Audit Report

OFFICE OF THE INSPECTOR GENERAL

PAYROLL EXPENSES REPORTED IN FY 1996
FOR THE OFFICE OF THE SECRETARY OF DEFENSE

Report No. 98-058

February 2, 1998

Department of Defense

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Acronyms

CFO  Chief Financial Officers (Act)
DCPS  Defense Civilian Pay System
DFAS  Defense Finance and Accounting Service
OMB  Office of Management and Budget
OSD  Office of the Secretary of Defense
WHS  Washington Headquarters Service
MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, WASHINGTON HEADQUARTERS SERVICE


We are providing this report for your information and use. This is the second in a series of reports addressing payroll-related issues, to include the effect of noncompliant payroll actions on the FYs 1996 and 1997 financial statements. This audit was performed in response to the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994. Because this report contains no recommendations, no written comments were required, and none were received.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Charles J. Richardson, Audit Program Director, at (703) 604-9582 (DSN 664-9582) or Ms. Sandra Fissel, Audit Project Manager, at (703) 604-9595 (DSN 664-9595). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma
Deputy Assistant Inspector General for Auditing
Office of the Inspector General, DoD

Report No. 98-058
(Project No. 7RF-2010.01)

Payroll Expenses Reported in FY 1996 for the Office of the Secretary of Defense

Executive Summary

Introduction. The audit was performed in compliance with the Chief Financial Officers Act of 1990 (Public Law 101-576), as amended by Financial Management Act of 1994 (Public Law 103-356). Public Law 103-356 requires DoD and other Government agencies to prepare consolidated financial statements for FY 1996 and each succeeding year. The Defense Finance and Accounting Service (DFAS) Indianapolis Center is responsible for preparing the financial statements for the Department 97 appropriations, beginning in FY 1996. To meet that requirement, the Deputy Director for Accounting Operations, DFAS Indianapolis Center, consolidates the financial information received from offices providing accounting support to the Defense organizations and prepares the financial statement for the “Other Defense Organizations,” a segment of the DoD consolidated financial statement. During FY 1996, the Defense organizations were appropriated $39 billion, and their financial statement showed operating expenses of $40.5 billion. Inspector General, DoD, Report No. 98-028, “Personal Services and Benefits Expenses in the FY 1996 Statement of Operations and Changes in Net Position of the Other Defense Organizations,” December 2, 1997, reported that $7.1 billion of the operating expenses was for payroll. For the FY 1996 financial statements, DFAS Indianapolis Center records showed that the Washington Headquarters Service reported payroll expenses of $145.4 million for the OSD. This report is the second in a series of reports addressing payroll-related issues, to include the effect of noncompliant payroll actions on FYs 1996 and 1997 financial statements.

Audit Objectives. The overall audit objective was to evaluate management controls applicable to the distribution of civilian payroll and related expenditures in the preparation of the Defense agencies’ FY 1996 financial statements. We also reviewed the effect of noncompliant payroll actions on the FYs 1996 and 1997 financial statements. Specifically, we reviewed accounting records and source documents for payroll and related expenditures to determine whether the payroll expenses submitted by the Washington Headquarters Service to DFAS Indianapolis Center on behalf of the OSD were valid. We also assessed the Washington Headquarters Service management control program as it relates to the overall objective.

Audit Results. The DoD Other Defense Organizations Statement of Operations and Changes in Net Position for the year ended September 30, 1996, included $145.4 million of payroll expenses for the OSD; however, this amount could not be traced to source records. As a result, the operating expense portion of the DoD Other

*Department 97 appropriations include primarily general funds, but also include some revolving funds, trust funds, and some small special funds, which are appropriations specifically allocated to Defense organizations and Military Departments.

Although the audit concentrated on FY 1996 payroll expenses for OSD, it should be noted that the change in FY 1997 to the Defense Civilian Pay System will create a paperless transaction from the payroll office to the accounting office, eliminating the need to maintain and store hard copy source documents. Instead, the Washington Headquarters Service accounting records will show the electronic transmission from the Defense Civilian Pay System. This electronic submission suffices as the source record. As a result, the problem that impacted the reporting of accurate payroll expenses for FY 1996 should be resolved for FY 1997 and future years. The management controls we reviewed were effective in that no material management control weakness was identified in FY 1996. See Appendix A for details on the management control program.

Management Comments. We provided a draft of this report on December 4, 1997. Because this report contains no recommendations, written comments were not required, and none were received. Therefore, we are publishing this report in final form.
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Part I - Audit Results
Audit Background

Requirements for Financial Statements. The Chief Financial Officers (CFO) Act of 1990, Public Law 101-576, requires executive departments and agencies to prepare financial statements for their trust funds, revolving funds, and commercial activities. The CFO Act also requires the Inspectors General to audit or arrange for the audit of all financial statements prepared under the CFO Act. The resulting audit reports must include a report on the adequacy of internal controls of the reporting entity and a report on the compliance with laws and regulations that could have a material effect on the financial statements. The CFO Act, as amended by the Federal Financial Management Act of 1994 (Public Law 103-356), requires DoD and other Government agencies to prepare consolidated financial statements for FY 1996 and successive years.

The consolidated DoD financial statement for FY 1996 includes the financial information for a reporting entity entitled "Other Defense Organizations." The financial statement for Other Defense Organizations includes the financial information for various Defense organizations that received Department 97* appropriations. In FY 1996, 35 Defense organizations were appropriated $39 billion of Department 97 funds to perform their missions and functions.

Financial Reports. The Defense Finance and Accounting Service (DFAS) Indianapolis Center provides finance and accounting support to all DoD organizations to include the Defense agencies. The support includes maintaining accounting records and preparing financial statements from general ledger records and status of appropriation financial data submitted by the accounting offices that support the Defense organizations. The DFAS Indianapolis Center is responsible for compiling the financial information submitted on behalf of the Other Defense Organizations. The total of operating expenses are reported on the DoD Other Defense Organizations Statement of Operations and Changes in Net Position (hereafter referred to as the Statement of Operations) and by object class in Note 23, Program or Operating Expenses. Object classes are defined by the Office of Management and Budget (OMB) and are used to report obligations and expenditures according to the nature of the services or articles procured. Appendix C shows the OMB object classes and the related DoD standard general ledger accounts for all operating expenses. The FY 1996 Statement of Operations prepared by the DFAS Indianapolis Center reports that the Other Defense Organizations had operating expenses of $40.5 billion, of which $15.1 billion was for object class expenses defined as payroll.

Accounting Classifications. For the FY 1996 financial statements, DFAS Indianapolis Center records showed that the Washington Headquarters Service (WHS) reported payroll expenses of $145.4 million for the Office of the

*Department 97 appropriations include primarily general funds, but also include some revolving funds, trust funds, and some small special funds, which are appropriations specifically allocated to Defense organizations and Military Departments.
Secretary of Defense (OSD) under accounting appropriation 97*0100.1120 (hereafter referred to as agency limitation 1120). The accounting appropriation identified that the funds used for the payroll expenses were Department 97 General Funds for Operations and Maintenance, Defense, that were allocated to the Secretary of Defense Activities and were allotted to the WHS to pay for OSD operating expenses.

Accounting Support. The WHS provides accounting support for agency limitation 1120. The WHS support includes maintaining general ledger accounting records and pertinent documents and source records. The WHS is also responsible for preparing monthly trial balances and submitting required accounting information to the DFAS Indianapolis Center for financial statement reporting. For the FY 1996 financial statements, DFAS Indianapolis Center records showed that the WHS reported $145.4 million of personal services and benefit payroll expenses for the OSD agency limitation 1120.

Audit Objectives

The overall audit objective was to evaluate management controls applicable to the distribution of civilian payroll and related expenditures in the preparation of the Defense agencies' FY 1996 financial statements. We also reviewed the effect of noncompliant payroll actions on the FYs 1996 and 1997 financial statements. Specifically, we reviewed accounting records and source documents for payroll and related expenditures to determine whether the payroll expenses submitted by the WHS to DFAS Indianapolis Center on behalf of the OSD were valid. We also assessed the WHS management control program as it relates to the overall objective. This report is the second in a series of reports addressing payroll-related issues. See Appendix A for a discussion of the audit scope and methodology and for the results of the review of the management control program. See Appendix B for a summary of prior coverage related to the audit objectives.
Payroll Expenses Reported in FY 1996

The Statement of Operations included $145.4 million of OSD payroll expenses in Note 23 of the FY 1996 financial statement that could not be traced to source records. Source records were not available because the WHS could not readily locate documents and other source records to verify the expenses recorded in the accounting records. As a result, the operating expense portion of the Statement of Operations did not accurately present FY 1996 payroll expenses. In FY 1997, OSD changed to the Defense Civilian Pay System (DCPS) for payroll processing. The new system created a paperless transaction directly from the payroll system (DCPS) to the accounting system at WHS, thus eliminating the need for hard copy source records at the accounting office.

Payroll and Related Expenses for FY 1996

On December 11, 1996, the WHS submitted payroll expenses of $145.4 million for agency limitation 1120 to the DFAS Indianapolis Center for inclusion in the FY 1996 Statement of Operations. According to the data submission, the data represented three types of accounting entries:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 1996 payroll</td>
<td>$142.6 million</td>
</tr>
<tr>
<td>Prior years adjusting entries</td>
<td>1.7</td>
</tr>
<tr>
<td>No-year (continuing) adjusting entries</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$145.4 million</strong></td>
</tr>
</tbody>
</table>

However, the WHS was not able to provide source documents to support the yearend totals.

Supporting Source Documents

Payroll Summaries. The DD Form 592, Payroll Summary, is the source document for payroll expenses. The payroll summary shows gross payroll, authorized deductions from gross payroll, net payroll, employer payroll expenses, and funding authorizations. The payroll summary is created by the applicable payroll offices and the information on the payroll summary is submitted to the appropriate accounting offices to record the payroll expenses in the general ledger accounting records.

During FY 1996, Boiling Air Force Base provided payroll office services for the OSD. At the end of each pay period, the payroll office submitted payroll summary information on magnetic tape to the WHS to record the payroll expenses in the OSD accounting records. The WHS then sent the magnetic tape to Gunter Air Force Base where the payroll summary information was downloaded from the magnetic tape and reformatted, or crosswalked, to fit the structure of the WHS accounting system. To enable an internal reconciliation of
OSD accounting records with the payroll summary information, the WHS stated that Bolling Air Force Base also provided a hard copy of the payroll summary. However, the WHS was unable to provide the hard copies of the payroll summaries to the auditors to support the accounting entries for FY 1996 payroll and related expenses in agency limitation 1120. Management stated that the documents were temporarily stored in boxes in a warehouse while WHS office facilities were being renovated, and the boxes were labeled in such a manner that documents could not be retrieved in less than 6 months.

**Documenting Adjusting Entries.** The WHS made adjusting entries totaling $1.7 million to the OSD general ledger accounts for payroll expenses that were adjustments for FYs 1993, 1994, and 1995. While WHS was able to show the entries in the accounting records and verbally describe why the adjusting entries were made, WHS was not able to provide the source documents or records to support the adjusting entries.

The WHS also made adjusting entries totaling $1.1 million to the OSD general ledger accounts for payroll expenses that were adjustments for no-year appropriations. No-year appropriations are continuing appropriations for which an indefinite period of availability for obligation exists. The WHS was not able to either show the entries in the accounting records or describe why the adjusting entries were made, and could not provide the source documents or records to support the adjusting entries.

Management stated that the documents supporting the prior years and no-year adjusting entries were also temporarily stored in boxes with the other documents for payroll and related expenses and could not be retrieved in less than 6 months.

**Requirement for Audit Trails**

**Federal Financial Management Regulation.** DoD 7000.14-R, “DoD Financial Management Regulation,” states that DoD accounting systems must have audit trails. That is, the accounting system must allow a financial transaction to be traced from its source to the accounting records to the financial statement, and from the financial statement back to the accounting records and back to the source. In Key Accounting Requirement Number 8, “Audit Trails,” DoD 7000.14-R states that all transactions, including those that are computer-generated and computer-processed, must be traceable to individual source records. Items in source records necessary for audit trail purposes include transaction type, record or account involved, amount, processing references, and identification of the preparer and approver of the transaction.

**WHS Audit Trail.** The WHS accounting system did not have a complete audit trail for FY 1996 payroll expenses. In tracing the payroll expenses from the financial statement, the audit trail ended at the accounting entries supporting the adjusted trial balances for agency limitation 1120. The WHS was not able to provide source records, as defined by DoD 7000.14-R, for any of the FY 1996 recorded payroll and related expenses in agency limitation 1120.
Payroll and Related Expenses for FY 1997

Effective the last pay period of FY 1996, the OSD became a customer of the DCPS. The DCPS does not provide a DD Form 592, Payroll Summary, to the accounting offices. Instead, the DCPS electronically transfers appropriation data directly to the accounting offices and payroll summary data directly to the disbursing offices. For each pay period, the WHS uses on-line read-only access to reconcile the OSD accounting records with the payroll information that the DCPS electronically submitted to the WHS. The source record is created when the DCPS electronic data submission enters the WHS accounting system. The WHS then validates the accounting entry with the on-line DCPS payroll records, thereby providing a management control on the OSD accounting records for payroll expense.

Management stated that hard copy documents will continue as the source records for adjusting entries to the OSD accounting records. Management also stated that procedures are in place to trace the transactions to the source documents, and to permanently store the documents in a manner which should allow management to readily retrieve the documents.

Summary

While the audit concentrated on FY 1996 payroll expenses for the agency limitation 1120, the change in FY 1997 to the DCPS, with its paperless transaction from the payroll office to the accounting office, has eliminated the need for a hard copy source record to support the OSD payroll expense. Instead, the OSD accounting records will show the receipt of the electronic transmission from the DCPS. This recording suffices as the source record for WHS, as defined by the DoD 7000.14-R. For the adjusting entries, WHS has procedures in place that will allow management to readily retrieve the hard copy source documents for adjustments made to FY 1997 payroll and related expenses. Because the source record problem affecting OSD FY 1996 payroll and related expenses was resolved for FY 1997 and future years, we are not making any recommendations in this report.
Part II - Additional Information
Appendix A. Audit Process

Scope and Methodology

We reviewed payroll expenses of $145.4 million for agency limitation 1120, OSD, which were included in the DoD FY 1996 Statement of Operations. We reviewed and analyzed monthly trial balances submitted by WHS, the accounting office, to the DFAS Indianapolis Center on behalf of the OSD. We also reviewed and analyzed accounting entries for payroll expenses that composed the monthly trial balances. Further, we reviewed and analyzed adjusting entries to the payroll expenses that were made at the end of the fiscal year accounting period. Finally, we attempted to trace the accounting and adjusting entries to the source records in order to validate the OSD payroll expenses submitted by the WHS for inclusion in the FY 1996 financial statements.

Use of Computer-Processed Data. We used the FY 1996 computer-processed data with which the DFAS Indianapolis Center prepared the FY 1996 Other Defense Organizations Statement of Operations. In addition, we used computer-processed general ledger data and financial reports generated by the WHS for accounting and management purposes. Finally, we used Air Force computer-processed data for FY 1996 payroll expenses for agency limitation 1120 that were recorded in the accounting records by the WHS. We did not validate the reliability of any of the accounting and management systems because we limited our use of the data to conduct tests of management controls, to perform analytical reviews, and to obtain an understanding of the procedures that DFAS Indianapolis Center and WHS used to compile and report operating expenses. Not validating the reliability of data did not affect the results of the audit.

Sampling Method. In FY 1996, 35 Defense organizations spent Department 97 funds for payroll expenses through 87 agency limitations.* Using a sampling method known as "probability proportion to size methodology," we statistically selected a sample of 15 agency limitations. Agency limitation 1120, OSD, was the only selected sample that received accounting support from the WHS. Because of inadequate audit trails from financial statements to the accounting and source records at supporting accounting organizations, we curtailed our audit work after five agency limitations. We will issue two additional audit reports on two accounting organizations that provided accounting support for 4 of the 15 selected agency limitations. We will not issue an overall audit report addressing FY 1996 payroll expenses for Other Defense Organizations.

*OMB Circular No. A-34, “Instructions on Budget Execution,” December 1995, states that an “agency limitation” is for fund control purposes and defines the term as “any administrative division or subdivision of funds made by agency officials that restricts the use of Federal Government funds.”
The following table shows the extent of the audit trails that existed for the payroll expenses of the five selected agency limitations from the financial statement to the respective accounting records and, ultimately, to the respective source records. An “X” in the box indicates the presence of supporting accounting records.

### Extent of Audit Trails for Payroll Financial Data
**Analyzed by Agency Limitation**

<table>
<thead>
<tr>
<th>Accounting Office</th>
<th>WHS</th>
<th>DFAS - Columbus</th>
<th>DFAS - Cleveland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limitation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OSD 1120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DCAA 4600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLA 5100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>96 BRAC III Navy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>96 BRAC IV Navy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total for payroll</td>
<td>$145.4 million</td>
<td>$258.5 million</td>
<td>$930.1 million</td>
</tr>
<tr>
<td>FY 1996 financial statement</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Submitting office trial balances</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Accounting records</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Sub-accounting records</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source documents (payroll summaries)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**BRAC** Base Realignment and Closure
**DCAA** Defense Contract Audit Agency
**DLA** Defense Logistics Agency

### Use of Technical Assistance
The Technical Director and an Operations Research Analyst of the Quantitative Methods Division, Office of the Inspector General for Auditing, provided technical assistance to select an audit sample.

### Audit Type, Dates, and Standards
We performed this financial-related audit from April through November 1997 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We included tests of management controls considered necessary.
Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of WHS management controls over audit trails. Specifically, we reviewed WHS management controls over maintaining source records and documents, validating payroll and related expenses recorded in the accounting records, and submitting payroll and related expenses to DFAS Indianapolis Center for inclusion in the DoD CFO Other Defense Organizations FY 1996 financial statement. Because we did not identify a material weakness, we did not assess management's self-evaluation.

Adequacy of Management Controls. WHS management controls we reviewed were adequate; we identified no material management control weaknesses.
Appendix B. Summary of Prior Coverage

The Office of the Inspector General, DoD, has published numerous audit reports in response to the requirements of the CFO Act. The following three reports include specific information related to this audit.


Inspector General, DoD, Report No. 97-201, "Navy and Marine Corps Reserve Financial Reports on the National Guard and Reserve Equipment Appropriation," July 30, 1997. The report states that the budget execution for the Navy and Marine Corps Reserve National Guard and Reserve Equipment Appropriation was not fully supported with source documentation. The reports on budget execution were not fully supported because Cleveland Center did not maintain adequate documentation or source records as required by Key Accounting Requirement No. 8, "Audit Trails." As a result, reports on budget execution could not be verified, and the FY 1996 Navy and Marine Corps Reserves ending trial balances may be unreliable. Further, if the DFAS Cleveland Center does not reconcile the FY 1996 financial reports with source documents, the FY 1997 financial statements may also be unreliable. The DFAS Cleveland Center concurred with all of the recommendations.

Inspector General, DoD, Report No. 97-155, "Internal Controls and Compliance With Laws and Regulations for the FY 1996 Financial Statements of the 'Other Defense Organizations' Receiving Department 97 Appropriations," June 11, 1997. The report states that the consolidated principal statements for Other Defense Organizations did not accurately and reliably represent the financial operations of the Defense organizations and funds that received Department 97 general fund appropriations. Unless improvements in accounting systems and management controls are made, the Other Defense Organizations financial statements for FYs 1997 and 1998 will not be reliable. The report also states that the DFAS Indianapolis Center and the accounting offices supporting the Defense organizations and funds receiving Department 97 appropriations were unable to fully comply with applicable laws and regulations. As a result, the Defense organizations receiving Department 97 general funds did not fully comply with the CFO Act and the Federal Managers' Financial Integrity Act. The report recommended that the Director, DFAS Indianapolis Center, maintain records for audit trails of all
Appendix B. Summary of Prior Coverage

adjustment transactions; reconcile the current year Department 97 expenditure
data for the Fund Balance With Treasury account to the Department of the
Treasury data; and document the review process used and the decision made
regarding the auditors' recommended adjustment to the principal statements,
including the footnotes. The Director, DFAS Indianapolis Center, concurred
with the recommendations.
<table>
<thead>
<tr>
<th>Object Class</th>
<th>General Ledger Account</th>
<th>Account Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal services and benefits</td>
<td>6111-Personnel Compensation-Civilian</td>
<td>Represents the gross compensation for personal services rendered by Federal civilian employees and non-Federal employees.</td>
</tr>
<tr>
<td></td>
<td>6112-Personnel Compensation-Military</td>
<td>Represents the earned basic, incentive, and special pays for military personnel.</td>
</tr>
<tr>
<td></td>
<td>6113-Personnel Benefits-Civilian</td>
<td>Represents the benefits paid directly to DoD civilian personnel and payments to other funds for the benefit of the employees.</td>
</tr>
<tr>
<td></td>
<td>6114-Personnel Benefits-Military</td>
<td>Represents the benefits paid directly to military personnel or to other funds for military personnel.</td>
</tr>
<tr>
<td></td>
<td>6115-Benefits for Former Personnel</td>
<td>Represents benefits due to former personnel or their survivors.</td>
</tr>
<tr>
<td>Travel and transportation</td>
<td>6116-Travel and Transportation of Persons</td>
<td>Represents the expense of transporting employees and others, including their per diem allowances, while in an authorized travel status.</td>
</tr>
<tr>
<td></td>
<td>6117-Transportation of Things</td>
<td>Represents the expense of transporting things and the care of such things while in the process of being transported.</td>
</tr>
</tbody>
</table>
# Appendix C. OMB Object Classes and Related DoD Standard General Ledger Accounts

<table>
<thead>
<tr>
<th>Object Class</th>
<th>General Ledger Account</th>
<th>Account Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rents, communications, and utilities</td>
<td>6118-Rents, Communications, and Utilities</td>
<td>Represents the expense incurred for rents, communications, and utilities purchased from commercial or U.S. Government sources.</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>6119-Printing and Reproduction</td>
<td>Represents the expense incurred for printing and reproduction and the related composition and binding operations.</td>
</tr>
<tr>
<td>Contractual services</td>
<td>6120-Other Services</td>
<td>Represents the expense incurred for services not otherwise classified.</td>
</tr>
<tr>
<td>Supplies and material</td>
<td>6121-Supplies and Materials</td>
<td>Represents the expense incurred for supplies and materials, including ammunition. Includes all supplies consumed or utilized that do not meet the capitalization criteria.</td>
</tr>
<tr>
<td>Equipment not capitalized</td>
<td>6122-Equipment Not Capitalized</td>
<td>Represents the acquisition costs of equipment that do not meet capitalization requirements.</td>
</tr>
<tr>
<td>Grants, subsidies, and contributions</td>
<td>6123-Grants, Subsidies, and Contributions</td>
<td>Represents the value of grants, subsidies, and contributions made to further or enhance the interest of national defense.</td>
</tr>
<tr>
<td>Insurance claims and indemnities</td>
<td>6124-Insurance Claims and Indemnities</td>
<td>Represents payments to veterans and their survivors for death or disability, claims and judgments arising from court decisions, contracts, and military operations.</td>
</tr>
<tr>
<td>Object Class</td>
<td>General Ledger Account</td>
<td>Account Definition</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Other</td>
<td>6130-Annual Leave</td>
<td>Represents the expense for annual leave earned by military personnel and civilian employees during the accounting period.</td>
</tr>
<tr>
<td></td>
<td>6190-Contra Bad Debt</td>
<td>Represents bad debt expense.</td>
</tr>
<tr>
<td></td>
<td>Expense-Incurred for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6199-Adjustment to</td>
<td>Represents the amount of adjustment to subsidy expense in the program fund.</td>
</tr>
<tr>
<td></td>
<td>Subsidy Expense</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6400-Benefit Program</td>
<td>Represents amounts paid by the Military Retirement Trust Fund and the DoD Education Benefits Trust Fund.</td>
</tr>
</tbody>
</table>
Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange
Director, Washington Headquarters Service
  Director for Budget and Finance, Washington Headquarters Service

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
  Director, Defense Finance and Accounting Service Cleveland Center
  Director, Defense Finance and Accounting Service Columbus Center
  Director, Defense Finance and Accounting Service Denver Center
  Director, Defense Finance and Accounting Service Indianapolis Center
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency
Appendix D. Report Distribution

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional
committees and subcommittees:

- Senate Committee on Appropriations
- Senate Subcommittee on Defense, Committee on Appropriations
- Senate Committee on Armed Services
- Senate Committee on Governmental Affairs
- House Committee on Appropriations
- House Subcommittee on National Security, Committee on Appropriations
- House Committee on Government Reform and Oversight
- House Subcommittee on Government Management Information and Technology,
  Committee on Government Reform and Oversight
- House Subcommittee on National Security, International Affairs, and Criminal
  Justice, Committee on Government Reform and Oversight
- House Committee on National Security
Audit Team Members

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, produced this report.

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