

GAO Highlights

Highlights of [GAO-18-27](#), a report to congressional committees

Why GAO Did This Study

The Department of Defense (DOD) remains on GAO's High-Risk List in part because of its long-standing financial management deficiencies, which have prevented it from having auditable financial statements. One of the contributing factors is the billions of dollars of unsupported JVs within DOD's accounting systems, with the largest portion attributable to the Army's general fund. Because the National Defense Authorization Act for Fiscal Year 2014 required that DOD submit audit results to Congress for fiscal year 2018, a Working Group was established to address the Army's unsupported JVs, including analyzing root causes and developing corrective action plans.

This report examines to what extent the Working Group, as of March 2017, has performed analyses and developed corrective action plans to address identified root causes. GAO reviewed and analyzed relevant documentation and interviewed agency officials and members of the Working Group.

What GAO Recommends

GAO recommends that the Army (1) ensure that the entire population of unsupported JVs is identified and analyzed and (2) develop metrics that sufficiently monitor the extent to which the Working Group has identified root causes and determine the extent to which unsupported JVs are being reduced based on the implemented corrective actions. The Army concurred with GAO's recommendations and provided information on actions it has taken or plans to take to address them.

View [GAO-18-27](#). For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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DOD FINANCIAL MANAGEMENT

Additional Actions Needed to Complete the Army's Analyses of Unsupported Accounting Entries for Its General Fund

What GAO Found

Since February 2015, the Journal Voucher Working Group (Working Group), which is comprised of Department of the Army (Army) and Defense Finance and Accounting Service personnel, has been actively working toward implementing new processes to address inadequate support for journal vouchers (JV) in the Army's general fund. JVs are accounting entries manually entered or system generated to record corrections or adjustments in an accounting system. From October 2016 to March 2017, the Working Group identified more than 121,000 unsupported JVs totaling \$455 billion in one of its reporting systems, Defense Departmental Reporting System-Budgetary (DDRS-B).

In the May 2017 Financial Improvement and Audit Readiness Plan Status Report, the Army stated that it had completed its root cause analyses for all JVs. However, GAO found that the Working Group had conducted the analyses on only a small percentage of the total number of unsupported JVs that existed as of March 2017. Specifically, as of March 2017, the Working Group had been focusing on manual JVs processed in DDRS-B, which only represent 10 percent of the dollar value and 3 percent in the total number of unsupported JVs in that system alone. Therefore, the analyses cannot be considered complete because the Working Group had not yet analyzed the remainder of the population, including those in other systems. Members of the Working Group indicated that in March 2017, the Working Group began including system-generated JVs in its analyses, which made up 90 percent in dollar value and 97 percent in total number of unsupported JVs processed in DDRS-B as of March 2017, but had not yet begun identifying any root causes. Members of the Working Group stated that these efforts will be an ongoing, iterative process because of anticipated new challenges that continually arise from new business processes or programs.

As of March 2017, the Working Group reported that it had developed 38 corrective action plans to address all of the identified root causes of unsupported manual JVs in DDRS-B for the Army's general fund. According to members of the Working Group, 18 of the 38 have been implemented. However, the Working Group is unable to determine how many more corrective action plans will need to be developed to resolve the unsupported JV issue until the root cause analyses are complete. Further, GAO found that the Working Group's monitoring of corrective action plan implementation does not include a method that sufficiently identifies the progress toward fully addressing the issue of unsupported JVs or to what extent each implemented corrective action plan has reduced unsupported JVs. Members of the Working Group stated that the Working Group uses monthly JV metrics reports to monitor its implemented corrective actions, but the reports are not designed to provide the level of detail necessary to sufficiently monitor whether root causes identified are resolved through corrective action plans. Therefore, the metrics cannot demonstrate to what extent the Working Group has reduced unsupported JVs and how much more effort is required to fully address the issue and help ensure that the Army's financial statements are auditable for fiscal year 2018.