

GAO@100 Highlights

Highlights of [GAO-21-132](#), a report to the Chairwoman, Subcommittee on Military Personnel, Committee on Armed Services, House of Representatives

Why GAO Did This Study

DOD remains the only major federal agency that has been unable to obtain a financial audit opinion. One contributing factor is DOD's long-standing control deficiency in suspense account transactions.

GAO was asked to review DOD's suspense accounts and determine their impact on DOD's consolidated financial reporting. This report examines the extent to which DOD has (1) established and implemented policies and procedures for recording, reconciling, and clearing suspense account transactions at the DOD consolidated level and (2) addressed identified deficiencies in recording, reconciling, and clearing suspense account transactions that may affect the reliability of DOD's financial information.

GAO reviewed DOD and DFAS policies and procedures, interviewed DOD and DOD OIG officials, and reviewed initiatives related to suspense account transactions.

What GAO Recommends

GAO is making eight recommendations to DOD, including that it update and implement policies and procedures for suspense account transactions and develop and implement DOD-wide guidance for identifying and remediating the root causes of control deficiencies in its suspense account processes. DOD concurred with three of GAO's recommendations, partially concurred with four recommendations, and did not concur with one recommendation. GAO continues to believe that all the recommendations are warranted.

View [GAO-21-132](#). For more information, contact Kristen Kocielek at (202) 512-2989 or kocielekk@gao.gov.

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DEPARTMENT OF DEFENSE

Additional Actions to Improve Suspense Account Transactions Would Strengthen Financial Reporting

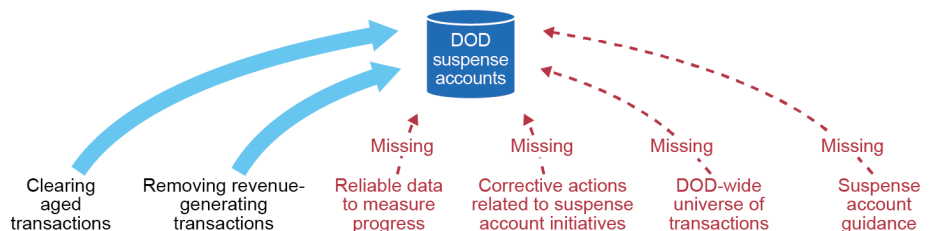
What GAO Found

Federal agencies use suspense accounts to temporarily hold financial transactions—such as transactions with missing or incomplete documentation—that require further research before they are permanently recorded to the proper accounts in an accounting system. Over the years, both GAO and the Department of Defense (DOD) Office of Inspector General (OIG) have reported that DOD and the Defense Finance and Accounting Service (DFAS) have lacked the controls needed to account for and clear suspense account transactions properly. This has contributed to unreliable financial information as the underlying transactions are not properly recorded in the accounting records.

Although DOD and DFAS have taken steps to align their suspense account policies and procedures with relevant federal guidance, GAO found that they were insufficient, outdated, and inconsistently implemented. For example, in March 2020 DOD issued a policy memorandum requiring its component organizations to clear aged suspense account balances—those more than 30 days old—by June 2020. If components could not appropriately research and clear these balances, components were instructed to remove the balances from suspense accounts by transferring them to other accounts. While these efforts reduced the aged balances by roughly \$30 billion, guidance on the specific steps to remove the balances was not provided. The lack of specific guidance contributed to components inconsistently removing aged suspense account balances and increased the risk of transactions not being recorded, reconciled, removed, and documented in a consistent and timely manner. As of June 30, 2020, DOD's suspense account balance was \$1.6 billion, of which \$366 million was more than 30 days old.

DOD and DFAS have undertaken initiatives to clear certain types of non-suspense account transactions from suspense accounts and reduce suspense account balances. GAO found that these initiatives did not identify and address the root causes of DOD's suspense account control deficiencies.

DOD Actions to Address Deficiencies with Suspense Account Transactions



Source: GAO analysis of Department of Defense information. | [GAO-21-132](#)

Not establishing corrective actions to address the long-standing control deficiencies with suspense account transactions affects the reliability of suspense account balances in financial reports, even though the balances are considerably smaller than they were in previous fiscal years. Without such corrective actions, large suspense account balances may once again accumulate and another costly write-off could eventually be required.