



Highlights of [GAO-05-521](#), a report to congressional committees

Why GAO Did This Study

Over the years, the Department of Defense (DOD) has recorded billions of dollars of disbursements and collections in suspense accounts because the proper appropriation accounts could not be identified and charged. DOD has also been unable to resolve discrepancies between its and Treasury's records of checks issued by DOD. Because documentation that would allow for resolution of these payment recording problems could not be found after so many years, DOD requested and received legislative authority to write off certain aged suspense transactions and check payment differences. The conference report (H.R. Conf. Rep. No. 107-772) that accompanied the legislation (Pub. L. No. 107-314) required GAO to review and report on DOD's use of this write-off authority.

What GAO Recommends

GAO recommends that DOD:

- Require the accounting centers and field sites to perform proper reconciliations each month with Treasury records.
- Use the results of the reconciliations to improve the quality of its suspense account reports.
- Enforce guidance requiring disbursements in suspense be resolved within 60 days or be charged to current appropriations if research is unsuccessful.

DOD concurred with our recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-521.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9505 or kutzg@gao.gov.

DOD PROBLEM DISBURSEMENTS

Long-standing Accounting Weaknesses Result in Inaccurate Records and Substantial Write-offs

What GAO Found

After decades of financial management and accounting weaknesses, information related to aged disbursement and collection activity was so inadequate that DOD was unable to determine the true value of the write-offs. While DOD records show that an absolute value of \$35 billion or a net value of \$629 million of suspense amounts and check payment differences were written off, the reported amounts are not reliable. Many of the write-offs represented transactions that had already been netted together (i.e., positive amounts offsetting negative amounts) at lower level accounting sites before they were recorded in the suspense accounts. This netting or summarizing of transactions misstated the total value of the write-offs and made it impossible for DOD to locate the support needed to identify what appropriations may have been under- or overcharged or determine whether individual transactions were valid. In particular, DOD could not determine whether any of the write-off amounts, had they been charged to the proper appropriation, would have caused an Antideficiency Act violation.

It is important that DOD accurately and promptly charge transactions to appropriation accounts since these accounts provide the department with legal authority to incur and pay obligations for goods or services. DOD has hundreds of current and closed appropriation accounts that were authorized by law over the years. Similar to a checking account, the funds available in DOD's appropriation accounts must be reduced or increased as the department spends money or receives collections that it is authorized to retain for its own use. Just as an individual who maintains multiple checking accounts must be sure that transactions are recorded to the proper account, DOD also must ensure that the proper appropriation account is charged or credited for each specific disbursement and collection.

Our review found that DOD's guidance and processes developed to ensure compliance with the legislation provided reasonable assurance that amounts were written off properly except that check payment differences did not have the required written certification. The write-off process did not correct underlying records and significant DOD resources were needed to ensure that write-off amounts were properly identified and handled. Also, using staff resources to process old transactions resulted in fewer staff to research and clear current problems. At December 31, 2004, DOD reports showed that after the write-offs, more than \$1.3 billion (absolute value) of suspense amounts and \$39 million of check differences remained uncleared for more than 60 days. However, DOD has acknowledged that its suspense reports are incomplete and inaccurate.

Until DOD complies with existing laws and enforces its own guidance for reconciling, reporting, and resolving amounts in suspense and check differences on a regular basis, the buildup of current balances will likely continue, the department's appropriation accounts will remain unreliable, and another costly write-off process may eventually be required.