

**GAO**

Accounting and Information  
Management Division

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**Defense Financial  
Audits Issue Area**

**Active Assignments**

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# Foreword

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This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's Defense Financial Audits issue area. This report contains assignments that were ongoing as of July 6, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment. The report will be issued quarterly.

This report was compiled from information available in GAO's internal management information systems. Because the information was downloaded from computerized data bases intended for internal use, some information may appear in abbreviated form.

If you have questions or would like additional information about assignments listed, please contact David Connor, Director, Defense Financial Audits Issues on (202) 512-9095.

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## Defense Financial Audits

### CFO-FINANCIAL STATEMENTS & SYSTEMS

**TITLE: FY 95 FINANCIAL AUDIT OF NAVY'S OPERATIONS AND SYSTEMS (918813)**

**BACKGROUND :** A review of the Navy's fiscal year 1994 financial statements will continue GAO's plan to opine on the military services' financial statements. The Navy is not a CFO Act pilot agency but should be encouraged to prepare auditable financial statements. A profile of the Navy has been prepared under job code 918796.

**KEY QUESTIONS :** (1) What is the scope of work necessary to issue an opinion on the Navy's FY 94 financial reports, internal controls, and compliance with laws and regulations? (2) What potential problems does Navy and DFAS face in preparing financial statements that meet CFO Act and OMB requirements?

**TITLE: CFO IMPLEMENTATION OF THE U.S. AIR FORCE (918824)**

**BACKGROUND :** The Air Force's FY 95 budget is about \$75 billion. GAO and Air Force Audit Agency (AFAA) financial audits identified many actions needed to accurately account for AF funds and control resources. Recent AFAA work has shown that the Air Force has not yet achieved substantive improvement to its financial operations, though numerous enhancements are planned. D D

**KEY QUESTIONS :** (1) Is the Air Force developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Is the Air Force responding to the NPR recommendations and high-risk issues pertaining to its financial operations? (3) Are financial audits adequate to support the consolidated financial statement audits of the U. S. government?

**TITLE: CFO IMPLEMENTATION OF ARMY (918825)**

**BACKGROUND :** The Army's FY 95 budget is about \$80 billion. GAO, DOD-IG, and Army Audit Agency (AAA) financial audits identified many actions needed to accurately account for Army funds and control resources. Recent AAA audits have shown that some processes have been improved, but many of the substantive improvements needed to financial operations are still either in planning or development.

**KEY QUESTIONS :** (1) Is the Army developing the systems, organization, and financial reporting and auditing capabilities required by the CFO Act? (2) Is Army responding to the NPR recommendations and high-risk issues pertaining to its financial operations? (3) Are financial audits adequate to support the consolidated financial statement audits of the U. S. government?

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## ***Defense Financial Audits***

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### **CFO-FINANCIAL STATEMENTS & SYSTEMS**

**TITLE: CFO IMPLEMENTATION AT THE AGENCY FOR INTERNATIONAL DEVELOPMENT (918827)**

**BACKGROUND :** U.S. AID's FY 95 budget is about \$6.5 billion. U.S. AID has not prepared agencywide financial statements due to serious weaknesses in its primary accounting system. U.S. AID is working to correct these problems and has targeted a new accounting system to be operational by March 1995. AID's IG is conducting financial audits of the agency's revolving and trust funds.

**KEY QUESTIONS :** (1) Is U.S. AID developing the systems, organization, and financial reporting and auditing capabilities required by the CFO act? (2) Is U.S. AID responding to the NPR recommendations and the high-risk issues pertaining to its financial operations? (3) Are financial audits adequate to support the consolidated financial statement audits of the U. S. government?

**TITLE: CFO IMPLEMENTATION AT THE U.S. STATE DEPARTMENT (918828)**

**BACKGROUND :** State's FY 95 net budget authority is about \$5.3 billion. State has been unable to prepare agencywide financial statements due to pervasive management and internal control systems weaknesses, which are being corrected via a long-term systems redevelopment project. State's IG is conducting financial audits of the revolving and trust funds.

**KEY QUESTIONS :** (1) Is State developing the systems, organization, and financial reporting and auditing capabilities required by the CFO act? (2) Is State responding to the NPR recommendations and high-risk issues pertaining to its financial operations? (3) Are financial audits adequate to support the consolidated financial statement audits of the U.S. government?

**TITLE: CFO IMPLEMENTATION AT THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (918829)**

**BACKGROUND :** NASA's FY 95 net budget authority is about \$14.3 billion. IG audits for FY 92 and FY 93 resulted in disclaimers of opinion on the agencywide financial statements, and identified many actions needed to accurately account for funds and control resources. Although numerous financial operational enhancements are planned, NASA has not yet achieved substantive improvement.

**KEY QUESTIONS :** (1) Is NASA developing the systems, organization, and financial reporting and auditing capabilities required by the CFO act? (2) Is NASA responding to the NPR recommendations and high risk issues pertaining to its financial operations? (3) Are financial audits adequate to support the consolidated financial statement audits of the U.S. government?

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## ***Defense Financial Audits***

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### **CFO-FINANCIAL STATEMENTS & SYSTEMS**

**TITLE: EVALUATION OF NAVY'S CENTRAL PAY SITE PAYROLL OPERATIONS (918830)**

**BACKGROUND :** As part of our audit of Navy's financial operations, we reviewed military payroll to determine if it contained similar internal control weaknesses as we noted in the Army's payroll operations which resulted in overpayments to soldiers totaling millions of dollars, including payments to fictitious or "ghost" soldiers and deserters.

**KEY QUESTIONS :** (1) Does the Defense Finance and Accounting Service Cleveland Center (DFAS-CL) have sufficient internal controls in place to prevent overpayments to sailors? (2) Did DFAS-CL make erroneous payments to sailors?

### **OTHER ISSUE AREA WORK**

**TITLE: ASSESSMENT OF THE CPA FINANCIAL AUDIT OF SEMATECH ACTIVITIES IN 1994 (918835)**

**BACKGROUND :** Public Law 100-180, Section 274, requires a CPA audit of SEMATECH's annual financial statements, and GAO to report to the Congress on the accuracy and completeness of the CPA audit and any other related issues.

**KEY QUESTIONS :** (1) Is the audit performed in accordance with Generally Accepted Government Auditing Standards? (2) Are there accounting and auditing issues requiring additional disclosure?

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