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United States
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Defense Finance and Accounting Service
Has Made Progress in Providing
Staffing Levels to Support the Mission in
Southwest Asia

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Acronyms and Abbreviations

AAA	Army Audit Agency
ARCENT	U.S. Army Central Command
DDO	Deputy Director of Operations
DFAS	Defense Finance and Accounting Service
ESO	Expeditionary Support Organization
SWA	Southwest Asia



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

April 7, 2011

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER
UNDER SECRETARY OF DEFENSE FOR PERSONNEL
AND READINESS
COMMANDER, U.S. CENTRAL COMMAND
ASSISTANT SECRETARY OF THE ARMY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Defense Finance and Accounting Service Has Made Progress in Providing Staffing Levels to Support the Mission in Southwest Asia
(Report No. D-2011-058)

We are providing this report for your information and use. The Defense Finance and Accounting Service (DFAS) Expeditionary Support Organization (ESO) made improvements in the number of DFAS personnel assigned to the mission in Southwest Asia. Specifically, as of October 2010, DFAS ESO had filled 91 percent of the support personnel positions needed in SWA.

We made no recommendations and do not require a written response. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868.

Patricia A. Marsh
Patricia A. Marsh, CPA
Assistant Inspector General
Financial Management and Reporting



Results in Brief: Defense Finance and Accounting Service Has Made Progress in Providing Staffing Levels to Support the Mission in Southwest Asia

What We Did

Our objective was to assess how well DFAS met the staffing level needed to support the U.S. Army Central Command (ARCENT) mission in Southwest Asia (SWA).

What We Found

The DFAS Expeditionary Support Organization (ESO) did not have adequate controls in place to provide the requested number of qualified DFAS personnel to support the mission in SWA. Specifically, from July 2009 through May 2010, DFAS ESO partially filled the staffing needs in SWA by providing, on average, 78 percent of the requested individuals. However, during our audit, DFAS ESO had increased the number of DFAS personnel assigned to the mission in SWA. As of October 2010, DFAS ESO filled 51 of the 56 positions, or 91 percent.

DFAS ESO personnel stated that the reason they were unable to fill all ARCENT-requested positions was because they lacked enough qualified volunteers. DFAS ESO officials recognized this challenge and took action. Specifically, DFAS ESO officials approved financial incentives to increase the number of qualified volunteers to support the mission in SWA. In addition, the officials implemented a training program designed to improve the skill set of deploying DFAS personnel. Also, DFAS ESO officials had modified the application and selection process for filling ARCENT requests.

Army officials stated that they were generally satisfied with the level of service provided by deployed DFAS personnel.

What We Recommend

DFAS ESO officials took several new steps designed to increase the quantity and quality of DFAS SWA volunteers. DFAS was in the process of implementing those changes during our audit. While we commend DFAS for taking action, it was too early to determine whether their actions will improve the quantity and quality of the volunteers supporting ARCENT's finance and accounting needs in SWA. Therefore, we are not making any recommendations at this time.

Management Response

We provided our discussion draft memorandum to DFAS ESO on December 13, 2010. DFAS ESO personnel provided technical comments, which we incorporated into the final memorandum report as appropriate.

Table of Contents

Introduction	1
Audit Objective	1
Background on DFAS ESO's Filling Army Requests for DFAS Support	1
DFAS ESO Actions to Improve Internal Controls	1
Finding. DFAS Has Made Improvements in the Quantity and Quality of Personnel Deployed to Support ARCENT	3
DFAS ESO Accounting and Finance Support Is Improving	3
DFAS Has Taken Action to Increase the Quantity and Quality of Personnel Deployed to Support ARCENT Requests	4
Army Officials Were Generally Satisfied and Saw Improvement in the DFAS Personnel Deployed to Southwest Asia	6
Appendix. Scope and Methodology	7
Computer-Processed Data	7
Prior Coverage	7

Introduction

Audit Objective

Our original objective was to determine whether the Defense Finance and Accounting Service (DFAS) had established adequate controls to support the mission in Afghanistan so that contract payments and DFAS-provided accounting services were accurate and timely. In addition, our objective was to assess the adequacy of the level of DFAS personnel assigned to the mission in Afghanistan.

We did not complete audit work related to DFAS controls over Afghanistan contract payments and accounting services because of the prior and ongoing audit coverage being performed by the Army Audit Agency (AAA), as well as the DFAS and Army actions taken in response to prior audits. Instead, we focused solely on the adequacy of the current level of DFAS personnel assigned to the mission in SWA. This report summarizes our assessment of the adequacy of the current level of DFAS personnel assigned to the mission in all of Southwest Asia (SWA), not just Afghanistan. See the Appendix for a discussion of the Scope and Methodology and AAA prior and ongoing audits.

Background on DFAS ESO's Filling Army Requests for DFAS Support

The DFAS Expeditionary Support Organization (ESO) was established in April 2008 to assist Military Departments and commanders with their financial management responsibilities during contingency operations. The DFAS ESO mission is to provide direct support to deployed military finance units and Defense agencies. The DFAS ESO is comprised of three divisions: Quality Assurance and Reporting, Tactical Support and Planning, and Mobilized and Wounded Warrior Pay Management Office. The Tactical Support and Planning Office is responsible for assisting, training, and augmenting deployed finance and accounting military units during contingency operations.

DFAS ESO personnel stated that they receive requests from the U.S. Army Central Command (ARCENT) to provide finance and accounting support in SWA. ARCENT independently determines the number and location of deployed DFAS ESO personnel. DFAS ESO personnel stated that ARCENT requested that they provide vendor pay specialists and managerial accountants to provide finance and accounting support. In general, DFAS personnel stated that ARCENT requests DFAS senior accountants who are capable of making independent decisions and performing many duties throughout their rotation. DFAS ESO relies on volunteers to fill ARCENT requests.

DFAS ESO Actions to Improve Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, implements DoD policy pursuant to Sections 1101, 3512, and 7501 of Title 31, United States Code; and Office of Management and Budget (OMB) Circular No. A 123, "Management's Responsibility for Internal Control," December 21, 2004, that

requires an MICP be established to review, assess, and report on the effectiveness of internal controls in DoD. DFAS ESO did not have adequate controls in place to provide the requested number of qualified DFAS personnel to support the mission in SWA. During our audit, DFAS ESO took actions that could increase the quantity and quality of DFAS personnel supporting the mission in SWA. Because DFAS was in the process of implementing the new actions during our audit, we were unable to determine whether they improved the quantity and quality of DFAS volunteers supporting the mission in SWA. We will provide a copy of the report to the senior official in charge of internal controls for DFAS.

Finding. DFAS Has Made Improvements in the Quantity and Quality of Personnel Deployed to Support ARCENT

From July 2009 through October 2010, DFAS ESO officials struggled to fulfill staffing needs for finance and accounting support personnel in SWA. Specifically, from July 2009 through May 2010, DFAS ESO officials partially fulfilled the staffing needs in SWA by providing, on average, 78 percent of the requested individuals. DFAS ESO officials took action to provide an increased number of support personnel. As of October 2010, DFAS ESO personnel provided 91 percent (51 of 56) of the support personnel needed in SWA.

DFAS ESO officials recognized that they were only partially fulfilling the finance and accounting personnel needs of ARCENT and stated that they lacked enough qualified volunteers for the requested positions. Therefore, DFAS ESO officials took corrective actions to improve the quantity and quality of personnel willing to deploy to SWA. Specifically, they

- approved financial incentives for deploying DFAS personnel,
- implemented a training program to increase skill sets, and
- modified the application and selection process for filling ARCENT requests.

Even though DFAS ESO personnel did not fill all of the needed positions, Army officials were generally satisfied and saw improvement in the level of finance and accounting support DFAS ESO volunteers provided. Because DFAS was in the process of implementing the new actions during our audit, more time is needed to determine whether those actions will improve the quantity and quality of DFAS personnel supporting the finance and accounting needs of ARCENT in SWA.

DFAS ESO Finance and Accounting Support Is Improving

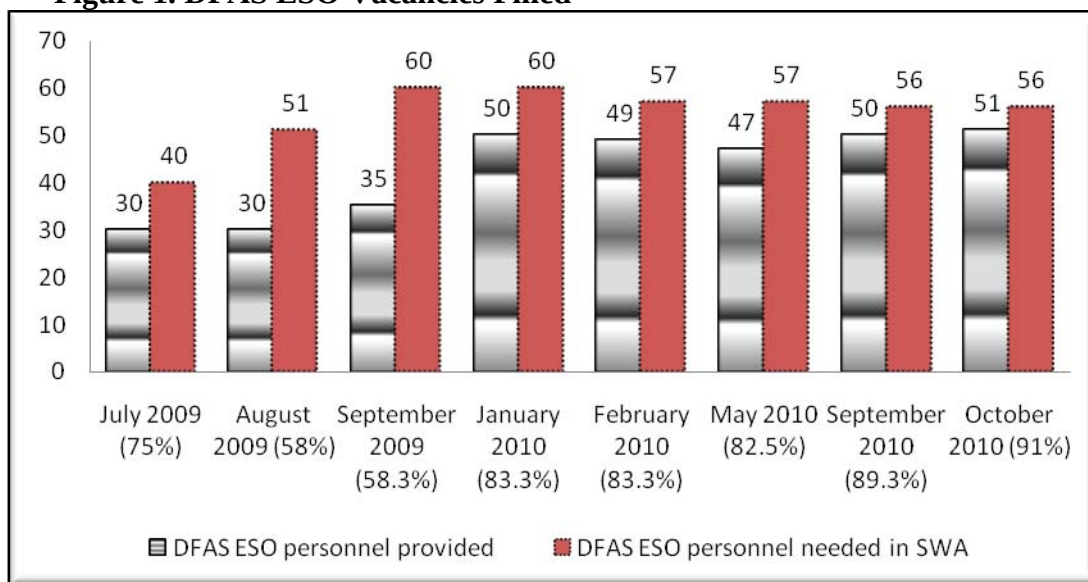
DFAS ESO officials struggled to fulfill staffing needs in SWA, which included ARCENT requests to provide finance and accounting support and DFAS ESO self-identified positions. From July 2009 through May 2010, DFAS ESO filled, on average, 78 percent of staffing needs in SWA. Although DFAS ESO struggled to fill ARCENT requests and self-identified staffing needs, it increased the number of positions filled.

As of October 2010, DFAS ESO personnel had filled 51 of the 56 positions in SWA, or 91 percent.

Specifically, as of October 2010, DFAS ESO personnel had filled 51 of the 56 positions in SWA, or 91 percent.

DFAS ESO personnel stated that the reason they were unable to fill all ARCENT-requested positions was because they lacked enough qualified volunteers. ARCENT asked DFAS ESO to provide managerial accountants to support finance and accounting operations in SWA. However, managerial accountants are unique to the Army, and DFAS did not have an equivalent job series. In general, the Army needed senior accountants who were capable of making independent decisions and performing many duties throughout their rotation. Therefore, in addition to the challenge of obtaining volunteers, DFAS ESO had the challenge of bridging the gap between ARCENT officials' expectations for highly skilled DFAS volunteers and the current skill set of DFAS volunteers. Figure 1 shows improvement in staffing the DFAS ESO personnel needed in SWA to support ARCENT between July 2009 and October 2010.

Figure 1. DFAS ESO Vacancies Filled



Note: The chart is intended to show the trend in DFAS support and we did not include all months. We selected the beginning and ending months where the need for DFAS ESO personnel changed, along with the corresponding number of DFAS ESO personnel provided.

DFAS Has Taken Action to Increase the Quantity and Quality of Personnel Deployed to Support ARCENT Requests

To meet the need for qualified volunteers, DFAS ESO officials took action to increase the quantity and quality of personnel deployed to provide finance and accounting support to ARCENT. Specifically, DFAS ESO officials approved financial incentives for deploying DFAS personnel in order to recruit more volunteers, implemented a training program to increase the skill set of individuals supporting ARCENT, and modified the application and selection process for filling ARCENT-requested positions.

DFAS ESO Officials Approved Financial Incentives for Deploying DFAS Personnel

In June 2010, DFAS ESO officials approved financial incentives for DFAS personnel deploying to SWA. DFAS ESO officials recognized that if they did not provide a financial incentive program, they would continue to struggle to fill positions and not meet the needs of their customers.

A typical tour of duty for DFAS ESO personnel deployed to SWA was between 6 and 12 months. The incentive program provided that DFAS personnel were to receive a 15-, 20-, or 25-percent bonus for 6-, 9-, or 12-month deployments, respectively. DFAS ESO personnel based the incentive bonuses on the deploying DFAS individual's annual rate of basic pay at the beginning of the service period. Because DFAS was implementing the incentive program during our audit, we could not determine whether the incentives would help increase the number of DFAS volunteers supporting ARCENT in SWA.

DFAS ESO Officials Implemented the DFAS Managerial Accounting Class

To bridge the gap between the ARCENT officials' expectations for highly skilled DFAS volunteers and the current skill sets of deploying DFAS volunteers, DFAS officials created and implemented the DFAS Managerial Accounting Class in December 2009. This training course provided deploying DFAS personnel with knowledge of systems and accounting practices used to support the mission in SWA. Between December 2009 and May 2010, DFAS provided the training course to 28 individuals, who subsequently deployed to SWA. Because DFAS was implementing the DFAS Managerial Accounting Class during the audit, we could not determine whether the training increased the quality of DFAS support provided to ARCENT.

DFAS ESO Officials Modified the Application and Selection Process

DFAS ESO officials modified the application and selection process in June 2010 to more efficiently identify qualified candidates to fill the staffing levels needed to support ARCENT in SWA. Before June, DFAS ESO personnel stated they received resumes through the ESO Web site and created a list of unscreened volunteers. DFAS ESO officials stated they formed a three-person panel to review and rate the resumes. Based on the decision from the panel, DFAS Human Resources processed the selected candidates for deployment. Before modifying in the application and selection process, DFAS ESO officials stated they had a list of 70 unscreened volunteers who had not been reviewed to determine whether they had the qualifying skill set to support the ARCENT mission in SWA.

DFAS ESO officials stated they changed the process in June 2010, requiring DFAS personnel volunteering for the positions to submit applications through vacancy announcements on the Office of Personnel Management Web site, usajobs.gov. They stated that they no longer accept resumes through the ESO Web site. DFAS Human Resources and usajobs.gov personnel reviewed the applications and identified candidates

who meet the job skills required by DFAS ESO. When requested by DFAS ESO management, DFAS Human Resources prepare a referral list of personnel who met the minimum qualifications. As of October 2010, DFAS personnel stated that the new process reduced the number of applications to be reviewed by the DFAS ESO panel from 70 unscreened volunteers in May 2010 to 12.

DFAS Human Resources and usajobs.gov personnel can reduce the number of volunteers reviewed and reduce the time they take to identify qualified volunteers and deploy them to SWA by identifying candidates who meet the job skills required. Because DFAS changed the modified application and selection process during our audit, we could not determine whether it would reduce the time to get qualified volunteers identified and placed in theater.

Army Officials Were Generally Satisfied and Saw Improvement in the DFAS Personnel Deployed to Southwest Asia

The Director, U.S. Army Financial Management Command, expressed his satisfaction with the level of support and performance DFAS personnel have provided to Army finance personnel.

Army officials expressed satisfaction and recognized the improvement in the level of service provided by deployed DFAS personnel. Specifically, the Director, U.S. Army Financial Management Command, expressed his satisfaction with the level of support and performance DFAS personnel have provided to Army finance personnel.

In addition, the ARCENT Deputy Director of Financial Operations, stated that he has seen significant improvement in the caliber of DFAS individuals deployed to SWA since DFAS officials began sending volunteers. He said that DFAS officials seem to have a better understanding of the support the Army needs in theater, as shown by the training provided before deployment to prepare personnel for in theater conditions.

Appendix. Scope and Methodology

We conducted this audit from April 2010 through December 2010 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 objectives.

We reviewed summary data and detailed staffing metric data, and we interviewed DFAS and ARCENT personnel to determine whether DFAS was providing adequate finance and accounting support to ARCENT. Specifically, we reviewed the number of volunteers DFAS ESO deployed to SWA from July 2009 through May 2010 and in October 2010, and we compared this to the number of personnel needed in SWA, which includes both ARCENT-requested personnel and DFAS self-identified positions. In addition, we reviewed the actions DFAS ESO officials took to increase the quantity and quality of personnel deploying to support ARCENT.

We interviewed DFAS-Rome personnel and reviewed lists of personnel that took the training to determine whether the DFAS Managerial Accounting Class was provided to DFAS personnel deploying through the DFAS ESO. We reviewed the list of DFAS personnel who attended the training between December 2009 and May 2010, and we compared it to all DFAS personnel who have deployed to SWA through DFAS ESO. In addition, we reviewed the DFAS Rome controls over retrograde payments for contracts in theater. We met with Army Audit Agency (AAA) to discuss the detailed testing they were performing related to the timeliness and accuracy of DFAS payments made in SWA. Because of the audits the AAA was performing, we did not perform detailed testing of the DFAS payments in SWA.

Computer-Processed Data

We used computer-processed data obtained from the DFAS Deputy Director of Operations Dashboard (DDO Dashboard). To assess the reliability of the data, we used a list of DFAS personnel deployed to SWA between December 2009 and May 2010 and in October 2010 to calculate the total deployed personnel for a given month. We compared the number of DFAS personnel deployed for the month to the corresponding data in the DDO Dashboard. We verified the number of ARCENT-requested and DFAS ESO self-identified positions reported on the DDO Dashboard. We determined that the computer-processed data were sufficiently reliable for the purpose of this audit.

Prior Audit Coverage

During the last 5 years, the DoD Inspector General (DoD IG) and AAA have issued four reports related to internal controls over DFAS overseas contingency operations. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at <https://www.aaa.army.mil/>.

DoD IG

DoD IG Report No. D-2008-098, “Internal Controls Over Payments Made in Iraq, Kuwait, and Egypt,” May 22, 2008

Army Audit Agency

AAA Report No. A-2010-0062-ALL, “Audit of Controls Over Vendor Payments - Southwest Asia (Phase II),” March 16, 2010

AAA Report No. A-2010-0057-ALL, “Audit of Controls Over Vendor Payments - Southwest Asia (Phase II),” February 24, 2010

AAA Report No. A-2010-0012-ALL, “Audit of Controls Over Vendor Payments - Southwest Asia (Phase II),” January 5, 2010



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