

# Inspector General

United States  
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Internal Controls over FY 2007  
Army Adjusting Journal Vouchers

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### **Acronyms**

ASA(FM&C)	Assistant Secretary of the Army (Financial Management and Comptroller)
CLRS-AFS	Chief Financial Officer Load and Reconciliation System-Audited Financial Statements
CLRS-FE	Chief Financial Officer Load and Reconciliation System-Front End
DDRS-AFS	Defense Departmental Reporting System-Audited Financial Statements
DFAS	Defense Finance and Accounting Service
OIG	Office of Inspector General
OUSD(C)/CFO	Office of Under Secretary of Defense (Comptroller)/Chief Financial Officer
SOP	Standard Operating Procedure



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

February 22, 2008

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE

SUBJECT: Report on Internal Controls over FY 2007 Army Adjusting Journal Vouchers  
(Report No. D-2008-055)

We are providing this report for information and use. We considered management comments on a draft of this report when preparing the final report. The comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Jack L. Armstrong at (317) 510-4801, ext. 274 (DSN 699-4801) or Mr. Mark A. Ives at (317) 510-4801, ext. 260 (DSN 699-4801). The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink that reads "Patricia A. Marsh".

Patricia A. Marsh, CPA  
Assistant Inspector General  
Defense Financial Auditing Service



## Department of Defense Office of Inspector General

Report No. D-2008-055

February 22, 2008

(Project No. D2007-D000FL-0063.001)

### Internal Controls over FY 2007 Army Adjusting Journal Vouchers

#### Executive Summary

**Who Should Read This Report and Why?** Department of the Army and Defense Finance and Accounting Service (DFAS) personnel who are responsible for Army financial reporting should read this report. It discusses the adequacy of internal controls over the review and approval of adjusting journal vouchers made to Army accounting data during the third quarter of FY 2007.

**Background.** We performed this audit in support of Public Law 101-576, the “Chief Financial Officers Act of 1990,” November 15, 1990, as amended by Public Law 103-356, the “Federal Financial Management Act of 1994,” October 13, 1994. This report is a result of work performed in support of the audits of the FY 2007 Army General Fund and Army Working Capital Fund Financial Statements.

The third quarter FY 2007 Army General Fund Financial Statements reported total assets of \$304.4 billion, total liabilities of \$70.0 billion, and budgetary resources of \$268.4 billion. The third quarter FY 2007 Army Working Capital Fund Financial Statements reported total assets of \$23.0 billion, total liabilities of \$1.4 billion, and budgetary resources of \$19.3 billion. Maintaining internal controls over the preparation and recording of accounting adjustments has been a long-standing problem at Defense Finance and Accounting Service Indianapolis Operations (referred to as “DFAS Indianapolis”).

**Results.** We reviewed the adjusting journal voucher review and approval process for 379 adjustments valued at \$2.3 trillion made to Army accounting data in the first three quarters of FY 2007. DFAS Indianapolis officials did not properly review and approve 102 adjustments for \$1.1 trillion made to the Army financial statement data prior to closing the accounting records. As a result, DFAS Indianapolis could process erroneous journal vouchers that can only be corrected at the request of the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and would require the Assistant Secretary of the Army (Financial Management and Comptroller) to reconfirm the statements.

**Management Comments and Audit Response.** The Director of DFAS Indianapolis Operations generally concurred with the intent of all recommendations. The Director stated that DFAS Indianapolis Operations will:

- create a standardized journal voucher log to readily identify journal vouchers above required approval thresholds and

- provide a journal voucher log that lists journal vouchers requiring approval and perform an internal review to ensure that the appropriate signatures are present on the journal vouchers.

DFAS Indianapolis personnel provided the journal voucher logs signed by senior DFAS Indianapolis and Army managers for the fourth quarter FY 2007. We reviewed the journal voucher logs and concluded that the internal DFAS review effectively ensured that journal vouchers were approved at the proper management level. During subsequent quarterly journal voucher reviews, we will confirm that the journal voucher logs identify journal vouchers above the required thresholds and that the logs are properly prepared and signed by senior managers. (See the Finding section for a discussion of management comments and the Management Comments section for the complete text of the comments.)

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## Background

We performed this audit in support of Public Law 101-576, the “Chief Financial Officers Act of 1990,” November 15, 1990, as amended by Public Law 103-356, the “Federal Financial Management Act of 1994,” October 13, 1994. The Department of Defense Office of Inspector General (DoD OIG) is required to audit the annual financial statements of the Department of Defense. This report is a result of work performed in support of the audit of the FY 2007 Army General Fund Financial Statements.

**Defense Finance and Accounting Service Indianapolis Operations.** The Defense Finance and Accounting Service Indianapolis Operations (referred to as “DFAS Indianapolis”) provides finance and accounting support to the Army. Support includes maintaining accounting records for the Department of the Army (for example, departmental accounting records). DFAS Indianapolis also prepares financial statements using general ledger trial balances and financial data on the status of appropriations submitted by DoD field accounting activities and other sources.

**Army Financial Statements.** The third quarter FY 2007 Army Financial Statements consisted of the consolidated balance sheet, consolidated statements of changes in net position, combined statements of budgetary resources, statement of custodial activity, and supporting footnotes for the Army General Fund and the Army Working Capital Fund. The third quarter FY 2007 Army General Fund Financial Statements reported total assets of \$304.3 billion, total liabilities of \$70.0 billion, and budgetary resources of \$268.4 billion. The third quarter FY 2007 Army Working Capital Fund Financial Statements reported total assets of \$23.0 billion, total liabilities of \$1.4 billion, and budgetary resources of \$19.3 billion.

**DFAS Financial Systems.** DFAS Indianapolis uses three financial reporting systems to compile the Army financial statements. These systems are the Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS), the Chief Financial Officer Load and Reconciliation System-Audited Financial Statements (CLRS-AFS), and the Chief Financial Officer Load and Reconciliation System-Front End (CLRS-FE).

**CLRS Journal Voucher Adjustments.** DFAS Indianapolis uses CLRS-AFS and CLRS-FE to compile data from the field and provide a venue for processing errors and editing, balancing, reconciling, and adjusting balances. The final result is a set of trial balances that are reasonable, comprehensive, and suitable for financial reporting. DFAS Indianapolis uses CLRS adjustments to force general ledger accounting data to match the certified status data. The adjustments are recorded into a database that is used to record general ledger adjustments. This database, along with beginning balances and budgetary report data, is combined into a single file containing data needed for financial statement preparation. CLRS converts this file to U.S. Government Standard General Ledger accounts, enabling preparation of the financial statements.

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**DDRS Journal Voucher Adjustments.** DFAS Indianapolis uses DDRS-AFS to compile the Army General Fund and Army Working Capital Fund quarterly and annual financial statements and to make adjustments to accounting records. DFAS Indianapolis accountants prepare journal voucher adjustments primarily to force general ledger accounting data to match budgetary accounting data, to force intragovernmental transactions between trading partners to match, and to correct discrepancies between sources of accounting data.

**Journal Voucher Preparation.** DFAS Indianapolis accountants prepare quarterly journal vouchers primarily for correcting entries and source entries. Correcting entry journal vouchers correct errors identified during the reports review process. Source entry journal vouchers record accounting entries that, due to system limitations or timing differences, have not been otherwise recorded. Source entry journal vouchers are generally used for month-end and year-end closing purposes. DoD Regulation 7000.14R, “Financial Management Regulation,” volume 6A, chapter 2, requires that all journal vouchers be supported with proper documentation, in either hard copy or electronic form. This documentation must be sufficient for the approving official or auditors to clearly understand the reason for the journal voucher. DoD Regulation 7000.14R identifies which organizational levels within DFAS Indianapolis must approve journal vouchers.

## Objective

Our overall objective was to determine whether journal vouchers prepared during the first three quarters of FY 2007 were approved in a timely manner and at the organization levels specified in DoD Regulation 7000.14R. We reviewed the managers’ internal control program as it related to the audit objectives. See Appendix A for a discussion of the scope and methodology and for prior coverage related to the objective.

## Review of Internal Controls

We identified a material internal control weakness for DFAS Indianapolis as defined by DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” January 4, 2006. Specifically, DFAS Indianapolis did not ensure that appropriate management officials reviewed and approved all journal vouchers adjusting Army accounting records in a timely manner. See the finding for further details on the material internal control weakness. A copy of the report will be provided to the senior official responsible for management controls at DFAS Indianapolis.

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## Review and Approval of Adjusting Journal Vouchers

DFAS Indianapolis officials did not properly review and approve 102 adjustments for \$1.1 trillion made to the FY 2007 Army financial statement data prior to closing the accounting records. This occurred because DFAS Indianapolis did not follow existing DoD and DFAS requirements. Specifically, approving officials were not required to review journal voucher logs to confirm that they reviewed all journal vouchers above the approval thresholds outlined in DoD Regulation 7000.14R. As a result, DFAS Indianapolis could process erroneous journal vouchers that can be corrected only at the request of the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSDC/CFO) and would require the Assistant Secretary of the Army (Financial Management and Comptroller) (ASAFM&C) to reconfirm the statements.

### Journal Voucher Review Requirements

**Performance Accountability Report Schedule.** In a memorandum dated March 19, 2007, the OUSDC/CFO issued the “Fiscal Year Financial Statement Performance Accountability Report Schedule” that lists the actions required to prepare the FY 2007 quarterly and annual financial statements and the required completion dates. The schedule establishes deadlines for the Components<sup>1</sup> to provide the quarterly financial statements and notes to the OUSDC/CFO. The submission deadlines are the 16th day following the close of the first three quarters and the 20th day following the close of the fiscal year. The OUSDC/CFO considers the financial statements and notes final on the submission deadline dates. After the submission deadlines, only adjustments requested by the OUSDC/CFO may be made to the financial statements. We refer to this process as closing the accounting records. The schedule also requires the ASAFM&C to provide signed confirmation letters to DFAS and the DoD Office of Inspector General, indicating that he reviewed and concurred with the quarterly and annual FY 2007 statements and notes submitted to the OUSDC/CFO.

**Financial Management Regulation.** DoD Regulation 7000.14R, volume 6A, chapter 2, “Financial Reports Roles and Responsibilities,” March 2002, prescribes the procedures for preparation, support, approval thresholds, and managerial oversight of journal vouchers. DoD Regulation 7000.14R states that a primary reason for the managerial review and approval of journal vouchers is to certify that supporting documentation is present and adequate. Table 1. shows the approval thresholds for adjusting journal vouchers.

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<sup>1</sup> The Components are DoD entities that prepare stand-alone financial statements.

<u>Threshold</u>	<u>Dollar Amount</u>	<u>Approving Official</u>
1	Under \$100 Million	Reporting Entity Branch Chief
2	\$100 - \$500 Million	Supervisor of Reporting Entity Branch Chief
3	\$500 Million - \$1 Billion	Director for Accounting for the Reporting Entity
4	Over \$1 Billion	Director for the Reporting Entity

**DFAS Indianapolis Journal Voucher Policy.** DFAS Indianapolis Standard Operating Procedure No. DA800, “Standard Operating Procedure for Journal Vouchers,” February 2006 (the SOP), provides instructions for preparing, approving, processing, and controlling journal voucher adjustments. This guidance includes the following.

- Journal vouchers should not be processed unless the proper approval signature is included.
- Journal vouchers affecting the Headquarters Accounting and Reporting System must be fully coordinated and approved before they are returned to the functional area for processing. If an emergency makes it necessary to process a journal voucher before it is completely coordinated, the coordination must be completed within 10 workdays and coordination will be done at Division level or higher.
- All journal vouchers over \$1 billion must be approved by the Director of the reporting entity and coordinated with the customer and auditors within 10 days of processing the proposed adjustment.
- Journal voucher adjustments will be maintained in the current month’s Journal Voucher Control Log located on the V:\Shared\Sf\Acct drive.
- Within 10 work days after the financial statements are prepared, the Director for Accounting Operations, or whoever he or she has designated, must review all journal vouchers to determine whether approval thresholds were met, and if not, obtain approvals.

## **FY 2007 Journal Vouchers**

We reviewed 379 Army General Fund and Army Working Capital Fund journal vouchers with total debits of \$2.3 trillion processed by DFAS Indianapolis for the first three quarters of FY 2007. Of the 379 journal vouchers we reviewed, 177 were below the \$500 million threshold and 202 were above. All of the

journal vouchers below the \$500 million threshold were approved by the appropriate officials prior to the deadline. Of the 202 journal vouchers above the \$500 million threshold, 100 journal vouchers, valued at \$1.1 trillion, were approved by the appropriate officials prior to the close of the accounting records, and 102 journal vouchers, valued at \$1.1 trillion, were not. Table 2. compares the journal vouchers approved at appropriate levels with those not approved at appropriate levels.

**Table 2. Approvals of FY 2007 Journal Vouchers at Accounting Record Closure**

JV* Value Range	Required Approving Official	JVs Properly Approved Before Accounting Record Closure		JVs Not Properly Approved Before Accounting Record Closure	
		Number of JVs	Total Dollar Amount	Number of JVs	Total Dollar Amount
Under \$100 million	Reporting Entity Branch Chief	78	\$ 1.5 billion	0	\$ 0
\$100 - \$500 million	Supervisor of Reporting Entity Branch Chief	99	28.8 billion	0	0
\$500 million - \$1 billion	Director of Accounting for the Reporting Entity	11	8.0 billion	38	27.3 billion
Over \$1 billion	Director for the Reporting Entity	<u>89</u>	<u>1.1 trillion</u>	<u>64</u>	<u>1.1 trillion</u>
<b>Totals</b>		<b>277</b>	<b>\$1.2 trillion</b>	<b>102</b>	<b>\$1.1 trillion</b>

\* Journal Voucher

Included in the 102 journal vouchers that were not properly approved before the closure of the accounting records were 3 journal vouchers totaling \$347.8 billion that were never approved by the appropriate senior managers. One of these journal vouchers was prepared to reduce the FY 2007 beginning balance of military equipment by \$305.5 billion to match the FY 2006 ending balance. Another of these journal vouchers was prepared to decrease the unexpended appropriations account balance in the proprietary accounting records by \$15.4 billion to agree with the balance in the budgetary records. The third journal voucher was prepared to make a \$26.9 billion correction to the balance of the undistributed disbursements account. The journal vouchers for \$26.9 billion and \$15.4 billion were not adequately supported.

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Although the SOP establishes controls for reviewing all journal vouchers to determine whether approval thresholds were met, DFAS Indianapolis personnel did not identify the three instances where the approval thresholds were not met. This indicates that the controls were either not followed or were not adequate to ensure that all journal vouchers were reviewed and approved by the appropriate officials.

## **Process for Reviewing Journal Vouchers**

The process for identifying journal vouchers that require approval by the Director for Army Departmental Accounting and the Director for DFAS Indianapolis was not adequate. DFAS Indianapolis personnel responsible for preparing the journal vouchers stated that they notify the appropriate officials when journal vouchers above the \$500 million and \$1 billion thresholds are ready to be reviewed. Relying on the accountants who prepare the adjustments to notify the approving officials of the journal vouchers that must be reviewed increases the risk that some adjustments will not be reviewed. The approving officials should use the journal voucher log to ensure that they have reviewed and approved all journal vouchers requiring their signature.

The Deputy Director, DFAS Indianapolis prepared a memorandum dated July 16, 2007, delegating the authority to approve journal vouchers greater than \$1 billion. In this memorandum, she delegated authority to a DFAS manager to approve journal vouchers greater than \$1 billion systemically into DDRS, CLRS-AFS, and CLRS-FE. The memorandum stated that the Deputy Director, DFAS Indianapolis will review and certify journal vouchers exceeding \$1 billion after they have been systemically processed. DoD Regulation 7000.14R indicates that the purpose of the journal voucher review is to certify that supporting documentation is present and adequate. The Deputy Director's review of journal vouchers after the close of the accounting records is an ineffective control procedure that does not meet the intent of DoD Regulation 7000.14R. Both DoD Regulation 7000.14R and the SOP require that all journal vouchers be reviewed prior to processing.

## **Enforcing Internal Controls**

Maintaining internal controls over the preparation and recording of accounting adjustments has been a long-standing problem at DFAS Indianapolis. DoD OIG Report No. D2000-160, "Compilation of the FY 1999 Army General Fund Financial Statement at DFAS Indianapolis Center," July 12, 2000, reported that DFAS Indianapolis did not fully implement or enforce DFAS guidance when preparing journal vouchers. The audit report also stated that in previous years, a DFAS Indianapolis support team had performed quality assurance reviews. However, DFAS Indianapolis discontinued these reviews in FY 1999. The DoD OIG recommended that DFAS Indianapolis reestablish the independent quality assurance review process. DFAS Indianapolis partially concurred with the recommendation and suggested, as an alternative solution, applying existing guidance to require managers to review accounting adjustments and, specifically, verify the adequacy of supporting documentation. The DoD OIG considered the

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DFAS Indianapolis proposal responsive, subject to future follow up work. As discussed in this report, the DFAS Indianapolis review and approval process is not adequate to ensure that all journal vouchers are reviewed and approved prior to the closure of the accounting records. As a result, DFAS Indianapolis should reestablish the independent quality assurance review process to confirm that all journal vouchers are reviewed by the appropriate officials.

The control environment is a key component in mitigating the risk of financial reporting errors. For DFAS Indianapolis to have a strong control environment, policies and procedures must be understood and followed. The responsibility for reliable financial reporting resides first and foremost at senior management level. Top management sets the tone and establishes the financial reporting environment. The tone set by top management is an important factor contributing to the integrity of the financial reporting process. If the tone set by management is lax, inaccurate financial reporting is more likely to occur. DFAS Indianapolis' senior managers can demonstrate their commitment to fundamental internal controls and minimize the risk of processing inaccurate journal vouchers by approving all journal vouchers prior to submitting the financial statements to OUSD(C)/CFO.

## **Conclusion**

By not reviewing journal vouchers prior to the financial statement submission deadlines, DFAS Indianapolis could process erroneous journal vouchers that can be corrected only at the request of the OUSD(C)/CFO, and would require the ASA(FM&C) to reconfirm statements. Prior to the submission deadlines, DFAS Indianapolis can process adjustments into the accounting systems without approval from OUSD(C)/CFO. After these deadlines, only adjustments requested by the OUSD(C)/CFO can be processed in DDRS-AFS. By reviewing adjusting journal vouchers after the submission deadlines, DFAS Indianapolis can unnecessarily complicate the process. If the reviewer determines that an adjusting journal voucher is incorrect, any correcting journal vouchers would need to be coordinated with OUSD(C)/CFO. Also, any corrections made after these dates would result in changes to the financial statements that the ASA(FM&C) had previously confirmed. As a result, the ASA(FM&C) would need to prepare new confirmation letters and accompanying checklists. By reviewing the adjusting journal vouchers before the submission deadlines, DFAS Indianapolis can process corrections without OUSD(C)/CFO coordination and avoid additional reviews and reconfirmations.

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

**We recommend that the Director, Defense Finance and Accounting Service:**

**1. Implement procedures to ensure that all requirements of the DoD Regulation 7000.14R, "Financial Management Regulation," volume 6A, chapter 2, and the Defense Finance and Accounting Service Standard Operating Procedure No. DA 800 are followed.**

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**Management Comments.** The Director, DFAS Indianapolis concurred and stated that a standardized journal voucher log is being created to readily identify journal vouchers that are above required approval thresholds. Senior managers are also working to avoid scheduling conflicts that interfere with their ability to review journal vouchers within the prescribed time periods. The estimated completion date is March 31, 2008.

**Audit Response.** The comments provided by the Director, DFAS Indianapolis are responsive, and no further comments are required.

**2. Require an independent quality assurance function to provide approving officials the journal voucher control log to use in confirming that all journal vouchers requiring their approval have been presented for their review.**

**Management Comments.** The Director of DFAS Indianapolis partially concurred and stated that beginning with the fourth quarter FY 2007, Army department accounting staff provided senior managers with a journal voucher log that listed journal vouchers requiring approval. For each subsequent quarter, senior managers will review journal vouchers to ensure that the appropriate signatures are on the journal vouchers. However, the Director, DFAS Indianapolis nonconcurred that this review needed to be performed by an independent quality assurance function. Action was completed on October 18, 2007.

**Audit Response.** The Director's comments are responsive. We agree that the journal voucher logs can be provided by the departmental accounting staff. However, because an independent quality assurance function will not be used, we will include a review of journal voucher logs above approval thresholds in our future quarterly journal voucher reviews.

**3. Require the independent quality assurance function to confirm that all journal vouchers were approved by the appropriate officials.**

**Management Comments.** The Director of DFAS Indianapolis nonconcurred and stated the journal voucher log provides a complete listing of all journal vouchers and is reviewed by both senior DFAS Indianapolis and Army managers. These actions provide reasonable assurance that all journal vouchers are approved by the appropriate officials. Effective as of the fourth quarter FY 2007, the Director of Departmental Reporting systemically approves all journal vouchers over the \$500 million threshold.

**Audit Response.** The comments provided by the Director are responsive and meet the intent of the recommendation. We reviewed the DFAS Indianapolis fourth quarter FY 2007 journal voucher logs signed by senior DFAS Indianapolis and Army managers and concluded that their review effectively ensured that journal vouchers were approved at the proper management level. During subsequent quarterly journal voucher reviews, we will confirm that the journal voucher logs identify vouchers above the required thresholds and that the logs are properly prepared and signed by senior managers.



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## Appendix A. Scope and Methodology

We conducted this financial-related audit from December 2006 through October 2007 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 reviewed 379 journal voucher adjustments valued at \$2.3 trillion made to the Army General Fund and Army Working Capital Fund accounting records during the first three quarters of FY 2007. We reviewed the journal voucher adjustments for evidence of supervisory review and compared the results to DoD and DFAS criteria regarding journal voucher adjustments. One purpose of the review was to determine whether the journal vouchers were approved in a timely manner and in accordance with thresholds in the DoD Regulation 7000.14R.

**Use of Computer-Processed Data.** Although we used computer-processed data from the CLRS-AFS, CLRS-FE, and DDRS-AFS systems to identify journal vouchers to review, we did not rely on the results of any processes performed by these systems in arriving at our conclusions. Our conclusions were based on our review of the internal controls over the journal voucher review and approval process.

**Government Accountability Office High-Risk Area.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the Financial Management high-risk area.

### Prior Coverage

During the last 5 years, the DoD OIG has issued two reports discussing internal controls over adjusting journal vouchers. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/audit/reports>.

Report No. D-2007-0058, "Controls over the Army, General Fund, Fund Balance With Treasury Journal Voucher Adjustments," February 8, 2007

Report No. D-2006-013, "Compiling and Recording Financial Adjustments Related to DoD Commercial Payments," November 8, 2005

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# Defense Finance and Accounting Service Comments



**DEFENSE FINANCE AND ACCOUNTING SERVICE**  
8899 EAST 56TH STREET  
INDIANAPOLIS, INDIANA 46249

DEC 19 2007

DFAS-JBI/IN

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Department of Defense, Inspector General Draft Report, "Internal Controls over FY 2007 Army Adjusting Journal Vouchers," (Audit Project No. D2007-D000FL-0063.001)

Indianapolis Operations is providing follow-up management comments for recommendations contained in the draft report as follows:

**Recommendation 1:** Implement procedures to ensure that all requirements of the DoD Regulation 7000.14R, "Financial Management Regulation," volume 6A, chapter 2, and Defense Finance and Accounting Service Standard Operating Procedure No. DA 800 are followed.

**Management Comments:** Stakeholder: Daniel Metzger, 317-510-7132. Concur. We are creating a standardized journal voucher (JV) log to readily identify a journal voucher's approval thresholds. We will also work to avoid scheduling issues that may interfere with the ability of Senior Management to review journal vouchers within the prescribed time period.

**Estimated Completion Date:** March 31, 2008

**Recommendation 2:** Require an independent quality assurance function to provide approving officials the journal voucher control log to use in confirming that all journal vouchers requiring their approval have been presented for their review.

**Management Comments:** Stakeholder: Daniel Metzger, 317-510-7132. Concur in part; non-concur in part. The JV log was presented to Senior Management with the journal vouchers for review beginning with FY 07, 4<sup>th</sup> Quarter. Each quarter, we are internally performing a review of journal vouchers prepared in Departmental Reporting for all financial statements to assure the appropriate signatures are present and ensure supporting documentation is adequate. We non-concur with the independent quality assurance function as this function is inherently part of our mission. Based on completed actions, we recommend closure of Recommendation 2.

**Completion Date:** October 18, 2007

**Recommendation 3:** Require the independent quality assurance function to confirm that all journal vouchers were approved by the appropriate officials.

**Management Comments:** Stakeholder: Daniel Metzger, 317-510-7132. Non-concur. The JV log provides a complete listing of all journal vouchers. The JV reviews between DFAS and the Army customer are conducted by senior level officials and includes the use of JV logs. These


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actions provide reasonable assurance that all journal vouchers were approved by the appropriate officials. Effective 4th Quarter, FY 2007, the Director, Departmental Reporting, systemically approves all journal vouchers over the \$500 million threshold.

**Estimated Completion Date:** Not applicable

My point of contact is Virginia Fortune, Chief, Army Budget/Audited Financial Statements Division, 317-510-6192.

  
for Steve R. Bonta  
Director, Indianapolis Operations

## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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# Inspector General Department of Defense

