



Report to the Subcommittee on
Readiness and Management Support,
Committee on Armed Services, U.S.
Senate

June 2017

DEFENSE-WIDE WORKING CAPITAL FUND

Action Needed to Maintain Cash Balances within Required Levels

Accessible Version

GAO Highlights

Highlights of [GAO-17-465](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The Defense Finance and Accounting Service, the Defense Information Systems Agency, and DLA use the DWWCFF to charge for goods and services provided to the military services and other customers. The DWWCFF relies primarily on sales revenue rather than annual appropriations to finance its continuing operations. The DWWCFF reported total revenue of \$45.7 billion in fiscal year 2016 from (1) providing finance, accounting, information technology, and energy solution services to the military services and (2) managing inventory items for the military services.

GAO was asked to review issues related to DWWCFF cash management. GAO's objectives were to determine to what extent (1) the DWWCFF's reported monthly cash balances were within DOD's upper and lower cash requirements from fiscal years 2007 through 2016 and (2) the DWWCFF's projected monthly cash balances were within the upper and lower cash requirements for fiscal year 2017. To address these objectives, GAO reviewed relevant DOD cash management guidance, analyzed DWWCFF actual reported and projected cash balances and related data, and interviewed DWWCFF officials.

What GAO Recommends

GAO recommends that DOD update the FMR to include guidance on the timing of when DOD managers should use available tools to help ensure that monthly cash balances are within the upper and lower cash requirements. DOD concurred with GAO's recommendation and cited related actions planned.

View [GAO-17-465](#). For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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What GAO Found

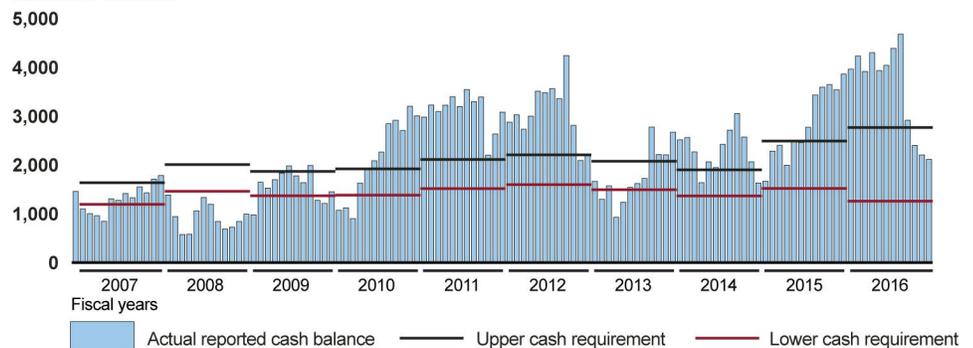
The Defense-wide Working Capital Fund's (DWWCF) reported monthly cash balances were outside the upper and lower cash requirements as defined by the Department of Defense's (DOD) Financial Management Regulation (FMR) for 87 of 120 months, and more than 12 consecutive months on three separate occasions during fiscal years 2007 through 2016. Reasons why the balances were outside the requirements at selected periods of time include the following:

- The Defense Logistics Agency (DLA) disbursed about \$1.3 billion more in fiscal year 2008 for, among other things, the purchase of fuel than it collected from the sale of fuel because of higher fuel costs.
- DOD transferred \$1.4 billion to the DWWCF in fiscal year 2013 because of cash shortfalls that resulted from DLA paying higher costs for fuel.
- DLA collected about \$3.7 billion more from the sale of fuel than it disbursed for fuel in fiscal year 2015 because of lower fuel costs.

Although the DOD FMR contains guidance on tools DOD managers can use to help ensure that the monthly cash balances are within the requirements, the regulation does not provide guidance on when to use the tools. Without this guidance, DOD risks not taking prompt action to bring the monthly cash balances within requirements. When monthly cash balances are outside requirements for long periods of time, the DWWCF is at further risk of not paying its bills on time or holding funds that could be used for other higher priorities.

The DWWCF's Reported Monthly Cash Balances Compared to DOD Upper and Lower Cash Requirements

Dollars in millions



Source: GAO analysis of Defense-wide Working Capital Fund (DWWCF) cash data. | [GAO-17-465](#)

Initially, the DWWCF's cash plan that supports the fiscal year 2017 President's Budget, dated February 2016, showed the monthly balances were projected to be above the upper cash requirement for most of fiscal year 2017. However, its October 2016 revised plan showed that the monthly cash balances were projected to be within the requirements for all 12 months. The plan changed because (1) DOD made unplanned cash transfers out of the DWWCF in the second half of fiscal year 2016 and (2) DOD reduced the standard fuel price in September 2016, leading to lower projected cash balances for fiscal year 2017.

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Abbreviations

DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DOD	Department of Defense
DWWCF	Defense-wide Working Capital Fund
OUSD	Office of the Under Secretary of Defense

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June 30, 2017

The Honorable James M. Inhofe
Chairman
The Honorable Tim Kaine
Ranking Member
Subcommittee on Readiness and Management Support
Committee on Armed Services
United States Senate

The Defense Finance and Accounting Service (DFAS), the Defense Information Systems Agency (DISA), and the Defense Logistics Agency (DLA) use the Defense-wide Working Capital Fund (DWWCF) to charge for goods and services provided to a variety of customers, including the Army, the Navy, the Air Force, other Department of Defense (DOD) and non-DOD agencies, and foreign countries. Under the working capital fund concept, the DWWCF charges these customers for the anticipated full cost of these goods and services. For fiscal year 2016, the three DOD agencies reported total revenue of \$45.7 billion for the DWWCF, including, among other things, (1) DFAS providing finance and accounting services to the military services and defense agencies; (2) DISA providing global information technology solutions to the military services and defense agencies; and (3) DLA managing about 6.2 million inventory items and providing comprehensive worldwide energy solutions for the military services, which included selling about 99 million barrels of fuel to customers.

The DWWCF needs to maintain a sufficient cash balance to pay its bills and sustain operations to achieve its mission. The availability of cash in the DWWCF depends on the outcome of many decisions made during DOD's budget process with regard to (1) projecting workloads, (2) estimating costs, and (3) setting prices to recover the estimated full cost of providing goods and services. The DWWCF cash balance¹ is directly affected by collections from the sale of goods and services;

¹For the purposes of this report, we will refer to the DWWCF's Fund Balance with Treasury as cash. According to DOD Financial Management Regulation 7000.14-R, vol. 4, ch. 2, *Accounting for Cash and Fund Balances with Treasury*, pp. 2-6 and 2-7 (January 2016), the Fund Balance with Treasury is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Collections and disbursements will correspondingly increase or decrease the balance in the account.

disbursements for salaries, inventory purchases, and other items; appropriations passed by Congress and enacted into law; and transfers into and out of the DWWCF.² A disbursement in excess of available cash would potentially constitute an Antideficiency Act violation.³ Conversely, if the DWWCF builds excess cash balances, it could be subject to reduced budget requests by DOD, transfers from the DWWCF to other appropriation accounts, or rescissions. For example, because of an excess cash balance in the DWWCF, Congress rescinded \$1.037 billion from the DWWCF in fiscal year 2016. Consequently, it is important for the DWWCF to manage its cash balance to stay within the upper and lower cash requirements.⁴

You asked us to review issues related to DWWCF cash management. Our objectives were to determine to what extent (1) the DWWCF's reported monthly cash balances were within DOD's upper and lower cash requirements from fiscal years 2007 through 2016 and (2) the DWWCF's projected monthly cash balances were within the upper and lower cash requirements for fiscal year 2017.

To address the first objective, we (1) obtained the DWWCF reported monthly cash balances for fiscal years 2007 through 2016 and (2) compared the upper and lower cash requirements to the month-ending reported cash balances. If the cash balances were not within the upper and lower requirement amounts, we met with DLA, DISA, and

²A transfer is the shifting of budget authority from one appropriation or fund account to another. Agencies may transfer budget authority only as authorized by law. DOD's annual appropriations typically include transfer authorities but require, among other things, that the Secretary of Defense notify Congress each time these authorities are used. See, e.g., Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, div. C, §§ 8005, 8008, 129 Stat. 2242, 2350-2352 (Dec. 18, 2015).

³The Antideficiency Act, among other things, provides that no officer or employee of the government shall make or authorize an expenditure or obligation exceeding the amount of an appropriation, fund, or apportionment available for expenditure or obligation. 31 U.S.C. §§ 1341(a)(1), 1517.

⁴The DOD Financial Management Regulation establishes the formula to be used for calculating the upper and lower cash requirements. The formula includes several factors, such as information on disbursements, in determining the upper and lower cash requirements. The DWWCF has implemented an altered calculation formula contained in a draft update to this portion of the DOD Financial Management Regulation, in advance of its formal publication, as instructed by the Office of the Under Secretary of Defense (Comptroller). See DOD Financial Management Regulation 7000.14-R, vol. 2B, ch. 9, *Defense Working Capital Fund Budget Justification Analysis*, pp. 9-8 and 9-9 (July 2015 Draft).

DFAS officials and reviewed DWWCF budgets and other documentation to ascertain the reasons. Further, to determine the extent that cash transfers for fiscal years 2007 through 2016 caused the DWWCF cash balances to be above or below the cash requirements, we analyzed DOD budget and accounting reports to determine the dollar amount of transfers made for the period. We analyzed cash transfers to determine if any of the transfers contributed to the cash balances falling outside the upper or lower cash requirements and, if so, the amount that fell outside those requirements. We also obtained and analyzed documents that provide information on transfer of funds into and out of the DWWCF and interviewed key DLA, DISA, and DFAS officials to determine the reasons for the transfers.

To address the second objective, we obtained and analyzed DWWCF budget documents and cash management plans for fiscal year 2017. We compared the upper and lower cash requirements to the month-ending projected cash balances. If the projected monthly cash balances were above or below the cash requirement, we discussed these balances with DLA officials to ascertain the reasons.

We obtained the DWWCF financial data in this report from DOD budget documents and accounting reports. To assess the reliability of these data, we (1) obtained the DOD regulation on calculating the upper and lower cash requirements; (2) reviewed DLA's calculations of the cash requirements to determine if they were calculated in accordance with DOD regulations; (3) interviewed DLA, DISA, and DFAS officials knowledgeable about the cash data; (4) compared DWWCF cash balance information (including collections and disbursements) contained in different reports to ensure that the data reconciled; (5) obtained an understanding of the process DFAS used to reconcile DWWCF cash balances with Department of the Treasury records; and (6) obtained and analyzed documentation supporting the amount of funds transferred into and out of the DWWCF. On the basis of these procedures, we have concluded that these data were sufficiently reliable for the purposes of this report. A more detailed discussion of our scope and methodology is contained in appendix I.

We conducted this performance audit from June 2016 to June 2017 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.

Background

The DWWCF is intended to (1) generate sufficient resources to cover the full cost of its operations and (2) operate on a break-even basis over time—that is, neither make a gain nor incur a loss. Customers primarily use appropriated funds to finance orders placed with the DWWCF. Cash generated from the sale of goods and services, rather than annual appropriations, is the DWWCF's primary means of maintaining an adequate level of cash to sustain its operations. The ability to operate on a break-even basis and generate cash consistent with DOD's regulations depends on accurately (1) projecting workload, (2) estimating costs, and (3) setting prices to recover the full costs of producing goods and services. DOD policy requires the DWWCF to establish its sales prices prior to the start of each fiscal year and to apply these predetermined or "stabilized" prices to most orders received during the year—regardless of when the work is accomplished or what costs are incurred. Stabilized prices provide customers with protection during the year of execution from prices greater than those assumed in the budget and permit customers to execute their programs as authorized by Congress.

Developing accurate prices is challenging because the process to determine the prices begins about 2 years in advance of when the DWWCF actually receives customers' orders and performs the work. In essence, the DWWCF's budget development has to coincide with the development of its customers' budgets so that they both use the same set of assumptions. To develop prices, the DWWCF estimates labor, material, and other costs based on anticipated demand for work as projected by customers. Higher-than-expected costs or lower-than-expected customer sales for goods and services can result in lower cash balances. Conversely, lower-than-expected costs or higher-than-expected customer sales for goods and services can result in higher cash balances. Because the DWWCF must base sales prices on assumptions

made as long as 2 years before the prices go into effect, some variance between expected and actual costs and sales is inevitable.⁵

If projections of cash disbursements and collections indicate that cash balances will drop below the lower cash requirement, the DWWCF may need to generate additional cash. One way this may be done is to bill customers in advance for work not yet performed. Advance billing generates cash almost immediately by billing DWWCF customers for work that has not been completed. This method is a temporary solution and is used only when cash reaches critically low balances because it requires manual intervention in the normal billing and payment processes.

Description of DWWCF Work Performed by DLA, DISA, and DFAS

During fiscal year 2016, DLA, DISA, and DFAS reported total revenue of \$45.7 billion through the DWWCF.

- **DLA:** During fiscal year 2016, DLA reported total revenue of \$37.5 billion. In addition to centrally managing DWWCF cash, DLA operates three activity groups: Supply Chain Management, Energy Management, and Document Services. The Supply Chain Management activity group manages material from initial purchase, to distribution and storage, and finally to disposal or reutilization. This activity group fills about 36.6 million customer orders annually and manages approximately 6.2 million consumable items, including (1) 2.6 million repair parts and operating supply items to support aviation, land, and maritime weapon system platforms; (2) dress and field uniforms, field gear, and personal chemical protective items to support military servicemembers and other federal agencies; (3) 1.3 million medical items for military servicemembers and their dependents; and (4) subsistence and construction items to support our troops both at home and abroad.⁶ The Energy Management activity group provides comprehensive worldwide energy solutions to DOD as well as other authorized customers. This activity group

⁵For DOD fuel prices, DOD has the option of raising or lowering the standard price during the budget year of execution to account for actual prices for fuel on the world market. However, according to DOD officials, this is not their preferred approach.

⁶Consumable supply items are consumed in use or discarded when worn out or broken because they cannot be repaired economically.

provides goods and services, including petroleum, aviation, and natural gas products; facility and equipment maintenance on fuel infrastructure; coordination of bulk petroleum transportation; and energy-related environmental assessments and cleanup. The Document Services activity group is responsible for DOD printing, duplicating, and document automation programs.

- **DISA:** During fiscal year 2016, DISA reported total revenue of \$6.8 billion. DISA is a combat support agency responsible for planning, engineering, acquiring, fielding, and supporting global information technology solutions to serve the needs of the military services and defense agencies. It operates the Information Services activity group within the DWWCF. This activity group consists of two components: Computing Services and Telecommunications Services/Enterprise Acquisition Services.

The Computing Services component operates eight Defense Enterprise Computing Centers, which provide mainframe and server processing operations, data storage, production support, technical services, and end-user assistance for command and control, combat support, and enterprise service applications across DOD. The computing centers support over 4 million users through 21 mainframes and almost 14,500 servers. Among other things, these services enable DOD components to (1) provide for the command and control of operating forces; (2) ensure weapons systems availability through management and control of maintenance and supply; and (3) provide operating forces with information on the location, movement, status, and identity of units and supplies.

The Telecommunications Services/Enterprise Acquisition Services component provides telecommunications services to meet DOD's command and control requirements. One element of this component is the Defense Information System Network. The Defense Information System Network is a collection of telecommunication networks that provides secure and interoperable connectivity of voice, data, text, imagery, and bandwidth services for DOD, coalition partners, combatant commands, and other federal agencies. Another element of this component is the Enterprise Acquisition Services, which provides contracting services for information technology and telecommunications acquisitions from the commercial sector and provides contracting support to the Defense Information System Network programs as well as to other DISA, DOD, and authorized non-Defense customers.

- **DFAS:** During fiscal year 2016, DFAS reported total revenue of \$1.4 billion. DFAS pays all DOD military and civilian personnel,

military retirees and annuitants, and DOD contractors and vendors. In fiscal year 2016, DFAS processed about 122 million pay transactions, paid 12 million commercial invoices, accounted for 1,359 active DOD appropriations while maintaining 152 million general ledger accounts, and made \$535 billion in disbursements to about 6.4 million customers.

DOD Cash Management Policy

DOD requires each of its working capital funds to maintain a minimum cash balance sufficient to pay bills, which, for the DWWCF, includes payments for (1) consumable items (spare parts) and petroleum products from vendors; (2) employees' salaries to perform material management, information services, and finance and accounting functions; and (3) expenses associated with the maintenance and operations of DLA, DISA, and DFAS facilities.⁷ The provisions of the DOD Financial Management Regulation that provides guidance on the calculation of DOD working capital funds' upper and lower cash requirements, have changed several times over the past 10 years—the period covered by our audit—as discussed below.⁸

Prior to June 2010, DOD's Financial Management Regulation stated that "cash levels should be maintained at 7 to 10 days of operational cost and cash adequate to meet six months of capital disbursements."⁹ Thus, the minimum cash requirement consisted of 6 months of capital requirements plus 7 days of operational cost, and the maximum cash requirement consisted of 6 months of capital requirements plus 10 days of operational cost. The regulation further provided that a goal of DOD working capital funds was to minimize the use of advance billing of customers to maintain cash solvency, unless advance billing is required to avoid Antideficiency Act violations.

The DOD Financial Management Regulation was amended in June 2010. As a result, from June 2010 through June 2015, DOD working capital funds were allowed—with the approval of the Office of the Under

⁷See DOD Financial Management Regulation 7000.14-R, vol. 2B, ch. 9, *Defense Working Capital Fund Budget Justification Analysis*, p. 9-7 (December 2014).

⁸In determining cash requirements, the DOD Financial Management Regulation requires DOD working capital funds to determine (1) an upper estimate or maximum cash level expected based on budgeted assumptions and historical trends and (2) a lower estimate or minimum cash level expected based on budgeted assumptions and historical trends. Thus, monthly cash levels are expected to be between the upper and lower estimates during the fiscal year.

⁹Capital disbursements are purchases of assets that equal or exceed capitalization thresholds and have a useful life of 2 or more years. For minor construction projects, the capitalization threshold is \$100,000; for all other assets, the capitalization threshold is \$250,000. See DOD Financial Management Regulation 7000.14-R, vol. 2B, ch. 9, *Defense Working Capital Funds Activity Group Analysis*, pp. 9-5 and 9-6 (September 2008).

Secretary of Defense (Comptroller), Director of Revolving Funds—to incorporate three new adjustments into the formula for calculating the minimum and maximum cash requirements.¹⁰ These adjustments would increase the minimum and maximum cash requirements. First, a working capital fund could increase the cash requirements by the amount of accumulated profits planned for return to customer accounts. A working capital fund returns accumulated profits to its customers by reducing future prices so it can operate on a break-even basis over time. The second adjustment allowed by the revised DOD Financial Management Regulation was for funds appropriated to the working capital fund that were obligated in the year received but not fully spent until future years. The adjustment allowed the working capital fund to retain these amounts as an addition to their normal operational costs. Finally, a working capital fund could increase the minimum and maximum cash requirements by the marginal cash required to purchase goods and services from the commodity or business market at a higher price than that submitted in the President's Budget. The adjustment reflected the cash impact of the specified market fluctuation.

Beginning in July 2015, DOD revised its cash management policy to maintain a positive cash balance throughout the year and an adequate ending balance to support continuing operations into the subsequent year.¹¹ In setting the upper and lower cash requirements, DOD working capital funds are to consider the following four elements:

- **Rate of disbursement.** The rate of disbursement is the average amount disbursed between collection cycles. It is calculated by dividing the total amount of disbursements planned for the year by the number of collection cycles planned for the year. The rate describes the average amount of cash needed to cover disbursements from one collection cycle to the next.
- **Range of operation.** The range of operation is the difference between the highest and lowest expected cash levels based on budget assumptions and past experience. The DOD Financial

¹⁰See DOD Financial Management Regulation 7000.14-R, vol. 2B, ch. 9, *Defense Working Capital Fund Activity Group Analysis*, p. 9-6 (June 2010).

¹¹See DOD Financial Management Regulation 7000.14-R, vol. 2B, ch. 9, *Defense Working Capital Fund Budget Justification Analysis*, p. 9-7 (July 2015 Draft). Although this update has not yet been officially published, the DWWCF is implementing the cash management policies in the draft regulation, as instructed by the Office of the Under Secretary of Defense (Comptroller).

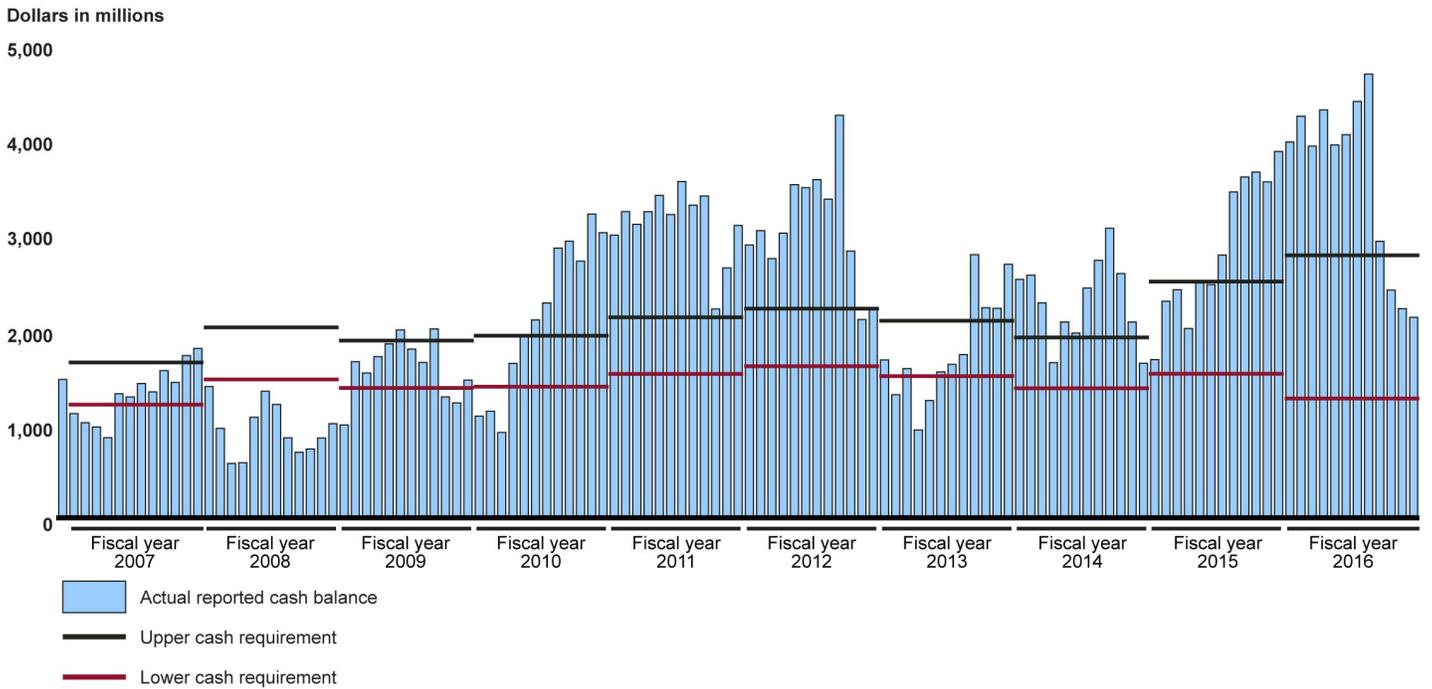
Management Regulation noted that cash balances are not static and volatility can be expected because of annual, quarterly, and more frequent seasonal trends and significant onetime events.

- **Risk mitigation.** Some amount of cash is required, beyond the range of operation discussed above, to mitigate the inherent risk of unplanned and uncontrollable events. The risks may include budget estimation errors, commodity price fluctuations, and crisis response missions.
- **Reserves.** Cash reserves are funds held for known future requirements. This element provides for cash on hand to cover specific requirements that are not expected to disburse until subsequent fiscal years.

The DWWCF's Reported Monthly Cash Balances Frequently Fell Outside the Upper and Lower Cash Requirements from Fiscal Years 2007 through 2016

Our analysis of DWWCF cash data showed that the DWWCF monthly cash balances fluctuated significantly from fiscal years 2007 through 2016 and were outside the upper and lower cash requirements for 87 of the 120 months—about 73 percent of the time for this period. Reasons why the monthly cash balances were outside the cash requirements included, among other things, (1) DLA charging its customers more or less than it cost to purchase, refine, transport and store fuel and (2) DOD transferring funds into or out of the DWWCF to pay for combat fuel losses or other higher priorities. During this 10-year period, DOD took actions to adjust the DWWCF cash balance, such as transferring funds to other appropriation accounts, but the actions did not always bring the balances within the requirements in a timely manner. As a result, the monthly cash balances were above or below the cash requirements for more than 12 consecutive months on three separate occasions from fiscal years 2007 through 2016. Figure 1 shows the DWWCF monthly cash balances compared to the upper and lower cash requirements from fiscal years 2007 through 2016.

Figure 1: The DWWCF's Reported Cash Balances Compared to Upper and Lower Cash Requirements for Fiscal Years 2007 through 2016, by Month



Source: GAO analysis of Defense-wide Working Capital Fund (DWWCF) cash data. | GAO-17-465

Further, for the 10-year period, the DWWCF's reported monthly cash balances were above the cash requirement 62 times, between the upper and lower cash requirements 33 times, and below the cash requirement 25 times. Table 1 shows the number of months the DWWCF monthly cash balances were above, between, or below the upper and lower cash requirements for each of the 10 years reviewed.

Table 1: The Defense-wide Working Capital Fund’s Reported Monthly Cash Balances Compared to Upper and Lower Cash Requirements for Fiscal Years 2007 through 2016, by Fiscal Year

Fiscal year	Number of months compared to upper and lower cash requirements		
	Above	Between	Below
2007	2	6	4
2008	0	0	12
2009	2	7	3
2010	7	2	3
2011	12	0	0
2012	10	2	0
2013	4	5	3
2014	10	2	0
2015	6	6	0
2016	9	3	0
Total	62	33	25

Source: GAO analysis of Defense-wide Working Capital Fund cash data. | GAO-17-465

The DWWCF’s Reported Monthly Cash Balances Were Outside Upper and Lower Cash Requirements for More Than 12 Consecutive Months Three Times during Fiscal Years 2007 through 2016

The monthly cash balances were above or below the cash requirements more than 12 consecutive months on three separate occasions from fiscal years 2007 through 2016. Specifically, the monthly cash balances were (1) below the lower cash requirement for 13 consecutive months beginning in October 2007, (2) above the upper cash requirement for 29 consecutive months beginning in March 2010, and (3) above the upper cash requirement for 15 consecutive months beginning in April 2015.

The draft DOD Financial Management Regulation currently being implemented by the DWWCF provides information on the management tools DOD cash managers can use to bring cash balances within the

upper and lower cash requirements.¹² The draft regulation states that these tools include, but are not limited to,

- changing the frequency of collections;
- controlling the timing of contract renewals and large obligations or disbursements;
- negotiating the timing of customer orders and subsequent work; and
- requesting policy waivers, when necessary.

In addition, the draft DOD Financial Management Regulation also provides guidance on transfers of cash between DOD working capital fund activities or between DOD working capital fund activities and appropriation-funded activities. DOD has used transfers to increase or decrease cash balances in the past, under authorities provided in annual appropriations acts.

We determined that DOD took actions during fiscal years 2007 through 2016 to increase or decrease cash balances in the DWWCF. An Office of the Under Secretary of Defense (OUSD) (Comptroller) official informed us that DLA provides the OUSD (Comptroller) monthly information on DWWCF cash balances compared to the upper and lower cash requirements. This information is used by the OUSD (Comptroller) and DWWCF officials to determine whether actions are needed to increase or decrease the DWWCF cash balance, such as transferring funds into or out of the DWWCF. Our analysis of accounting documentation and discussions with OUSD (Comptroller) and DLA officials showed that DOD used two types of actions to increase or decrease the monthly cash balances to help bring the cash balances within the cash requirements during the 10-year period of our review.

First, DOD transferred a total of about \$9 billion into and out of the DWWCF to adjust the cash balance during this period.¹³ For example,

¹²See DOD Financial Management Regulation 7000.14-R, vol. 2B, ch. 9, *Defense Working Capital Fund Budget Justification Analysis*, pp. 9-7 and 9-9 (July 2015 Draft). Although this update has not yet been officially published, the DWWCF is implementing the cash management policies in the draft regulation, as instructed by the Office of the Under Secretary of Defense (Comptroller).

¹³We obtained and analyzed documentation supporting the \$9 billion that DOD transferred into and out of the DWWCF during fiscal years 2007 through 2016. Based on our analysis, we determined that each of these transfers was either directed by statute or made under general transfer authority and accompanied by the required congressional notification.

DOD transferred about \$3 billion from the DWWCF to other DOD appropriation accounts throughout fiscal year 2016. This reduced the DWWCF cash balance to within the cash requirements after remaining above the upper cash requirement for 15 consecutive months from April 2015 to July 2016. Second, the OUSD (Comptroller), in coordination with DLA, adjusted the standard fuel prices upward or downward a total of 16 times outside of the normal budget process. For example, in fiscal year 2012, DOD lowered the standard fuel price three times from October 2011 through July 2012 to help offset cash increases by DLA Energy Management on the sale of fuel to its customers. These price changes helped offset further increases in the cash balances, but they did not reduce the monthly cash balances to within the cash requirements during this period.

Although DOD managers used management tools such as transfers and price adjustments to help bring the DWWCF monthly cash balances within upper and lower cash requirements, such actions did not always bring the balances within the requirements in a timely manner. Specifically, as noted above, the DWWCF monthly cash balances were outside the upper and lower cash requirements for 12 consecutive months on three separate occasions during the 10-year period of our audit. We selected the 12-month period for comparing the monthly cash balances to the cash requirements because (1) DOD develops a budget every 12 months; (2) the DWWCF annual budget projects fiscal year-end cash balances and the upper and lower cash requirements based on 12-month cash plans that include information on projected monthly cash balances, and whether those projected monthly cash balances fall within the cash requirements; and (3) DOD revises the DWWCF stabilized prices that it charges customers for goods and services every 12 months during the budget process.

Our analysis of both the current official DOD Financial Management Regulation and the provisions of the draft version that DOD has begun implementing determined that the regulations do not provide guidance on the timing of when DOD managers should use available management tools so that they would be effective in helping to ensure monthly cash balances are within the upper and lower cash requirements. Without this guidance, DOD risks not taking prompt action to bring the monthly cash balances within the cash requirements.

When DWWCF monthly cash balances are below the lower cash requirements for long periods, the DWWCF is at greater risk of either (1) not paying its bills on time or (2) making a disbursement in excess of

available cash, which would potentially constitute an Antideficiency Act violation. In cases of cash balances above the upper requirement, the DWWCF may be holding funds that could be used for higher priorities.

Fiscal Years 2007 through 2009: DWWCF-Reported Cash Balances Were Below the Lower Cash Requirement for 19 Months

The DWWCF monthly cash balances were below the lower cash requirement for 19 of the 36 months from fiscal years 2007 through 2009, as shown in table 1. During the 3-year period, the DWWCF reported that monthly cash balances were below the lower cash requirement for 13 consecutive months from October 2007 through October 2008, falling to their lowest point in December 2007 at \$574 million—\$890 million below the lower cash requirement.

According to DLA and DISA officials and our analysis of financial documentation, the monthly cash balances were below the lower cash requirement for more than half of the 3-year period for four primary reasons.

- First, during the first 4 months of fiscal year 2007, DISA disbursed \$340 million more than it collected because (1) DISA's customers received funding late in the first quarter of fiscal year 2007, which delayed certain support service contracts with DISA that in turn delayed DWWCF collections until the second quarter of fiscal year 2007, and (2) DISA reduced fiscal year 2007 prices to return prior year accumulated profits to its customers.
- Second, DOD transferred \$262 million in November 2006 from the DWWCF to the Air Force Working Capital Fund to cover increased fiscal year 2006 Air Force fuel costs.
- Third, DLA monthly cash balances declined during the first 4 months of fiscal year 2007 because of financial systems issues affecting collections when certain DLA activities transitioned to another financial system.
- Fourth, in fiscal year 2008, DLA disbursed about \$1.3 billion more for, among other things, the purchase, refinement, transportation, and storage of fuel than it collected for the sale of fuel to its customers because of higher fuel costs.

When DWWCF monthly cash balances are below the lower cash requirements for long periods, the DWWCF is at greater risk of either

(1) not paying its bills on time or (2) or making a disbursement in excess of available cash, which would potentially constitute an Antideficiency Act violation.

Fiscal Years 2010 through 2012: DWWCF-Reported Cash Balances Were Above the Upper Cash Requirement for 29 Consecutive Months Beginning in March 2010

The DWWCF reported monthly cash balances increased from about \$1.5 billion at the beginning of fiscal year 2010 (October 1, 2009) to \$3 billion at the end of fiscal year 2010—about \$1.5 billion more than the beginning balance and \$1.1 billion above the upper cash requirement. The reported monthly cash balance remained high for most of the next 2 fiscal years, with an average monthly cash balance of \$3.1 billion. During the 3-year period, the monthly cash balances were above the upper cash requirement for 29 of the 36 months, as shown in table 1. All 29 months were consecutive.

According to DLA officials and our analysis of financial documentation, the monthly cash balances were above the upper cash requirement for four primary reasons.

- First, DWWCF monthly cash balances increased when the DWWCF received \$1.4 billion in appropriations from fiscal year 2010 through fiscal year 2012 to pay mostly for, among other things, combat fuel losses and fuel transportation charges associated with operations in Iraq and Afghanistan.
- Second, in fiscal year 2010, DLA Energy Management charged its customers more per barrel of fuel than it cost to purchase, refine, transport, and store the product (among other things), causing an increase in cash of approximately \$659 million.
- Third, DLA Supply Chain Management collected more from the sale of inventory to its customers than it disbursed for the purchase of inventory from its suppliers in the second half of fiscal year 2010, resulting in a \$296 million increase in cash.
- Fourth, in June 2012, DOD transferred \$1 billion into the DWWCF from the Afghanistan Security Forces Fund (a onetime infusion of cash) to compensate for the reduced price that DLA Energy Management was charging its customers for fuel.

Fiscal Year 2013: DWWCF-Reported Monthly Cash Balances Were Below the Lower Cash Requirement Three Times Before Ending the Fiscal Year Above the Upper Cash Requirement

DWWCF monthly cash balances were below the lower cash requirement three times in the beginning of fiscal year 2013 before ending the fiscal year at a level above the upper cash requirement. During fiscal year 2013, the DWWCF monthly cash balances were outside the cash requirements for 7 of 12 months, as shown in table 1. There was a wide range in the reported monthly cash balances, from a low of \$929 million in January 2013 to a high of \$2.8 billion in June 2013.

According to DLA officials and our analysis of financial documentation, the monthly cash balances were below the cash requirements in November 2012, January 2013, and February 2013 for two primary reasons.

- First, in the first 5 months of fiscal year 2013, DLA Energy Management disbursed \$588 million more to purchase, refine, transport, and store fuel than it was paid from its customers for the sale of fuel.
- Second, DLA Supply Chain Management disbursed \$280 million more for the purchase of inventory than it collected from the sale of inventory to its customers in the first 5 months of fiscal year 2013.

On the other hand, the monthly cash balances were above the cash requirement for the last 4 months of fiscal year 2013 because funds were transferred into the DWWCF in June and September 2013. Specifically, DOD transferred \$1.4 billion into the DWWCF from various defense appropriations accounts to mitigate cash shortfalls that resulted from DLA Energy Management paying higher costs for refined fuel products.

Fiscal Years 2014 through 2016: DWWCF-Reported Cash Balances Were Above the Upper Cash Requirement for 25 Months

DWWCF monthly cash balances were above the upper cash requirements for 25 of 36 months from fiscal years 2014 through 2016. During the 3-year period, the reported monthly cash balances averaged \$2.9 billion, reaching a high point of \$4.7 billion in May 2016—about

\$1.9 billion above the upper cash requirement. Furthermore, the monthly cash balances remained above the upper cash requirement for 15 consecutive months, from April 2015 through June 2016.

According to DLA officials and our analysis of financial documentation, the monthly cash balances were above the upper cash requirement for three primary reasons.

- First, the DWWCF cash balance at the beginning of fiscal year 2014 was above the upper cash requirement because of the \$1.4 billion transferred into the fund during the last 4 months of fiscal year 2013.
- Second, in fiscal year 2015, DLA Energy Management's price for the sale of fuel to its customers was considerably more than the cost to purchase, refine, transport, and store fuel. As a result, DLA Energy Management collected about \$3.7 billion more than it disbursed for fuel during the year.¹⁴
- Third, in fiscal year 2016, DLA Energy Management continued to charge its customers more for fuel than it cost.

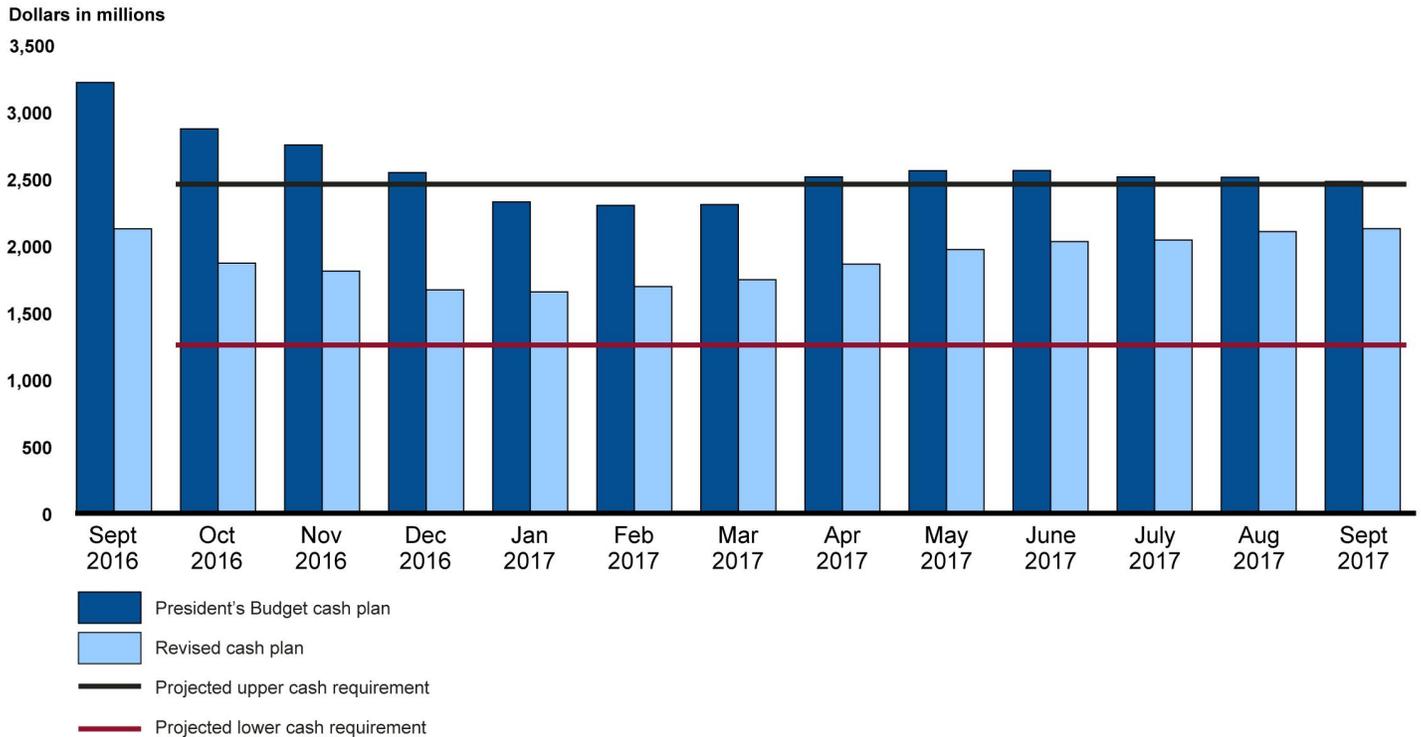
The DWWCF's Revised Monthly Cash Balances Are Projected to Be within the Upper and Lower Cash Requirements for Fiscal Year 2017

Initially, the DWWCF monthly cash plan that supports the fiscal year 2017 President's Budget, dated February 2016, showed the monthly cash balances were projected to be above the upper cash requirement for most of fiscal year 2017. However, after the DWWCF revised its fiscal year 2017 cash plan in October 2016, cash balances were projected to be within the upper and lower cash requirement for all 12 months, in accordance with the DOD Financial Management Regulation.

¹⁴DLA officials informed us that DOD lowered the standard fuel price in February 2015 from \$155.40 a barrel to \$136.92 a barrel—a difference of \$18.48 per barrel of fuel. Even though DOD lowered the standard fuel price, the DWWCF monthly cash balance continued to remain high for the last 6 months of fiscal year 2015 because of lower fuel costs.

According to DOD officials, the DWWCF changed its plan after the President's Budget was issued because (1) DOD made unplanned cash transfers out of the DWWCF in the second half of fiscal year 2016 and (2) DOD reduced the fiscal year 2017 standard fuel price in September 2016, leading to lower projected cash balances. Figure 2 shows the DWWCF's initial cash plan under the President's Budget and the revised monthly cash plans compared to the upper and lower cash requirements for fiscal year 2017.

Figure 2: President's Budget and Revised Defense-wide Working Capital Fund Monthly Cash Plans Compared to the Upper and Lower Cash Requirements for Fiscal Year 2017



Source: Defense Logistics Agency. | GAO-17-465

As shown in figure 2, the DWWCF's revised cash plan for fiscal year 2017 shows that the cash balance at the end of fiscal year 2016 (September 2016) was about \$1.1 billion lower than the President's Budget cash plan. According to DOD officials and our review of documentation on transfers, this decrease was largely due to DOD's transfer of about \$2 billion out of the DWWCF in the second half of fiscal year 2016, which occurred after

the fiscal year 2017 President's Budget cash plan was submitted in February 2016.¹⁵ The \$2 billion of DWWCF cash was transferred to other DOD appropriations accounts to pay for, among other things, unforeseen military requirements to maintain a larger troop presence in Afghanistan than that planned for in the President's Budget and funding shortfalls in fuels, consumable inventory items, repair parts, and medical supplies and services.

The DWWCF monthly cash balances under the revised cash plan are projected to remain within the upper and lower cash requirements for all 12 months in fiscal year 2017. This is a significant change from the President's Budget cash plan that showed the DWWCF monthly cash balances exceeding the upper cash requirement for 9 of the 12 months. Another factor that contributed to the improved results reflected in the revised plan is that the OUSD (Comptroller) lowered the standard fuel price in September 2016 from \$105.00 per barrel to \$94.92—a \$10.08 difference. DOD lowered the standard fuel price for refined petroleum products because the fiscal year 2017 costs for those products were expected to remain lower than initially projected when the fiscal year 2017 President's Budget was developed. In connection with its decision to lower fuel prices, DOD stated that the lower refined product costs have had a positive impact on the DWWCF cash balance (i.e., higher cash balances), and the department anticipated an associated congressional reduction as a result of the positive cash balance. Thus, DOD reduced the fiscal year 2017 standard fuel price effective October 1, 2016.

In November 2016, DLA officials informed us that several factors could nevertheless cause the DWWCF monthly cash balances to fall outside the upper and lower cash requirements in fiscal year 2017. These factors could include (1) higher or lower fuel product costs than expected, (2) higher or lower customer sales than expected, (3) the timing of vendor payments on a daily basis versus collections from customers on a weekly or monthly basis, and (4) nonpayment from customers for goods or services provided to them. While DWWCF officials stated that these factors could affect whether the DWWCF monthly cash balances are within the cash requirements for all 12 months in fiscal year 2017, the

¹⁵The DWWCF fiscal year 2016 year-end cash balance contained in the revised cash plan did not decline by a total of \$2 billion over the President's Budget cash plan because the DWWCF collected about \$907 million more than it disbursed compared to the President's Budget cash plan.

officials believe that the cash balances will remain within the cash requirements for the entire period.

Conclusions

The DWWCF supports military readiness by providing energy solutions, inventory management, information system solutions, and financial services for DOD in times of peace and war. Maintaining the DWWCF cash balance within the upper and lower cash requirements as defined by DOD regulation is critical for the DWWCF to continue providing these services for its customers. During fiscal years 2007 through 2016, DOD transferred a total of \$9 billion into and out of the DWWCF and adjusted fuel prices 16 times outside of the normal budget process to try to bring the cash balances within the cash requirements. However, the cash balances were outside the upper and lower cash requirements almost three quarters of that time and for more than a year on three separate occasions.

Although the DOD Financial Management Regulation provides guidance on tools DOD managers can use to help bring the monthly cash balances within the upper and lower cash requirements, the regulation does not provide guidance on the timing of when DWWCF managers should use these tools to help ensure that the monthly cash balances are within the cash requirements. Without this guidance, DOD risks not taking prompt action in response to changes in fuel costs, inventory costs, appropriations, or other events to bring the monthly cash balances within the cash requirements. When DWWCF monthly cash balances are below the lower cash requirements for long periods of time, the DWWCF is at greater risk of either (1) not paying its bills on time or (2) making a disbursement in excess of available cash, which would potentially result in an Antideficiency Act violation. In cases of cash balances above the upper requirement, the DWWCF may restrict funds that could be used for other higher priorities.

Recommendation for Executive Action

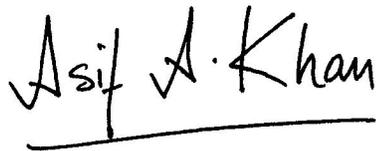
We recommend that the Secretary of Defense direct the Office of the Under Secretary of Defense (Comptroller) to provide guidance in the DOD Financial Management Regulation on the timing of when DOD managers should use available tools to help ensure that monthly cash balances are within the upper and lower cash requirements.

Agency Comments

We provided a draft of this report to DOD for comment. In its written comments, which are reprinted in appendix II, DOD concurred with our recommendation and stated that it plans to update the DOD Financial Management Regulation as we recommended to provide additional guidance on the timing of when DOD managers should use available tools to help ensure that monthly cash balances are within the upper and lower cash requirements. DOD also stated that this change will be incorporated for the fiscal year 2019 President's Budget submission and subsequent budgets. DOD also provided a technical comment, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Under Secretary of Defense (Comptroller), and the Directors of the Defense Logistics Agency, the Defense Finance and Accounting Service, and the Defense Information Systems Agency. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-9869 or khana@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix III.

A handwritten signature in black ink that reads "Asif A. Khan". The signature is written in a cursive style and is underlined with a single horizontal line.

Asif A. Khan
Director
Financial Management and Assurance

Appendix I: Scope and Methodology

To determine to what extent the Defense-wide Working Capital Fund's (DWWCF) reported monthly cash balances were within the Department of Defense's (DOD) upper and lower cash requirements from fiscal years 2007 through 2016, we (1) obtained the DWWCF's reported monthly cash balances for fiscal years 2007 through 2016, (2) used the DOD Financial Management Regulation that was in effect at that time to determine the upper and lower cash requirements, and (3) compared the upper and lower cash requirements to the month-ending reported cash balances. If the cash balances were not within the upper and lower requirement amounts, we met with the Defense Logistics Agency (DLA), the Defense Information Systems Agency (DISA), and the Defense Finance and Accounting Service (DFAS) officials and reviewed DWWCF budgets and other documentation to ascertain the reasons. We also identified instances in which monthly cash balances were outside the upper and lower cash requirements for 12 consecutive months or more to assess the timeliness of DOD actions to bring them within the upper and lower cash requirements. We selected the 12-month period for comparing the monthly cash balances to the cash requirements because (1) DOD develops a budget every 12 months; (2) the DWWCF annual budget projects fiscal year-end cash balances and the upper and lower cash requirements based on 12-month cash plans that include information on projected monthly cash balances, and whether those projected monthly cash balances fall within the cash requirements; and (3) DOD revises the DWWCF stabilized prices that it charges customers for goods and services every 12 months during the budget process.

In addition, we performed a walk-through of DFAS processes for reconciling the Department of the Treasury trial balance monthly cash amounts for the DWWCF to the balances reported on the DWWCF cash management reports. Further, to determine the extent cash transfers for fiscal years 2007 through 2016 contributed to the DWWCF cash balances being above or below the cash requirements, we (1) analyzed DOD budget and accounting reports to determine the dollar amount of transfers made for the period and (2) obtained journal vouchers from DFAS that documented the dollar amounts of the cash transfers. We analyzed cash transfers to determine if any of the transfers contributed to the cash balances falling outside the upper or lower cash requirements and, if so, the amount outside those requirements. We also obtained and analyzed documents that provide information on transfer of funds into and out of

the DWWCF and interviewed key DLA, DISA, and DFAS officials to determine the reasons for the transfers.

To determine to what extent the DWWCF's projected monthly cash balances were within the upper and lower cash requirements for fiscal year 2017, we obtained and analyzed DWWCF budget documents and cash management plans for fiscal year 2017. We compared the upper and lower cash requirements to the month-ending projected cash balances. If the projected monthly cash balances were above or below the cash requirement, we discussed these balances with DLA officials to ascertain the reasons.

We obtained the DWWCF financial data in this report from budget documents and accounting reports. To assess the reliability of these data, we (1) obtained the DOD regulation on calculating the upper and lower cash requirements; (2) reviewed DLA's calculations of the cash requirements to determine if they were calculated in accordance with DOD regulations; (3) interviewed DLA, DISA, and DFAS officials knowledgeable about the cash data; (4) compared DWWCF cash balance information (including collections and disbursements) contained in different reports to ensure that the data reconciled; (5) obtained an understanding of the process DFAS used to reconcile DWWCF cash balances with the Department of the Treasury records; and (6) obtained and analyzed documentation supporting the amount of funds transferred in and out of the DWWCF. On the basis of these procedures, we have concluded that these data were sufficiently reliable for the purposes of this report. We performed our work at the headquarters of the Office of the Under Secretary of Defense (Comptroller), Washington, D.C.; DLA, Fort Belvoir, Virginia; DISA, Columbus, Ohio; and DFAS, Indianapolis, Indiana.

We conducted this performance audit from June 2016 to June 2017 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.

Appendix II: Comments from the Department of Defense



GAO DRAFT REPORT DATED APRIL 28, 2017
GAO-17-465 (GAO CODE 100965)

“DEFENSE-WIDE WORKING CAPITAL FUND: ACTION NEEDED TO MAINTAIN
CASH BALANCES WITHIN REQUIRED LEVELS”

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Office of the Under Secretary of Defense (Comptroller) to provide guidance in the DOD Financial Management Regulation on the timing of when DOD managers should use available tools to help ensure monthly cash balances are within the upper and lower cash requirements.

DoD RESPONSE: Concur. Additional guidance will be added to the draft revision of Volume 2b Chapter 9 of the DoD Financial Management Regulation. The draft revision is based upon the latest published position of December 2014. This change will be incorporated for the FY 2019 President’s budget submission and subsequent budgets.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Asif A. Khan, (202) 512-9869 or khana@gao.gov

Staff Acknowledgments

In addition to the contact named above, Greg Pignetti (Assistant Director), John Craig, Steve Donahue, and Keith McDaniel made key contributions to this report.

Appendix IV: Accessible Data

Data Tables

Data Table for Highlights and Figure 1: The DWWCF's Reported Cash Balances Compared to Upper and Lower Cash Requirements for Fiscal Years 2007 through 2016, by Month

Month/Year	Actual cash balance	Lower cash requirement	Upper cash requirement	Cash Balance Above /Below /Between
Sept 2006	\$1,463,287,079	0	0	NA
Oct-2006	\$1,101,489,188	\$1,194,000,000	\$1,642,000,000	Below
November-06	\$1,004,529,213	\$1,194,000,000	\$1,642,000,000	Below
December-06	\$961,014,187	\$1,194,000,000	\$1,642,000,000	Below
January-07	\$846,320,045	\$1,194,000,000	\$1,642,000,000	Below
February-07	\$1,311,417,139	\$1,194,000,000	\$1,642,000,000	Between
March 2007	\$1,278,656,117	\$1,194,000,000	\$1,642,000,000	Between
April-07	\$1,419,654,926	\$1,194,000,000	\$1,642,000,000	Between
May-07	\$1,331,641,298	\$1,194,000,000	\$1,642,000,000	Between
June-07	\$1,556,267,535	\$1,194,000,000	\$1,642,000,000	Between
July-07	\$1,432,376,634	\$1,194,000,000	\$1,642,000,000	Between
August-07	\$1,716,717,214	\$1,194,000,000	\$1,642,000,000	Above
Sept 2007	\$1,791,431,561	\$1,194,000,000	\$1,642,000,000	Above
October-07	\$1,388,412,843	\$1,464,000,000	\$2,021,000,000	Below
November-07	\$945,228,623	\$1,464,000,000	\$2,021,000,000	Below
December-07	\$573,993,255	\$1,464,000,000	\$2,021,000,000	Below
January-08	\$581,935,147	\$1,464,000,000	\$2,021,000,000	Below
February-08	\$1,063,914,149	\$1,464,000,000	\$2,021,000,000	Below
March 2008	\$1,338,504,944	\$1,464,000,000	\$2,021,000,000	Below
April-08	\$1,198,466,029	\$1,464,000,000	\$2,021,000,000	Below
May-08	\$845,810,245	\$1,464,000,000	\$2,021,000,000	Below
June-08	\$691,571,173	\$1,464,000,000	\$2,021,000,000	Below
July-08	\$727,510,812	\$1,464,000,000	\$2,021,000,000	Below
August-08	\$843,510,745	\$1,464,000,000	\$2,021,000,000	Below
Sept 2008	\$994,485,540	\$1,464,000,000	\$2,021,000,000	Below
October-08	\$982,254,871	\$1,372,000,000	\$1,881,000,000	Below
November-08	\$1,651,803,367	\$1,372,000,000	\$1,881,000,000	Between
December-08	\$1,532,617,592	\$1,372,000,000	\$1,881,000,000	Between
January-09	\$1,705,336,299	\$1,372,000,000	\$1,881,000,000	Between

Appendix IV: Accessible Data

Month/Year	Actual cash balance	Lower cash requirement	Upper cash requirement	Cash Balance Above /Below /Between
February-09	\$1,841,074,628	\$1,372,000,000	\$1,881,000,000	Between
March 2009	\$1,987,892,132	\$1,372,000,000	\$1,881,000,000	Above
April-09	\$1,784,600,759	\$1,372,000,000	\$1,881,000,000	Between
May-09	\$1,644,034,782	\$1,372,000,000	\$1,881,000,000	Between
June-09	\$1,998,266,612	\$1,372,000,000	\$1,881,000,000	Above
July-09	\$1,279,267,147	\$1,372,000,000	\$1,881,000,000	Below
August-09	\$1,215,068,528	\$1,372,000,000	\$1,881,000,000	Below
Sept 2009	\$1,457,777,929	\$1,372,000,000	\$1,881,000,000	Between
October-09	\$1,074,588,997	\$1,388,000,000	\$1,926,000,000	Below
November-09	\$1,126,845,797	\$1,388,000,000	\$1,926,000,000	Below
December-09	\$901,726,602	\$1,388,000,000	\$1,926,000,000	Below
January-10	\$1,634,063,252	\$1,388,000,000	\$1,926,000,000	Between
February-10	\$1,921,427,804	\$1,388,000,000	\$1,926,000,000	Between
March 2010	\$2,093,280,409	\$1,388,000,000	\$1,926,000,000	Above
April-10	\$2,274,015,081	\$1,388,000,000	\$1,926,000,000	Above
May-10	\$2,854,810,572	\$1,388,000,000	\$1,926,000,000	Above
June-10	\$2,928,160,992	\$1,388,000,000	\$1,926,000,000	Above
July-10	\$2,716,379,812	\$1,388,000,000	\$1,926,000,000	Above
August-10	\$3,214,565,737	\$1,388,000,000	\$1,926,000,000	Above
Sept 2010	\$3,018,015,164	\$1,388,000,000	\$1,926,000,000	Above
October-10	\$2,992,011,626	\$1,524,000,000	\$2,120,000,000	Above
November-10	\$3,242,756,419	\$1,524,000,000	\$2,120,000,000	Above
December-10	\$3,107,342,877	\$1,524,000,000	\$2,120,000,000	Above
January-11	\$3,240,317,666	\$1,524,000,000	\$2,120,000,000	Above
February-11	\$3,412,911,881	\$1,524,000,000	\$2,120,000,000	Above
March 2011	\$3,209,718,800	\$1,524,000,000	\$2,120,000,000	Above
April-11	\$3,560,261,162	\$1,524,000,000	\$2,120,000,000	Above
May-11	\$3,309,750,230	\$1,524,000,000	\$2,120,000,000	Above
June-11	\$3,406,219,676	\$1,524,000,000	\$2,120,000,000	Above
July-11	\$2,210,260,843	\$1,524,000,000	\$2,120,000,000	Above
August-11	\$2,645,867,791	\$1,524,000,000	\$2,120,000,000	Above
Sept 2011	\$3,096,005,781	\$1,524,000,000	\$2,120,000,000	Above
October-11	\$2,889,245,258	\$1,602,000,000	\$2,213,000,000	Above
November-11	\$3,040,421,118	\$1,602,000,000	\$2,213,000,000	Above
December-11	\$2,742,912,917	\$1,602,000,000	\$2,213,000,000	Above
January-12	\$3,013,052,935	\$1,602,000,000	\$2,213,000,000	Above

Appendix IV: Accessible Data

Month/Year	Actual cash balance	Lower cash requirement	Upper cash requirement	Cash Balance Above /Below /Between
February-12	\$3,526,421,738	\$1,602,000,000	\$2,213,000,000	Above
March 2012	\$3,494,946,983	\$1,602,000,000	\$2,213,000,000	Above
April-12	\$3,579,919,978	\$1,602,000,000	\$2,213,000,000	Above
May-12	\$3,373,679,252	\$1,602,000,000	\$2,213,000,000	Above
June-12	\$4,261,775,335	\$1,602,000,000	\$2,213,000,000	Above
July-12	\$2,823,449,315	\$1,602,000,000	\$2,213,000,000	Above
August-12	\$2,098,724,363	\$1,602,000,000	\$2,213,000,000	Between
Sept 2012	\$2,209,756,531	\$1,602,000,000	\$2,213,000,000	Between
October-12	\$1,670,157,761	\$1,498,000,000	\$2,083,000,000	Between
November-12	\$1,301,251,277	\$1,498,000,000	\$2,083,000,000	Below
December-12	\$1,578,953,949	\$1,498,000,000	\$2,083,000,000	Between
January-13	\$928,569,008	\$1,498,000,000	\$2,083,000,000	Below
February-13	\$1,240,164,971	\$1,498,000,000	\$2,083,000,000	Below
March 2013	\$1,543,828,879	\$1,498,000,000	\$2,083,000,000	Between
April-13	\$1,623,850,344	\$1,498,000,000	\$2,083,000,000	Between
May-13	\$1,727,224,826	\$1,498,000,000	\$2,083,000,000	Between
June-13	\$2,785,688,639	\$1,498,000,000	\$2,083,000,000	Above
July-13	\$2,222,783,571	\$1,498,000,000	\$2,083,000,000	Above
August-13	\$2,216,640,319	\$1,498,000,000	\$2,083,000,000	Above
Sept 2013	\$2,683,438,639	\$1,498,000,000	\$2,083,000,000	Above
October-13	\$2,524,041,834	\$1,366,000,000	\$1,906,000,000	Above
November-13	\$2,569,440,391	\$1,366,000,000	\$1,906,000,000	Above
December-13	\$2,275,833,906	\$1,366,000,000	\$1,906,000,000	Above
January-14	\$1,642,552,678	\$1,366,000,000	\$1,906,000,000	Between
February-14	\$2,072,718,519	\$1,366,000,000	\$1,906,000,000	Above
March 2014	\$1,955,848,692	\$1,366,000,000	\$1,906,000,000	Above
April-14	\$2,431,375,425	\$1,366,000,000	\$1,906,000,000	Above
May-14	\$2,726,073,033	\$1,366,000,000	\$1,906,000,000	Above
June-14	\$3,064,544,923	\$1,366,000,000	\$1,906,000,000	Above
July-14	\$2,584,580,171	\$1,366,000,000	\$1,906,000,000	Above
August-14	\$2,071,783,745	\$1,366,000,000	\$1,906,000,000	Above
Sept 2014	\$1,635,688,837	\$1,366,000,000	\$1,906,000,000	Between
October-14	\$1,673,851,281	\$1,520,000,000	\$2,499,000,000	Between
November-14	\$2,292,625,671	\$1,520,000,000	\$2,499,000,000	Between
December-14	\$2,413,883,341	\$1,520,000,000	\$2,499,000,000	Between
January-15	\$2,003,994,776	\$1,520,000,000	\$2,499,000,000	Between

Appendix IV: Accessible Data

Month/Year	Actual cash balance	Lower cash requirement	Upper cash requirement	Cash Balance Above /Below /Between
February-15	\$2,485,887,820	\$1,520,000,000	\$2,499,000,000	Between
March 2015	\$2,468,565,581	\$1,520,000,000	\$2,499,000,000	Between
April-15	\$2,782,379,951	\$1,520,000,000	\$2,499,000,000	Above
May-15	\$3,449,710,725	\$1,520,000,000	\$2,499,000,000	Above
June-15	\$3,608,177,937	\$1,520,000,000	\$2,499,000,000	Above
July-15	\$3,660,862,612	\$1,520,000,000	\$2,499,000,000	Above
August-15	\$3,557,365,063	\$1,520,000,000	\$2,499,000,000	Above
Sept 2015	\$3,878,251,178	\$1,520,000,000	\$2,499,000,000	Above
October-15	\$3,977,952,850	\$1,261,000,000	\$2,780,000,000	Above
November-15	\$4,251,829,890	\$1,261,000,000	\$2,780,000,000	Above
December-15	\$3,934,669,394	\$1,261,000,000	\$2,780,000,000	Above
January-16	\$4,318,650,706	\$1,261,000,000	\$2,780,000,000	Above
February-16	\$3,949,000,354	\$1,261,000,000	\$2,780,000,000	Above
March 2016	\$4,056,956,603	\$1,261,000,000	\$2,780,000,000	Above
April-16	\$4,408,021,362	\$1,261,000,000	\$2,780,000,000	Above
May-16	\$4,698,510,021	\$1,261,000,000	\$2,780,000,000	Above
June-16	\$2,926,903,950	\$1,261,000,000	\$2,780,000,000	Above
July-16	\$2,410,831,661	\$1,261,000,000	\$2,780,000,000	Between
August-16	\$2,213,759,750	\$1,261,000,000	\$2,780,000,000	Between
Sept 2016	\$2,122,534,017	\$1,261,000,000	\$2,780,000,000	Between
October-16	NA	\$1,261,000,000	\$2,780,000,000	Auditor's note: added October-16 to extend upper and lower cash requirement line in chart in tab "Cash Figure through Sept 2016"

Summary

Fiscal Year	Months above upper cash requirement	Months in Compliance (Between)	Months below lower cash requirement
2007	2	6	4
2008	0	0	12
2009	2	7	3
2010	7	2	3
2011	12	0	0
2012	10	2	0
2013	4	5	3

Fiscal Year	Months above upper cash requirement	Months in Compliance (Between)	Months below lower cash requirement
2014	10	2	0
2015	6	6	0
2016	9	3	0
Total	62	33	25

Data Table for Figure 2: President’s Budget and Revised Defense-wide Working Capital Fund Monthly Cash Plans Compared to the Upper and Lower Cash Requirements for Fiscal Year 2017

Month/Year	President’s Budget cash plan	Revised cash plan	Lower cash requirement	Upper cash requirement	President’s Budget Cash Balance Above /Below /Between	Revised Cash Balance Above /Below /Between per Plan (\$94/bbl)
Sep 2016	\$3,217,000,000	\$2,123,000,000	\$1,255,000,000	\$2,458,000,000	NA	NA
Oct 2016	\$2,870,000,000	\$1,867,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
Nov 2016	\$2,750,000,000	\$1,807,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
Dec 2016	\$2,544,000,000	\$1,667,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
Jan 2017	\$2,324,000,000	\$1,652,000,000	\$1,255,000,000	\$2,458,000,000	Between	Between
Feb 2017	\$2,298,000,000	\$1,692,000,000	\$1,255,000,000	\$2,458,000,000	Between	Between
Mar 2017	\$2,304,000,000	\$1,743,000,000	\$1,255,000,000	\$2,458,000,000	Between	Between
Apr 2017	\$2,511,000,000	\$1,860,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
May 2017	\$2,557,000,000	\$1,968,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
Jun 2017	\$2,559,000,000	\$2,028,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
Jul 2017	\$2,511,000,000	\$2,039,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
Aug 2017	\$2,509,000,000	\$2,102,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between
Sept 2017	\$2,464,000,000	\$2,125,000,000	\$1,255,000,000	\$2,458,000,000	Above	Between

Agency Comment Letter

Text of Appendix II: Comments from the Department of Defense

Page 1

Mr. Asif A Khan Director

Financial Management and Assurance Government Accountability Office
441 G Street, N.W.

Washington, DC 20548

Dear Mr. Khan:

This is the Department of Defense (DoD) response to the GAO draft report (GAO- 17-465), "DEFENSE-WIDE WORKING CAPITAL FUND: Action Needed to Maintain Cash Balances within Required Levels," dated April 28, 2017. Comments on the draft report recommendation are included in the enclosure.

Sincerely

John P. Roth

Acting Comptroller

Page 2

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO
RECOMMENDATION

RECOMMENDATION 1:

The GAO recommends that the Secretary of Defense direct the Office of the Under Secretary of Defense (Comptroller) to provide guidance in the DOD Financial

Management Regulation on the timing of when DOD managers should use available tools to help ensure monthly cash balances are within the upper and lower cash requirements.

DoD RESPONSE: Concur.

Additional guidance will be added to the draft revision of Volume 2b Chapter 9 of the DoD Financial Management Regulation. The draft revision is based upon the latest published position of December 20 14. This change will be incorporated for the FY 201 9 President's budget submission and subsequent budgets.

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