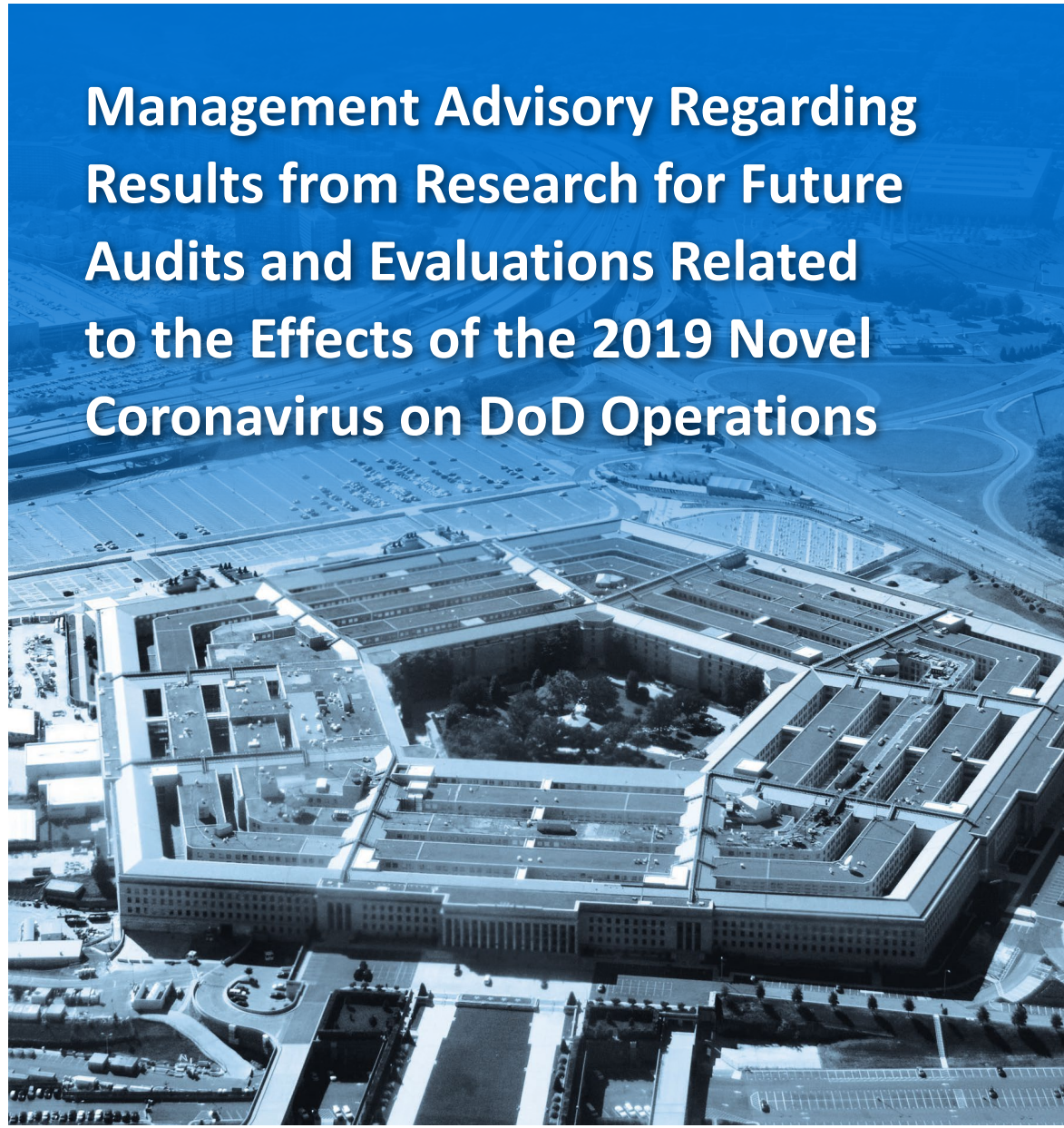




# INSPECTOR GENERAL

*U.S. Department of Defense*

JANUARY 19, 2022



## Management Advisory Regarding Results from Research for Future Audits and Evaluations Related to the Effects of the 2019 Novel Coronavirus on DoD Operations

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE







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

January 19, 2022

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER, DOD**

**SUBJECT: Management Advisory Regarding Results from Research for Future Audits and  
Evaluations Related to the Effects of the 2019 Novel Coronavirus on DoD Operations  
(Report No. DODIG-2022-054)**

The purpose of this advisory is to discuss the DoD's use of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, and highlight areas of concern over the DoD's reporting on USASpending.gov on the use of the DoD's CARES Act funds. We previously provided copies of the draft management advisory and requested written comments on the recommendations. We considered management's comments on the draft advisory when preparing the final memorandum.

The Acting Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), agreed to address all of the recommendations presented in the memorandum; therefore, the recommendations are considered resolved and open. As described in the Recommendations, Management Comments, and Our Response section of this memorandum, the recommendations may be closed when we receive adequate documentation showing that all agreed upon actions to implement the recommendations have been completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Send your response to either [followup@dodig.mil](mailto:followup@dodig.mil) if unclassified or [rfunet@dodig.smil.mil](mailto:rfunet@dodig.smil.mil) if classified SECRET.

The funding and related information in this management advisory have not been audited or reviewed in accordance with generally accepted government auditing standards. We prepared this advisory in accordance with the Council of Inspectors General for Integrity and Efficiency's Quality Standards for Federal Offices of Inspector General, which require that we conduct our work with integrity, objectivity, and independence.

If you have any questions, please contact me at [REDACTED], ([REDACTED]).  
We appreciate the cooperation and assistance received.

*Lorin T. Venable*

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



# DoD Cares Act Funds

The DoD received **\$10.6 billion** in funding under the CARES Act:

- **\$4.9 billion** for the Defense Health Program
- **\$1.5 billion** for the Defense Working Capital Fund
- **\$1.1 billion** for the Department of the Army
- **\$1.0 billion** for the Defense Production Act
- **\$827.8 million** for Defense Wide
- **\$712.9 million** for the Department of the Air Force
- **\$450.3 million** for the Department of the Navy
- **\$70 million** for the U.S. Army Corps of Engineers (USACE) – Civil Works
- **\$20 million** for the DoD Office of Inspector General (DoD OIG)

The coronavirus disease–2019 (COVID-19) is an infectious disease that can cause a wide spectrum of symptoms. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President declared the COVID-19 pandemic a national emergency. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted on March 27, 2020, the DoD received \$10.6 billion in funding to prevent, prepare for, and respond to COVID-19, domestically and internationally.<sup>1</sup> Table 1 provides a status of the DoD’s CARES Act funds reported by USASpending.gov as of March 31, 2021. We are not providing an assertion on the accuracy of the information reported from USASpending.gov. The rest of the report discusses the DoD’s use of the CARES Act funds and areas of concern over the reporting status of DoD’s CARES Act funds.<sup>2</sup>

*Table 1. USASpending.gov Reporting of DoD CARES Act Funding, as of March 31, 2021*

DoD Component	Budget Authority (in Millions) <sup>1</sup>	Obligations (in Millions) <sup>2</sup>	Disbursements (in Millions) <sup>3</sup>
Army	\$1,274.7	\$1,270.1	\$1,057.5
Navy	1,122.4	1,018.0	860.6
Air Force	1,247.3	1,152.6	1,052.0
Other	5,834.7	4,999.8	3,103.9
<b>Total<sup>4</sup></b>	<b>\$9,479.2</b>	<b>\$8,440.5</b>	<b>\$6,074.1</b>

<sup>1</sup> According to the DoD Financial Management Regulation (DoD FMR), budget authority is the authority provided by law to incur financial obligations that will result in a disbursement. The Defense Health Program received an additional \$1.1 billion in funding for existing shortfalls for the TRICARE managed care support contracts, bringing the total CARES Act funding to \$10.6 billion.

<sup>2</sup> According to the DoD FMR, an obligation is the amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment.

<sup>3</sup> According to the DoD FMR, a disbursement is the amount paid by cash or cash equivalent during the fiscal year to liquidate government obligations.

<sup>4</sup> Totals may not equal the actual sum because of rounding.

Source: USASpending.gov.

<sup>1</sup> Public Law 116-136, “Coronavirus Aid, Relief, and Economic Security Act,” March 27, 2020.

<sup>2</sup> In addition to the amounts appropriated from the CARES Act, the Budget Authority amounts reported in USASpending.gov include the amounts transferred in and transferred out of the accounts in relation to the CARES Act. USASpending.gov is the official open data source of federal spending information.

Table 2 lists the accounts included in the amounts for the “Other” Component reported in Table 1.

*Table 2. USASpending.gov Reporting of the “Other” Component Listed in Table 1 as of March 31, 2021*

DoD Component	Budget Authority (in Millions)	Obligations (in Millions)	Disbursements (in Millions)
Defense Health Program	\$2,503.9	\$2,033.1	\$836.1
Defense Working Capital Fund	1,517.7	1,517.5	1,517.0
Defense Production Act <sup>1</sup>	1,000.0	841.0	412.1
Defense-Wide <sup>2</sup>	723.1	557.8	306.2
Corps of Engineers – Civil Works <sup>3</sup>	70.0	37.6	28.8
Office of Inspector General	20.0	12.8	3.7
<b>Total</b>	<b>\$5,834.7</b>	<b>\$4,999.8</b>	<b>\$3,103.9</b>

<sup>1</sup> Defense Production Act includes Defense Production Act Purchases and Defense Production Act Program Account.

<sup>2</sup> Defense-Wide includes Operation & Maintenance – Defense-Wide; Procurement – Defense-Wide; Chemical Agents and Munitions Destruction; Research, Development, Test, and Evaluation – Defense-Wide; and Overseas Humanitarian, Disaster, and Civic Aid.

<sup>3</sup> Corps of Engineers – Civil Works includes Operation & Maintenance – Corps of Engineers and Expenses – Corps of Engineers.

Source: USASpending.gov.

## ***Guidance for Reporting COVID-19-Related Costs and CARES Act Costs***

The Office of the Under Secretary of Defense (Comptroller) established cost-reporting guidance for COVID-19 related costs on January 30, 2020. The guidance included instruction on reporting these costs using the Standard Financial Information Structure (SFIS) contingency code to track any money spent on COVID-19 from the annual appropriations.<sup>3</sup> On March 27, 2020, the Congress enacted the CARES Act to provide supplemental funding to the annual appropriations for the prevention, preparation, and response to COVID-19, domestically and internationally.<sup>4</sup>

On April 9, 2020, the Acting Under Secretary of Defense (Comptroller) issued a memorandum requesting that with regard to the new COVID-19 reporting requirements and the SFIS requirement, system owners update their feeds to Advancing Analytics (Advana) to include SFIS Element B8 “Contingency Code” and SFIS Element A32 “DEFC,” or work with Advana data operations personnel to identify where the data are located in the existing feeds.<sup>5</sup>

<sup>3</sup> Appropriations are a provision of legal authority by an act of the Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes.

SFIS is a comprehensive data structure that standardizes financial reporting across the DoD and is required for all DoD systems supporting financial transactions.

<sup>4</sup> According to the DoD FMR, supplemental appropriations are normally allowed to meet unforeseen contingencies or national emergencies of a magnitude that cannot be absorbed or accommodated through reprogramming and transfers.

<sup>5</sup> Advana is a centralized data and analytics platform that provides DoD users with common business data, decision support analytics, and data tools.

On April 10, 2020, the Office of Management and Budget (OMB) issued guidance for Federal agencies to manage their funds and awards by assigning Disaster Emergency Fund Codes (DEFC) specific to each COVID-19 supplemental funding issued, including a specific code for CARES Act funding.<sup>6</sup> This guidance also established the requirement for each Federal agency to include these DEFCs in their June 2020 Digital Accountability and Transparency Act of 2014 (DATA Act) submissions to USASpending.gov.<sup>7</sup>

The Assistant Inspector General for Audit, Financial Management and Reporting, DoD Office of Inspector General issued the memorandum, “Accounting and Auditing Expenditures Under the Coronavirus Aid, Relief, and Economic Security Act,” April 24, 2020, reiterating the need for the Office of the Under Secretary of Defense (Comptroller) and Defense Finance and Accounting Service (DFAS) to establish controls ensuring that DoD Components properly use the contingency codes and DEFCs in reporting the DoD’s use of CARES Act funds.

On May 21, 2020, the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), issued the memorandum, “Reporting Coronavirus Aid, Relief, and Economic Security Act Expenditures,” reiterating prior guidance in the April 9, 2020 memo from Acting Under Secretary of Defense (Comptroller) that directed components to use the required contingency code and DEFC for reporting expenditures, and instructing system owners to ensure expenditure data is available to be uploaded into Advana, at the transaction level, by May 31, 2020.

## Where are the DoD’s CARES Act Funds Used?

In prioritizing CARES Act spending, the DoD created a spend plan with two main priorities: 1) protecting its people, and 2) safeguarding national security capabilities. To protect the people against COVID-19, the DoD increased its medical care and increased its procurement of medical equipment. The DoD bought personal protective equipment, vaccines, antivirals, and other pharmaceutical supplies. To safeguard national security capabilities, the DoD upgraded its information technology to increase bandwidth to continue operations and increase access to material necessary for national security and pandemic recovery. The DoD funded contract modifications involving price increases and cost overruns tied directly to the

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<sup>6</sup> OMB Memorandum M-20-21, “Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease 2019,” April 10, 2020.

<sup>7</sup> The DATA Act requires Federal agencies to report financial and payment information according to data standards established by the Treasury Department and Office of Management and Budget. The purpose of the DATA Act is to make Federal spending data more accessible, searchable, and reliable while also serving as a tool for better oversight, data-centric decision-making, and innovation both inside and outside of government.



COVID-19 response. To address the DoD's priorities, the DoD awarded contracts and grants to companies. The DoD OIG reviewed whether the DoD appropriately awarded CARES Act funding. For example, in FY 2021 the DoD OIG found that the DoD appropriately awarded more than \$200 million of the \$1 billion Defense Production Act CARES Act funding to sustain or increase the Defense Industrial Base.<sup>8</sup>

The DoD submits its award data through its quarterly DATA Act submission to USASpending.gov. However, the DoD procurement data system that reports the award information has a 90-day delay in reporting contract actions, which results in delayed reporting of contract awards to USASpending.gov. For example, DoD's first quarter submission for FY 2021, which represents October through December 2020 award actions, was not uploaded until April 14, 2021. As a result, all USASpending.gov contract award data in this advisory only represent data through fourth quarter FY 2020, or as of September 30, 2020.

As of September 30, 2020, USASpending.gov reported the following five companies as receiving the most DoD COVID-19 funds from contracts that included CARES Act funds.

1. Modernatx Inc. received \$2.5 billion. The largest contract awarded to Modernatx funded the vaccine production that falls within the scope of the DoD CARES Act Spending Plan under medical countermeasures.<sup>9</sup>
2. Boeing Company received \$938.4 million. The largest contract awarded to Boeing funded the aircraft procurement that falls within the scope of the DoD CARES Act Spending Plan under the Air Force's allocation for operation and maintenance.
3. General Dynamics Corporation received \$876.3 million. The largest contract awarded to General Dynamics funded the maintenance (onboard the USS *Bataan*) that falls within the scope of the DoD CARES Act Spending Plan under the Navy's allocation for operations and maintenance.
4. Huntington Ingalls Industries Inc. received \$668.0 million. The largest contract awarded to Huntington Ingalls funded the engineering overhaul of the USS *Boise* that falls within the scope of the DoD CARES Act Spending Plan under the Navy's allocation for operation and maintenance.
5. Northrop Grumman Systems Corporation received \$622.3 million. The largest contract awarded to Northrop Grumman Systems funded the technology development, acquisition, and long-term support that falls within the scope of the DoD CARES Act Spending Plan under information technology equipment and support.

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<sup>8</sup> Report No. DODIG-2021-081, "Audit of the DoD Coronavirus Aid, Relief, and Economic Security Act Awards to the Defense Industrial Base," May 20, 2021.

<sup>9</sup> The DoD CARES Act Spend Plan details the Department's review and prioritization process, and the resulting spend plan for utilizing the supplemental funding received from the CARES Act to address the most critical and immediate requirements for the DoD coronavirus response. The report was submitted to the Pandemic Response Accountability Committee on May 29, 2020, in accordance with section 15011(b)(1)(B) of the CARES Act.



The data on USASpending.gov report COVID-19 costs as costs incurred in relation to the COVID-19 pandemic as a whole. Therefore, awards in USASpending.gov with the CARES Act DEFC reported amounts combined for the overall COVID-19 costs associated with each award and not just the amounts reported for the CARES Act DEFC alone. Because USASpending.gov reports the information in this manner, we were unable to determine the exact amount funded by the CARES Act for each award.

## Areas of Concern With Reporting of DoD's CARES Act Funds

### Unreliable Reporting of Award Data on USASpending.gov

The DoD is not providing detailed award data to USASpending.gov on the CARES Act funds. In April 2020, the OMB issued guidance requiring the inclusion of the CARES Act DEFC attribute into the agency DATA Act reporting so that the American public would have insight as to where the agencies spent the COVID-19 funds.

As of September 30, 2020, USASpending.gov reported \$22.6 billion in DoD-obligated COVID-19 funds for contract awards containing the CARES Act DEFC. Table 3 identifies the DoD award data reported on USASpending.gov with the CARES Act DEFC.

*Table 3. DoD Awards Funded by CARES Act by Component, as of September 30, 2020*

DoD Component	Awards	Obligated COVID-19 Funding for Awards (in Millions)	Component Percent of Total Obligations
Army	9,207	\$11,553.6	51.02
Navy	12,561	5,977.9	26.40
Air Force	4,254	3,131.6	13.83
Other <sup>1</sup>	4,137	1,980.4	8.75
<b>Total</b>	<b>30,159</b>	<b>\$22,643.4<sup>2</sup></b>	<b>100</b>

<sup>1</sup> Other is composed of 19 other Defense Agencies, each with obligated COVID-19 funding less than \$400 million, such as Defense Microelectronics Activity, the Defense Advanced Research Projects Agency, and Washington Headquarters Services.

<sup>2</sup> Total does not equal the actual sum because of rounding.

Source: USASpending.gov.

Therefore, when defining the DoD's award amounts in USASpending.gov using the CARES Act DEFC, USASpending.gov reported that DoD obligated \$22.6 billion to fund awards supporting the COVID-19 response. However, because the DoD received only \$10.6 billion in appropriations from the CARES Act, USASpending.gov appears to be reporting that DoD

awarded \$12 billion more in contracts and grants than what Congress appropriated to the DoD in response to COVID-19 through the CARES Act funds. This is because the award information reported through USASpending.gov did not distinguish between the CARES Act funds and other COVID-19 supplemental funding.

USASpending.gov receives the DoD's award data from the DoD's DATA Act submissions, as required by the OMB.<sup>10</sup> According to personnel from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (OUSD[C]), they generate the DoD's award data file using Advana. They manually align the DEFC for the DoD award data file by matching the obligation data to each award listed in the DoD award data file. According to OUSD(C) personnel, this is a manual process because the financial systems do not track the awards at the DEFC level, and not all accounting systems track the DEFC. OUSD(C) personnel also stated that DoD personnel were working on tracking the DEFCs in the accounting systems.

### ***USASpending.gov Reporting of Total Obligations Did Not Include COVID-19 Obligated Amounts***

For 4,899 of the 30,159 DoD awards that included CARES Act funding, USASpending.gov reported COVID-19 Obligated Amounts greater than the Total Award Obligated Amount. USASpending.gov reports data provided by agencies through multiple sources despite apparent inconsistencies. For example, as of March 30, 2021, for one contract, USASpending.gov reported a COVID-19 Obligated Amount of \$179.3 million and a Total Obligated Amount of \$112.2 million. OUSD(C) personnel explained that this could have occurred because the COVID-19 Obligated Amount is not updated on a regular basis due to a 90-day delay in the reporting of DoD's award amounts. Therefore, it is unclear to the USASpending.gov user what the correct obligated amount is because the Total Obligated Amount reported was less than that reported for the COVID-19 Obligated Amount alone.

USASpending.gov personnel stated that USASpending.gov displayed the data submitted by the agencies and that the reported COVID-19 Obligated Amount was the sum of all transactions for that award in the DoD's award data file with a COVID-19 DEFC, while the reported Total Obligated Amount was the sum of the Federal action obligation for that award from the procurement system.

### ***CARES Act Awards Reported Incorrectly***

The DoD inaccurately identified awards as using or not using CARES Act funds. For example, the DoD identified contracts as using CARES Act funds although the contracts do not indicate that they were related to a DoD program or CARES Act-related operation. For instance, USASpending.gov reported that a contract for the disposal of surface ship

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<sup>10</sup> The DoD's award data file is called File C which contains transaction-level financial data for all procurements and grants processed during the quarter.

support barges used CARES Act funds; however, the contract did not indicate that this particular contract related to a DoD program or operation conducted under the CARES Act. Additionally, in DoD OIG Report No. DODIG-2021-081, the auditors identified a grant awarded for \$28.8 million relating to the CARES Act; however, the award was not associated with CARES Act funds on USASpending.gov. To ensure transparency of the DoD's use of CARES Act funds, we recommend that the USD(C)/CFO work with the DoD Components to implement procedures ensuring CARES Act-funded award amounts are appropriately recorded and reported with the accurate DEFC in the respective reporting systems.

## Journal Vouchers Used to Report CARES Act Execution

The DoD does not track the CARES Act fund transactions by DEFC as required by the OMB.<sup>11</sup> Although the DEFC is a required SFIS element in the accounting systems, according to the OUSD(C) personnel, not all of the accounting systems are tracking the DEFC. For example, the Navy and the Marine Corps were required to reclassify their funding on the FY 2020 and FY 2021 financial statements through journal vouchers to account for the DEFC. As a result, DFAS personnel must perform monthly journal vouchers to identify and determine how much money was related to CARES Act.<sup>12</sup>

Without identifying the appropriate type of funding in the accounting systems, the DoD is at risk of not following the OMB Guidance for reporting CARES Act-related transactions.<sup>13</sup> The use of journal vouchers makes it extremely difficult to determine whether the transaction amounts are valid and meet the purpose of CARES Act. For example, we identified that although the CARES Act only provided for FY 2020 funding, the DHA received \$1 million in CARES Act funds in FY 2021 through a journal voucher from DFAS. However, when we asked DHA personnel about the funds, they responded that due to unclear language in the funding authorization document, DFAS personnel issued the journal voucher in error. DHA personnel agreed to work with DFAS to correct this error. Therefore, to ensure transparency and accuracy of the CARES Act reporting, we recommend that the USD(C)/CFO work with the Navy and the Marine Corps to ensure that the CARES Act obligation and disbursement transactions processed through their accounting systems and journal vouchers are properly reported in USASpending.gov.

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<sup>11</sup> OMB Memorandum M-20-21, "Implementation Guidance for Supplemental Funding Provided in Response to the Coronavirus Disease-2019," April 10, 2020.

<sup>12</sup> According to the DoD FMR, journal vouchers are all adjustments recorded in system transaction registers and the general ledger identifying summary-level adjustments to the general ledger.

<sup>13</sup> OMB Memorandum M-18-08, "Guidance on Disaster and Emergency Funding Tracking," February 2, 2018.

## Inaccurate Reporting of Financial Data

DHA personnel did not accurately report \$1.1 billion in CARES Act funding data used by the Defense Health Program. The CARES Act states the \$1.1 billion shall be available to the Defense Health Program for operation and maintenance and for contracts entered into under the TRICARE program, provided the amount is designated as an emergency requirement. The OMB requires agencies to report all funding that is designated as disaster or emergency for each public law using the appropriate DEFC value.<sup>14</sup>

Although issued through the CARES Act as emergency funds, DHA personnel recorded the supplemental CARES Act funding with the annual appropriation instead of using the required DEFC for emergency funding. This occurred due to DHA personnel misunderstanding the reporting requirements OUSD(C) personnel provided for the funds. By not reporting the funds as emergency funds and combining the funds with the annual appropriation, the DHA personnel were unable to determine which set of funds they used, causing inaccurate reporting and increasing the risk of using more CARES Act funds than appropriated.

Additionally, using the CARES Act DEFC, the DoD reported through USASpending.gov obligation amounts of \$28.9 million more in CARES Act funds than the total amount that three of the DoD's main accounts had available for use. Table 4 lists the three accounts and the overobligated amounts.

*Table 4. DoD Accounts Overobligated CARES Act Funds at the DEFC Level, as of March 31, 2021*

Main Account	Amount Available (in Millions)	Obligated (in Millions)	Overobligated Amount (in Millions)
Operations and Maintenance, Marine Corps (1106)	\$190.5	\$195.5	\$5.0
Operations and Maintenance, Air Force (3400)	938.4	961.1	22.7
Operations and Maintenance, Air Force Reserve (3740)	19.7	20.9	1.2
<b>Total Over Obligated</b>	<b>n/a</b>	<b>n/a</b>	<b>\$28.9</b>

Source: USASpending.gov, Defense Departmental Reporting System-Budgetary (DDRS-B), and the DoD OIG.

DFAS personnel stated that the overobligated account balances could have been the result of transactions incorrectly coded against the CARES Act DEFC. Therefore, while OMB guidance requires agencies to use the appropriate DEFC to track CARES Act funding, the DoD has not effectively implemented this guidance.

Furthermore, the DoD reported through USASpending.gov \$14.2 million more in disbursed CARES Act funds than what was available to disburse. Therefore, DoD is misreporting the use of the funds under the CARES Act DEFC. Table 5 identifies the four DoD accounts that reported more disbursements using the CARES Act DEFC than was available to disburse.

<sup>14</sup> OMB Memorandum M-18-08, "Guidance on Disaster and Emergency Funding Tracking," February 2, 2018.



Table 5. DoD Accounts Reporting More in Disbursements Than Obligations as of March 31, 2021

Main Account	Obligations (in Millions)	Disbursements (in Millions)	Over Disbursed (in Millions)
Military Personnel, Marine Corps (1105)	\$0.0*	\$0.01*	\$0.0*
Operations and Maintenance, Navy Reserve (1806)	4.12	4.13	0.01
Other Procurement, Air Force (3080)	2.10	13.66	11.56
Research, Development, Test, and Evaluations, Air Force (3600)	26.71	29.33	2.62
<b>Total Over Disbursed</b>	<b>n/a</b>	<b>n/a</b>	<b>\$14.19</b>

\* Amount Obligated - \$7,753, Amount Disbursed - \$10,780, Over Disbursed - \$3,027

Source: USASpending.gov, Defense Departmental Reporting System-Budgetary (DDRS-B), and the DoD OIG.

In addition to the reported overobligation and over disbursement amounts, we also identified that the Army reported execution of CARES Act funds in FY 2021 even though it did not receive FY 2021 CARES Act funding. Specifically, the Army reported in USASpending.gov \$225,400 in disbursements of FY 2021 CARES Act funds; however, the Army did not receive any CARES Act funds in FY 2021. Therefore, the DoD should improve its internal controls for ensuring the accuracy of the information reported using the CARES Act DEFC and meeting the requirements of OMB guidance. To ensure the accuracy of the CARES Act funds reporting, we recommend that the USD(C)/CFO develop procedures to confirm that DoD Components have appropriately implemented the policies DoD prescribed for coding CARES Act fund transactions. The policies and procedures could include DFAS reviewing records of the overobligated account balances and the Army reviewing records indicating improperly executed FY 2021 funds to ensure the appropriate use of the funds.

## Conclusion

The DoD leadership and Congress rely on accurate financial information reporting when ensuring transparency and accountability on the DoD's use of the CARES Act funds. However, because the DoD inconsistently used the CARES Act DEFC when reporting its use of the funds and incurred system limitations such as the 90-day delay, when recording the CARES Act DEFC for awards, the DoD reported unreliable information through USASpending.gov to the DoD leadership and Congress. We identified multiple areas of concern with tracking and reporting the \$10.6 billion in the DoD's emergency-use funding provided through the CARES Act. As a result, the DoD's processes are not ensuring transparency and accountability, and are not accurately informing decision-making. To ensure adequate tracking through the entire life cycle of future disaster emergency funds, we recommend that the USD(C)/CFO issue funding authorization documents that include a DEFC value to ensure all DoD budget and accounting systems have a consistent basis to record and report funding and execution by DEFC, in accordance with OMB Memorandum M-18-08.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD work with DoD Components to implement procedures to ensure award amounts funded under the Coronavirus Aid, Relief, and Economic Security Act are appropriately recorded and reported with the accurate Disaster Emergency Fund Codes through the respective reporting systems.

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

The Acting Deputy Chief Financial Officer (DCFO), responding for the USD(C)/CFO, agreed with the recommendation, stating that OUSD(C) personnel will work with DoD Components on the consistent application of business rules for deriving the DEFC value in their data while DoD Components work toward the goal to fully implement SFIS version 11.2. The Acting DCFO expects to complete this action by October 1, 2023.

### ***Our Response***

Comments from the Acting DCFO addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that DoD Components have implemented procedures to appropriately record and report accurate DEFC values.

### ***Recommendation 2***

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD work with the Navy and the Marine Corps to ensure that the Coronavirus Aid, Relief, and Economic Security Act obligation and disbursement transactions processed through their accounting systems and journal vouchers are properly reported in USASpending.gov.

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

The Acting DCFO, responding for the USD(C)/CFO, agreed with the recommendation, stating that the Department of the Navy had implemented a workaround to report a one-character DEFC, but that implementation of a three-character DEFC was included as part of the broader initiative to comply with the DoD Standard Line of Accounting and SFIS reporting. The Acting DCFO stated that the Department of the Navy agreed with the recommendation and will work with the OUSD(C) Advana team to ensure accurate accounting of COVID-19 funding. The Acting DCFO expects to complete this action by September 30, 2024.

### ***Our Response***

Comments from the Acting DCFO addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. However, the DoD should reconsider the timeframe planned for completing the corrective actions as it does not address the current need for transparency over the CARES Act transactions. We will close the recommendation once we verify that the Navy and the Marine Corps have implemented procedures to ensure that CARES Act obligation and disbursement transactions processed through their accounting systems and journal vouchers are properly reported in USASpending.gov.

### ***Recommendation 3***

**We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:**

- a. Develop procedures to confirm that DoD Components have appropriately implemented the policies DoD prescribed for coding Coronavirus Aid, Relief, and Economic Security Act fund transactions.**

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

The Acting DCFO, responding for the USD(C)/CFO, partially agreed with the recommendation, stating that the OUSD(C) has issued memoranda and worked with DoD components to ensure implementation of the DEFC and reiterating that DoD Components are working toward the goal to fully implement SFIS version 11.2 by FY 2024. Additionally, the Acting DCFO stated that OUSD(C) personnel are able to identify through Advana when and how DEFC guidance is implemented and the status of the consistent application of agreed-upon business rules. The Acting DCFO stated that no additional procedures within the OUSD(C) were considered necessary. The Acting DCFO expects to fully implement SFIS version 11.2, including the DEFC element, by October 1, 2023.

### ***Our Response***

Although the Acting DCFO partially agreed with the recommendation, the proposed actions meet the intent of the recommendation; therefore, the recommendation is resolved but will remain open. However, the DoD should reconsider the timeframe planned for completing the corrective actions as it does not address the current need for transparency over the CARES Act transactions. We will close the recommendation once we verify the incorporation of the DEFC data element.

- b. Issue funding authorization documents that include a Disaster Emergency Fund Code value to ensure all DoD budget and accounting systems have a consistent basis to record and report funding and execution by Disaster Emergency Fund Code, in accordance with Office of Management and Budget Memorandum M-18-08.**

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

The Acting DCFO, responding for the USD(C)/CFO, agreed with the recommendation, stating that an update to the Enterprise Funds Distribution system had been approved and was being programed to include the DEFC as a unique data element from the receipt of funds by the DoD through the distribution of funds to DoD Components. The Acting DCFO stated that, in the interim, OUSD(C) personnel would add the unique DEFC value to the Funding Authorization Document that is used to distribute funds to DoD Components. The Acting DCFO expects to complete this action by June 2022.

### ***Our Response***

Comments from the Acting DCFO addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that OUSD(C) has implemented changes to issue funding authorization documents that include a DEFC value.



# Management Comments

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



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

December 9, 2021

MEMORANDUM FOR PROGRAM DIRECTOR FOR AUDIT, FINANCIAL  
MANAGEMENT AND REPORTING, DEPARTMENT OF  
DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Response to DoD Office of Inspector General Management Advisory Memorandum regarding Results from Research for Future Audits and Evaluations Related to the Effects of the 2019 Novel Coronavirus on DoD Operations, dated November 23, 2021 (DoD OIG Project No. D2020-D000RM-0108.000)

I have reviewed the subject management advisory memorandum and for the most part concur with the results of your research assessment. Please refer to the attached responses where I have indicated DoD concurrence on three of the four recommendations (1, 2, and 3b) and partial concurrence on the fourth recommendation (3a).

The Standard Financial Information Structure (SFIS) is the DoD enterprise-wide comprehensive financial data structure required for all systems supporting financial transactions. The Disaster Emergency Fund Code (DEFC) is a required data element in SFIS version 11.2. Unfortunately, our DoD systems are not fully SFIS version 11.2 compliant. The office of the Under Secretary of Defense (Comptroller) (OUSD(C)) has issued memoranda and worked with DoD components at various levels to ensure implementation of the DEFC required to record and track supplemental funding and awards, to include the funding received and awards issued under the Coronavirus Aid, Relief, and Economic Security Act. All DoD components, including the Military Departments, continue working toward the goal to fully implement SFIS version 11.2, including the unique DEFC data element, by fiscal year 2024.

It is critical that DoD be wholly responsible and transparent in its execution of and reporting on taxpayer resources. To that end, we continue to work with our budget, accounting, and reporting components across the DoD to track supplemental spending more effectively. DoD accepts full responsibility for the accuracy, quality, and completeness of the information reported, and continues to make tremendous progress in improving financial reporting.

Thank you for the opportunity to review and comment on the draft management advisory memorandum. My point of contact for this subject is [REDACTED], who can be reached at [REDACTED] or [REDACTED].

LAURANCE.K  
IM.R [REDACTED]

Kim R. Laurance  
Acting Deputy Chief Financial Officer

Attachment:  
As stated

## Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (cont'd)

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C))  
RESPONSE TO DOD OFFICE OF INSPECTOR GENERAL MEMORANDUM,

“MANAGEMENT ADVISORY MEMORANDUM REGARDING RESULTS FROM  
RESEARCH FOR FUTURE AUDITS AND EVALUATIONS RELATED TO THE EFFECTS  
OF THE 2019 NOVEL CORONAVIRUS ON DOD OPERATIONS”

PROJECT NO. D2020-D000RM-0108.000, DATED NOVEMBER 23, 2021

**Recommendation 1:** We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) work with the DoD Components to implement procedures ensuring CARES Act-funded award amounts are appropriately recorded and reported with the accurate DEFC in the respective reporting systems.

**OUSD(C) RESPONSE:** Concur. Over the past several months, the OUSD(C) has issued memoranda and worked with DoD components at various levels to ensure implementation of the Disaster Emergency Fund Code (DEFC) required to record and track supplemental funding and awards, including funding received and awards issued under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The DEFC is a required data element in the DoD Standard Financial Information Structure (SFIS) version 11.2. As of November 2021, the Defense Health Agency – Contract Resource Management and the 23 Defense Agencies that utilize the Defense Agencies Initiative (DAI) as their accounting system of record have upgraded to SFIS version 11.2. All other DoD components, including the Military Departments, continue working toward the goal to fully implement SFIS version 11.2, including the unique DEFC data element, by fiscal year (FY) 2024.

In the interim, OUSD(C) staff continue to work with the DoD components on the consistent application of business rules for deriving the DEFC value in their data. This process begins with the full transparency of the DEFC value included on the supplemental funding when issued by OUSD(C) staff.

**Estimated completion date** is October 1, 2023.

**Recommendation 2:** We recommend that the USD(C)/CFO work with the Navy and the Marine Corps to ensure that the CARES Act obligation and disbursement transactions processed through their accounting systems and journal vouchers are properly reported in USAspending.gov.

**OUSD(C) RESPONSE:** Concur. Effective May 2020, the Department of the Navy (DON) established system capabilities and methodologies to capture Contingency Code and single-character DEFC values from financial systems. Due to timing of the pandemic, implementation occurred after COVID response funding documents had been

Attachment

## Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (cont'd)

processed. Working with the OUSD(C), the DON established mapping logic and criteria to identify COVID-related funding in transactional data to support Universe of Transactions, reporting to Advana, and Digital Accountability and Transparency Act of 2014, which feeds USAspending.gov. The DON acknowledges this mapping has limitations and does not distinguish between base and supplemental funding. With the exception of reporting from SABRS, planned for decommissioning in FY 2023, the DON concurs with DoD OIG recommendation while continuing to work with the OUSD(C) Advana team to ensure accurate accounting of COVID funding.

As of February 2021, the DON has implemented a workaround to report a one-character DEFC, which has been mapped to an unused field in the DDRS layout and relies on business logic/crosswalks agreed upon with the OUSD(C) Advana team. To mitigate risk to the migration initiative, implementation of three-character DEFC is included as part of the broader initiative to comply with the DoD Standard Line of Accounting and SFIS reporting.

**Estimated completion date** is September 30, 2024.

### **Recommendation 3.a:** We recommend that the USD(C)/CFO:

- a. **Develop procedures to confirm that DoD Components have appropriately implemented the policies DoD prescribed for coding Coronavirus Aid, Relief, and Economic Security Act fund transactions.**

OUSD(C) RESPONSE: Partially concur. Over the past several months the OUSD(C) has issued memoranda and worked with DoD components at various levels to ensure implementation of the DEFC required to record and track supplemental funding and awards, including funding received and awards issued under the CARES Act.

The DEFC is a required data element in SFIS version 11.2. As of November 2021, the Defense Health Agency – Contract Resource Management and the 23 defense agencies that utilize the DAI as their accounting system of record have upgraded to SFIS version 11.2. All other DoD components, including the Military Departments, continue working toward the goal to fully implement SFIS version 11.2, including the unique DEFC data element, by FY 2024.

The OUSD(C) Office of Enterprise Data and Business Performance (EDBP) receives component accounting data on a weekly, and in some instances daily, basis in the Advana platform. This data is evaluated for the consistent application of business rules used to capture or derive the DEFC value from the ingested data. Through the Advana platform, OUSD(C) staff are able to identify when and how DEFC guidance is implemented and the status of the consistent application of agreed-upon business rules. No additional procedures within OUSD(C) are deemed necessary.

**Estimated completion date** is N/A.

## Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (cont'd)

**Recommendation 3.b.:** We recommend that the USD(C)/CFO:

- b. Issue funding authorization documents that include a DEFC value to ensure all DoD budget and accounting systems have a consistent basis to record and report funding and execution by DEFC, in accordance with OMB Memorandum M-18-08.**

**OUSDC(C) RESPONSE:** Concur. The implementation of the DEFC value to record and track supplemental funding and awards in the DoD component budget and accounting systems is the responsibility of each DoD component. However, the OUSDC(C) recognizes that additional transparency of the DEFC value may be required in our funding distribution guidance. An update to the Enterprise Funds Distribution (EFD) system has been approved and is currently being programmed to include the DEFC as a unique data element during the receipt of funds by the Department through the distribution of funds to the DoD components, including the Military Departments. In the interim, the OUSDC(C) is adding the unique DEFC value for supplemental funding on the Funding Authorization Document (FAD) used to distribute budgetary resources to the DoD components. We are currently working through details on how best to reflect this information in a footnote or remark.

**Estimated completion date** is June 2022 for the EFD system upgrade to include implementation of the DEFC as a unique data element in the system and for distribution. Prior to the May implementation, the DEFC will be included as a footnote or remark on all future FADs that are identified as having DEFC supplemental funding.



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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**For more information about DoD OIG  
reports or activities, please contact us:**

**Congressional Liaison**  
703.604.8324

**Media Contact**  
[public.affairs@dodig.mil](mailto:public.affairs@dodig.mil); 703.604.8324

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[www.dodig.mil/hotline](http://www.dodig.mil/hotline)



DEPARTMENT OF DEFENSE | INSPECTOR GENERAL

4800 Mark Center Drive  
Alexandria, VA 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
DoD Hotline 1.800.424.9098

