THESIS

NAVAL SPECIAL WARFARE COMMAND’s IMPLEMENTATION OF THE CFO ACT

By

Martin J. Sabel
September 2001

Thesis Advisor: Lawrence R. Jones
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**ABSTRACT** *(maximum 200 words)* The DoD and thus DoN accounting and budgeting systems are often characterized by the classic problem of “garbage in, garbage out”. Differences in definitions and classifications of finance categories, human error, and lack of training, and faulty accounting systems can result in inaccurate data and inability to properly utilize such data throughout the chain of command. Account execution does not match accounts budgeted, creating the potential for violations of rules and regulations and poor decision making for planning, programming, budgeting, and execution for current and future years. An inability to match mission to budget requirement can greatly impact resource utilization by Naval Special Warfare Command in its contingency operations throughout the world. NAVSPECWAR has made an effort to ensure consistency and accuracy of data collection by matching their budget execution categories to their POM process categories and matching unit missions to specific accounts. The objective of this thesis is to analyze SPECWARs implementation of the Chief Financial Officer’s Act and its influence on the utilization of their data by their parent command (USSOCOM) in the planning, programming, budgeting, and execution system and the potential Navy-Wide implications of their program.

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NAVAL SPECIAL WARFARE COMMAND'S
IMPLEMENTATION OF THE CFO ACT

Martin J. Sabel
Lieutenant, United States Navy
B.A., University of Florida, 1995

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ABSTRACT

The Department of Defense and thus Department of the Navy accounting and budgeting systems are often characterized by the classic problem of “garbage in, garbage out.” Differences in definitions and classifications of finance categories, human error, and lack of training, and faulty accounting systems can result in inaccurate data and inability to properly utilize such data throughout the chain of command. Account execution does not match accounts budgeted, creating the potential for violations of rules and regulations and poor decision making for planning, programming, budgeting, and execution for current and future years. An inability to match mission to budget requirement can greatly impact resource utilization by Naval Special Warfare Command in its contingency operations throughout the world.

NAVSPECWAR has made an effort to ensure consistency and accuracy of data collection by matching their budget execution categories to their POM process categories and matching unit missions to specific accounts. The objective of this thesis is to analyze SPECWARs implementation of the Chief Financial Officer’s Act and its influence on the utilization of their data by their parent command (USSOCOM) in the planning, programming, budgeting, and execution system and the potential Navy-Wide implications of their program.
# TABLE OF CONTENTS

I. INTRODUCTION........................................................................................................1
   A. BACKGROUND ..................................................................................................1
   B. SCOPE OF THESIS .......................................................................................6
   C. METHODOLOGY ..........................................................................................7

II. UNITED STATES SPECIAL OPERATIONS COMMAND ...................................9
   A. OVERVIEW.....................................................................................................9
   B. DOD DIRECTIVE ..........................................................................................10
   C. AGENCY LEVEL REPORTING .........................................................................10

III. NAVAL SPECIAL WARFARE COMMAND ....................................................15
   A. INTRODUCTION..........................................................................................15
   B. NAVSPECWAR’S ACCOUNTING SYSTEM ...........................................16
   C. NAVSPECWAR REPORTING.......................................................................18
   D. NAVSPECWAR & DFAS .............................................................................19
   E. NAVSPECWAR’S STRUGGLE TO BECOME CFO COMPLIANT .......24
      1. Background ..........................................................................................24
      2. Activity Group/Sub-Activity Groups/Program Elements ....................24
      3. Request for AG/SAG Restructure ...........................................................26
      4. Issue.......................................................................................................26
      5. Discussion: .............................................................................................27
         a. Defense Database Warehouse Crosswalk .............................................27
         b. Program Element Crosswalk ..............................................................27
         c. AG/SAG Restructure ..........................................................................27
         d. Subheads...............................................................................................28
         e. Budget Activity .....................................................................................28
         f. Existing SAGs ........................................................................................29
         i. Commingling of Data ..........................................................................29

IV. PLANT, PROPERTY, AND EQUIPMENT............................................................31
   A. OVERVIEW...................................................................................................31
   B. DEFENSE PROPERTY ACCOUNTING SYSTEM ........................................32
   C. PP&E DESCRENCIES AT NAVSPECWAR ............................................32

V. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS ..........................35
   A. SUMMARY ....................................................................................................35
   B. CONCLUSIONS ............................................................................................36
   C. RECOMMENDATIONS ...............................................................................38
   D. RECOMMENDATIONS FOR NAVY COMMANDS ..................................40
   E. FURTHER RESEARCH ...............................................................................41

LIST OF REFERENCES......................................................................................................45
INITIAL DISTRIBUTION LIST ..........................................................................................49
LIST OF ACRONYMS and/or ABREVIATIONS

AG       Activity Group
BACC     Budget and Accounting Classification Code
CFO      Chief Financial Officer’s (Act)
DFAS     Defense Finance and Accounting Service
DPAS     Defense Property Accounting Agency
DoD      Department of Defense
DoDIG    Department of Defense Inspector General
DoDD     Department of Defense Directive
DoN      Department of the Navy
DONOMIT  DoN Organization Management and Infrastructure Team
FACTS    Federal Agency Centralized Trial-Balance System
FASAB    Federal Accounting Standards Advisory Board
FFMIA    Federal Financial Management Improvement Act
FMO      Office of Financial Operations
FY       Fiscal Year
GAAP     Generally Accepted Accounting Principles
GAO      General Accounting Office
GMRA     Government Management Reform Act
GPRA     Government Performance and Results Act
JSOC     Joint Special Operations Command
OASD(C)  Office of the Assistant Secretary of Defense (Comptroller)
OMB      Office of Management and Budget
OMN      Operations and Maintenance, Navy
OPLOC    Operating Location
OPN      Other Procurement, Navy
PE       Program Element
PP&E     Property, Plant and Equipment
POM      Program Objectives Memorandum
RDTEN    Research, Development, Test, and Evaluation, Navy
SAG      Sub-Activity Group
SFFAS    Statements of Federal Financial Accounting Standards
SGL      Standard General Ledger
SOAL     Special Operations Acquisition and Logistics Center
SORR-RCC USSOCOM Comptroller
STARS-FL Standard Accounting and Reporting System-Field Level
USSOCOM  United States Special Operations Command
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The author wants to thank Mr. Paul Dissing, Deputy Comptroller Naval Special Warfare Command. His invaluable expertise permitted a perspective on current and future feeder system challenges unobtainable elsewhere, as well as to information not otherwise published. Mr. Dissing’s reason for providing a wealth of information to the author was an effort to help NAVSPECWAR and the Navy gain a better respect for the difficulties they face and the issues that have to be logically thought through to comply with the Chief Financial Officer’s Act.
I. INTRODUCTION

A. BACKGROUND

In 1990 Congress passed the Chief Financial Officer’s Act (CFOA) to improve federal financial management.\(^1\) Subsequently, Congress enacted the Government Performance and Results Act (GPRA; 1993), and the Government Management Reform Act (GMRA; 1994)\(^2\) to extend the mandate for financial management reform in the federal government and accelerate its implementation. These three pieces of legislation together with the Federal Managers’ Financial Integrity Act\(^3\) (FMFIA) and the Inspector General Act\(^4\) establish a framework for improved accountability and provision of better, and timelier information for Congress, the President, and the public. This structure may lead not only to improved financial management, but also to better decision making, a more responsible government and a public better informed about the actions and resource capacity of its government. [Ref. 34: 17-18]

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\(^1\) Previous research has reported on the objectives and initial steps taken to implement this Act. See L. R. Jones and Jerry L. McCaffery, A Symposium: Federal Financial Management Reform”, Public Budgeting and Finance, vol. 12, no. 4 (Winter) 1992: 70-106 and Public Budgeting and Finance vol. 13, no. 1 (Spring) 1993: 59-94.


\(^3\) This Act requires each agency to establish internal controls which provide reasonable assurance that obligations and costs are in compliance with applicable law; that fund, property and other assets are safeguarded against waste loss or abuse; and that revenues and expenditures are properly recorded. See Allen Schick, Robert Keith and Edward Davis. Manual on the Federal Budget Process. Library of Congress, Congressional Research Service. 1991:187.

\(^4\) P.L. 95-452, Oct. 12, 1978. The Inspector General Act of 1978 is the legal foundation of the IG Community. It has created more than 60 IGs in federal agencies and given them wide authority to conduct audits, investigations and inspections in their agencies. The purpose of the IGs is to promote economy, efficiency, and effectiveness, and to prevent and detect fraud and abuse. The Act gives the IGs independence of action by providing for separate administrative authority, direct reporting to Congress, and protection against removal. Another major reform not addressed in this article is the Information Technology Management Reform Act of 1996 (P. L. 104-106, February 10,1996).
The Chief Financial Officer’s Act\(^5\) created the critical leadership and mechanisms to integrate all of these reforms and to keep the process of financial management reform moving. It established a Chief Financial Officer (CFO) for the United States in the Office of Management and Budget and twenty-two CFO’s in the major agencies. The Chief Financial Officer (CFO) position was established to provide leadership, policy direction, and oversight of federal financial management and information systems, including productivity measurement and improvement, credit and asset management, cash management, and internal controls. [Ref. 34:17-18]

Financial decision-making had been split between the Office of Management and Budget, the General Services Administration, and the Treasury. A Chief Financial Officer of the United States would provide centralized financial management leadership. It was decided this position should reside in the OMB because this "budget power center" was best suited to establish government-wide financial reform policies.

Managing the cost of government operations was made more difficult by control weaknesses and a lack of comprehensive financial information. The adoption of Generally Accepted Accounting Principles (GAAP) used by businesses would move the government from cash budgeting and accounting to capital budgeting and accrual accounting. This would recognize assets such as buildings or equipment as capital items with specific values and rates of depreciation. Thus, the value of an asset over its entire life could be assessed. Budget manipulation would be unnecessary because all liabilities would appear on the balance sheet. [Ref. 12: 12-13]

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Without a single, integrated financial management system to ensure timely and accurate financial data, poor policy decisions are more likely due to inaccurate or untimely information; managers are less likely to be able to report accurately to the President, the Congress, and the public on government operations in a timely manner; scarce resources are more likely to be directed toward the collection of information rather than to delivery of the intended programs; and modifications to financial management systems necessary to keep pace with rapidly changing user requirements cannot be coordinated and managed properly.

Thus, the CFO Act not only created a CFO for the whole government, but an additional CFO in all major departments and agencies, as well as a CFO Council to assist in implementation. Agencies were required to submit proposals for consolidating financial management functions, particularly accounting and budgeting, under their CFO, with five year plans describing the implementation of this consolidation. Audited financial statements and management reports were to be done annually. Additionally, Chief Financial Officer’s were to approve and manage financial system design and enhancement projects; oversee recruitment and training of agency financial personnel; implement asset management systems; and monitor agency budget execution.

Additional legislation and governing bodies were created to enable and enhance implementation. The comptroller general, the secretary of the Treasury, and the director of OMB to develop cost and financial accounting standards specifically for the federal government established the Federal Accounting Standards Advisory Board (FASAB). The Government Performance and Results Act (GPRA) of 1993 emphasized strategic planning, performance measurement, and customer satisfaction. The Government
Management Reform Act (GMRA) of 1994 extended the auditing requirement to all types of accounts within five months of the close of the fiscal year. It also established the timeline for the first government-wide audit in FY97. [Ref. 13: 54,66]

Significant progress has been made since that first audit was prepared. Of 24 agencies required to prepare financial statements, 21 are expected to receive an unqualified opinion for FY99. Twenty-two agencies have successfully produced accountability reports for FY99. More reliable financial information has improved the evaluation of federal programs and activities. The Health Care Financing Administration has reduced improper payments every year since 1996 as a result of an extensive audit analysis done by the Department of Health and Human Services Inspector General. [Ref. 26: 3]

To help agencies share lessons learned, the Joint Financial Management Improvement Program (JFMIP) Program Management Office (PMO) was established in November 1998. The JFMIP is a joint undertaking of the U.S. Department of the Treasury, the General Accounting Office, the Office of Management and Budget, and the Office of Personnel Management, working in cooperation with each other and other agencies to improve financial management practices in Government. The PMO serves as an information clearinghouse for federal financial systems, developing requirements and testing vehicles, addressing integration issues, and facilitating communication with the private sector. [Ref. 27]

Recruiting, training and retaining qualified personnel to use these and other financial management systems are another key priority of the CFO Council. Training guidelines and recruitment strategies have been issued. Core competencies for financial
management positions have been developed, and a pilot program using standard position
descriptions for accountants has begun. The Federal Training Technology Initiative will
be used to develop training programs with outside facilitators. [Ref. 26: 7]

Other priorities in which the CFO Council has made significant progress are:
 improving the management of receivables by expanding the Treasury Offset Program and
Agency Debt Referral; using electronic commerce by increasing the usage of government
purchase cards, Electronic Funds Transfer, and the Financial Electronic Data Exchange,
which helps the Veterans Administration collect insurance payments and the Department
of Education collect student loan payments. Internet Credit Card Collections will expand
to from five to thirteen agencies to collect fees, donations, fines and other payments. The
Electronic Federal Tax Payment System will allow the IRS to deduct payments from
individual bank accounts. Administration of federal grant programs will improve by
reducing the cash drawdown systems in use to three by October 2003. Standardization of
the indirect cost rate calculation, which determines what percentage of a federal grant
may be used for facilities and administrative costs, will help streamline grant application
and reporting processes. [Ref. 26: 8-12]

For all the government-wide success of the CFO Council in implementing the
CFO Act and subsequent legislation, however, there are several obstacles to obtaining an
unqualified audit opinion on the government-wide financial statements. All agencies
need to eliminate intra-governmental transactions. The cost of loans receivable and loan
guarantee programs need to be properly reported. The full extent of improper payments
needs to be assessed, and the discrepancies between agency records and Treasury records
of disbursements need to be resolved. A more effective process to reconcile the change in net position with the budget surplus or deficit needs to be established. [Ref. 35: 4]

A significant problem area in obtaining an unqualified audit opinion is the Department of Defense (DoD). DoD is making progress in meeting the audited financial statement requirements of the CFO Act. However, significant and longstanding systems deficiencies preclude DoD from projecting an unqualified consolidated audited financial statement. Coupled with the challenge of eliminating intra-governmental transactions, the "magnitude" of DoD's problems makes the goal of an unqualified government-wide audit opinion "daunting". Specific issues include: understating of environmental and disposal liabilities because no estimate was reported for some major weapons systems and some nuclear weapons are inadequately documented. Health benefits, accounts payable, and other liabilities are not supported by auditable systems and data. Property, plant, equipment, (PP&E) and inventory data cannot be audited to demonstrate the dollar value of assets supporting DoD operations. [Ref 35: 4] In Congressional testimony in May 2000, the General Accounting Office noted that many of DoD's fixes would result in a one-time year-end number for financial statement purposes but would not "produce the timely and reliable financial and performance information DoD needs to manage its operations every day." [Ref. 27: 1]

B. SCOPE OF THESIS

The scope focuses on NAVSPECWAR’s financial management data and the changes they are proposing to the collection and reporting of their financial data to come into compliance with the CFO Act. Although Naval Special Warfare Command is jointly funded, only Navy financial and accounting systems will be addressed.
C. METHODOLOGY

The methodology employed in this thesis consisted of archival and opinion research to obtain the most comprehensive, current, and relevant information pursuant to the dynamic, mounting imperative for federal fiscal reform. Archival aspects included a review of all official applicable Congressional legislation and executive agency regulation, concurrent with a search for pertinent literature sources among books, professional journals, public hearing reports, and various electronic media and storage systems. This eventually focused upon documentation concerning DoD and DoN non-financial feeder systems, as well as status of ongoing compliance initiatives.

Opinion research entailed travel to San Diego, CA, to interview NAVSPECWAR officials regarding use of data and their recommendations for process improvement. These DoN financial management officials are involved with executing and implementing strategy and compliance initiatives.
II. UNITED STATES SPECIAL OPERATIONS COMMAND

A. OVERVIEW

Collaboration is the hallmark of the United States Special Operations Command (USSOCOM), created in 1986. The command incorporates the Joint Special Operations Command (JSOC), United States Army Special Operations Command (USASOC), the Air Force Special Operations Command (AFSOC) and NAVSPECWAR to, "…provide special operations forces to the National Command Authorities, Regional Combatant Commanders, and American ambassadors and their country teams for successful conduct of worldwide special operations, civil affairs, and psychological operations during both peace and war."[Ref. 31] USSOCOM develops joint Special Operations Forces (SOF) doctrine, tactics, and procedures; conducts training with SOF-specialized instruction to ensure joint interoperability; and ensures professional development and readiness of all joint SOF personnel.

USSOCOM has the responsibility for managing a separate major force program (MFP-11) through its own separate funding. This separate funding ensures that the special operations force program has visibility at the DoD and Congressional levels. USSOCOM manages the program and budget of Major Force Program (MFP) 11, which contains seven elements for operational activities, force enhancements, training, general support, advanced SOF RDT&E, planning and design, and headquarters management. SOF- peculiar items can be standard items used by other DoD forces and modified by SOF; items initially designed for or used by SOF but adopted for use by other forces; and
items deemed by the CINC as critically urgent for immediate mission accomplishment. [Ref. 31]

B. DOD DIRECTIVE

DoD has decreed that USSOCOM produce CFO financial statements, even though USSOCOM must act as translator amongst Army, Air Force and Navy financial systems since it does not have one of its own, nor does it have a staff and infrastructure to support CFO compliance efforts. Further, it is contrary to the philosophy behind the creation of SOCOM. Administrative burdens were suppose to be kept to an absolute minimum and /or performed by the parent service. [Ref. 25]

The FY00 reports, made without additional input from the service commands, are have been audited. As the services have also produced reports, SOF assets may be double-counted; neither the Army nor the Navy has been able to completely segregate SOF data, although that capability is required by DoD regulations. However it is possible, the Air Force has maintained a separate SOF budgeting process for years and has successfully received budget increases for their support of SOF. [Ref. 25]

C. AGENCY LEVEL REPORTING

NAVSPECWAR has already detected significant errors in the parts of the agency level reporting they have seen. The agency level 1002 reports, which reflect financial data that should be the CFO act reports, are not accurate. The USSOCOM CFO act report data (stewardship data) is also inaccurate. USSOCOM's total cost of ownership programs
produced inaccurate financial data. The reported ship inventory did not use DoD category definitions and placed NAVSPECWAR's craft in the wrong categories and did not count all craft. The Navy MFP 11 report includes several commands in addition to NAVSPECWAR, such as Naval Sea Systems Command (NAVSEA), Special Operations Command Pacific, and Naval Air Systems Command. These cross a variety of DFAS headquarters and financial systems, resulting in incorrect or incomplete data collection. NAVSPECWAR can help improve the accuracy of the MFP 11 reports with the help of DFAS Indianapolis, and Navy Financial Management Office (FMO). The report can be fixed by establishing an accurate crosswalk from SAG to PE.

This multitude of reporting systems has caused the Navy its own problems with CFO Act compliance. For FY99 the Naval Audit Service was unable to express an opinion on the Department of the Navy Principal Statements. The Statements were not provided in a timely manner to enable the necessary audit work and the Management Representation Letter was missing. The following systems deficiencies were noted: the Department of the Navy does not have transaction-driven standard general ledger accounting systems to accurately report the value of assets and liabilities; accounting systems do not have sufficient audit trails to enable transaction level verification; and financial and non-financial feeder systems do not collect and record data on an accrual basis - financial data is based on budgetary information and adjusted. (Naval Audit Service)

In addition, internal controls "...did not provide reasonable assurance that resources were properly managed and accounted for, that the Department of the Navy complied with applicable laws and regulations, and that the FY1999 Department of the
Navy General Fund financial statements contained no material misstatements”. (Naval Audit Service) In fact, the Navy was found out of compliance with the Statement of Federal Financial Accounting Standards No. 6, the Federal Managers' Financial Integrity Act of 1982; the Government Performance and Results Act of 1993, OMB Bulletin No. 97-01 as amended, and the CFO Act. (Naval Audit Service)

At a presentation to the American Society of Military Comptrollers' Professional Development Institute in May 2000, the Office of Financial Operations of the Assistant Secretary of the Navy (Financial Management and Comptroller) outlined the issues, strategies, and requirements for gaining compliance. They noted that resources required to make the legislative changes are often in short supply; that personnel are transaction rather than analysis oriented; the existence of the "use it or lose it" mentality instead of examining the bottom-line; and an ineffective relationship with DFAS. Yet the Office of Financial Operations of the Assistant Secretary of the Navy (Financial Management and Comptroller) used the DFAS method of strategic planning for a three-phased approach. The Near-Term Action Plan provides general and specific steps to alleviate current audit issues and "ensure all commands/activities are managing accounting and finance information and processes effectively and efficiently." The Short-Term Action Plan outlines the Navy Working Groups and initiatives for achieving Under Secretary of Defense (Comptroller) Implementation Strategies for Property, Plant and Equipment; Inventory and Related Property; Liabilities (Environmental Restoration, Hazardous Waste Disposal); and Human Resources. The Long-term Action Plan addresses "critical, overarching organizational, system and process issues": refining and articulating a unified vision of Navy Financial Management; cooperation between financial and functional
areas; refining business processes; monitoring policy execution; improving the financial statement production process; reviewing the mix of personnel resources; and feeder system issues of compliance, redundancies, and interfaces. [Ref.11: C-1]
III. NAVAL SPECIAL WARFARE COMMAND

A. INTRODUCTION

Naval Special Warfare Command (NAVSPECWAR) was commissioned on 16 April 1987 at the Naval Amphibious Base Coronado, CA, and is the Navy’s component of the United States Special Operations Command (USSOCOM). The mission of the Naval Special Warfare Command is to prepare Naval Special Warfare forces to carry out assigned missions and to develop special operations strategy, doctrine and tactics. The Commander, Naval Special Warfare Command exercises operational control over and is responsible for the administration, training, maintenance, support and readiness of all United States-based active and reserve Naval Special Warfare forces.

The major operational components of Naval Special Warfare Command include Naval Special Warfare Group ONE and Special Boat Squadron ONE in Coronado, CA, and Naval Special Warfare Group TWO and Special Boat Squadron TWO in Little Creek, VA. There are 13 Patrol Coastal boats in the Naval Special Warfare Command’s inventory. Other major component commands are Naval Special Warfare Development Group in Dam Neck, VA, and Naval Special Warfare Center in Coronado, CA.

The Groups deploy Naval Special Warfare forces to meet the training, exercise, contingency and wartime requirements of the Theater Commanders. Each Group is assigned three SEAL teams and one SEAL Delivery Vehicle team. Deployed Naval Special Warfare forces receive in-theater support from Naval Special Warfare Units home ported in Germany, Puerto Rico, Guam, Spain, and Bahrain.
B. NAVSPECWAR’S ACCOUNTING SYSTEM

NAVSPECWAR is making great strides towards complying with CFO Act requirements. Though SPECWAR’s operational chain-of-command is clear, their financial management personnel serve two masters: the Navy and the joint command of USSOCOM. This presents unique challenges to their ability to comply with the CFO Act, primarily centered around their relationships with DoD through the Defense Finance and Accounting Service (DFAS), the Navy and USSOCOM as their superiors, with differing financial feeder systems; and with various entities all struggling to resolve the PP&E and inventory issues that plague DoD.

NAVSPECWAR uses the Standard Accounting and Reporting System, Field Level (STARS-FL) as their only accounting system. STARS-FL has been certified as a CFO Act Compliant accounting system. It is a real time, on-line system. STARS-FL is operated and maintained by DFAS Cleveland however the structure is “owned” by Navy FMO who provides policy and guidance on use of the system. Both OPLOC San Diego and OPLOC Norfolk account for pieces of the overall NSW total. Claimant level reports consolidate the two. There is one database with sections controlled by various OPLOCs managing STARS-FL. All of the Accounting branch (N71) and Budget branch (N72) have on-line access via password to STARS-FL. SORR-RCA at HQ USSOCOM also has access to the information. Budget personnel (N72) and USSOCOM are “read-only” access. Only N71 and N712 have access to information across the Claimancy. Access to the system and safeguards on the information are controlled by DFAS.
Access is controlled by passwords issued by DFAS. Each password can be tailored by DFAS to limit or open access to various programs within STARS-FL. Each password can be tailored to limit access to only those areas required for that job. Computer terminals require specific software in order to access the system from that terminal. Also, STARS-FL maintains transaction history files so that all changes or modifications to the accounting records are maintained and recorded. Transactions identify the user-ID used to make the transaction.

Funds are loaded by N71 after internal distribution is identified by N72. Echelon III Commands (NAVSPECWAR is an Echelon II command) are responsible for loading their own funding authorizations from their PBAS documents. Note that there are two levels of funds authorization within STARS-FL. The summary level (bottom-line total) is required and the detail level (cost center/sub-cost center) is optional. Reimbursable funding authorizations are individually loaded into STARS-FL and carry unique coding identifying each reimbursable document. The Navy PBAS system has controls in place to require that total funding authorizations in STARS-FL always equals the PBAS authorization. But, because, the USSOCOM PBAS documents do not use the approved Navy subheads that edit is not available to NAVSPECWAR and their PBAS documents are “outside” the Navy system. Any USSOCOM “targets” are also outside the Navy process and are not consistent with the kind of “targets” the Navy would impose or provide internal controls to manage. WARCOM (N71) ensures that the authorizations match between PBAS and STARS-FL manually. At the detail level, commands choosing to enter authorizations at the cost center/sub-cost center levels (detail) monitor their own
entries. The only system requirement, however is to accurately load the bottom-line totals into the STARS-FL system.

C. NAVSPECWAR REPORTING

Although MFP 11 funds 100% of NAVSPECWAR activities, since 1995 they have been doing CFO Act reports through the Navy. ⁶ For FY99 NAVSPECWAR strictly followed Navy guidelines and only reported information the Navy did not already have. This included: an inventory of ships and craft, since the Navy has no register of these vessels except for Patrol Coastals; military construction in progress - funded by USSOCOM⁷; and Civil Engineering Support Equipment (CESE) (vehicles). NAVFAC stated that NSW CESE was not reported in their system, WARCOM, however, questions the validity of that statement since vehicles have been issued Navy license plates and should, therefore, be included in the Navy system. [Ref. 25] They did not report: ammunition already recorded by the Navy; Plant Property Class 3 and 4 awaiting implementation of the Defense Plant Accounting System (DPAS); and Land and Facilities Class 1 and 2, owned and reported by the Navy, yet without distinguishing it as SOF. [Ref. 25]

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⁶ The Navy provides limited support in the form of common service support and common equipment but this support is not listed in the NAVSPECWAR budget.

⁷ Does not enter the Navy database until completed and registered with Naval Facilities Engineering Command (NAVFAC)
D. NAVSPECWAR & DFAS

The Defense Finance and Accounting Service (DFAS) was established in January 1991 as the sole finance and accounting entity for DoD to, "…provide effective and efficient financial information, accounting, and payment services". [Ref. 11: 1] Since each service and defense agency had their own systems and business practices, DFAS's priority has been consolidation and integration of operations locations from 338 to 25, and of installation level finance and accounting systems from 324 to 83 in January 2000, with a goal of 30 or fewer by 2005. [Ref.11: 1-2]

DFAS Indianapolis established a Defense Database Warehouse to store and maintain all shared financial data for on-line transaction processing. The Defense Database Warehouse supports reporting, analytical processing and archival functions in a central information repository. Yet many systems cannot share data. Some systems create incomplete or inaccurate reports because of the incompatibility with other systems and a lack of standardization. Few understand how to make the existing systems report accurately and correctly but it is possible. This is a program issue AND an accounting issue requiring knowledge from both disciplines to solve. Current systems provide “garbage-in” because the input criteria are not maintained. Hence “garbage-out”. For example, the Navy AG/SAG structure provides what is needed to populate the DoD BACC code fields in the proposed Defense Data Warehouse. The AG/SAG combination is supposed to equal a program element. However if one looks closely, that relationship between AG/SAG and PE is muddled because no one maintains it. Most Navy units are reporting 1993 era data and NAVSPECWAR is reporting 1987 data. No one keeps it up to date. This leads to the lack of relevance in CFO act reporting. If the basic structure
was maintained, then the basic data would be by program and therefore relevant to users of that information.

Interfaces among systems range from manual data entry from hard copy to real-time electronic interchange. Thus transactions are slow and prone to errors, creating problem disbursements, degraded data, multiple data entry, duplicate system interfaces, and an inability to trace transactions to source data. These limitations preclude validation of disbursements with the corresponding obligations prior to disbursing funds. Thus, DFAS must choose between making potentially invalid payments or paying late penalties while taking the time it needs to establish validation. ([REF. 11: 2.3]

NAVSPECWAR has found the Defense Data Warehouse as part of the Defense Corporate Information Infrastructure (DCII) makes it impossible for a command to validate DFAS data as well. CFO reports are generated without input from the field and with fiscal years lumped together. DFAS would need to provide a detailed crosswalk from their accounting reports and a backup on their data sources to assist command validation, yet this has never been done. NAVSPECWAR has not seen the DFAS reported data since the 1997 reports but NAVSPECWAR has yet to see any impact on DFAS or the command if the reports are incorrect. [Ref. 25]

The DFAS is in the process of establishing the DCII to support the use of common data elements for the collection, storage, and retrieval of finance and accounting data, and to simplify the processing and use of common transactions and the movement of common transactions among systems. Also supporting this reform is an ambitious effort to standardize and share acquisition data. This effort will greatly improve
interactions between DoD procurement systems and the financial systems that process
and account for payments of procurements. [Ref. 32:2]

Thus, when DFAS surveyed commands about a proposed change to the DoD
Financial Management Regulation (DoDFMR) to enable DFAS to automatically obligate
funds for transactions up to $2500, NAVSPECWAR was not in favor of it. Volume 3
Chapter 8 of the DoDFMR establishes standards for recording commitments and
obligations. PriceWaterhouseCoopers, the DFAS contractor, has proposed several
changes on the premise that a number of unrecorded obligations exist in the accounting
system and that the time it takes to record them is too great. They suggest that if DFAS
identifies an incurred obligation that has not been recorded in the accounting records,
DFAS will immediately record the obligation if it is less than $2500. If it is greater than
$2500, DFAS will provide documentation to the DoD component fund manager and
allow 10 calendar days for the fund manager to record the obligation or demonstrate that
it was already done. DFAS vowed to contact the fund manager immediately and initiate
research if by recording the obligation it results in an apparent Anti-Deficiency Act
violation. The change proposal also states that if the fund manager identifies that DFAS
has recorded a duplicate obligation, DFAS will reverse it upon receiving adequate
documentation. DFAS has yet to be timely in reversing duplicate expenditures upon
receiving adequate documentation. They should not be timely in this scenario either.
Bottom-line is no one at DFAS cares one bit about transactions below $100,000 and
would place no priority on fixing problems they cause. Again, the problem relates back
to relevance. If non-programmatic obligations are tolerated, then the data will not be
accurate by program. If it is not accurate by program, then the operators will not care
about the report. Further, the proposal provides no incentive for DFAS to correct duplicates because they are automatically covered up. There is a need for a measurement of DFAS performance from a customer perspective. All current measurements look at self-generated DFAS criteria, which is self-defeating. [Ref. 25]

NAVSPECWAR disagrees with these premises and proposed changes, because most commands use systems that interface obligation data into the accounting system, eliminating unrecorded or incorrectly recorded obligations. They feel that most problem disbursements are created not by missing obligations but by erroneous or duplicate payments posting against a valid line of accounting or invoices with inaccurate data, such as citing a document number that is different from the obligating document.

Allowing DFAS to obligate funds to pay an invoice presents several difficulties. The Suspended Transaction Listing would no longer exist. This mechanism provided visibility of problems and allowed fund holders to validate transactions, preventing erroneous transactions from impacting the funds available balance while allowing payments to be processed. If DFAS obligates funds, invoices would find matching obligating documents but would not be validated. Since DFAS is not within NAVSPECWAR's funding chain, it should not have obligation authority over funds for which it does not have Anti-Deficiency Act responsibilities. It calls into question who would be held responsible for violations. These changes appear to make DFAS "...look good on paper at everyone else's expense" without solving any problems. [Ref. 25]

DFAS has some sense of the difficulties involved, since its strategic plan covers nearly a ten-year period to achieve what they call the Objective CFO-compliant Environment (OCE) that will also satisfy the requirements of the Federal Financial
Management Improvement Act and OMB Circulars A-123 (Management Accountability and Control), A-127 (Financial Management Systems), and A-130 (Management of Federal Information Resources). The Near-Term (FY99-FY00) phase focuses on eliminating redundant systems; establishing target architecture framework while continuing integration of legacy financial systems; and initiating the reengineering of selected financial systems into the OCE. The Mid-Term (FY01-FY04) phase will complete the elimination of redundant systems and integration of finance and accounting systems, accelerating the completion of the target architecture framework; and continuing reengineering of selected systems into the OCE. The Long-Term (FY05-FY08) phase completes the development of the DFAS Corporate Information Infrastructure (DCII) and continues the integration of selected financial systems into the OCE, a process that will continue past FY08. [Ref. 11: 4.2-4.3]

It appears that CFO Act compliance for DFAS will not occur anytime soon. DFAS is holding military services and DoD agencies accountable for their feeder systems, which provide 80 percent of the data used by DFAS systems. "Achieving the OCE - to include the production of auditable financial statements - is critically dependent on the ability of feeder systems to produce high quality data and execute CFO-compliant processes." [Ref. 11: 5.5] Feeder systems must migrate to CFO-compliant environments in concert with the migration of DFAS so that the systems will be compatible and exchange data in standard formats. "Massive collaborative efforts among stakeholders" will be required. [Ref. 11: 5.5]
E. NAVSPECWAR’S STRUGGLE TO BECOME CFO COMPLIANT

1. Background

STARS-FL systems are Navy owned and controlled. NSW requires Navy approval to modify and correct the accounting structure utilized within STARS-FL. NSW (in conjunction with DFAS-Cleveland) needs to begin conversion early August in order to complete the process in time to open the new fiscal year. The problem NSW is having is not what do they do to correct the information flow but who is the authority to actually grant them the permission to update their tables so the data flow is correct. NSW, via DFAS, is already transmitting data into the Defense Data Warehouse using a crosswalk, however all data required by its parent command, USSOCOM, is not accurately transmitted.

2. Activity Group/Sub-Activity Groups/Program Elements

Definitions: The AG/SAG structure represents an integrated programming, budgeting, and accounting code classification (BACC) structure. An activity group (AG) represents a major function identified by claimants/sub claimants in their budget submission and will aggregate to decision packages in the budget. A Sub activity Group (SAG) represents a finer functional break within the AG’s. [Ref. 7: 4.551] The Navy uses the AG/SAG coding to identify the program element in accounting.

A program element is a primary data element in the Future Years Defense Plan (FYDP) and generally represents aggregations of organizational entities and resources related thereto. Program elements represent descriptions of the various missions of the Department of Defense. They are building blocks of the programming and budgeting system. The program element code is ten alphanumeric digits long. The
first two positions identify the major force program. NAVSPECWAR receives funds from MFP-11, which is Special Operations Forces. SPECWAR does not receive funding from the navy, they just report to the Navy. [Ref. 25]

FMO established a DoN FYDP Improvement Project Office in October 1999. In a memo from the senior civilian official, he states one of their major efforts involves redefining the Department’s Program element (PE) structure. In the absence of an adequate PE structure, he states it has become necessary for OSD to supplement the FYDP with extensive (programmatic) formats and ad hoc data calls that are burdensome and costly. And when OSD has not been busy asking for additional formats and tabs, over the years they have created literally hundreds of additional PE’s trying to capture relevant data. [Ref. 29]

**Purpose:** The AG/SAG codes reflect the primary breakouts of financial data used by financial managers in the programming, budgeting, and accounting for expenses.

**Usage:** Use of the AG and SAG codes will enable financial managers to be in a position to accumulate expenses and gross adjusted obligations in the same terms in which they formulate, justify, and execute an operating budget. AG and SAG codes are not intended to identify a specific program element, although in some instances AG or SAG codes represent the principal functional areas desired by navy claimants for administration of O&M. All codes must be used or planned to be used in each of the programming, budgeting, management, and accounting systems. Use of AG or SAG code for one but not all of the foregoing systems will not be approved. [Ref. 7: 4.551]

The SAG code is identified by a significant two-character code and is used by operating budget holders in reporting to their claimants. Where the same SAG function
supports two or more different AG’s then different SAG codes are used to identify the particular SAG supported. [Ref. 7: 4.551]

3. Request for AG/SAG Restructure

Naval Special Warfare Command (NSWC) has requested that the Navy review/approve AG/SAG recommendations NSW provided for use by NSW beginning FY-2002. All of the changes would involve Defense Agency, MFP-11 funding and would not interact or co-mingle with other Claimant accounts. The new list uses existing SAG’s on the STARS-FL table with the exception of Counter Drug Operations. The request would add "X4" to cover the program element for counter drug operations and "X5" to cover the program element for counter drug OPTEMPO. This request would add O&M AGs 1F (Budget Activity One, Special Operations) and 3F (Budget Activity Three, Special Operations Basic and Advanced Training). NSW has agreed to coordinate with DFAS Cleveland to update the necessary tables within STARS-FL. [Ref. NSW Memo]

4. Issue

NSW requires a correction and update of the established AG/SAG structure in order to bring its accounting structure into compliance and to facilitate the crosswalk of data by program into the Defense Database Warehouse. The existing structure was unchanged since unit funding transferred from the Navy to USSOCOM and does not meet the current accounting requirements for MFP-11 funding. Bringing NSW into compliance with existing Navy accounting policies and procedures will also correct the reporting deficiencies with USSOCOM and facilitate data transfer into the DFAS owned DCW.
5. Discussion:

a. *Defense Database Warehouse Crosswalk*
   
   (1) USSOCOM is heavily involved in the DFAS project to develop a common financial reporting system using the Defense Database Warehouse. Data will transfer from Service accounting systems into the warehouse based on pre-established criteria. NSW, as part of USSOCOM is one of the initial Navy participants in the effort. Crosswalk criteria published in [Ref. 4] for use by Navy Activities requires unique AG/SAG combinations to define program elements. The existing NSW structure does not meet the requirements of [Ref. 4].

b. *Program Element Crosswalk*
   
   (2) When NSW was created accounting was performed primarily on the Fleet Resources Accounting Module (FRAM) which did not have the capability to provide accounting detail required by USSOCOM. NSW is now fully transitioned to STARS-FL, which has the capability to provide the necessary detail. Following the FY-2000 update/restructure of Program Elements by USSOCOM, NSW has a requirement to report 26 separate Program Elements. [Ref. 4] requires a unique AG/SAG combination for each program element in order for the crosswalk into the database warehouse to work properly.

c. *AG/SAG Restructure*
   
   (3) [Ref. 5] called for a restructure of Navy Program Elements from platform based to a capabilities based structure. The current
USSOCOM Program Element meets the goals established by [Ref. 5]. Criteria for Program Elements are based on [Ref. 6] and are organized around capabilities. The AG/SAG restructure provides the structure to report budget execution by the capabilities listed in [Ref. 6] as well as execution of funds spent on contingency operations, counter drug missions, and other high visibility programs. The restructure also allows NSW to track classified programs in an unclassified manner.

d. **Subheads**

(4) [Ref. 7] established, within the AG structure, a Subhead Use Code of "F" for Special Operations. When Change 64 was published, NSW was still using FRAM and could not implement the change. The revised AG/SAG structure, which NSW is proposing, brings NSW into compliance with [Ref. 7]. NSW is requesting changes to the basic O&M AG to "1F" defined as Budget Activity One, Special Operations Forces.

e. **Budget Activity**

(5) Under the current structure there is no validated method for identification of Budget Activity Three execution. Data cannot be accurately derived from the existing structure. This information is required by USSOCOM. Using the structure published in [Ref. 7] NSW has a requirement to establish and use the AG 3F for Budget Activity Three, Special Operations Basic Skills and Advanced Training. The new AG will identify the following programs: Basic
Underwater Demolition (BUDs), Naval Small Craft Instructional and Technical Training School (NAVSCIATTS), Special Operations (SOF) Curriculum support at the Naval Postgraduate School, Navy Parachute Team (Leap Frogs), SOF Medical Training, Foreign Language Training, Special Warfare Combatant Crewmen (SWCC) Training, SEAL Qualification Training (SQT), SEAL recruiting efforts, and other specialized and advanced training requirements for NSW forces. Note that F would be an entirely new code for Budget Activity 3 O&M. Without this change, agency level reports (DD1002) for MFP-11 will continue to report incorrectly to USSOCOM.

f. **Existing SAGs**

(6) All other changes in the request to the Navy use existing SAGs, as they are currently defined. Combination of the new AGs with these SAGs will achieve the desired result of identifying assigned program elements, compliance with [Ref. 4 and 7], and facilitate the crosswalk of data to the Defense Database Warehouse.

i. **Commingling of Data**

(7) There is no reason to expect systemic problems with the use of these AGs and SAGs by NSW. Current structure mirrors CINCPACFLT and CINCLANTFLT without any problems. NSW has a unique Subhead structure, mandated by [Ref. 8], that identifies MFP-11 Defense Agency funding within the Navy
system. Sub-Heads are not shared with other Navy activities therefore there is no problem of commingling of data as long as the [Ref. 8] mandated structure remains intact.
IV. PLANT, PROPERTY, AND EQUIPMENT

A. OVERVIEW

The Undersecretary of Defense (Comptroller) (USD(C)) Implementation Strategy for Plant, Property, and Equipment outlines methods for achieving unqualified opinions on the Department's financial statements. Issued in 1998, in a series of memorandums, timelines of accomplishment and monthly reporting requirements are established. Unless a DoD component has a fully operational property accountability system that meets CFO requirements, including the capability to maintain historical cost data and calculate depreciation, implementation of such a system must be expedited. [Ref. 33: 1]

For property acquired prior to FY1999, if an asset is fully depreciated based on its initial acquisition or transfer date and useful life, its cost will be reported with an offsetting amount as accumulated depreciation. Assets that are not fully depreciated must be evaluated by a USD(C) Comptroller to determine carrying value, accumulated depreciation and book value. Newly acquired assets will be capitalized at acquisition cost, and departments will establish procedures to identify and report assets with capital leases in accordance with Standard Federal Financial Accounting Standard No. 6. [Ref. 33: 1]

Verification of property accountability records and/or systems will ensure that all property, plant, and equipment are properly recorded. Data fields of installation-level PP&E databases must be reconciled with headquarters and/or centralized databases to ensure reliability of data. [Ref. 33: 2]
The system that DoD ultimately chose for department-wide use is the Defense Property Accounting System (DPAS), originally developed by the Army. It has not yet been installed for NAVSPEWAR, so definition issues of PP&E are still prominent.

B. DEFENSE PROPERTY ACCOUNTING SYSTEM

The DoN general Property, Plant, and Equipment (PP&E) Accountability Project initiative will consolidate for accountability and financial accounting and reporting purposes, the General PP&E personal property used or maintained by the Navy and Marine Corps Non-Working Capital Fund Activities. This initiative will implement the DPAS. The goal is to implement DPAS as the standard property system DoN-Wide. Since DPAS’s inception, NAVSPEWAR has been in constant contact with the DPAS Program Manager in an effort implement the system correctly. It is in everyone’s best interest to implement DPAS correctly the first time. Systems that fail to produce the information they advertise in a timely manner tend to be cut. [Ref. 30: VI-9]

The initiative, when fully executed, will ensure DoN compliance with the CFO Act and the FFMIA in the area of personal property accountability management and financial reporting. Additionally, it will substantially improve the DoN’s ability to manage its personal property assets. The DPAS, a single standard CFO compliant property system, will replace over a thousand unique, non-CFO compliant systems at the DoN activities while providing asset visibility within the DoN. [Ref. 30: VI-9]

C. PP&E DESCREPANCIES AT NAVSPEWAR

Boston Whalers and dive boats could be classified as support craft or General PP&E. Combat Rubber Raiding Craft are viewed as consumables, purchased from GSA, but some may view them as boats. [Ref. 25]
Many discussions have ensued between the DoD Inspector General (IG) conducting USSOCOM's audit and NAVSPECWAR over the classification of boats and which command will report which data. SOCOM apparently chose a threshold of $100,000 above which to report watercraft as ships but did not count all boats/ships/craft meeting that criterion. This dollar figure is briefly mentioned in the USD(C) memorandums as a topic for further discussion amongst OMB, GAO, and DoDIG, but is not yet listed in any other written guidance for FY99 reports. NAVSPECWAR maintains that SOCOM's database is incomplete and does not recognize the specific definition of commissioned ships. They have 13 ships and everything else is a boat. DoDIG maintains that the DoDFMR does not include a category for boats in the National Defense PP&E category, despite Navy trying to add one; the DoD agency-wide report merges boats into an "Other Ships" category.

NAVFAC believes they have no reporting requirement, as the Naval Comptroller Manual only requires activity-level, not claimant level reporting. NAVSPECWAR maintains that not reporting it is in violation of the CFO Act, but is concerned that both entities are reporting the same data: NAVFAC because they are unable to split the registered vehicles out from the rest of the motor pool, and NAVSPECWAR because they want to ensure it is done. The Navy must decide who must shoulder the responsibility. [Ref. 25]

NSWC reported part of its general P&E data to Navy FMO for reporting on the Navy financial statements. In addition, NSWC has provided USSOCOM data call information and reported general PP&E to USSOCOM that it had not reported to the Navy. A data call is a request for accounting information not provided through the
normal accounting process or systems. NAVSPECWAR receives funding from both the Navy and USSOCOM, which creates the risk of double reporting.
V. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

A. SUMMARY

A major element within the DoD reform initiative is the consolidation and standardization of finance and accounting systems. The DoD designated certain existing finance and accounting systems as migratory systems, into which the functions of similar systems would be consolidated. For the DON accounting systems to produce accurate and auditable information, many systems, in addition to the accounting systems, need to be enhanced and upgraded. Within the DON, dozens of systems provide financial data to the accounting systems operated by DON commands and Activities and/or the DFAS. Much of the data, which flow through a myriad of feeder systems, are not under adequate general ledger control and do not comply with federal requirements, thereby rendering the resulting financial information unreliable and un-auditable.

One of the Secretary of Defense’s highest priorities is to have reliable, accurate and timely financial management information upon which to make the most effective business decisions. Today, however, the Department does not always have that information. In order to have that information available changes must be made in the Department’s business operations and systems to include both financial and non-financial operations and systems. To correct existing deficiencies, Program Budget Decision No. 818 authorizes $100 Million in RDT&E, Defense Wide in FY 2002 to commence a number of efforts including: (1) definition of standard Department-wide management data requirements and development of a plan to implement such standard data

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8 The term “non-financial system” means an information system that supports non-financial functions of the Federal government or components thereof and any financial data included in the system are insignificant to agency financial management and/or required for the preparation of financial statements
requirements; and (2) documentation (mapping) of the flow of financial management transaction data. As a part of the Department’s goal to have reliable, accurate and timely management information, PBD 818 approves the establishment of a Department-wide Program Management Office (PMO) funded in DFAS. The PMO will have oversight of the design, development, acquisition, and enhancement of the DoD-Wide Enterprise Systems. [Ref. 26]

Neither USSOCOM nor DFAS have established management controls that identify how USSOCOM’s personal property should be reported to DFAS Indianapolis for inclusion into the DoD Agency-Wide financial statements. For FY 2000, DFAS Indianapolis used data calls for obtaining general PP&E data for the DoD general fund management financial statements. USSOCOM initiated the data calls to its components. However, the data calls responses did not provide consistant and accurate information. This situation occurred because USSOCOM did not have guidance to direct the components to report personal property to USSOCOM so that it could report to DFAS Indianapolis.

B. CONCLUSIONS

The Department of Defense accounting systems were not designed to account for and report on the value of real and personal property in accordance with federal requirements. Historically, financial information for these assets has been obtained from various property data systems, which for the most part are not integrated with DoD’s accounting systems. To help achieve the needed integration, the Department has been

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9 Data Calls are an informal request for specific financial data not regularly obtained in quarterly, semi-annual or annual reports
eliminating some of its property management systems by migrating applicable information to property systems capable of meeting new accounting standards.

There are a myriad of financial and non-financial reporting systems within the DoN. This thesis has only touched on a few of the systems that affect and to which NAVSPECWAR can help improve or replace in order for them to accurately and efficiently report their assets to the people who require the information to make decisions regarding funding for DoD. Establishing a DoD Financial Management Program Office is a step in the right direction toward restructuring the DoD’s financial systems with the minimum number of systems required that produce the information needed by our leadership.

Unfortunately there still are some growing pains to endure. Personnel who do not have the knowledge or the experience and do not realize the negative impact of their decision on the accounting process make many key decisions. These personnel should be consulting the knowledge base. NSW and Navy FMO should have been included from the start on changes that SOCCOM decided to make. Everyone’s time is wasted when someone unilaterally develops a structure that does not work and cannot be implemented. It would make more sense for SOCCOM to engage NSW and FMO up front and ask them specifically how changes could be logically implemented. [Ref. 25]

The guidance needs to be initiated from the top in order for all involved to implement the same programs and systems. The reason we have so many systems is because they were allowed to evolve for specific reasons within each service branch. It has become increasingly difficult, in the last 10 years of apparent peace, to prove to the budget makers just how much the DoD requires the funds and programs they are
requesting. The Secretary of Defense requires the information of where the money came from and how it was spent. The public and their representatives want to know how effectively and efficiently the DoD is utilizing the funds they are appropriated.

The FFMIA requires that federal agencies financial management systems utilize the USGSGGL at the transaction level. All DFAS migratory accounting systems, including the DFAS Corporate Database (DCD) are being developed and/or modified to implement the USGSGGL. It should be noted, however, that to successfully implement the USGSGGL within the DoD financial management systems network, much work is required with non-DFAS feeder systems (where many financial transactions and events are initially captured/recorded). [Ref.30: V-15]

USSOCOM is leading the effort with DFAS to create the Defense Database Warehouse. It is the intent of DFAS to have all services eventually report into the warehouse. NSW is the first Navy command to work in that environment. The database provides a means of getting the data required by USSOCOM to them and the Navy has already published the crosswalk criteria. Once NSW aligns their AG/SAG’s to FMO requirements USSOCOM will have all the data they need in the warehouse. NSW is concerned about how this crosswalk works. They want the crosswalk to work in accordance with established Navy criteria rather than have a DFAS write a “workaround” that only works for NSW. Since the intent is for the Navy accounts to eventually be reported into this warehouse, NSW thinks it is critical that it be done right the first time. Otherwise, the rest of the Navy will be saddled with problems when the time comes.

C. RECOMMENDATIONS

1. The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Under Secretary of
Defense (Comptroller), revise and finalize Draft DoD 5000.nn-M, Property Plant, and Equipment Accountability, October 1999 to provide criteria on accounting for and reporting personal property and updating the tables necessary for data processing equipment to accurately categorize and report that property.

2. The Under Secretary of Defense (Comptroller) in coordination with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, clarify DoD Regulation 7000.14-R volume 4, chapter 6, “Property, Plant, and Equipment,” August 2000 to provide criteria on accounting for and reporting utilizing automated data processing equipment.

3. The intent of legislation that created unified combatant commanders was that they would not carry infrastructure baggage with them. SOCOM developing their own infrastructure goes against their basic charter and their existing agreements with the services. It could easily cost $30 Million to re-invent something that each service already provides. The individual services should provide accounting and finance services for their respective branch.

4. The Navy uses the AG/SAG coding to identify program element (PE) in accounting. The field still exists in the STARS-FL database but has not been populated for over two decades. NSW cannot access the field or use it under current restrictions. It would make sense, long-term, for the Navy
to re-open this field and use it in daily business. It would make the data crosswalk immeasurably easier.

5. Within each department or agency, the accounting classification structure and definitions must be standardized using the United States Government Standard General Ledger (USGSGL) codes to ensure consistency, uniformity, and efficiency in accounting classifications and reporting.10

6. Both USSOCOM and NAVSPECWAR should maintain a chart of accounts consistent with the USGSGL, including account titles and the basic numbering systems.

7. It is the hope of SPECWAR personnel that USSOCOM implements bi-annual conferences so they can meet face to face on issues of concern such as; prior year problems, relationships with DoD, DFAS and parent services, NULOS and UMD’s and similar related issues.

D. RECOMMENDATIONS FOR NAVY COMMANDS

Research in financial management reporting systems should be an ongoing process for every command. A command should know exactly how their funds are distributed internally and how their financial and non-financial systems report how they

10 Standard General Ledger at the transaction level. Implementing the SGL at the transaction level requires that the core financial system general ledger management function is in full compliance with the SGL chart of accounts descriptions and posting rules; transactions from feeder systems are summarized and fed into the core financial systems general ledger following SGL requirements through an interface (automated or manual); detail supporting the interface transactions can be traced to the source transactions in the feeder systems; and the feeder systems process transactions with SGL account descriptions and postings.
are distributing their funds. All commands should be participating in a DoD-Wide Y2K process to determine the level of compliance, with respect to the CFO Act, of their financial and non-financial feeder systems. Even with CFO Act compliant systems, like STARS–FL, NAVSPECWAR still finds it necessary to utilize a crosswalk to provide data into the defense database warehouse for further summarization into agency level reports. Until NAVSPECWAR can get approval to reorganize the AG/SAG structure to comply with the Navy structure, they will have to continue to use this ad hoc crosswalk for their data to be reported correctly, accurately and for it to be of any use to USSOCOM.

Special emphasis, guidance and direction from OASD(C) and FMO needs to be given to expedite weeding out the redundant reporting systems and developing completely new systems that address gathering the critical data/information required for systems to become CFO compliant.

E. FURTHER RESEARCH

1. The DFAS Corporate Database is an integrated finance and accounting architecture under development that supports all financial management functions. The goal is for all services to provide their data to one central database for summarization, agency level reporting, and informal queries of data not normally included in the agency level reports. Research could entail meeting with officials at DFAS and summarizing this effort to streamline Department of Defense financial systems as well as policy.

2. USSOCOM unveiled the product of a 3-year effort to produce a Management Information System linking the Planning, Programming and Budgeting Management
Information System (PPBMIS) and the accounting systems used by the Service components. DFAS is touting this product as a future cross-service “accounting” system. N7 has been the focal point at NSW for this effort. It would be worth researching the progress of this new product and to determine its actual usefulness or is it just another system added to the many non-compliant systems.

3. Future thesis could focus on the program element structure or its equivalent in other services or defense agencies. Research could entail determining how each service or agency reports program element information and detail the efforts of that service or agency with respect to compliance with the Chief Financial Officer’s Act.

2. United States General Accounting Office, Department of Defense: Progress in Financial Management Reform, T-AIMD/NSIAD-00-163, May 9, 2000


4. Assistant Secretary of the Navy (Financial Management and Comptroller) Memorandum FMO-123 of 5 January 1999 - “BUDGET AND ACCOUNTING CLASSIFICATION CODE STRUCTURE AND MAPPING TO DEFENSE DATA DICTIONARY SYSTEM” - Established the crosswalk criteria for Navy accounts entering the Defense Database Warehouse (DCW). Require a unique AG/SAG to crosswalk each Program Element (PE).

5. DON Memorandum of 29 June 2001 - “DEPARTMENT OF THE NAVY FUTURE YEARS DEFENSE PROGRAM IMPROVEMENT PROJECT PROGRAM ELEMENT RESTRUCTURE” - Required a comprehensive review of the program element and AG/SAG structure

6. United States Special Operations Command (USSOCOM) Capabilities Based Priorities List (CBPL) - Priority ranked/rated listing of all USSOCOM programs.

7. NAVSO P-1000 074202 - Defines the Activity Group Coding structure criteria for Operations and Maintenance


20. Standard Accounting and Reporting System Field Level (STARS-FL) Online User’s manual. Issued by DFAS Cleveland. Provided to USSOCOM SORR-RCA by DFAS when STARS-FL was brought on line at USSOCOM.


25. Interview with Naval Special Warfare Command Personnel, Coronado, CA and the author


29. Nemfakos, Charles P., ”Message from the Senior Civilian Official for the Office of the Assistant Secretary of the Navy (Financial Management & Comptroller)”, Department of the Navy Future Years Defense Plan Improvement Project Program Element Restructure.


33. Office of the Under Secretary of Defense (Comptroller), “IMPLEMENTATION STRATEGY FOR PLANT, PROPERTY AND EQUIPMENT”

34. McCaffery, J. and Jones, L. Budgeting 2000, in press 2001, Chaps. 13 & 14 (DRAFT)

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