow through CAPS.

Glossary of Technical Terms

Army's Financial System. The Army's financial system is an information system consisting of applications, such as STANFINS, CAPS, and DDS, that collect, process, maintain, transmit, and report data about financial events.

Appointment Letter. An appointment letter states the specific duties the disbursing office and all other agent officers are authorized to perform. It includes the statement "I acknowledge that I am strictly liable to the United States for all public funds under my control." This letter also includes a statement that confirms that the appointee has been counseled with regard to pecuniary liability and has been given written operating instructions.

Backout. A backout is an action completed to correct or void a payment.

Computerized Accounts Payable System (CAPS). CAPS is the entitlement system the Army uses that generates a voucher for payment and interfaces with DDS.

Database Change. A database change is a method of changing data without using actual transactions.

Deployable Disbursing System (DDS). DDS is a disbursing system that automates a variety of disbursing office functions including travel, military, commercial, and miscellaneous payments; accounts payable; collection processes; and financial reporting requirements. It interfaces with both the Computerized Accounts Payable System and the Standard Finance System.

Disbursing Office. A disbursing office is an activity or the organizational unit of an activity whose principal function consists of disbursing, collecting, and reporting of public funds.

Disbursing Station Symbol Numbers (DSSN). A DSSN is a four-digit number assigned to each disbursing office by the Department of Treasury. The DSSN is an identification number that indicates authority to receive and disburse public funds and issue checks on the U.S. Treasury. In this report, we refer to disbursing offices by DSSN.

Generic User Accounts. Generic user accounts are those with general account identifications that are not assigned to a specific DDS user.

Improper Payments. Improper payments are those that should not have been made or that were made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Interface. An interface is a method of communication between two systems that often includes transferring data from one system to another.

Multiple User Accounts. Multiple user accounts are those where more than one account is assigned to one DDS user. A user with multiple user accounts can access several privileges and perform multiple disbursing functions.

Privileges. Privileges in DDS allow users to perform disbursing functions, which include system administrator, accounting, payment certification, check printing, and voucher input.

Standard Finance System (STANFINS). STANFINS is the Army accounting system that interfaces with DDS.

System Administrator Privilege. The system administrator privilege in DDS allows users to access the user setup screen, manipulate payment data, create and maintain user accounts, assign privileges, reset passwords, back out payments, and archive and purge data.

User Account List. The user account list for DDS identifies individuals assigned to DDS within a disbursing office. This list details the user's name, identification, and outstanding fund balance.

Voucher. A voucher is a document certified by a certifying officer as a basis for a disbursing officer to make a payment. In this report we refer to SF 1034 (Public Voucher for Purchases and Services Other Than Personal) as a voucher.

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JUL 5 2011

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING SERVICE, OFFICE OF THE INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

SUBJECT: Revised Response to Draft Audit Report, "Controls Over Army Deployable Disbursing System Payments Need Improvement"

On May 9, 2011, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) forwarded comments on the subject draft DoD Inspector General audit report. Although OUSD(C) concurred that there should be published guidance on how to properly document and control changes to DoD databases, OUSD(C) did not concur that this detailed guidance be in the *Department of Defense Financial Management Regulation*. After further discussion with your staff, OUSD(C) agrees to add a statement that directs components to include appropriate internal controls and audit trails for adjustments to data/databases, as outlined in the Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control." The detailed response is attached.

Thank you for the opportunity to respond to the draft audit report. My point of contact is [redacted]. She can be reached at [redacted] or [redacted]

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

DOD OIG DRAFT REPORT DATED MAY 11, 2011
PROJECT NO. D2007-D000FL-0252.003

"CONTROLS OVER ARMY DEPLOYABLE DISBURSING SYSTEM PAYMENTS NEED IMPROVEMENT"

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)
(OUSD)(C) COMMENTS TO THE DOD OIG RECOMMENDATIONS

RECOMMENDATION C.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer update the DoD 7000.14-R, "DoD Financial Management Regulation" with guidance establishing internal controls and audit trails for changes to DoD databases. At a minimum, this guidance should require:

a. Justification for the database change,

b. Dollar amount of the database change,

c. Date and time of the database change,

d. Name and position of the individual reviewing and approving the database change, and

e. User identification of the individual making the database change.

OUSD(C) RESPONSE: Partially concur. Although OUSD(C) concurs that there should be published guidance on how to properly document and control changes to DoD databases, OUSD(C) does not concur that this detailed guidance be in the *Department of Defense Financial Management Regulation* (DoDFMR). The DoDFMR, Volume 1, Chapter 3, "Federal Financial Management Improvement Act of 1996 Compliance, Evaluation, and Reporting," provides the overarching authoritative guidance for all system requirements. Appropriate internal controls that direct and guide the systems operations should be integrated into each system established by agency management. Determining how to assess the effectiveness of internal control is left to the discretion of the agency, therefore, the DoDFMR does not specifically detail step-by-step procedures for any financial system. The OUSD(C) will add a general statement to this chapter that directs components to include appropriate internal controls and audit trails for adjustments to data/databases as outlined in the Office of Management and Budget Circular A-123, Management's Responsibility for Internal Control." Step-by-step detailed procedures for changes to a system's data/databases should be addressed in the system's standard operating procedures. The Deployable Disbursing System Project Management Office will update their standard operating procedures manual to include specific details of data/database change requirements as described in the recommendation.

Attachment

Department of the Army Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

REPLY TO
ATTENTION OF

JUN 10 2011

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR FINANCIAL MANAGEMENT AND REPORTING, OFFICE OF THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL, 400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-4704

SUBJECT: Controls Over Army Deployable Disbursing System (DDS) Payments Need Improvement (Project No. D2007-D000FL-0252.003)

1. Reference your memorandum dated 11 May 2011, subject as above.

2. We appreciate the opportunity to comment on the subject draft report. During the audit period (fiscal years 2006-2008) the Army processed 272,131 commercial and vendor payments through DDS. We ultimately provided automated DDS history that documented 271,859 of these payments and hardcopy records documenting the remaining 272 payments. We also note abnormal balances related to DDS payments did not exceed acceptable threshold levels during the audit period.

3. Although documentation exists to support these payments, and abnormal balances were within tolerance, we acknowledge that system access controls were not always up to standard. Additionally, we recognize the need to improve training for the Soldiers we deploy to process these payments in support of contingency operations. Therefore, we will implement the audit's recommendations to improve the theater-wide disbursing control environment and ensure personnel operating DDS are properly trained. An effective control environment is critical to ensuring the proper payment and reporting of commercial and vendor payment transactions.

4. Specific responses to the draft recommendations are attached. My point of contact for this matter is [redacted] at [redacted] or telephone [redacted].

Encl

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

Printed on Recycled Paper

DoDIG Project No. D2007-D000FL-0252.003

Controls Over Army Deployable Disbursing System Payments Need Improvement

Department of the Army Comments to the Draft Report Recommendations

Recommendation A-1: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) instruct the Financial Management Centers to establish procedures requiring Army disbursing offices to:

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

b. Eliminate the use of generic user accounts in the Deployable Disbursing System.

c. Minimize the number of users with the system administrator privilege.

d. Use the System Authorization Access Request form or another method for verifying security clearances, need-to-know, and awareness of information assurance responsibilities in granting access to users of the Deployable Disbursing System.

e. Review the Deployable Disbursing System user account lists periodically for the use of multiple and generic used accounts and monitor user access.

f. Maintain certifying officer appointment letters in accordance with DoD Regulation 7000.14-R, "DoD Financial Management Regulation" volume 5, chapter 21.

g. Ensure access to interface data and processes is limited to personnel responsible for processing interface files.

h. Maintain adequate continuity of operations plans in accordance with the National Institute of Standards and Technology Federal Information Processing Standards Publication 200 and Army Regulation 500-3, section 3325, title 31, United States Code, and DoD Regulation 7000.14-R.

Army Response: Concur. Deputy Assistant Secretary of the Army (Financial Operations) memorandum dated 6 June 2011, Subject: Army Disbursing and Entitlement Systems Controls, addresses each of these issues.

Recommendation A-2: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) instruct Financial Management Centers to establish procedures requiring the:

a. Appointment of certifying officers in accordance with requirements of section 3325, title 31, United States Code, and DoD Regulation 7000.14-R, "DoD Financial Management Regulation, volume 5, chapter 33.

b. Performance of periodic reviews of access profiles to ensure proper separation of duties between users of the entitlement and disbursing systems.

Army Response: Concur. Deputy Assistant Secretary of the Army (Financial Operations) memorandum dated 6 June 2011, Subject: Army Disbursing and Entitlement Systems Controls, addresses these issues.

Recommendation A-3: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) establish a standardized control process for the Financial Management Centers to use in examining control procedures implemented in recommendations A.1 and A.2.

Army Response: Concur. By not later than July 31, 2011, the US Army Financial Management Command (USAFMCOM) will prepare and publish an updated internal control checklist which incorporates the results of this audit.

Recommendation A-4: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) review payments processed using multiple and generic user accounts to ensure the payments were proper.

Army Response: Concur. The review of payments made using multiple and generic passwords is an ongoing process. The Special Inspector General for Iraq Reconstruction (SIGIR) has performed these reviews as part of ongoing audit work (SIGIR reports 10-011, 11-005, and 11-006). While a preliminary audit confirmed that internal controls were not compromised in the specific case reviewed, SIGIR continues to do work in this area (see SIGIR Report 11-005, Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse, dated 28 Oct 10). Additionally, we requested, the Army Audit Agency conduct a theater-wide audit of commercial payments emphasizing payments processed in DDS with generic USERIDs. We will analyze results of SIGIR and Army Audit Agency audit findings to determine the level of further review required to ensure the propriety of these payments.

Recommendation A-5: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) review disbursing personnel using multiple and generic user accounts and if improper payments are associated with these accounts, take administrative action against the personnel using these accounts.

Army Response: Concur. Appropriate action will be taken in accordance with Army Regulation 15-6 and DoD Regulation 7000.14-R, "DoD Financial Management Regulation" volume 5 in situations where an erroneous payment is found as the result of misusing multiple and generic user accounts.

Recommendation A-6: We recommend that the Deputy Assistant Secretary of the Army (Financial Operation) coordinate with U.S. Central Command to conduct an investigation as described in Army Regulation 15-6, "Procedures for Investigating Officers and Board of Officers," for the activities of the two Army paying agents and, based on the results of the investigation, initiate appropriate criminal, civil, or administrative action.

Army Response: Concur. We requested copies of the investigation initiated by the Multi-National Corps – Iraq (MNC-I) into this situation (AR 15-6 Report of Investigation Regarding Theft of Commander's Emergency Response Program (CERP) Funds by CPT , dated 10 Apr 09). Upon review of the report, and in coordination with DFAS legal staff, deficiencies will be identified to the command for correction and further disciplinary action, as applicable.

Recommendation A-7: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) review seven of the nine duplicate payments, totaling $162,258, collect the overpayments, and determine whether the Army should take administrative action against those responsible for the duplicate payments.

Army Response: Concur. Currently $75,864.06 has been collected, $20,910 is actively being pursued from contractors with sufficient government work that we anticipate successful collection, and $65,483.94 paid to one contractor.is under active investigation. For overpayments that cannot be collected, we will direct an investigation be performed by the appropriate command in accordance with DoD Regulation 7000.14-R, "DoD Financial Management Regulation" volume 5. The command's investigation will determine liability for uncollectable balances and appropriate administrative action.

Recommendation B-1a(1): We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) require the Financial Management Centers to use the Deployable Disbursing System and Standard Finance System interface.

Army Response: Concur. Deputy Assistant Secretary of the Army (Financial Operations) memorandum, dated 6 June 2011, Subject: Army Disbursing and Entitlement Systems Controls directs the use of this interface.

Recommendation B-1a(2): We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) require the Financial Management Centers to develop procedures for Army disbursing offices making changes to the Standard Finance System interface files and the recording of these changes in the original supporting documentation.

Army Response: Concur. Deputy Assistant Secretary of the Army (Financial Operations) memorandum, dated 6 June 2011, Subject: Army Disbursing and Entitlement Systems Controls directs development of these procedures.

Recommendation B-1a(3): We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) require the Financial Management Centers to use consistent methods for those Army disbursing offices using workarounds to handle foreign electronic fund transfer payments.

Army Response: Concur. By not later than July 31, 2011 USAFMCOM, in coordination with DFAS, will publish guidance on standardizing how electronic payments made through local depository accounts will be recorded in DDS.

Recommendation B-1a(4): We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) require the Financial Management Centers to restrict the use of the manual disbursement voucher method.

Army Response: Concur. Deputy Assistant Secretary of the Army (Financial Operations) memorandum, dated 6 June 2011, Subject: Army Disbursing and Entitlement Systems Controls restricts the use of manual disbursements vouchers.

Recommendation B-1a(5): We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) require the Financial Management Centers to use the Standard Form 44 voucher method in the Deployable Disbursing System when processing Standard Form 44 payments.

Army Response: Concur. Deputy Assistant Secretary of the Army (Financial Operations) memorandum, dated 6 June 2011, Subject: Army Disbursing and Entitlement Systems Controls, addresses this issue. However, due to resource constraints and processing of classified payments in contingency operations, disbursing offices are authorized to process multiple SF 44s on a single SF 1034 voucher in the system provided key data is included on the 1034 input or, for classified payments, use separately established procedures for cross-referencing to separate classified files.

Recommendation B-1b: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) review the Computerized Accounts Payable System and Deployable Disbursing System data for completeness to ensure a transparent audit trail exists for the 125 payments.

Army Response: Concur. DFAS has performed an exhaustive search of copies of the CAPS databases. While the audit clearly revealed that the payments were made in CAPS and subsequently uploaded or input to DDS, the original CAPS data for these payments have probably been archived or moved to history. While the Business Transformation Agency maintains a CAPS repository for the contingency theaters, there is not currently a centralized CAPS repository for all Army CAPS sites as there is for DDS. In recognition of this problem, DFAS is developing a deployable version of the Computerized Accounts Payable System that will include a central repository. We expect this improvement will be implemented in 2012.

Recommendation B-1c: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) coordinate with Defense Finance and Accounting Service to develop a consistent method within the Deployable Disbursing System to identify the differences in the payment method of the foreign electronic funds transfer payments.

Army Response: Concur. By not later than July 31, 2011, USAFMCOM, in coordination with DFAS, will publish guidance on standardizing how electronic payments made through local depository accounts will be recorded in DDS.

Recommendation C-2a: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) review the 294 Deployable Disbursing System database changes that affected accountability to ensure that DoD funds were not subjected to fraud, waste, or abuse.

Army Response: Concur. Our internal review office will review a sample of the 294 database changes to ensure disbursed funds were not subjected to fraud, waste or abuse. However, we do not believe these changes lend themselves to fraud, waste or abuse since the changes do not affect the amount paid to the payee and reported to the Treasury. We anticipate preliminary results of this review will be available by December 31, 2011.

Recommendation C-2b: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) review and approve modified Statement of Accountability reports impacted by the 53 Deployable Disbursing System database changes identified in this audit.

Army Response: Concur. Our internal review office will review a sample of the 53 database changes identified in the audit. However, we do not believe these changes lend themselves to fraud, waste or abuse since the changes do not affect the amount paid to the payee and reported to the Treasury. We anticipate preliminary results of this review will be available by December 31, 2011.

Recommendation C-3: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations), in coordination with the Director, Defense Finance and Accounting Service, develop a memorandum of agreement or formal procedures providing guidance on how to request, approve, document, and execute Deployable Disbursing System database changes. In addition, require the disbursing officer to approve all changes that affect their accountability and review and approve all modified Statement of Accountability reports.

Army Response: Concur. We will implement the enhanced controls and audit logs developed by DFAS for use of script files to modify DDS database values when errors occur which cannot be corrected through use of the application functions at the local site. We will limit scripts impacting daily accountability to those requested by the disbursing officer, principle deputy or, for subordinate databases, the disbursing agent/deputy responsible for that database. Deputy Assistant Secretary of the Army

(Financial Operations) memorandum, dated 6 June 2011, Subject: Army Disbursing and Entitlement Systems Controls, addresses this issue. We will coordinate with DFAS to codify these changes in a formal document.

Defense Finance and Accounting Service Comments

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

JUN 17 2011

DFAS-JJ

MEMORANDUM FOR DIRECTOR, AUDIT FOLLOW-UP AND GAO AFFAIRS, OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Controls Over Army Deployable Disbursing System Payments Need Improvement, Project No. D2007-D000FL-0252.003

Attached are the management comments to recommendations B2a-c and C3 of the subject report.

Questions your staff may have concerning matters for this recommendation may be directed to [redacted] or [redacted]

David E. McDermott
Deputy Director, Operations

Attachment:
As stated

www.dod.mil/dfas
Your Financial Partner @ Work

Controls Over Army Deployable Disbursing System Payments Need Improvement, Project No. D2007-D000FL-0252.003

Overview: This section is an overview of the report. This report brings up various issues that were previously corrected, but does not consistently give DFAS credit for items we fixed.

Notes:

Item 1: Location: Page 5, para 1
Statement: "Army disbursing personnel at 16 DSSNs did not adequately control access to commercial and miscellaneous payment data processed through DDS."

> **Action Taken: January 2011, DDS 6.4:** X0203 – Create an Interface between DDS and the Government CAC, X0475 – Provide the Ability to Designate Surrogate Users **September 2010, DDS 6.3:** X0469 – Create User Appointment Memorandum Upload Capability, X0470 – Modify Archive Viewer to Display Paid and Certified User, X0472 – Modify DDS User Report to Report User Assigned Functions, X0474 – Capture Certifying Officer for Certified Payments

Item 2: Location: Page 5, para 2
Statement: "In addition, for 334 of the 425 payments reviewed, disbursing offices could not provide the certifying officer appointment letters; the appointment letter was not signed; or the appointment letter was not signed by authorized personnel. These deficiencies occurred because:

> • Army FMCs did not have effective control procedures in place for reviewing DDS user access or overseeing the DDS payment process, and
> • the DDS PMO did not provide sufficient visibility in DDS for management to readily review and identify access control weaknesses."

> **Action Taken: September 2010, DDS 6.3:** X0469 – Create User Appointment Memorandum Upload Capability, X0470 – Modify Archive Viewer to Display Paid and Certified User, X0474 – Capture Certifying Officer for Certified Payments

Item 3: Location: Page 7, para 2
Statement: "Army disbursing offices at 16 DSSNs did not have adequate controls over the access to commercial and miscellaneous payment data processed through DDS. The disbursing offices exposed DDS payment information to unauthorized modification, loss, or disclosure. Specifically, the Army disbursing offices:"

1. "assigned multiple user accounts to individual DDS users at 14 DSSNs,"
2. "created generic user accounts in DDS that were not assigned to specific individuals at 16 DSSNs,"
3. "assigned access to system administrator privileges to an excessive number of user accounts at 16 DSSNs, and"
4. "DDS did not have procedures implementing DoD requirements for restricting access to users with a need-to-know at five DSSNs." "Specifically, disbursing personnel used 22 multiple user accounts and 56 generic user accounts to process $595.6 million in

payments; using these accounts bypassed controls and did not allow for identification of individuals processing payments. In addition, Army disbursing offices assigned the system administrator privilege to 90 of the 253 individual main site user accounts."

Action Taken:

1. **September 2010, DDS 6.3:** X0472 – Modify DDS User Report to Report User Assigned Functions
2. **September 2010, DDS 6.3:** X0472 – Modify DDS User Report to Report User Assigned Functions, X0475 – Provide the Ability to Designate Surrogate Users
3. **September 2010, DDS 6.3:** X0472 – Modify DDS User Report to Report User Assigned Functions.
4. **January 2011, DDS 6.4:** X0203 – Create an Interface between DDS and the Government CAC, X0475 – Provide the Ability to Designate Surrogate Users; **September 2010, DDS 6.3:** X0469 – Create User Appointment Memorandum Upload Capability, X0470 – Modify Archive Viewer to Display Paid and Certified User, X0472 – Modify DDS User Report to Report User Assigned Functions, X0474 – Capture Certifying Officer for Certified Payments,

Ref Audit Report page 8, para 1: "Army disbursing offices circumvented DDS controls by assigning multiple user accounts to 859 individuals who used DDS (Table 2) at 14 DSSNs."

Item 5: Location: Page 18, para 4
Statement: "Army disbursing personnel made duplicate payments and processed classified information through DDS…Specifically, Army disbursing personnel processed 655 payments that contained classified information in DDS, an unclassified DoD system."

Action Taken: Established sensitive data script and procedures.

Item 6: Location: Page 21, para 1
Statement: "The Army's financial system, including CAPS, DDS, and STANFINS, did not maintain accurate or complete information. Specifically, out of 402 commercial payments that we randomly sampled from 211,808 payments ($9.6 billion) in DDS, the financial system did not maintain:"

1. "accurate line of accounting (LOA) information for 296 payments;"
2. "accurate payment method information for 140 payments; and"
3. "complete fundamental payment information, such as invoice line item information for 370 payments, contract or requisition number for 54 payments, invoice received date for 48 payments, and invoice number for 30 payments."

Action Taken:

1. **April 2011, DDS DRI-1:** X0509 – DRI Reporting Accounting line data
2. **None**
   Ref Audit Report page 21, para 2: "The financial system did not maintain accurate or complete information because Army finance offices did not properly use DDS interfaces."

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3. **September 2010, DDS 6.3:** X0473 – Require Contract Number or Requisition Number for Vendor Pay; **March 2011, DDS 6.5:** X0516 – Require Invoice Date for Vendor Pay; [Unresolved: Invoice Line Item information]

Item 7: Location: Page 21, para 2 — Page 23
Statement: "Further, the Assistant Secretary of the Army (Financial Management and Comptroller) and Director, DFAS (Information and Technology) did not develop systems within Army's financial system, including DDS, with sufficient functionality to:

- provide the ability to make foreign currency electronic funds transfer (EFT) payments using DDS, and"

Action Taken: June 2009, DDS 4.0: X0245 – Provide the Ability to Interface with ITS.Gov.

Item 8: Location: Page 25, para 2 — Page 27
Statement: "The Core Financial System Requirements state that adequate internal controls must be in place to verify that the goods or services paid for were actually ordered, received, and accepted; that proper due dates and payment amounts are computed; and that duplicate payments are prevented. DDS provided different voucher methods for processing commercial payments; however, not all methods captured information required by the Core Financial System Requirements."

Action Taken: (Core Requirements - Data Access, security, internal controls, accountability, audit trail): April 2011, DDS DRI-1: X0487 – Modify DRI to Display Accountability Reports, X0508 – DRI Query of Collection Vouchers for Collected Items, X0509 – DRI Reporting Accounting line data
January 2011, DDS 6.4: X0203 – Create an Interface between DDS and the Government CAC, X0475 – Provide the Ability to Designate Surrogate Users
September 2010, DDS 6.3: X0472 – Modify DDS User Report to Report User Assigned Functions.

Item 9: Location: Page 25, para 3 & Page 26, para 2 — Page 27 & Page 28
Statement: "The manual disbursement voucher method recorded disbursement vouchers prepared offline and required entering a minimal amount of information to process a payment in DDS." "Because Army disbursing personnel used the manual disbursement voucher method to process commercial payments through DDS, the Army's financial system did not maintain the following key information for the 402 sample commercial payments:"

Action Taken: None – Functionality providing preferred audit trail exists in SF1034 process.
Ref Audit Report page 26, para 2: "The SF 1034 voucher method permitted a DDS user to input complete payment data that resulted in a payment to an individual or organization for goods furnished or services rendered. This method provides an audit trail of the payment."

Item 10: Location: Page 28, para 2-3 — Page 30

Statement: "Army Did Not Have a Centralized Database of DDS Data" "However, this repository did not contain summary level data for all DDS payments processed before FY 2009. In addition, the repository did not maintain all key data elements associated with DDS payments, such as LOA and information to identify the users processing the payments in DDS."

> **Action Taken:** The DRI-1 release in April 2011 is part of the ongoing effort to make the DDS Repository Initiative (DRI) a repository for site data. X0487 – Modify DRI to Display Accountability Reports, X0508 – DRI Query of Collection Vouchers for Collected Items, X0509 – DRI Reporting Accounting line data, X0510 – Make DRI Application Compatible with TSO-CS Automation.

Section: "FINDING C: ARMY AND DFAS HAD INADEQUATE CONTROLS OVER DDS DATABASE CHANGES"

Item 11: Location: Page 32, para 2 — Page 35
Statement: "Army disbursing offices and the DDS PMO did not have adequate internal controls over changes made to the DDS database."

> **Action Taken:** DDS Helpdesk SOP requires PM authorization and site DO notification of all accountability changes. Central repository was established to retain copies of all DDS database change files. The Technology Services Organization reconciles the repository to CSI and the Tracker system to verify the repository accounts for all database change files.

Item 12: Location: Page 36, para 4 — Page 40
Statement: "FMCOM and the DDS PMO need to improve internal controls over Army DDS database changes by developing a memorandum of agreement or formal procedures providing guidance on how to request, approve, document, execute, and retain DDS database changes."

> **Action Taken:** Internal controls for database changes exist through DDS Helpdesk SOP requirements; PM must authorize and site DO must be notification of all accountability changes. Central repository was established to retain copies of all DDS database change files. The Technology Services Organization reconciles the repository to CSI and the Tracker system to verify the repository accounts for all database change files.

Official Responses to DFAS Recommendations:

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

a. Modify the Computerized Accounts Payable System and the manual disbursement function within the Deployable Disbursing System to capture invoice line item information for all commercial payments.
b. Modify the Data Reporting Initiative to display line of accounting and user account information, and — Deleted

c. Incorporate the 13,524 Deployable Disbursing System payments into the Data Reporting Initiative.

Renumbered as Recommendation B.2.b

Management Comments:

a. Concur with comments. The invoice line item information is required to be maintained in the entitlement system. Computerized Accounts Payable System-Windows (CAPS-W) requires invoice line item information, mandatory field. CAPS-Clipper does not require invoice line item information. DFAS is converting all remaining sites on CAPS-Clipper to CAPS-W. For manual input into the disbursing system, DDS, the end user is required to backload payment information into the supporting entitlement system, CAPS; thereby ensuring key invoice information is captured. Estimated completion date for the transition from CAPS-Clipper to CAPS-W is December 31, 2011
b. Concur. The Data Reporting Initiative now displays the line of accounting and the user account information. DDS PMO developed two SCRs, X0509 and X0487, to implement these changes. These changes were made available to the customers April 2011. Completion date April 2011.
c. Concur with comments. The Marine Corps audit identified the need to have a centralized database of all DDS transactions. The DDS PMO developed the Data Reporting Initiative which has contains DDS payment transactions since 2009. This centralized database contains all but 272 transactions since 2009. Hard-copy vouchers have been provided to Marine Corp for the outstanding 272 transactions. Completion date January 2009

Recommendation C.3: We recommend that the Deputy Assistant Secretary of the Army (Financial Operations), in coordination with the Director, Defense Finance and Accounting Services develop a memorandum of agreement of formal procedures providing guidance on how to request, approve, document, and execute Deployable Disbursing System database changes. In addition, require the disbursing officer to approve all changes that affect their accountability and review and approve all modified Statement of Accountability reports.

Management Comments:

a. Concur. The DDS PMO and Deputy Assistant Secretary of the Army (Financial Operations) have collaborated to modify the DDS Help Desk Standard Operating Procedures (SOP) which outlines procedures for requesting changes to DDS. The SOP requires disbursing officer notification prior to change. The DDS Help Desk SOP will be signed by the Deputy Assistant Secretary of the Army (Financial Operations) and DFAS Director, Marine Corps Disbursing Operations. Estimated completion date July 29, 2011

Inspector General
Department of Defense