

GAO Highlights

Highlights of [GAO-14-94](#), a report to congressional requesters

Why GAO Did This Study

GAO, the DOD Inspector General (IG), and others have reported on DOD's inability to provide effective control over the use of public funds (i.e., funds control). Funds control requires obligations and expenditures to comply with applicable law. Funds control weaknesses have prevented DOD from reporting reliable financial information, including information on the use of public funds, results of operations, and financial statements, and put DOD at risk of overobligating and overexpending its appropriations in violation of the Antideficiency Act (ADA).

GAO was asked to review the status of DOD's efforts to address its funds control weaknesses. GAO's objectives were to determine the (1) extent of reported weaknesses in DOD's funds control and their effect and (2) status of DOD's corrective actions to address known weaknesses. GAO analyzed 333 GAO, DOD IG, and military department audit reports; DOD reports of ADA violations; and selected DOD financial reports. GAO also examined DOD actions to address audit findings and ADA violations, including actions under DOD's FIAR Plan, and discussed corrective actions on funds control weaknesses with DOD and military department auditors and financial managers.

What GAO Recommends

GAO is not making recommendations in this report because DOD already has numerous actions under way to address funds control weaknesses. DOD stated that it appreciates GAO's review and that past deficiencies have informed actions it has under way to address its funds control weaknesses.

View [GAO-14-94](#). For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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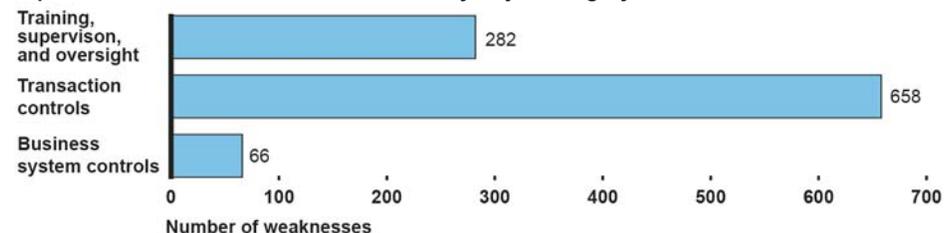
DOD FINANCIAL MANAGEMENT

Actions Under Way Need to Be Successfully Completed to Address Long-standing Funds Control Weaknesses

What GAO Found

GAO's analysis of 333 reports related to Department of Defense (DOD) funds control, issued in fiscal years 2007 through 2013, identified over 1,000 funds control weaknesses related to (1) training, supervision, and management oversight; (2) proper authorization, recording, documentation, and reporting of transactions; and (3) business system compliance with federal laws and accounting standards. Many of the reports GAO reviewed included multiple findings.

Reported DOD Funds Control Weaknesses by Major Category



Source: GAO analysis.

GAO found that these weaknesses led DOD to make program and operational decisions based on unreliable data and impaired DOD's ability to improve its financial management. Fundamental weaknesses in funds control significantly impaired DOD's ability to (1) properly use resources, (2) produce reliable financial reports on the results of operations, and (3) meet its audit readiness goals.

DOD has actions under way to address its department-wide funds control weaknesses. These actions, several of which are targeted for completion in 2017, include

- a DOD Financial Manager Certification Program intended to establish a framework to guide training and development of DOD's 54,000 financial management personnel at the staff, supervisory, and leadership levels;
- transaction control testing and corrective action plans under its Financial Improvement and Audit Readiness (FIAR) Plan for reporting on the use of budgetary resources with regard to categories of transactions, such as fund balances, outlays, military and civilian payroll, and contract pay; and
- testing under the FIAR Plan of material DOD component business system controls and service-provider systems and processes as well as military department actions to address enterprise resource planning system design and implementation issues.

DOD leadership says it is committed to achieving effective fund controls to support financial accountability and reliable information for day-to-day management decision making and auditable financial statements. However, because some of the corrective actions on long-standing funds control weaknesses are not expected to be completed until 2017, these weaknesses, until fully resolved, will continue to adversely affect DOD's ability to achieve its goals for financial accountability, including the ability to produce consistent, reliable, and sustainable financial information for day-to-day decision making. Sustained leadership commitment will be critical to achieving success.