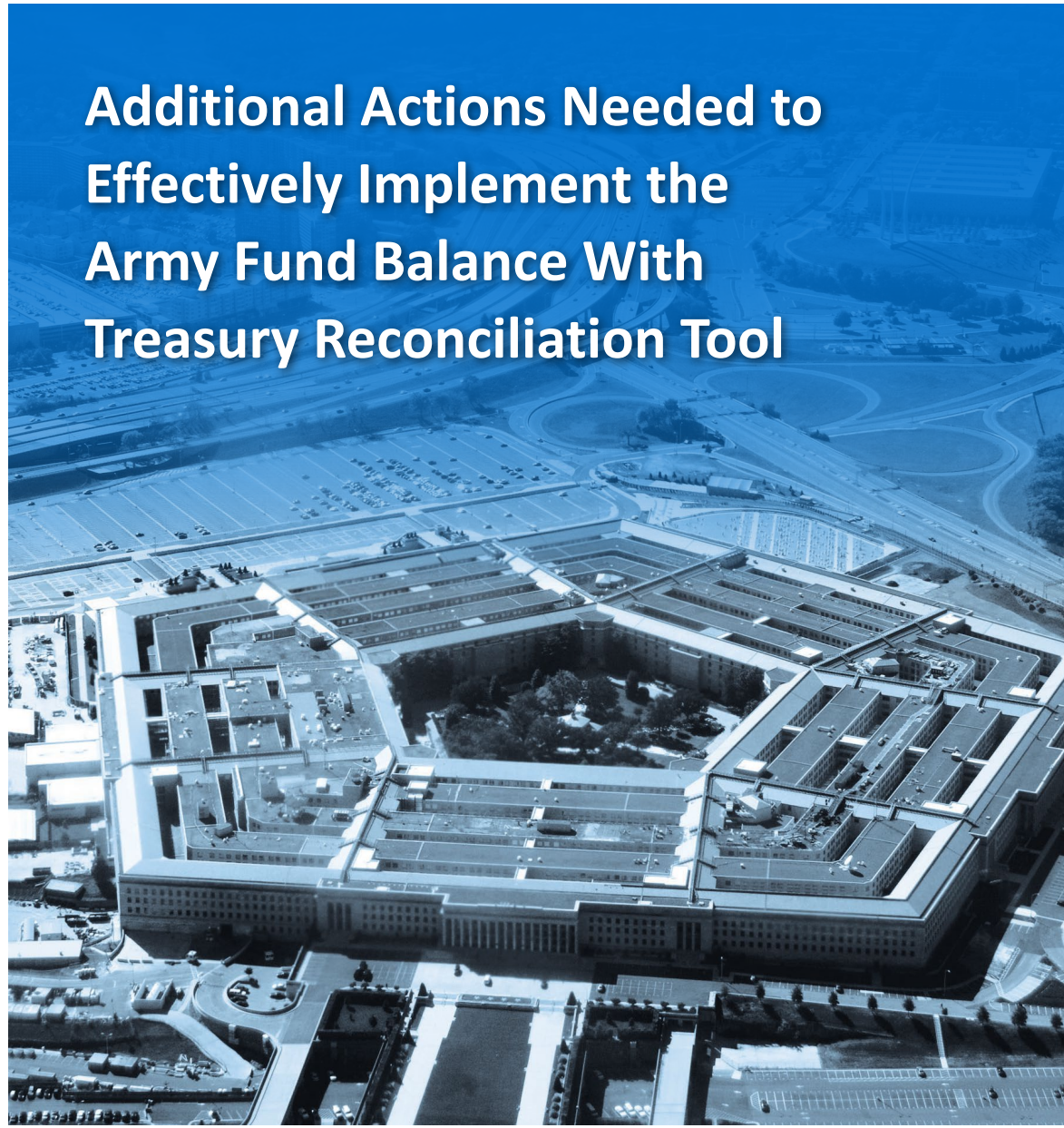




# INSPECTOR GENERAL

*U.S. Department of Defense*

NOVEMBER 20, 2014



## **Additional Actions Needed to Effectively Implement the Army Fund Balance With Treasury Reconciliation Tool**

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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# Results in Brief

## *Additional Actions Needed to Effectively Implement the Army Fund Balance With Treasury Reconciliation Tool*

**November 20, 2014**

### Objective

The objective was to determine whether the Defense Finance and Accounting Service (DFAS), in coordination with the U.S. Army, properly designed the Army Fund Balance With Treasury (FBWT) Tool (AFT) to effectively complete the FBWT reconciliation between the U.S. Army General Fund and the U.S. Treasury.

### Finding

The Army and DFAS-Indianapolis (DFAS-IN) did not design and implement AFT and corresponding processes in a way that effectively reconciles Army's FBWT account balance. Specifically:

- DFAS-IN did not reengineer its processes to effectively integrate the AFT;
- AFT did not effectively compare the Army's summary-level FBWT with Treasury; and
- AFT included only 32 percent of the Army's net outlays at the transaction level.

The Army and DFAS-IN personnel did not develop and implement a coordinated strategy for integrating AFT into the reconciliation process. In addition, the summary-level reconciliation is not effective because the AFT Program Management Office's (PMO) goal was only to support the transaction-level reconciliation, not summary-level adjustments. AFT's transaction-level reconciliation was limited because the Army and AFT PMO expect that the total value of FBWT activity from the legacy systems and the appropriations before FY 2013 would decrease over time and eventually be immaterial to the FBWT account.

### Finding (cont'd)

As a result, the Army could not use AFT to support its reconciliation at the transaction level for \$173 billion of \$302 billion, or 57 percent, of net outlays for all appropriations. For current-year appropriations, the Army could not use AFT to support reconciling \$38 billion of \$65 billion of net outlays. Although the Army asserted to the audit readiness of its FY 2015 Schedule of Budgetary Activity (SBA), the Army has not demonstrated an effective FBWT transaction-level reconciliation, a key requirement for assertion. The inability to reconcile at the transaction level for current-year appropriations represents a significant obstacle the Army must overcome to show it has controls in place to produce a complete universe of transactions for an auditable SBA. Until these issues are corrected, the Army is at risk of being unable to resolve its longstanding FBWT material weakness.

### Recommendations

Army officials should update the Army's Financial Improvement Plan to show the steps and milestones needed to put AFT in operation. In addition, Army and DFAS officials should implement a coordinated strategy for integrating AFT into DFAS-IN's reconciliation process; determine the most effective method for completing the summary-level reconciliation; document the decrease of Army's legacy balances to become immaterial over time; and implement a methodology for reconciling all FBWT transactions.

### Management Comments and Our Response

Comments from the Deputy Assistant Secretary of the Army (Financial Operations), responding for the Assistant Secretary of the Army (Financial Management and Comptroller), and the Deputy Director, DFAS-IN, responding for the Director, DFAS-IN, addressed the recommendations and no further comments are required. Please see the Recommendations Table on the back of this page.

## ***Recommendations Table***

Management	Recommendations Requiring Comment	No additional Comment Required
Assistant Secretary of the Army (Financial Management and Comptroller)		1, 2.a., 2.b., 2.c., 2.d., 2.e.
Director, Defense Finance and Accounting Service-Indianapolis		2.a., 2.b., 2.c., 2.d., 2.e.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

November 20, 2014

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

**SUBJECT: Additional Actions Needed to Effectively Implement the Army Fund Balance With Treasury Reconciliation Tool (Report No. DODIG-2015-038)**

We are providing this report for your information and use. Defense Finance and Accounting Service–Indianapolis, despite developing the Army Fund Balance With Treasury (FBWT) Reconciliation Tool (AFT) to perform a monthly, transaction-level reconciliation of Army FBWT, did not reengineer its processes to integrate AFT. The Army could not use AFT to effectively complete a summary-level reconciliation or support \$173 billion (57 percent) of the FBWT net outlays at the transaction level, as of May 31, 2014. As a result, the Army risks being unable to resolve its FBWT material weakness. Although the Army cannot demonstrate an effective FBWT transaction-level reconciliation, the Army asserted to the audit readiness of its Schedule of Budgetary Activity.

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. Comments from the Deputy Assistant Secretary of the Army (Financial Operations), responding for the Assistant Secretary of the Army (Financial Management and Comptroller), and the Deputy Director, DFAS-Indianapolis, responding for the Director, DFAS-Indianapolis, addressed all specifics of the recommendations, and we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945 (DSN 664-5945).

*Lorin T. Venable*  
Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting

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## Acronyms and Abbreviations

# Introduction

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## Objective

The audit objective was to determine whether the Defense Finance and Accounting Service (DFAS), in coordination with the U.S. Army, properly designed the Army Fund Balance With Treasury (FBWT) Tool (AFT) and corresponding processes to effectively complete the FBWT reconciliation between the U.S. Army General Fund (AGF) and the U.S. Treasury. Appendix A provides a discussion of the scope and methodology and prior audit coverage related to the objective.

## Background

FBWT is an asset account that reflects the available budgetary spending authority of a Federal agency. At the agency level, FBWT is similar to a corporation's cash account. Appropriations and collections increase FBWT, and disbursements reduce FBWT. As of September 30, 2013, the Army reported \$132.4 billion in FBWT, or 41 percent of the \$324.6 billion of total assets reported on the Army's General Fund Balance Sheet.

## ***Requirements for FBWT Reconciliation***

Treasury and DoD guidance establish the requirement to perform a FBWT reconciliation, a control that is key to ensuring the Army produces an auditable Statement of Budgetary Resources (SBR). The Treasury Financial Manual (TFM), volume 1, part 2, chapter 5100, "Reconciling Fund Balance With Treasury Accounts," requires agencies to reconcile their FBWT accounts to Treasury account statements on a regular basis to ensure the integrity and accuracy of their internal and Government-wide financial report data. The TFM states that an agency may not arbitrarily adjust its FBWT account. If an agency must make material adjustments, the agency must maintain supporting documentation.

DoD Regulation 7000.14-R, "DoD Financial Management Regulation" (DoD FMR), volume 4, chapter 2, "Accounting For Cash and Fund Balances With Treasury," further requires that DoD components with FBWT accounts perform detailed reconciliations of their FBWT accounts at least monthly to ensure the accuracy and reliability of DoD fund balance records and the integrity of the financial statements. The DoD FMR also specifies that Army must explain any discrepancies between FBWT in the Army's general ledger accounts and the balance in the Treasury's accounts. Army should reconcile differences caused by time lag and correct any differences caused by error. According to TFM, unresolved differences compromise the reliability of FBWT balances and Treasury's published financial reports. This, in turn, compromises the overall integrity and status of the Government's financial position.

The National Defense Authorization Act for FY 2012 requires the Army to validate the SBR for audit no later than September 30, 2014. The SBR presents the available budgetary resources as well as their status at the end of the period. Performing a monthly reconciliation is a key control to ensure the accuracy of the FBWT account. In addition, having an accurate FBWT account is essential to producing an auditable SBR. The DoD SBR audit readiness strategy limits the scope of the first-year audit to the Schedule of Budgetary Activity (SBA), a report limited to current-year budget activity beginning with FY 2015 appropriations. On July 24, 2014, the Army asserted to its AGF SBA for FY 2015.

### ***Army FBWT Reconciliation Tool***

Since 2008, the Army has reported its inability to reconcile FBWT at the transaction level as a material weakness. This has contributed to the Army's inability to receive an unqualified opinion on its financial statements. For example, because of the unreconciled differences between the Army and Treasury FBWT balances, DFAS-Indianapolis (DFAS-IN) made balancing adjustments decreasing FBWT by \$28.3 billion in FY 2013. These balancing adjustments include journal vouchers correcting accounting irregularities that impacted FBWT balances. The Army and DFAS developed AFT to address the Army's FBWT material weakness and to aid the Army in asserting to its SBR and SBA. DFAS-IN and the Army created an automated tool, AFT, to perform a reconciliation of the FBWT account balances at the transaction level. Although AFT is necessary, the Army recognizes that because of the numerous reconciliation points in the current process, AFT may not be the sole solution.

The Army's strategy focuses on the information available in the target systems: General Fund Enterprise Business System (GFEBS), Global Combat Support System-Army (GCSS-A), and the Corps of Engineers Financial Management System (CEFMS). The AFT Program Management Office (AFT PMO) designed AFT to report on FBWT activity for FY 2013 appropriations and forward at the transaction level. AFT identifies any activity related to prior-year appropriations as out-of-scope and excludes this information from the reconciliation reports at the transaction level. As of March 31, 2014, AFT identified a difference of \$1.1 billion out of \$83 billion in net outlays.

AFT uses data from the Treasury and Army accounting systems to perform four comparisons as part of the FBWT reconciliation process. The first compares the Treasury data with the Army's summary-level FBWT (Tier 1). The second compares the Treasury data with the Army's component-level reports submitted to Treasury (Tier 2A). The third compares the Army's component-level reports with the detailed transactions the Army submitted to Treasury (Tier 2B).



The final comparison is between the detailed transactions Army reported to Treasury and the detailed transactions recorded in the Army accounting systems (Tier 3). See Appendix B for a more detailed description and flowchart of the reconciliation process.

### ***Roles and Responsibilities***

The Office of the Deputy Assistant Secretary of the Army (Financial Operations) (DASA-FO), assigned under the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]), is responsible for policies, procedures, programs, and systems pertaining to finance and accounting activities and operations. As DASA-FO is responsible for reporting on the status of the Army's accounts, including FBWT, DASA-FO personnel have engaged DFAS to develop AFT to reconcile the FBWT.

DFAS is a service provider to the Army and is responsible for accounting and reporting for Army financial transactions. As the Army's accounting service provider, DFAS-IN is also responsible for reconciling FBWT for the AGF monthly. The DFAS-IN AFT PMO developed AFT and is responsible for the daily operation and maintenance of AFT.

### **Review of Internal Controls**

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, 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. The Army and DFAS-IN could not support the Tier 1 reconciliation process with the transaction-level detail at Tier 3. We will provide a copy of the report to the senior official responsible for internal control in the Department of the Army.

## Finding

### AFT Not Used to Reconcile Army's FBWT

The DASA-FO and DFAS-IN did not design and implement AFT and corresponding processes in a way that effectively reconciles Army's FBWT account balance. Specifically:

- DFAS-IN personnel did not reengineer the reconciliation process to use AFT to identify differences and research transaction-level detail. This occurred because DASA-FO and DFAS-IN personnel did not develop and implement a coordinated strategy for the integration of AFT into the reconciliation process.
- The AFT PMO did not design AFT to effectively complete the comparison of Army's summary-level FBWT and Treasury data (Tier 1 reconciliation). This occurred because the AFT PMO's goal in designing the tool was only to support the transaction-level reconciliation (Tier 3 reconciliation); however, this did not provide the necessary transaction-level detail to support the summary-level adjustments.
- The DASA-FO and AFT PMO designed AFT to complete the FBWT reconciliation only for the target systems, which, as of May 31, 2014, included only 32 percent, or \$96 billion, of the Army's collections and disbursements (net outlays) at the transaction level. The DASA-FO and AFT PMO limited the amount of data reconciled through AFT because they expect the total value of FBWT activity from the legacy systems and the appropriations before FY 2013 would decrease over time and eventually be immaterial to the FBWT account.

The Army and DFAS have made progress in developing AFT to perform a monthly, transaction-level reconciliation of Army FBWT; however, as of May 31, 2014, the Army could not use AFT to support its reconciliation for \$173 billion, or 57 percent,<sup>1</sup> of the FBWT net outlays at the transaction level. The Army also could not trace transactions from the Tier 3 transaction-level reconciliation to the Tier 1 summary-level reconciliation or use AFT to support its reconciliation for \$38 billion of the \$65 billion FBWT net outlays at the transaction level for current-year appropriations. Although the Army asserted to the audit readiness of its FY 2015 SBA, the Army has not demonstrated an effective FBWT transaction-level

<sup>1</sup> In addition to the 57 percent, 11 percent of the FBWT outlays are reconciled in AFT but are not reported, because they relate to appropriations made before FY 2013 and, therefore, are considered out of scope. Table 1 shows FBWT net outlays as of May 2014.

reconciliation, a key requirement for assertion in the DoD Financial Improvement and Audit Readiness Guidance. The inability to reconcile at the transaction level for current-year appropriations represents a significant obstacle the Army must overcome to show it has the controls in place to produce a complete universe of transactions for an auditable SBA. Until the Army and DFAS redesign the FBWT reconciliation processes to fully integrate AFT and effectively complete a reconciliation of the Army FBWT account, the Army is also at risk of being unable to resolve its longstanding FBWT material weakness.

## Effective Reconciliation of Army's Fund Balance With Treasury

The DASA-FO and DFAS-IN did not design and implement AFT and corresponding processes in a way that effectively reconciles Army's FBWT account balance. Specifically, DFAS-IN did not reengineer its processes to integrate AFT; AFT did not effectively complete the Tier 1 reconciliation; and AFT included only 32 percent, or \$96 billion, of the Army's net outlays at the transaction level.

### ***DFAS Needs to Reengineer Business Processes to Use Army's Fund Balance With Treasury Tool***

DFAS-IN personnel did not reengineer the Army's FBWT reconciliation process to use AFT to identify differences and research transaction-level detail. Although AFT obtained authority to operate in December 2013 and became operational in January 2014, DFAS-IN Accounting Operations has not integrated AFT into the Army's FBWT reconciliation process and has not used AFT to aid in its current reconciliation processes.

DFAS-IN Accounting Operations is responsible for reconciling FBWT for the AGF monthly; however, as of July 2014, the agency has not used AFT to complete a transaction-level reconciliation of Army's FBWT.

DFAS-IN Accounting Operations still used its longstanding business processes, rather than AFT, to complete Tier 1 and Tier 2A reconciliations. For example, the current Tier 2A reconciliation completed by DFAS-IN Accounting Operations manually compares the Treasury's summary-level data with the Army's summary-level data, but AFT's comparison is fully automated. In addition,

although AFT successfully reconciled transactions and identified differences for Tier 3, DFAS-IN Accounting Operations did not use the results to research, correct, or support any of the differences. Because DFAS-IN is not using AFT for these purposes, DFAS-IN has not fully integrated the tool into the FBWT reconciliation process and cannot support differences at the transaction level.



As of July 2014, the agency has not used AFT to complete a transaction-level reconciliation of Army's FBWT.

DFAS-IN personnel stated they are considering reorganizing and revising business processes to support the AFT reconciliation. They provided a proposed organizational structure that includes DFAS-IN organizations involved in the AFT reconciliation and stated this reorganization will better support audit readiness and improve DFAS-IN's ability to work with AFT. DFAS-IN plans to make the changes in FY 2015. The audit team requested the revised business processes to support the new organizational structure, but DFAS-IN personnel stated these are under development. In addition, the Director, DFAS-IN, said DFAS is still identifying the necessary roles, responsibilities, and structures for the integration of AFT.

### ***Coordinated Strategy Not Developed***

DASA-FO and DFAS-IN personnel did not develop and implement a coordinated strategy for integrating AFT into the reconciliation process.

DFAS-IN personnel did not reengineer its FBWT reconciliation process to use AFT because DASA-FO and DFAS-IN personnel did not develop and implement a coordinated strategy for integrating AFT into the reconciliation process. DASA-FO provided the Army's FBWT Financial Improvement Plan (FIP) and the FY 2014 AGF Audit Readiness Strategy to support the Army's plan for implementing AFT into the reconciliation process. The FBWT FIP and audit readiness strategy discuss developing an automated reconciliation tool; however, DASA-FO did not identify the methodology, milestones, or roles and responsibilities necessary to develop processes to provide the tool to users and complete the reconciliation process.

### ***Army Financial Improvement Plan***


The Army's FBWT FIP reported that AFT was fully implemented as of March 2013; however, DFAS-IN has not integrated the tool into the current FBWT reconciliation process. According to the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]), the FIP supports the DoD Financial Improvement and Audit Readiness Plan by establishing milestones and measures and outlining steps Army must take to achieve audit readiness. According to the November 2013 DoD Financial Improvement and Audit Readiness Guidance, the FIP should: provide a consistent, structured approach for measuring auditability progress; allow transparency into the challenges facing DoD; and highlight progress. In addition, this Financial Improvement and Audit Readiness Guidance directed the reporting entities to modify and regularly update their FIPs to meet these goals.

The Army's FBWT FIP included steps to develop AFT and to develop an implementation plan for AFT. The FIP reported that as of August 30, 2013, the

AFT implementation plan was 99 percent complete, with updated policies and procedures, and completion of systems' design documents. In addition, the plan reported that the FBWT reconciliation "to-be" solution was 100 percent complete as of March 21, 2012. This step included documentation of the "to-be" process risks and controls, and documentation of the "to-be" procedures, requirements, constraints, controls, regulation, and training materials. However, in April 2014, when the audit team requested the Army's implementation strategy for AFT, DASA-FO personnel explained that the Army did not have a separate strategy addressing FBWT and referred the audit team to the Army's overall audit readiness strategy. In June 2014, the audit team asked DFAS-IN personnel to provide their business processes for the FBWT reconciliation under the "to-be" environment. However, DFAS-IN personnel stated that the business processes were under development and that they could not provide them. Therefore, the audit team concluded that the Army's FBWT FIP does not accurately reflect the steps, milestones, and progress for integrating AFT into daily operations at DFAS-IN for use in the FBWT reconciliation process. The Army should update the FIP to accurately reflect the steps, milestones, and progress to put AFT in operation within the reconciliation process.

### *Audit Readiness Strategy*

The FY 2014 AGF Audit Readiness Strategy stated that the Army and DFAS partnered to develop and implement an automated reconciliation tool, AFT, within the Army, and a process for resolving identified reconciling items. It provided that, once the tool is operational, Army and DFAS would be able to reconcile the Army's FBWT monthly. However, as of July 2014, DFAS has not integrated AFT into DFAS-IN Accounting Operations.



As of July 2014, DFAS has not integrated AFT into DFAS-IN Accounting Operations.

DFAS-IN Audit Readiness personnel initiated a working group of Army and DFAS personnel to determine how to integrate AFT into the reconciliation process, document the workflows, and research identified differences between Army and Treasury records. The working group held its first meeting in May 2014 and has not been in place long enough for the audit team to assess the results of the group's efforts. Army and DFAS-IN personnel should use the working group's results to develop a coordinated strategy, with goals and milestones, to reengineer the FBWT reconciliation processes using AFT. At a minimum, the strategy should provide a structured process to manage the implementation of the new reconciliation business process and incorporate AFT. It should also identify the roles and responsibilities associated with the integration of AFT and document an agreement between the Army and DFAS-IN as to their respective responsibilities.



## ***Effectiveness of Tier 1 Reconciliation***

The AFT PMO did not design AFT to effectively complete the comparison of Army's summary-level FBWT and the Treasury balance (Tier 1 reconciliation).

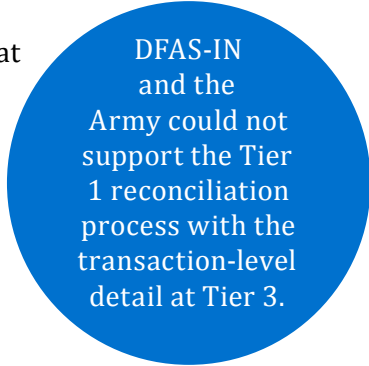
The AFT PMO did not design AFT to effectively complete the comparison of Army's summary-level FBWT and the Treasury balance (Tier 1 reconciliation). Specifically, DFAS-IN Accounting Operations personnel recorded adjustments to make the Army's consolidated trial balance agree with Treasury, but the adjustments were not recorded at the transaction level in the Army systems used for the Tier 3 reconciliation. DFAS-IN Accounting Operations personnel then provided the adjusted summary file to the AFT PMO for the AFT Tier 1 reconciliation. Because the adjusted file DFAS-IN Accounting Operations provided to AFT already agreed to Treasury records, AFT's Tier 1 comparison only documented the results of the reconciliation already performed by DFAS-IN Accounting Operations. Therefore, AFT did not complete an effective comparison of Army FBWT with Treasury.

DoD FMR volume 4, chapter 2, defines a reconciliation as a process that identifies and explains the differences between two sets of records or account balances. It describes a FBWT reconciliation as a specific reconciliation of the actual accounting events, such as disbursements, back to the detailed amounts posted, to both entity general ledgers and entity Treasury accounts. In addition, the November 2013 DoD Financial Improvement and Audit Readiness Guidance requires that reporting entities achieve and maintain an effective FBWT transaction-level reconciliation and reporting to Treasury, to demonstrate audit readiness. Therefore, to complete an effective reconciliation at Tier 1, AFT should complete a comparison of the Army's summarized transaction-level data to Treasury records. In addition, because AFT uses the adjusted consolidated trial balance, there is a risk that the transaction-level detail used for the Tier 3 reconciliation will not support the adjustments made to the consolidated trial balance.

### ***Tier 1 Reconciliation Design***

The Tier 1 reconciliation is not effective because the AFT PMO's goal in designing AFT was only to support the transaction-level reconciliation (Tier 3 reconciliation); however, this did not provide the necessary transaction-level detail to support the summary-level adjustments. According to AFT PMO personnel, the Tier 3 reconciliation represents AFT's core functionality. Specifically, their goal for the tool is to provide transaction-level support (Tier 3) after DFAS-IN Accounting Operations records the adjustments necessary for Army's FBWT to agree with Treasury at the summary level. In addition, AFT PMO's long-term goal is to complete the Tier 1 reconciliation using the Army's unadjusted trial balance files; however, there are currently no plans to redesign the Tier 1 reconciliation to accomplish this goal.

The Army and DFAS-IN did not have verifiable evidence of how transactions were processed and summarized through all three tiers of reconciliation. According to the TFM, an agency must support any adjustments made to its FBWT by the transaction-level detail. Within AFT, transaction-level detail is included in the Tier 2 and Tier 3 reconciliations. For 45 randomly selected transactions, AFT correctly identified differences within Tier 2 and Tier 3 reconciliations. In addition, all 45 transactions occurred at both the Tier 2 and Tier 3 levels. However, because AFT used an adjusted consolidated trial balance to complete the Tier 1 reconciliation, DFAS-IN and the Army could not support the Tier 1 reconciliation process with the transaction-level detail at Tier 3. Appendix A provides a description of the sampling methodology used to identify the random sample.



DFAS-IN and the Army could not support the Tier 1 reconciliation process with the transaction-level detail at Tier 3.

After discussing the current Tier 1 reconciliation process with the audit team, AFT PMO and Accounting Operations personnel agreed to review the GFEBS portion of the adjusting entries for supportability with the Tier 3 transaction detail. The objective would be to reduce the unsupported portion of the adjusting entries created to make the Army's FBWT agree with Treasury records. DFAS-IN has not reached any conclusions or developed a timeline for completing its analysis and implementing any appropriate procedural changes.

Until the AFT PMO redesigns AFT, the Army will not be able to demonstrate the ability to complete an effective FBWT transaction-level reconciliation, as required by the November 2013 DoD Financial Improvement and Audit Readiness Guidance. To establish a direct trail from the Tier 3 detail records to the Tier 1 summary-level reconciliation, the AFT PMO should redesign AFT to use the unadjusted trial balance data from the Army source systems for AFT's Tier 1 reconciliation process. Alternatively, if AFT PMO personnel determine that it is not feasible or practical to use the unadjusted trial balance data files, the Army and DFAS-IN should develop and document processes and compensating controls for supporting the adjusting entries with the Tier 3 transaction detail.

## Current Reconciliation Includes Only Net Outlays From Target Systems

The DASA-FO and AFT PMO designed AFT to complete the FBWT reconciliation for only the target systems.

The DASA-FO and AFT PMO designed AFT to complete the FBWT reconciliation for only the target systems. As of May 31, 2014, these made up only 32 percent, or \$96 billion of the Army's \$302.2 billion of net outlays, at the transaction level. AFT did not reconcile the remaining \$206.2 billion in net outlays because the data resided in the legacy systems or related to appropriations made before FY 2013. Table 1 shows the net outlays that should be included in the AFT reconciliation, by category, as of May 2014.

Table 1. Army FBWT May 2014 Net Outlays Report

Source	Disbursements (thousands)	Reimbursements (thousands)	Net Outlays (thousands)	Percent
<b>In Scope</b>				
GFEBs, GCSS-A, CEFMS - FY 2013 Appropriations and Later	\$(110,374,468)	\$14,376,970	\$ (95,997,498)	32%
<b>Out of Scope</b>				
GFEBs, GCSS-A, CEFMS - Pre-FY 2013 Appropriations	(47,826,064)	14,347,914	(33,478,150)	11%
Legacy	(179,562,421)	6,808,570	(172,753,852)	57%
<b>Total</b>	<b>\$(337,762,953)</b>	<b>\$35,533,454</b>	<b>\$(302,229,500)</b>	

According to the AFT PMO, the core functionality of AFT is the Tier 3 reconciliation between the target systems' (GFEBs, GCSS-A, and CEFMS) transaction-level data and the Statement of Transactions<sup>2</sup> detail reported to Treasury. Because the transaction-level data included in the Tier 3 reconciliation is limited to the target systems and certain appropriations,<sup>3</sup> AFT did not reconcile and report the differences for all the FBWT net outlays. For example, the May 2014 Military Personnel accounts (MILPAY) made up 58 percent, or \$100 billion, of the legacy net outlays that AFT did not include in the Tier 3 reconciliation. DASA-FO personnel explained that the Army is planning to report MILPAY transactions through GFEBs, which will then enable AFT to reconcile these MILPAY transactions. DASA-FO

<sup>2</sup> This statement reports all collection and disbursement transactions, along with any offsetting receipts on a monthly basis.

<sup>3</sup> The Tier 3 reconciliation in AFT is limited to GFEBs, GCSS-A, and CEFMS voucher-level data, comprising X, F, and R, appropriation data, from FY 2013 appropriations to the present.

personnel stated that they are planning to integrate into GFEBS the MILPAY accounts for Army active duty components in November 2014 and the MILPAY accounts for the Army Reserve components by February 2015.

### ***Legacy Data Not Considered Material to Reconciliation***

According to Army and DFAS-IN personnel, they did not design AFT to reconcile all of the Army's net outlays at the transaction level (Tier 3) because the total value of FBWT activity from the legacy systems and the appropriations before FY 2013 would decrease over time and eventually be immaterial to the FBWT account. However, as of June 2014, the DASA-FO had not performed an analysis to project the materiality of outlays processed by the legacy versus the target systems and requested DFAS-IN to complete this analysis. If, as a result of DFAS' analysis, the Army decides to continue with its current strategy that the legacy balances will decrease to immateriality over time, the Army and DFAS should provide an analysis that supports this strategy.

The Army based its FY 2015 SBA assertion on its ability to produce a universe of transactions to reconcile to the SBA summary data. However, until the Army is able to identify and include a complete universe of transactions for the Tier 3 reconciliation, it will not be able to support the auditability of all FBWT data. Because the legacy data is currently not reconciled at the transaction level through AFT, the Army and DFAS-IN should develop and implement a methodology for reconciling all FBWT transactions.

### ***Unresolved Material Weakness and Increased Risk in Auditability***

Although the Army and DFAS have made progress in developing AFT to perform a monthly, transaction-level reconciliation of Army FBWT, as of May 31, 2014, the Army could not use AFT to support its reconciliation of \$173 billion, or 57 percent, of the FBWT net outlays at the transaction level. AFT maintains an additional \$33.5 billion, or 11 percent, of the net outlays of transactional data but does not include this amount in its reconciliation results reports because it is activity from FY 2012 and older appropriations. In total, AFT did not reconcile and report 68 percent of the net outlays at the transaction level. This is a significant portion of the Army's FBWT.



In total, AFT did not reconcile and report 68 percent of the net outlays at the transaction level.

In addition, the Army could not trace transactions from the transaction-level reconciliation (Tier 3) to the summary-level reconciliation (Tier 1) in AFT. The transactional data should support and agree in total with the summary data in the Army accounting systems. However, the AFT PMO designed AFT to use Army transactional data for the Tier 2 and Tier 3 reconciliation, whereas, for Tier 1,

AFT uses summary data adjusted to agree with Treasury. By using the adjusted consolidated trial balance for the Tier 1 reconciliation, the Army and DFAS-IN do not have Tier 3 transaction-level detail that supports the Tier 1 summary-level reconciliation. We discussed our concerns with Army and DFAS personnel, and DFAS has begun to examine how it could use AFT's Tier 3 reconciliation detail to support the Tier 1 adjusting entries.

Of the \$302 billion FBWT net outlays at the transaction level, \$65 billion were for current-year appropriations. As of May 31, 2014, the Army officials could not use

The Army officials could not use AFT to support their reconciliation for \$38 billion of the \$65 billion FBWT net outlays for current-year appropriations.

AFT to support their reconciliation for \$38 billion of the \$65 billion FBWT net outlays for current-year appropriations, because the \$38 billion was calculated using legacy data. This presents a significant obstacle the Army must overcome to demonstrate it has the controls in place to produce a complete universe of transactions for an auditable SBA. Until the Army and DFAS redesign their FBWT reconciliation processes to fully integrate AFT and effectively complete a reconciliation of the Army FBWT account, the Army risks

not being able to resolve its longstanding FBWT material weakness. Although the Army asserted to the audit readiness of its FY 2015 SBA, the Army has not demonstrated an effective FBWT transaction-level reconciliation, a key requirement for assertion in the DoD Financial Improvement and Audit Readiness Guidance.

## Management Actions

The Army and DFAS-IN have not completed the AFT development and implementation process yet, but they are taking steps to improve AFT and to plan for how Army and DFAS will use it. For example, in May 2014, the Army completed an internal review of AFT's operating capability and determined that it is ready to run in full production. The Army made 22 recommendations to assist DFAS-IN with the system deployment and control implementation.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

**The Assistant Secretary of the Army (Financial Management and Comptroller) should update the Army's Financial Improvement Plan to accurately reflect the steps, milestones, and progress to place the Army Fund Balance With Treasury Tool into operation within the monthly reconciliation process.**



### *Assistant Secretary of the Army (Financial Management and Comptroller) Comments*

The DASA-FO, responding for the ASA(FM&C), agreed with the recommendation and stated the Army will create a plan of action and milestones to address our findings and adopt our recommendations, to redesign AFT so that it effectively completes the FBWT reconciliation between the Army General Fund and the U.S. Treasury. The Army plans to complete this assessment by December 1, 2014.

### *Our Response*

Comments from the DASA-FO addressed all specifics of the recommendation, and no further comments are required.

## **Recommendation 2**

**The Assistant Secretary of the Army (Financial Management and Comptroller) and Director, Defense Finance and Accounting Service-Indianapolis, should:**

- a. Use the working group's results to develop a coordinated strategy, with goals and milestones, to reengineer the Fund Balance With Treasury reconciliation processes using the Army Fund Balance With Treasury Tool. At a minimum, the strategy should provide a structured process to manage the implementation of the new reconciliation business process and incorporate use of the Army Fund Balance With Treasury Tool. It should also identify the roles and responsibilities associated with the integration of the Army Fund Balance With Treasury Tool and document an agreement between the Army and Defense Finance and Accounting Service as to their respective responsibilities.**

### *Assistant Secretary of the Army (Financial Management and Comptroller) and Defense Finance and Accounting Service-Indianapolis Comments*

The DASA-FO, responding for the ASA(FM&C), and the Deputy Director, DFAS-IN, responding for the Director, DFAS-IN, agreed with the recommendation and stated the Army and DFAS are developing a coordinated strategy to reengineer the FBWT processes using AFT. The Army and DFAS plan to complete this coordinated strategy by December 31, 2014.

*Our Response*

Comments from the DASA-FO and Deputy Director addressed all specifics of the recommendation, and no further comments are required.

- b. Assess the Army Fund Balance With Treasury Tool Tier 1 reconciliation process to determine whether the tool can use the unadjusted trial balance data from the Army source systems.**

*Assistant Secretary of the Army (Financial Management and Comptroller) and Defense Finance and Accounting Service-Indianapolis Comments*

The DASA-FO, responding for the ASA(FM&C), and the Deputy Director, DFAS-IN, responding for the Director, DFAS-IN, agreed with the recommendation and stated the Army and DFAS will assess AFT to determine whether unadjusted trial-balance data from the Army source systems can be used. The Army and DFAS plan to complete this assessment by March 31, 2015.

*Our Response*

Comments from the DASA-FO and Deputy Director addressed all specifics of the recommendation, and no further comments are required.

- c. Use the results of the Army Fund Balance With Treasury Tool Tier 1 assessment to either:**
  - 1. Implement use of the unadjusted trial balance data files from the Army source systems; or**
  - 2. Develop and document audit trails and compensating controls to ensure the Fund Balance With Treasury reconciliation process meets Treasury Financial Manual and Financial Management Regulation requirements for supporting adjusting entries at the transaction level.**

*Assistant Secretary of the Army (Financial Management and Comptroller) and Defense Finance and Accounting Service-Indianapolis Comments*

The DASA-FO, responding for the ASA(FM&C), and the Deputy Director, DFAS-IN, responding for the Director, DFAS-IN, agreed with the recommendation and stated that once the assessment for Recommendation 2.b is complete, the Army and DFAS will evaluate which of the two options best supports the overall FBWT reconciliation process. The Army and DFAS plan to complete their evaluation of these two options by May 31, 2015.

### *Our Response*

Comments from the DASA-FO and Deputy Director addressed all specifics of the recommendation, and no further comments are required.

- d. Provide an analysis supporting that the Army's legacy balances will decrease to immaterial amounts over time.**

### *Assistant Secretary of the Army (Financial Management and Comptroller) and Defense Finance and Accounting Service-Indianapolis Comments*

The DASA-FO, responding for the ASA(FM&C), and the Deputy Director, DFAS-IN, responding for the Director, DFAS-IN, agreed with the recommendation and stated the Army and DFAS will conduct an aging analysis by November 15, 2014, to determine how many years of supporting documentation are needed to substantiate the FBWT opening balances.

### *Our Response*

Although the DASA-FO and Deputy Director agreed with the recommendation, they did not address the specifics of the recommendation. The comments addressed supporting documentation for the FBWT opening balances, and not when legacy balances will decrease to immaterial amounts. On October 23, 2014, Army General Fund Audit Readiness personnel stated that the Army and DFAS are working on a solution to incorporate legacy detail transactions into AFT so that it includes a full universe of transactions, including Enterprise Resource Planning and legacy data. The Army and DFAS plan to complete this action by March 31, 2015. Therefore, these personnel stated that the actions proposed in this recommendation will not be necessary. The Army's plan to incorporate legacy data into AFT addresses all specifics of the recommendation, and no further comments are required.

- e. Develop and implement a methodology for reconciling all Fund Balance With Treasury transactions, including legacy, at the transaction level.**

### *Assistant Secretary of the Army (Financial Management and Comptroller) and Defense Finance and Accounting Service-Indianapolis Comments*

The DASA-FO, responding for the ASA(FM&C), and the Deputy Director, DFAS-IN, responding for the Director, DFAS-IN, agreed with the recommendation and stated the Army and DFAS are developing a plan for reconciling all FBWT transactions at the transaction level, including legacy transactions. The Army and DFAS plan to complete this assessment by March 31, 2015.

### *Our Response*

Comments from the DASA-FO and Deputy Director addressed all specifics of the recommendation, and no further comments are required.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from March 2014 through September 2014 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.

We spoke with DFAS-IN Departmental Reporting personnel to understand the current FBWT reconciliation processes. We met with the AFT PMO personnel to understand their responsibilities over AFT, including managing source files, performing reconciliations, and resolving variances. We also spoke with DFAS-IN and Army Audit Readiness to discuss the implementation strategy for AFT.

We determined whether DASA-FO and DFAS-IN designed and implemented AFT to perform a complete reconciliation of Army's FBWT account balance by:

- ensuring AFT accurately reconciled 45 transactions and where a variance was found, correctly categorized the variance type. We also traced the 45 transactions to the source systems. To randomly select the 45 transactions, the audit team identified the seven appropriations with the most transactions in the March 2014 AFT reconciliation files. There were 5,781,091 transactions in these seven appropriations from which we randomly selected our sample.
- observing the March 2014 AFT reconciliation process as performed by the AFT PMO.
- reviewing process flow documents, programming logic, and other internal control documentation related to the AFT PMO obtaining and preparing the source files to be reconciled, completing the reconciliation, and resolution of variance.

### Use of Computer-Processed Data

To perform this audit, we used March 2014 AFT reconciliation data. We reviewed internal control documentation related to AFT to determine whether the controls were adequate over the system and processes for completing the reconciliation. We also observed AFT PMO personnel completing the March 2014 AFT reconciliation to obtain an understanding of the system and its process, along with documenting the controls in place. We validated the reliability of this data by testing 45 transactions from the reconciled AFT data for existence in the source system,

such as GFEBS or GCSS-A, and ensuring AFT correctly categorized the transactions. The computer-processed data we used were sufficiently reliable to support the audit finding and conclusions in this report.

## Use of Technical Assistance

During the audit, we requested and received technical assistance from the DoD OIG Quantitative Methods Division (QMD), whose personnel helped us design a random sample of AFT reconciliation data.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD IG) issued three reports discussing DoD FBWT reconciliations. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

### **GAO**

Report No. GAO-12-132, "Ongoing Challenges with Reconciling Navy and Marine Corps Fund Balance with Treasury," December 2011

### **DoD IG**

Report No. DODIG-2012-107, "Defense Finance and Accounting Service Needs to Improve the Process for Reconciling the Other Defense Organizations' Fund Balance with Treasury," July 2012

Report No. D-2011-098, "Defense Finance and Accounting Service Needs to Improve Controls Over the Completeness and Accuracy of the Cash Management Report," August 2011



## Appendix B

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### AFT FBWT Reconciliation Process

#### ***Tier 1***

The first reconciliation (Tier 1 reconciliation), which is completed in the Defense Departmental Reporting System–Budgetary (DDRS-B), compares information from the Treasury’s Central Accounting Reporting System (CARS) with the information from the Army consolidated trial balance. DDRS-B is used by DFAS to prepare the Army and DoD Budgetary monthly reports, including the Army’s consolidated trial balance. Once DFAS-IN Accounting Operations adjusts the consolidated trial balance to make FBWT agree with Treasury, it provides the DDRS-B-certified file to AFT. AFT then uses the certified file to match to Treasury to establish a universe for the Tier 2 and Tier 3 reconciliations.

#### ***Tier 2A***

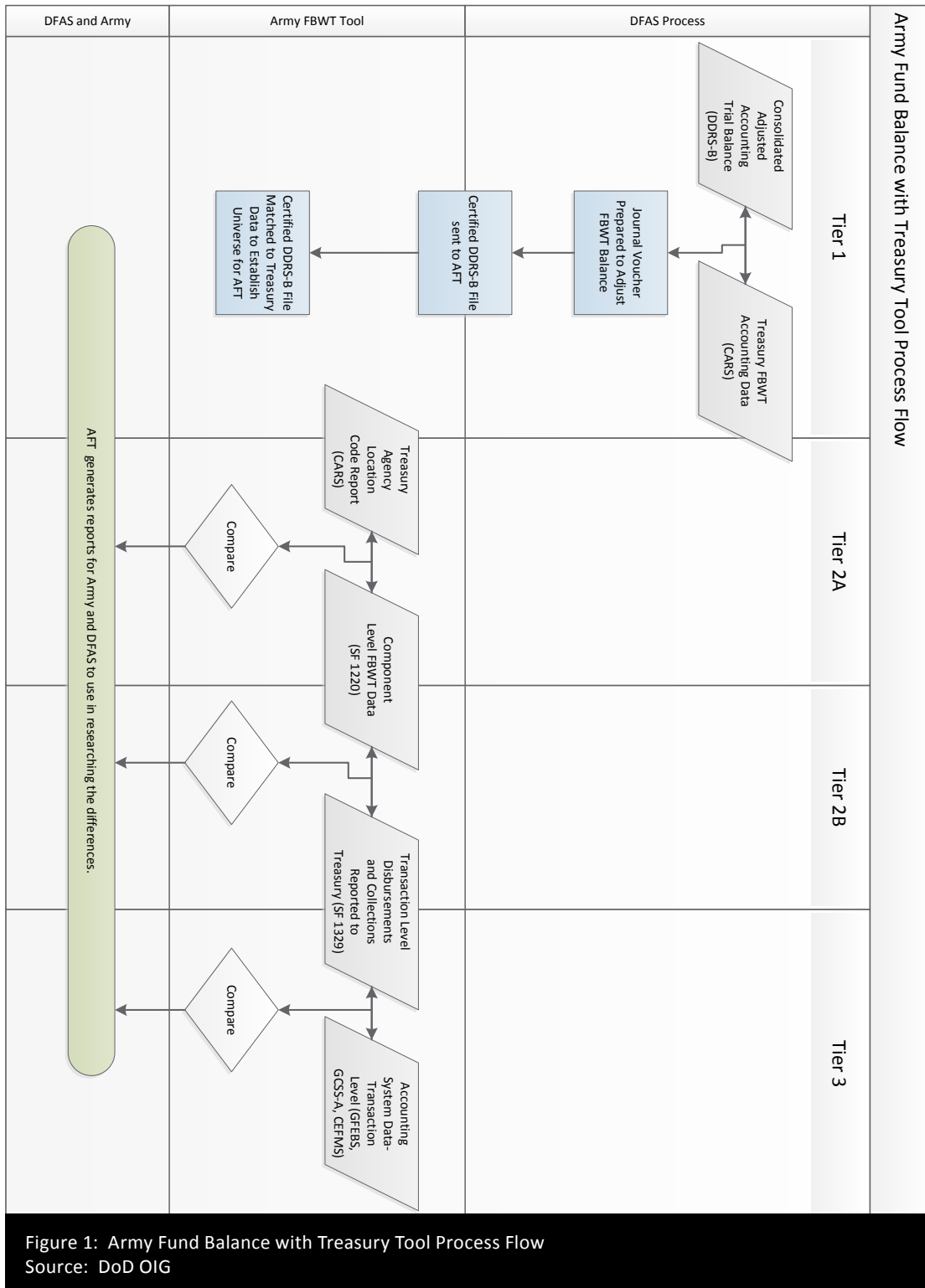
The second reconciliation (Tier 2A reconciliation) compares data from CARS with the Army’s accounting data reported to Treasury at the summary level. This compares the Treasury data with specific reporting groups within DoD, to identify where differences may have been reported. Once AFT completes this comparison, the tool generates a report of the differences, to aid the Army and DFAS in their research.

#### ***Tier 2B***

The development of AFT introduced two new reconciliations to the process, Tier 2B and Tier 3. The Tier 2B reconciliation compares Army’s accounting data reported to Treasury at the summary level with the detailed transactions reported to Treasury, to identify any irregularities in the reporting to Treasury. Once AFT completes this comparison, the tool generates a report of the differences, to aid the Army and DFAS in their research.

#### ***Tier 3***

The Tier 3 reconciliation, which compares the transaction-level accounting data with the detailed transactions reported to Treasury, is required to bring the reconciliation process into compliance with the TFM and DoD FMR. Once AFT completes this comparison, the tool generates a report of the differences, to aid the Army and DFAS in their research. Figure 1 provides a flowchart of the reconciliation process as it relates to AFT.



## Management Comments

### Assistant Secretary of the Army (Financial Management and Comptroller)



REPLY TO  
ATTENTION OF

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

OCT 22 2014

SAFM-FO

MEMORANDUM FOR Assistant Inspector General for Audit, Department of Defense  
Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Response to Additional Actions Needed to Effectively Implement the Army  
Fund Balance With Treasury Reconciliation Tool Project No. D2014-D000FL-0136.000

1. This memorandum provides a response to the findings and recommendations for the  
subject review.

2. The Department of Defense Inspector General (DoDIG) report recommends that  
Army and the Defense Finance and Accounting Service – Indianapolis (DFAS-IN)  
should implement a coordinated strategy for integrating the Army Fund Balance with  
Treasury Tool (AFT) into the DFAS-IN monthly reconciliation process, determine the  
most effective method for completing the summary-level (Tier 1) reconciliation, and  
implement a methodology for reconciling all Fund Balance with Treasury (FBwT)  
transactions. Our Plan of Action and Milestones (POAM) is an ongoing process to  
address the findings identified by the DoDIG to effectively complete the FBwT  
reconciliation between the U.S. Army General Fund and the U.S. Treasury.

3. The following responses address the findings and recommendations identified in  
your report "Additional Actions Needed to Effectively Implement the Army Fund Balance  
with Treasury Reconciliation Tool", dated September, 23, 2014.

a. Recommendation 1: The Assistant Secretary of the Army (Financial Management  
and Comptroller) should update the Army's Financial Improvement Plan to accurately  
reflect the steps, milestones, and progress to place the Army Fund Balance with  
Treasury Tool into operation within the monthly reconciliation process.

Response: Army concurs with this recommendation and will create a POAM to  
address the specific findings and recommendations required to properly design the  
Army Fund Balance with Treasury reconciliation tool (AFT) to effectively complete the  
FBwT reconciliation between the U.S. Army General Fund and the U.S. Treasury.  
Estimated completion date (ECD) is December 1, 2014.

## Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

SAFM-FOA

SUBJECT: Response to Additional Actions Needed to Effectively Implement the Army Fund Balance With Treasury Reconciliation Tool Project No. D2014-D000FL-0136.000

b. Recommendation 2a: The Assistant Secretary of the Army (Financial Management and Comptroller) and Director, Defense Finance and Accounting Service Indianapolis, should use the working group's results to develop a coordinated strategy, with goals and milestones, to reengineer the FBWT reconciliation processes using AFT. At a minimum, the strategy should provide a structured process to manage the implementation of the new reconciliation business process and incorporate use of AFT. It should also identify the roles and responsibilities associated with the integration of the AFT and document an agreement between the Army and Defense Finance and Accounting Service as to their respective responsibilities.

Response: Army and DFAS concur with this recommendation and are in the process of developing a coordinated strategy, with goals and milestones, to reengineer the FBWT reconciliation business processes using AFT. The ECD for this action is December 31, 2014.

c. Recommendation 2b: The Assistant Secretary of the Army (Financial Management and Comptroller) and Director, Defense Finance and Accounting Service Indianapolis, should assess AFT Tier 1 reconciliation process to determine whether the tool can use the unadjusted trial balance data from the Army source systems.

Response: The Army and DFAS concur with this recommendation and will assess AFT to determine whether the unadjusted trial balance data from the Army source systems can be used. The ECD for this assessment is March 31, 2015.

d. Recommendation 2c: The Assistant Secretary of the Army (Financial Management and Comptroller) and Director, Defense Finance and Accounting Service Indianapolis, should use the results of AFT Tier 1 assessment to either:

(1) Implement use of the unadjusted trial balance data files from the Army source systems; or

(2) Develop and document audit trails and compensating controls to ensure the FBWT reconciliation process meets Treasury Financial Manual and Financial Management Regulation requirements for supporting adjusting entries at the transaction level.

Response: Army and DFAS concur and will evaluate which of these two options best supports the overall FBWT reconciliation process once the assessment from recommendation "2b" is complete. The ECD for this evaluation is May 31, 2015.

e. Recommendation 2d: The Assistant Secretary of the Army (Financial Management and Comptroller) and Director, Defense Finance and Accounting Service Indianapolis, should provide an analysis supporting that the Army's legacy balances will decrease to immaterial amounts over time.

## Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

SAFM-FOA

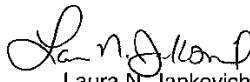
SUBJECT: Response to Additional Actions Needed to Effectively Implement the Army Fund Balance With Treasury Reconciliation Tool Project No. D2014-D000FL-0136.000

Response: The Army and DFAS concur and will conduct an aging analysis to identify how many years supporting documentation is required to substantiate its FBwT opening balances. This analysis ECD is November 15, 2014.

(h) Recommendation 2e: The Assistant Secretary of the Army (Financial Management and Comptroller) and Director, Defense Finance and Accounting Service Indianapolis, should develop and implement a methodology for reconciling all FBwT transactions, including legacy, at the transaction level.

Response: The Army and DFAS concur with this recommendation and are developing a plan to implement a methodology for reconciling all FBwT transactions, including legacy, at the transaction level. Army and DFAS met with DoDIG October 9, 2014 to provide courses of action to reconcile legacy data in AFT. DoDIG provided feedback that allows DFAS to move forward in developing AFT to reconcile legacy detail data. Upon completion DoDIG will re-look AFT to ensure the effectiveness of the legacy detail reconciliation. The ECD to be able to reconcile FBwT for legacy is March 31, 2015.

4. The point of contact for this action is [REDACTED] Director, Accountability and Audit Readiness. He can be reached by e-mail at [REDACTED] or by telephone at [REDACTED]



Laura N. Jankovich  
Deputy Assistant Secretary of the Army  
(Financial Operations)



## Defense Finance and Accounting Service



### DEFENSE FINANCE AND ACCOUNTING SERVICE

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INDIANAPOLIS, INDIANA 46249

OCT 21 2014

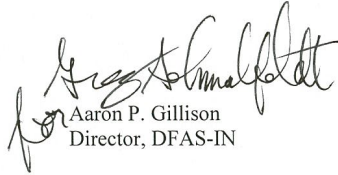
DFAS-JBK/IN

MEMORANDUM FOR DIRECTOR, DEPARTMENT OF DEFENSE, OFFICE OF  
INSPECTOR GENERAL

SUBJECT: Management Comments for the DoD IG Draft Report Management  
Comments to Draft Report - Additional Actions Needed to Effectively  
Implement the Army Fund Balance With Treasury Reconciliation Tool  
(Project No. D2014-D000FL-0136.000)

The Defense Finance and Accounting Service Indianapolis is providing  
management comments to Recommendation 2a, 2b, 2c, 2d, and 2e of the subject draft  
report.

My point of contact for this action is [REDACTED] who can be reached at  
[REDACTED].

  
for Aaron P. Gillison  
Director, DFAS-IN

Attachment:  
As stated

[www.dfas.mil](http://www.dfas.mil)  
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## Defense Finance and Accounting Service (cont'd)

### **Management Comments to Draft Report - Additional Actions Needed to Effectively Implement the Army Fund Balance With Treasury Reconciliation Tool –Project No. D2014-D000FL-0136.000**

The Assistant Secretary of the Army (Financial Management and Comptroller) and Director, Defense Finance and Accounting Service–Indianapolis, should:

**Recommendation 2a:** Use the working group’s results to develop a coordinated strategy, with goals and milestones, to reengineer the Fund Balance with Treasury reconciliation processes using the Army Fund Balance with Treasury Tool. At a minimum, the strategy should provide a structured process to manage the implementation of the new reconciliation business process and incorporate use of the Army Fund Balance with Treasury Tool. It should also identify the roles and responsibilities associated with the integration of the Army Fund Balance with Treasury Tool and document an agreement between the Army and Defense Finance and Accounting Service as to their respective responsibilities.

**Current Management Comments:** Defense Finance and Accounting Service (DFAS) and Army concur with this recommendation and are in the process of developing a coordinated strategy, with goals and milestones, to reengineer the Fund Balance with Treasury reconciliation processes using the Army Fund Balance with Treasury Tool (AFT).

**Estimated Completion Date:** December 31, 2014

**Recommendation 2b:** Assess the Army Fund Balance with Treasury Tool Tier 1 reconciliation process to determine whether the tool can use the unadjusted trial balance data from the Army source systems.

**Current Management Comments:** DFAS and Army concur with this recommendation and will assess the AFT to determine whether the unadjusted trial balance data from the Army source systems can be used.

**Estimated Completion Date:** March 31, 2015

**Recommendation 2c:** Use the results of the Army Fund Balance with Treasury Tool Tier 1 assessment to either:

1. Implement use of the unadjusted trial balance data files from the Army source systems; or
2. Develop and document audit trails and compensating controls to ensure the Fund Balance with Treasury reconciliation process meets Treasury Financial Manual and Financial Management Regulation requirements for supporting adjusting entries at the transaction level.

**Current Management Comments:** DFAS and Army concur and will evaluate which of these two options better supports the overall Fund Balance with Treasury (FBwT) reconciliation process once the assessment from recommendation “2b” is complete.

## Defense Finance and Accounting Service (cont'd)

**Estimated Completion Date:** May 31, 2015

**Recommendation 2d:** Provide an analysis supporting that the Army's legacy balances will decrease to immaterial amounts over time.

**Current Management Comments:** DFAS and Army concur and will conduct an aging analysis to identify how many years supporting documentation is required to substantiate its FBwT opening balances.

**Estimated Completion Date:** November 14, 2014

**Recommendation 2e:** Develop and implement a methodology for reconciling all Fund Balance with Treasury transactions, including legacy, at the transaction level.

**Current Management Comments:** DFAS and Army concur with this recommendation and are developing a plan to implement a methodology for reconciling all Fund Balance with Treasury transactions, including legacy, at the transaction level.

**Estimated Completion Date:** March 31, 2015

## Acronyms and Abbreviations

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AFT	Army Fund Balance With Treasury Tool
ASA(FM&C)	Assistant Secretary of the Army (Financial Management and Comptroller)
CARS	Central Accounting Reporting System
CEFMS	Corps of Engineers Financial Management System
DASA-FO	Deputy Assistant Secretary of the Army (Financial Operations)
DDRS-B	Defense Departmental Reporting System—Budgetary
DFAS	Defense Finance and Accounting Service
DoD FMR	DoD Financial Management Regulation
FBWT	Fund Balance With Treasury
FIP	Financial Improvement Plan
GFEBs	General Fund Enterprise Business System
GCSS-A	Global Combat Support System—Army
PMO	Program Management Office
SBA	Schedule of Budgetary Activity
SBR	Statement of Budgetary Resources
TFM	Treasury Financial Manual

# **Whistleblower Protection**

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