Defense Information Systems Agency
General Fund
Agency Financial Report
Fiscal Year 2022

Message From the Defense Information Systems Agency

As the Defense Information Systems Agency (DISA) director, I am presenting the Agency Financial Report (AFR) for the DISA General Fund (GF), as of Sept. 30, 2022. The AFR financial statements and accompanying footnotes incorporate management discussion and analysis, performance, and financial sections that include the auditor's signed report. The AFR is prepared as directed by the Office of Management and Budget Circular A-136.

DISA provides, operates, and assures command, control, and information-sharing capabilities, and a globally accessible enterprise information infrastructure in direct support of joint warfighters, national-level leaders, and other mission and coalition partners across the full spectrum of military operations.

Among DISA's accomplishments in fiscal year 2022, we have continued to provide support to our global Defense Information Systems Network infrastructure, delivering capabilities to our mission partners through desktop and mobile platforms, and leveraging applications hosted at DOD data centers or on commercial clouds. We ensure availability of spectrum through a full range of management activities as well as resiliency and interoperability of our networks and capabilities through net assurance activities and a full range of systems tests and evaluations. DISA plays a role in nearly every combat engagement and supports humanitarian assistance, disaster relief, intelligence, and special operations activities.

The DISA Strategic Plan FY 2022-2024 ensures efforts remain focused toward a shared transparency of understanding so that DISA can achieve the velocity of action needed to win. We are taking bold and decisive action to ensure that the information technology that supports our current and next-generation warfighters and weapons systems are protected from intrusion and attack while creating secure access to critical information — anytime, anywhere.

This year, we have continued to make improvements in our financial processes with oversight by our independent public accounting firm Kearney & Company. DISA can provide reasonable assurance that internal controls over financial reporting, operations, and compliance are operating effectively as of Sept. 30, 2022. We have continued progress addressing significant deficiencies and material weaknesses on DISA's GF financial statements. Information obtained through this year's report and continued improvements leverage our ongoing efforts to improve all aspects of DISA's GF. The agency continues to improve its posture with a sound internal control environment to execute our strategy effectively while prioritizing command and control, driving force readiness through innovation, and improving cost management.

ROBERT J. SKINNER
Lieutenant General, USAF
Director

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DISA General Fund Fiscal Year 2022

Management Discussion and Analysis

The Defense Information Systems Agency (DISA) is pleased to present a Management Discussion and Analysis (MD&A) to accompany its fiscal year (FY) 2022 financial statements and footnotes. The key sections within this MD&A include the following:

1. **Mission and Organizational Structure**
2. **Performance Goals, Objectives, and Results**
3. **Analysis of Financial Statements and Stewardship Information**
4. **Analysis of Systems, Controls, and Legal Compliance**
5. **Forward-Looking Information**

1. Mission and Organizational Structure

History and Enabling Legislation:

DISA, a combat support agency, provides, operates, and assures command and control, information sharing capabilities, and a globally accessible enterprise information infrastructure in direct support to joint warfighters, national level leaders, and other mission and coalition partners across the full spectrum of operations. DISA implements the Secretary of Defense's Defense Strategic Guidance (DSG) and reflects the Department of Defense (DOD) Chief Information Officer's (CIO) Capability Planning Guidance (CPG). The DOD CIO vision is "to be the trusted provider to connect and protect the warfighter in cyberspace."

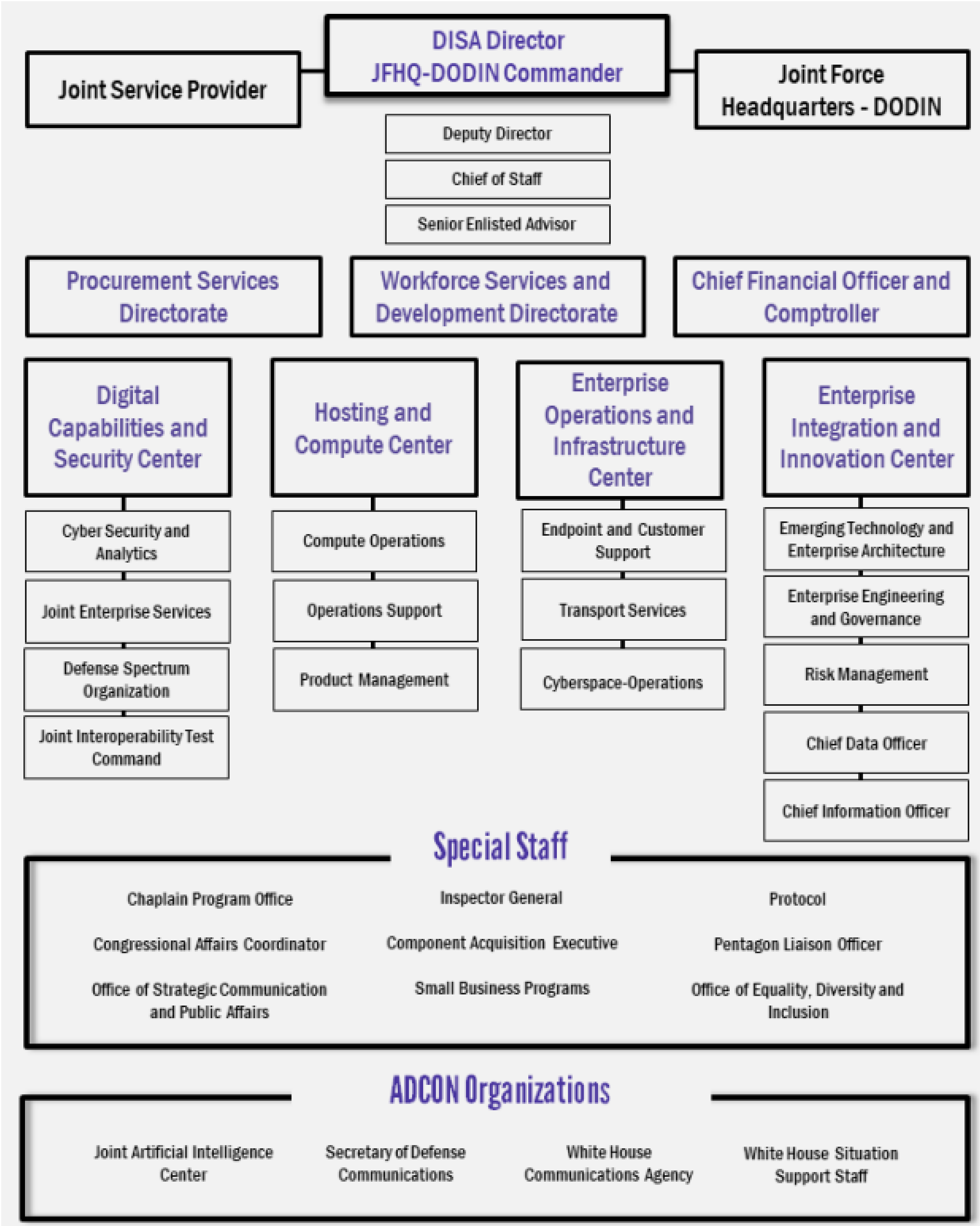
DISA serves the needs of the president, vice president, secretary of defense (SECDEF), Joint Chiefs of Staff (JCS), combatant commands (CCMD), and other DOD components during peace and war. In short, DISA provides global net-centric solutions in the form of networks, computing infrastructure, and enterprise services to support information sharing and decision-making for the nation's warfighters and those who support them in defense of the nation. DISA is charged with connecting the force by linking processes, systems, and infrastructure to people.

DISA's roots go back to 1959 when the JCS requested the SECDEF approve a concept for a joint military communications network to be formed by consolidation of the communications facilities of the military departments. This would ultimately lead to the formation of the Defense Communications Agency (DCA), established on May 12, 1960, with the primary mission of operational control and management of the Defense Communications System (DCS).

On June 25, 1991, DCA underwent a major reorganization and was renamed the Defense Information Systems Agency to reflect its expanded role in implementing the DOD's Corporate Information Management (CIM) initiative and to clearly identify DISA as a combat support agency. DISA established the Center for Information Management to provide technical and program execution assistance to the assistant secretary of defense command, control, communications, and intelligence (C3I) and technical products and services to DOD and military components. In September 1992, DISA's role in DOD information management continued to expand with implementation of several Defense Management Report Decisions (DMRD), most notably DMRD 918.

DMRD 918 created the Defense Information Infrastructure (DII) and directed DISA to manage and consolidate the services' and DOD's information processing centers into 16 mega-centers. In FY 2018, the organization that came to be known as the Joint Service Provider (JSP) declared full operational capability and moved into its new place in the Defense Department's organizational chart as a subcomponent of DISA. It marked a major expansion of mission and budget authority for DISA, which now controls the funding and personnel that provide most information technology (IT) services for the Pentagon and other DOD headquarters functions in the National Capital Region. DISA continues to offer DOD information systems support, taking data services to the forward deployed warfighter.

Organization:
To fulfill its mission and meet strategic plan objectives, DISA operates under the direction of the DOD CIO, who reports directly to the secretary of defense. The organizational structure for DISA as of September 2022 is depicted below:



The agency is budgeted to support the IT needs and requirements of the entire Defense Department, including the offices of the secretary of defense and of the chairman and vice chairman of the Joint Chiefs of Staff, the Joint Staff, military services, combatant commands, and defense agencies. DISA also provides support to the

White House and many federal agencies through a number of capabilities and initiatives.

DISA's Appropriated Budget

Through its appropriated budget, DISA is funded by Congress through the National Defense Authorization Act, the U.S. federal law specifying the budget and expenditures for DOD, and defense appropriations bills authorizing DOD to spend money. This budget enables the agency to implement the White House's national security strategy, the secretary's planning and programming guidance, and the initiatives of the DOD CIO. DISA receives four categories of appropriations: Operations and Maintenance (O&M); Procurement; Research, Development, Test, and Evaluation (RDT&E); and Military Construction (MILCON). These appropriations fund DISA’s six mission areas, which reflect DOD’s goals and allow DISA to execute its core missions and functions.

1. "Transition to the Net-Centric Environment" funds capabilities and services that transform the way that DOD shares information by making data continuously available in a trusted environment. This mission area includes enterprise services, engineering services, and technical strategies developed by DISA's chief technology officer (CTO).

2. "Eliminate Bandwidth Constraints" focuses on capabilities and services that build and sustain the Global Information Grid (GIG) transport infrastructure, while eliminating bandwidth constraints and rapidly surging to meet demands. Capabilities funded in this category include the Pathways program, DOD teleport program, Defense Spectrum Organization (DSO) activities, and Defense Information Systems Network (DISN) enterprise activities, such as non-recurring costs for commercial circuits, commercial satellites, and special communications requirements.

3. "GIG Network Operations and Defense" funds the operation, protection, defense, and sustainment of the enterprise infrastructure and information-sharing services, as well as enabling command and control. This mission area includes funding for network operations (NetOps); the information assurance/public key infrastructure (IA/PKI) program; cybersecurity initiatives; and budgets for DISA's field offices, which support the Combatant Commands, and for the Joint Staff Support Center (JSSC), which supports the chairman, vice chairman, and Joint Chiefs of Staff in the Pentagon.

4. "Exploit the GIG for Improved Decision-Making" focuses on transitioning to DOD enterprise-wide capabilities for communities of interest, such as command and control, and combat support that exploit the GIG for improved decision-making. This mission area funds the Global Command and Control System-Joint (GCCS-J) program, Global Combat Support System-Joint (GCSS-J) program, and senior leader and coalition information-sharing activities.

5. "Deliver Capabilities Effectively/Efficiently" finances the means by which the agency effectively, efficiently, and economically delivers capabilities based on established requirements. This area funds the command staff and the personnel costs for DISA's shared service units.

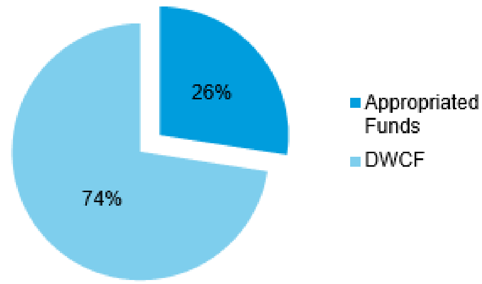
6. "Special Mission Areas" enables the agency to execute special missions to provide the communications support required by the president as commander-in-chief, including day-to-day management, fielding, operation, and maintenance of communications and information technology. The White House Communications Agency (WHCA) and the Communications Management Control Activity (CMCA) in the Network Services Directorate are budgeted out of this mission area.

Resources: DISA is a combat support agency of the DOD with a $12.2 billion annual budget.

BUDGET

Appropriated
(Based on fiscal year 2022 President's Budget - Enacted)
Total Appropriated: $3.1 Billion

Defense Working Capital Fund
(Based on fiscal year 2022 President's Budget)
Total DWCF: $9.1 Billion



** As of September 2022

Global Presence
DISA is a global organization of approximately 7,500 civilian employees; 2,000 active-duty military personnel from the Army, Air Force, Navy, and Marine Corps; and over 11,000 defense contractors. This data is as of September 2022. DISA's headquarters is at Fort Meade, Maryland, and has a presence in 25 states and the District of Columbia within the United States, and in seven countries, and Guam (U.S. territory), with 53 percent of its people based at Fort Meade and the National Capital Region (NCR), and 47 percent based in field locations.

In addition, the following organizations are a part of DISA: Office of the Chief Financial Officer, Component and Acquisition Executive, Chief of Staff, Inspector General, Joint Force Headquarters-Department of Defense Information Network, Operations and Infrastructure Center, Procurement Services Directorate, Risk Management Executive, White House Communications Agency and Workforce Services and Development Directorate. DISA provides a core enterprise infrastructure of networks, computing centers, and enterprise services (internet-like information services) that connect 4,300 locations, reaching 90 nations supporting DOD and national interests.

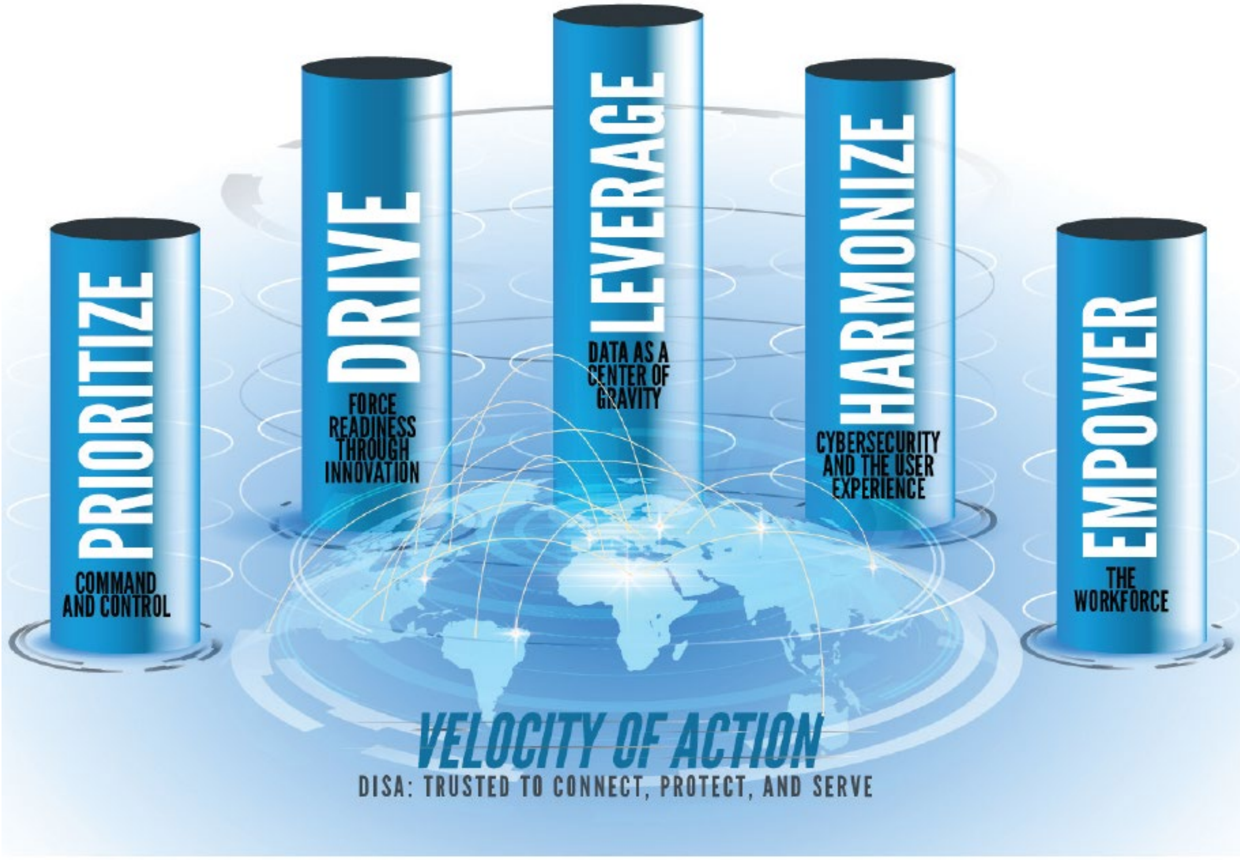
2. Performance Goals, Objectives, and Results

DISA is charged with the responsibility for planning, engineering, acquiring, testing, fielding, and supporting global net-centric information and communications solutions to serve the needs of the president, the vice president, the secretary of defense, and the DOD components under all conditions of peace and war.

Through actions in support of our lines of effort (LOEs), DISA will implement, sustain, and evolve the global network infrastructure and unified capabilities to provide information superiority to the president, the secretary of defense, combatant commanders, senior leadership, military services, defense agencies and the warfighter.

The challenges posed in DISA's strategic objectives are addressed through our LOEs: prioritize command and control, drive force readiness through innovation, leverage data as a center of gravity, harmonize cybersecurity and the user experience, and empower the workforce. Key focus areas throughout these LOEs include improving efficiency and effectiveness, reducing time to deliver solutions, cutting costs, standardizing services, and implementing capability both internally and for our mission partners. New LOEs or actions may be added when necessary to support an agile approach and to achieve our shared vision.

DISA Lines of Effort as outlined in the FY 2022-2024 Strategic Plan include:



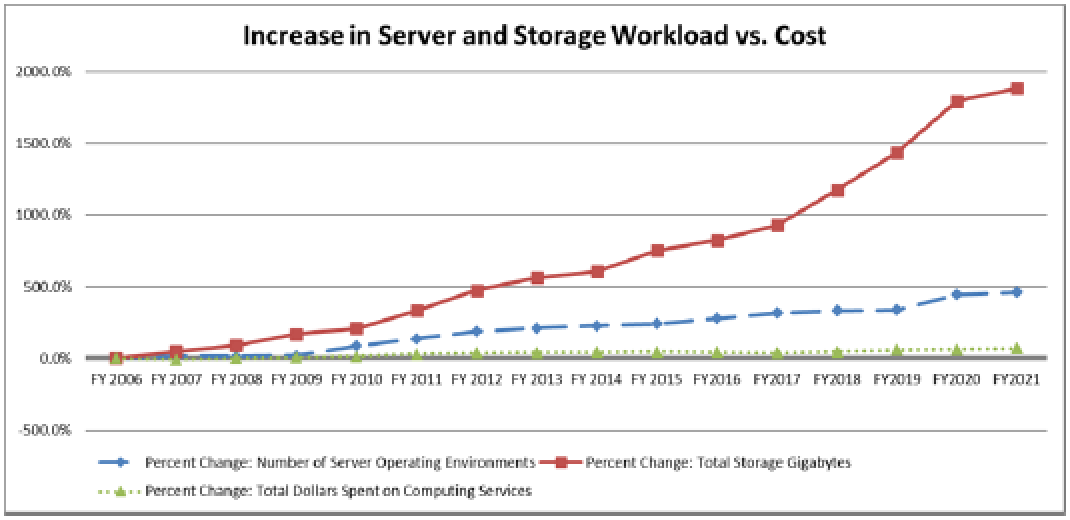
The framework addressed through our LOEs — prioritize command and control, drive force readiness through innovation, leverage data as a center of gravity, harmonize cybersecurity and the user experience, and empower the workforce — articulates our vision of a combat support agency that is the nation's trusted provider to connect and protect the warfighter in cyberspace. We look forward to working with our mission partners, industry, and academia as we continue to strengthen our capabilities and achieve *velocity of action to win*.

Program Performance

DISA's information services play a key role in supporting the DOD's operating forces. As a result, DISA is held to high performance standards. In many cases, performance measures are detailed in service-level agreements (SLAs) with individual customers that exceed the general performance measures discussed in the following paragraphs.

DISA Working Capital Fund (WCF) Performance Measures

The table below represents the increased demand for DISA's server and storage computing services has grown significantly since FY 2006. Since that year, the number of customer-driven server operating environments (OEs) has increased by 464 percent, and total storage gigabytes have increased by 1,886 percent. Over the same timeframe, the cost to deliver all computing services has increased by only 70 percent. In short, customers are demanding considerably more services and are at the same time benefiting from DISA's unique ability to leverage robust computing capacity at DISA data centers.



The Computing Services business area tracks its performance and results through the agency director's Quarterly Performance Reviews. There are two key operational metrics that are presented to the DISA director in conjunction with regular, recurring Quarterly Program Reviews. These two metrics depicted in the following tables reflect the availability of critical applications in the Core Data Centers.

The first metric, "Core Data Center Availability," expressed in minutes per year, represents application availability from the end user's perspective and includes all outages or downtime regardless of root cause or problem ownership. Tier II requires achieving 99.75 percent availability, which limits downtime to approximately 1,361 minutes per year. Tier III, the standard for all DOD-designated Core Data Centers, requires achieving 99.98 percent availability, which limits downtime to approximately 95 minutes per year.

The second metric, "Capacity Service Contract Equipment Availability," represents DISA's equipment availability by technology, i.e., how well DISA is executing its responsibilities exclusive of factors outside the agency's control such as last-mile communications issues, base power outages, or the like. The "threshold" refers to system uptime and capacity availability for intended use; this is the level required by contract. The "objective" is the value agreed on by the vendor and the government to be an ideal target, and the vendor reports the actual value on a monthly basis.

Core Data Center Availability

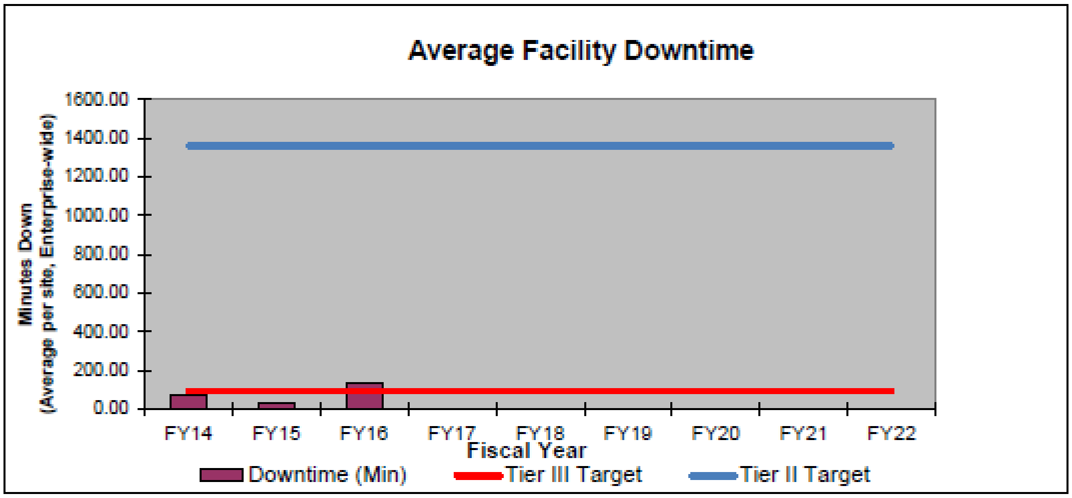
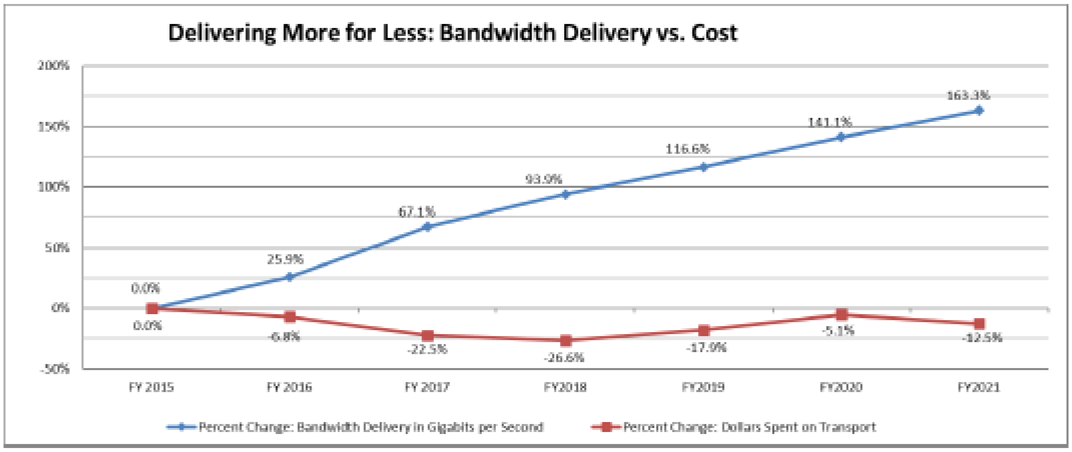


Figure 1- Capacity Service Contract Equipment Availability

	Threshold	Objective	Actual
IBM System z Mainframe	99.95%	99.99%	100%
Unisys Mainframe	99.95%	99.99%	100%
P Series Server	99.95%	99.99%	100%
SPARC Server	99.95%	99.99%	100%
X86 Server	99.95%	99.99%	99.999%
Itanium	99.95%	>99.95%	99.999%
Storage	99.95%	>99.95%	99.999%
Communications Devices	99.95%	>99.95%	99.999%

The Telecommunications Services business area provides a set of high quality, reliable, survivable, and secure telecommunications services to meet the department's command and control requirements. The major component of Telecommunications Services is the DISN, a critical element of the DODIN that provides the warfighter with essential access to timely, secure, and operationally relevant information to ensure the success of military operations. The DISN is a collection of robust, interrelated telecommunications networks that provide assured, secure, and interoperable connectivity for the DOD, coalition partners, national senior leaders, combatant commands, and other federal agencies. Specifically, the DISN provides dynamic routing of voice, data, text, imagery (both still and full motion), and bandwidth services. The robustness of this telecommunications infrastructure has been demonstrated by DISA's repeated ability to meet terrestrial and satellite surge requirements in southwest Asia while supporting disaster relief and recovery efforts throughout the world. Overall, the DISN provides a lower customer price through bulk quantity purchases, economies of scale, and reengineering of current communication services. In spite of this continuing upward trend in demand, DISA has delivered transport services at an overall cost decrease to mission partners, as shown in the subsequent chart:



The previous chart compares the bandwidth delivery, including multiprotocol label switching (MPLS) connections, with transport costs. Since FY 2015, DISA has increased transport bandwidth delivery capacity 163.3 percent to meet customer demand. The increase is driven by internet traffic, DOD Enterprise Services, full motion video collaboration, and intelligence, surveillance, and reconnaissance (ISR) requirements. Over the same timeframe, transport costs associated with the physical connections between sites have decreased by 12.5 percent. Additionally, DISA has been able to keep these costs down without any degradation in service. The DISN continues to meet or exceed network performance goals for circuit availability and latency, two key performance metrics.

The DISN has operating metrics tied to the department's strategic goal of information dominance. These operational metrics include the cycle time for delivery of data and satellite services as well as service performance objectives, such as availability, quality of service, and security measures. These categories of metrics have guided the development of the Telecommunication Services budget submission. Shown below are major performance and performance improvement measures:

Figure 2-Major Performance and Performance Improvement Measures

SERVICE OBJECTIVE	FY 2021 ACTUAL	FY 2022 Operational Goal	FY 2023 Operational Goal
Non-Secure Internet Protocol Router Network access circuit availability	99.87%	98.50%	98.50%
Secure Internet Protocol Router Network latency (measurement of network delay) in the continental United States	45.23 Milliseconds	<= 100 milliseconds	<= 100 milliseconds
Optical Transport network availability	99.33%	99.50%	99.50%

The Enterprise Acquisition Services (EAS) business area is the department's ideal source for procurement of best-value and commercially competitive IT. EAS provides contracting services for IT and telecommunications acquisitions from the commercial sector and contracting support to the DISN programs, as well as to other DISA, DOD, and authorized non-defense customers. These contracting services are provided through DISA's Defense Information Technology Contracting Organization (DITCO) and include acquisition planning, procurement, tariff surveillance, cost and price analyses, and contract administration. These services provide end-to-end support for the mission partner. The following performance measures apply for EAS:

Figure 3- EAS Performance Measures

SERVICE OBJECTIVE	FY 2021 ACTUAL	FY 2022 Operational Goal	FY 2023 Operational Goal
Percent of total eligible contract dollars completed	80.54%	73.00%	73.00%
Percent of total eligible contract dollars awarded to small businesses	25.29%	28.00%	28.00%

*FY 2022 and FY 2023 goals for percent of total eligible contract dollars competed are estimates based on the released FY 2021 goal. The goals have not yet been released by the Defense Procurement Acquisition Policy (DPAP).
**FY 2021 DISA re-negotiated target to 25%.

In addition to the program performance measures outlined above, DISA has increased accountability of its assets by linking performance standards to internal control standards. Each Senior Executive Service member at DISA has included in their performance appraisal a standard to achieve accountability of property. This standard has filtered down to managers across the agency. This increased focus on accountability for managers has had a significant impact on the critical area of safeguarding assets.

3. Analysis of Financial Statements and Stewardship Information

Background

DISA prepares annual financial statements in conformity with accounting principles generally accepted in the United States. The accompanying financial statements and footnotes are prepared in accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements.* DISA records accounting transactions on both an accrual and budgetary basis of accounting. Under the accrual method, revenue is recognized when earned and costs/expenses are recognized and incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

Since FY 2005, DISA has had an established audit committee to oversee progress towards financial management reform and audit readiness. DISA leadership participates in audit committee meetings to fully support the audit and maintain senior leader tone-at-the-top. The DISA Audit Committee is composed of three members who are not part of DISA. The current mission of the DISA Audit Committee is to serve in an advisory role to DISA senior managers. The committee is tasked with developing, raising, and resolving matters of financial compliance and internal controls with the purpose of ensuring DISA's consistent demonstration of accurate and supportable financial reports. The committee develops and enforces guidance established for this purpose.

Defense General Fund Financial Highlights

The following section provides an executive summary and brief description of the nature of each General Fund (GF) financial statement, significant fluctuations, and significant balances to help clarify their link to DISA operations.

Executive Summary

The DISA GF financial statements for the quarter ended Sept. 30, 2022, reflect a fund that had a minor decrease in overall appropriations in FY 2022 compared with FY 2021. See the table below for comparative data for appropriations received between these two fiscal years.

Figure 4-Executive Summary

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)	$ 2,665,112	$ 2,536,949	$ 128,163	5%
PROC (0300)	447,299	511,269	(63,970)	-13%
RD&E (0400)	375,042	408,986	(33,940)	-8%
MILCON (0500)	0	33,978	(33,978)	-100%
Consolidated Balance	$ 3,487,453	$ 3,491,182	$ (3,729)	0%

All general ledger subsidiary details have been reconciled to the field level accounting system trial balances, and all journal vouchers posted to the Defense Departmental Reporting System-Budgetary (DDRS-B) and Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS) have been reconciled to ensure that the DDRS-AFS trial balance is 100 percent supported by transaction details. All journal vouchers posted in DDRS-B and DDRS-AFS by the Defense Finance and Accounting Service (DFAS) have been reviewed and approved by DISA staff.

The following financial statement highlights an explanation of amounts reported in significant financial statement line items and/or financial notes, and variances between the fourth quarter of FY 2022 reported balances and those in the fourth quarter of FY 2021. Additionally, as required by the recent Office of the Secretary of Defense (OSD) guidance for variance analysis, the comparison of the balance sheet between current period and prior year-end will also be addressed. Balances that have the same underlying explanation between budgetary and proprietary accounts are explained from the proprietary perspective and referenced from the budgetary perspective. Due to rounding, tables in this document may not add to overall totals.

CONSOLIDATED BALANCE SHEET

Assets

Fund Balance with Treasury - The following chart displays fiscal year-to-date (FYTD) net cash flow from current year operations (collections less disbursements) reported to the Department of the Treasury for FY 2022 and FY 2021 by appropriation presented in a comparative manner:

Figure 5-Fund Balance with Treasury

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)	$ 1,369,840	$ 1,368,681	$ 1,159	0%
PROC (0300)	849,384	912,645	(63,261)	-7%
RD&E (0400)	399,174	370,925	28,249	8%
MILCON (0500)	39,700	49,842	(10,142)	-20%
Consolidated Balance	$ 2,658,098	$ 2,702,093	$ (43,995)	-2%

Amounts recorded in the general ledger for Fund Balance with Treasury (FBWT) have been 100 percent reconciled to amounts reported in the DFAS Cash Management Report, representing DISA General Fund's portion of the TI97 appropriated account balances reported by the Treasury. All reconciling differences (i.e., undistributed) have been identified at the voucher level. The consolidated undistributed balance as of Sept. 30, 2022, is $22.1 million, compared with $26.1 million on Sept. 30, 2021.

Accounts Receivables, Net - Accounts receivables balances by appropriation as of Sept. 30, 2022, and Sept. 30, 2021, are as follows:

Figure 6-Accounts Receivable, Net

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)				
Intragov.	$ 32,446	$ 42,440	$ (9,994)	-24%
Public	591	1,126	(535)	-48%
PROC (0300)				
Intragov.	1,590	3,775	(2,185)	-58%
Public	33	109	(76)	-70%
RDT&E (0400)				
Intragov.	5,393	3,783	1,610	43%
Public	123	110	13	12%
Consolidated				
Intragov.	39,429	49,998	(10,569)	-21%
Public	747	1,345	(598)	-44%
Total Consolidated	$ 40,176	$ 51,343	$ (11,167)	-22%

- The decrease in operations and maintenance (O&M) (0100) intragovernmental accounts receivable is attributable to the net of a $0.7 million decrease in undistributed collections, a $8.9 million decrease in overall accounts receivable, and a $0.3 million increase in eliminations entries.
- The decrease in procurement (PROC) (0300) intragovernmental accounts receivable is attributable to a $3 million decrease in overall accounts receivable, and a $0.8 million decrease in eliminations entries.
- The increase in research, development, test, and evaluation (RDT&E) (0400) intragovernmental accounts receivable is attributable to the net of a $0.45 million decrease in undistributed collections, a $1 million increase in overall accounts receivable, and a $0.2 million decrease in eliminations entries.
- The overall decrease in public accounts receivable is a result of attribute changes made at the transaction level in the accounting system**.**

General Property, Plant, and Equipment, Net - General property, plant, and equipment balances by appropriation as of Sept. 30, 2022, and Sept. 30, 2021, are as follows:

Figure 7-General PP&E, Net

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)	$ 12,008	$ 15,602	$ (3,594)	-23%
PROC (0300)	289,465	394,068	(104,603)	-27%
RDT&E (0400)	4,265	31,884	(27,619)	-87%
MILCON (0500)	20,627	17,843	2,784	16%
Consolidated	$ 326,365	$ 459,397	$ (133,032)	-29%

- The 23 percent decrease in O&M (0100) general property, plant, and equipment (PP&E) was driven by:
  - A $5.1 million decrease to construction-in-progress (CIP) related to the Viasat Hub project being completed and moved into service.
  - A $5 million increase in equipment related to the Viasat Hub project and a $1.1 million increase in accumulated depreciation on equipment, which draws down O&M PP&E.

- A $1.7 million increase in accumulated amortization of internal-use software, which draws down O&M PP&E.
- The 27 percent decrease in PROC (0300) general PP&E was driven by:
  - A $121.6 million decrease to CIP after the completion of several projects that were moved into service or transferred to other entities.
  - A $19 million increase in internal-use software.
- The 87 percent decrease in RDT&E (0400) general PP&E was driven by a $28.4 million decrease in internal-use software related to an on-the-top (OTT) journal voucher (JV) offset between 0300 and 0400 in FY 2021 and was corrected in FY 2022. A JV was created to correctly post current year depreciation expense on fund 9703001921D for Project 19_JE_0303228K_. This was originally incorrectly posted on Defense Agencies Initiative (DAI) Journal 2020_DI_E29 in August 2020 to fund 9704001920D.
- The 16 percent increase in MILCON (0500) general PP&E was driven by:
  - A $4.4 million increase in CIP to construct an RDT&E facility for the Joint Interoperability Test Command at Fort Huachuca, Arizona.
  - A $1.1 million increase in accumulated amortization on leasehold improvements, which draws down MILCON PP&E.

Liabilities

Total Liabilities Not Covered by Budgetary Resources - Total liabilities not covered by budgetary resources are primarily composed of two types of liabilities: accounts payable balances associated with cancelled appropriations and unfunded annual leave and Federal Employees' Compensation Act (FECA) balances. If an accounts payable balance remains when an appropriation is cancelled, it is re-established. This would primarily occur if there were an accrual recorded that is still anticipated or invoiced or the contract closeout has not occurred. If the amount is ever invoiced, it would be paid from current year appropriations. Unfunded annual leave and Federal Employees' Compensation Act balances accrue in the current period and will be funded when they come due in future years.

Figure 8-Total Liabilities Not Covered by Budgetary Resources

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)				
Intragov.	$ 854	$ 971	$ (117)	-12%
Public	45,928	48,730	(2,802)	-6%
PROC (0300)				
Public	1	0	1	798%
Consolidated				
Intragov.	854	971	(117)	-12%
Public	45,929	48,730	(2,801)	-6%
Consolidated	$ 46,783	$ 49,701	$ (2,918)	-6%

- Non-federal liabilities O&M decreased by 6 percent driven by a $2.1 million reduction in unfunded annual leave and a $0.8 million reduction in actuarial FECA liability.

Total Liabilities Covered by Budgetary Resources - Total liabilities covered by budgetary resources are made up of four types of liabilities:

1. Accounts payable balances are recorded in various ways based on the underlying transaction. DISA staff evaluate purchases recorded, accrued cost and accounts payable for service-based orders as applicable. Accounts payable for goods is based on receipt of invoice. DISA continues to refine the accrual methodology processes to more accurately match the recording of cost with the period of

performance or estimated delivery date.
2. Accrued funded payroll and leave.
3. Employer contributions and payroll taxes.
4. Liabilities of advances and prepayments.

Balances reported as of Sept. 30, 2022, and Sept. 30, 2021, consist of the following:

Figure 9-Total Liabilities Covered by Budgetary Resources

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)				
Intragov.	$ 222,514	$ 258,107	$ (35,593)	-14%
Public	31,882	16,652	15,230	91%
PROC (0300)				
Intragov.	42,999	62,806	(19,807)	-32%
Public	2,609	6,952	(4,343)	-62%
RDT&E (0400)				
Intragov.	51,372	43,630	7,742	18%
Public	3,266	6,136	(2,870)	-47%
MILCON (0500)				
Intragov.	881	68	813	1196%
Public	63	70	(7)	-10%
Consolidated				
Intragov.	317,766	364,611	(46,845)	-13%
Public	37,820	29,810	8,010	27%
Consolidated	$ 355,586	$ 394,421	$ 22,232	-10%

- The O&M (0100) intragovernmental decrease was driven by a $27.5 million decrease in normal accounts payable, a $5.1 million decrease in undistributed accounts payable disbursements resulting in an overall abnormal balance, and a $2.1 million decrease in employer contributions and payroll taxes payable for retirement. The public increase was driven by a $20.3 million decrease in abnormal undistributed accounts payable disbursements, a $5.9 million increase in normal accounts payable, and a $12 million decrease in accrued funded payroll and leave-salaries and wages.

- The PROC (0300) intragovernmental decrease was driven by a $48.2 million decrease in normal accounts payable and a $28.4 million increase in undistributed accounts payable disbursements. The public decrease is due to a $33 million decrease in undistributed accounts payable disbursements, resulting in an overall abnormal balance and a $28.7 million increase in normal accounts payable.

- The RDT&E (0400) intragovernmental increase was caused by a $8.2 million increase in normal accounts payable. The public decrease resulted from a $1.2 million decrease in accrued funded payroll and leave-salaries and wages, a $0.6 million increase in abnormal undistributed accounts payable disbursements and a $0.5 million decrease liability for advances and prepayments.

- The MILCON (0500) intragovernmental increase was driven by a $0.8 million increase in normal accounts payable.

Other Liabilities - Other liabilities primarily comprise four types of liabilities:

1. Unfunded FECA balances. These liabilities are accrued in the current period and will be funded when they come due in future years.
2. Accrued funded payroll and leave.

3. Employer contribution and payroll taxes payable (health benefits, life insurance, and retirement).
4. Liability for advances and prepayments.

Figure 10-Other Liabilities

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)				
Intragov.	$ 2,655	$ 5,746	$ (3,091)	-54%
Public	4,992	14,057	(9,065)	-64%
RDT&E (0400)				
Public	539	1,698	(1,159)	-68%
Consolidated				
Intragov.	2,655	5,746	(3,091)	-54%
Public	5,531	15,755	10,224	-65%
Consolidated	$ 8,186	$ 21,501	$ (13,315)	-62%

- Other liabilities decreased overall by $11.6 million, driven by a $3 million decrease to federal employer contributions and payroll taxes payable (0100), a $9 million decrease in non-federal accrued funded payroll and benefits (0100), a $2.1 million increase in non-federal advances from others and deferred revenue (0100), a $1.1 million decrease to non-federal accrued funded payroll and benefits (0400), and a $0.5 million decrease to non-federal advances from others and deferred revenue (0400).

CONSOLIDATED STATEMENT OF NET COST

Net cost of operations decreased by $480 million, or 12 percent, between the fourth quarter of FY 2021 and the fourth quarter of FY 2022. The change in net cost of operations comprises a decrease in gross costs of $463 million and an increase in earned revenue of $17 million.

Figure 11-Consolidated Statement of Net Cost

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)	$ 2,656,831	$ 2,928,431	$ (271,600)	-9%
PROC (0300)	459,698	535,511	(75,813)	-14%
RDT&E (0400)	379,295	512,343	(133,048)	-26%
MILCON (0500)	3,208	2,758	450	16%
Consolidated	$ 3,499,032	$ 3,979,043	$ (480,011)	-12%

- The decrease in O&M (0100) is attributable to
    - A $178.9 million net decrease in imputed costs from a decrease of $185.2 million in the imputed costs of military personnel supporting DISA, an increase of $6.3 million in the imputed costs of real property, and a decrease of $0.1 million in the imputed cost of Office of Personnel Management (OPM) civilian benefits. The decrease in imputed costs of military personnel supporting DISA is a result of the change in guidance related to the posting of these entries and the U.S. Standard General Ledgers (USSGLs) to which they are posted. As of FY 2022, these entries are now self-eliminating.
    - An $88.7 million decrease in operating expenses/program costs, $18.7 million of which is related to COVID-19 expenses.
        - $173.6 million decrease in contractual services for O&M of equipment.
        - $145.2 million increase in rent, communications, utilities, and miscellaneous charges.
        - $37.7 million decrease in contractual services for O&M of facilities.

- The decrease in PROC (0300) is attributable to
    - A $112.8 million decrease in operating expenses/program costs for equipment.
    - A $31.5 million increase in operating expenses/program costs for contractual services, including O&M of equipment.
- The decrease in RDT&E (0400) is attributable to reductions in operating expenses/programs costs, including
    - A $73.9 million decrease in contractual services for research and development contracts.
    - A $43.6 million decrease in contractual services for O&M of equipment.
    - An $8.2 million decrease in contractual services for advisory and assistance services.

STATEMENT OF CHANGES IN NET POSITION

- Other financing sources: Transfers-in/out without reimbursement increased $87 million (75.1 percent) overall. The primary contributing factors to the $27.8 million increase on 0300 were projects that were completed and moved from DISA GF CIP and transferred to the DISA Working Capital Fund (WCF). The catalyst of the $58.9 million increase on 0400 was an on-the-top (OTT) JV posted to correct prior year posting (increase of $28.5 million). The OTT JV offset between 0300 and 0400 in FY 2021 and was corrected in FY 2022. A JV was created to correctly post current year depreciation expense on fund 9703001921D for Project 19_JE_0303228K_. This was originally incorrectly posted on Defense Agencies Initiative (DAI) Journal 2020_DI_E29 in August 2020 to fund 9704001920D.
- Other financing sources: Imputed financing from costs absorbed by others decreased by $179 million (71.3 percent) overall. This is attributable to a decrease of $185.2 million in the imputed costs of military personnel supporting DISA, an increase of $6.3 million in the imputed costs of real property, and a decrease of $0.1 million in the imputed cost of OPM civilian benefits. The decrease in imputed costs of military personnel supporting DISA is a result of the change in guidance related to the posting of these entries and the USSGLs to which they are posted. As of FY 2022, these entries are now self-eliminating.

STATEMENT OF BUDGETARY RESOURCES

Statement of Budgetary Resources (SBR) net outlays, reimbursements earned (receivable and delivered orders), and delivered orders unpaid[1] (obligations) are reconciled with their proprietary account counterparts (FBWT, account receivable, and account payable) respectively, and those variances are consistent with the variances described above. The results and variances of other key amounts reported in the SBR are as follows:

[1] Net outlays will impact the following lines on the SBR: 1890 – Spending Authority from Offsetting Collections, 3020 – Outlays, Gross; 3090, Uncollected Payments End of Year; 4178 – Change in Uncollected Payments; 4185 – Outlays, Gross; 4187 – Offsetting Collections; and 4190/4210 – Net Outlays. Reimbursements Earned – Receivable will impact the following lines on the SBR: 3060 – Uncollected Payments Brought Forward and 3072 – Change in Uncollected Payments. Delivered Orders – Unpaid impacts the following lines on the SBR: 3050 – Unpaid Obligations End of Year.

Figure 12-Statement of Budgetary Resources

(thousands)

DISA GF	9/30/2022	9/30/2021	Inc/Dec	% Chg.
O&M (0100)				
Obligations Incurred	$ 3,023,848	$ 2,822,038	$ 201,811	7%
Unobligated Balances	270,336	213,409	56,926	27%
Undelivered Orders	949,368	986,517	(37,149)	-4%
Unfilled Customer Orders	(71,561)	(63,480)	(8,081)	13%
PROC (0300)				
Obligations Incurred	516,978	499,722	17,255	3%
Unobligated Balances	296,692	245,213	51,480	21%
Undelivered Orders	520,480	612,855	(92,375)	-15%
Unfilled Customer Orders	(11,807)	(11,407)	(400)	4%
RD&E (0400)				
Obligations Incurred	495,516	466,341	27,176	6%
Unobligated Balances	97,918	122,333	(24,415)	-20%
Undelivered Orders	284,099	244,321	39,778	16%
Unfilled Customer Orders	(32,321)	(41,777)	9,456	-23%
MILCON (0500)				
Obligations Incurred	371	27,159	(26,788)	-99%
Unobligated Balances	17,042	21,460	(4,417)	-21%
Undelivered Orders	21,714	28,244	(6,530)	-23%
Consolidated				
Obligations Incurred	$ 4,036,713	$ 3,815,260	$ 221,454	6%
Unobligated Balances	$ 681,988	$ 602,415	$ 79,574	13%
Undelivered Orders	$ 1,775,661	$ 1,817,937	$ (96,276)	-5%
Unfilled Customer Orders	$ (115,689)	$ (116,664)	$ 975	-1%

Obligations Incurred

- O&M (0100) net increase was driven by
    - A $98.2 million increase in rent, communications, utilities, and miscellaneous charges.
    - A $69.7 million increase in total obligations.
    - A $55.2 million increase in contractual services for advisory and assistance services.
    - A $46 million increase in equipment.
    - A $40.4 million decrease in contractual services for O&M of equipment.
    - A $34.7 million decrease in contractual services for O&M of facilities.

- PROC (0300) net increase was driven by
    - A $52.7 million increase in total obligations.
    - A $51.3 million decrease in contractual services for O&M of equipment.
    - A $13.1 million increase in equipment.
    - A $3 million increase in contractual services for other services from non-federal sources.

- RDT&E (0400) increase is driven by a $28.5 million increase in contractual services for O&M of equipment.

- MILCON (0500) decrease is driven by a $26.3 million decrease in land and structures.

Unobligated Balances

- O&M (0100) unobligated balance increase is driven by a $47.5 million increase in allotments – expired authority and an $8.9 million increase in resources available for obligation or commitment (realized resources).
- PROC (0300) unobligated balance net increase is driven by a $41.5 million increase in resources available for obligation or commitment (realized resources), a $25.1 million increase in allotments – expired authority, and a $15.2 million decrease in commitments for programs subject to apportionment.
- RDT&E (0400) unobligated balance decrease is driven by a $16.7 million decrease in commitments for programs subject to apportionment, a $5.5 million decrease in allotments – expired authority, and a $2.2 million decrease in resources available for obligation or commitment (realized resources).
- MILCON (0500) unobligated balance decrease is driven by a $3.8 million decrease in resources available for obligation or commitment (realized resources) and a $0.6 million decrease in allotments – expired authority.

RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net cost to net outlays demonstrates the relationship between the DISA GF's net cost of operations, reported on an accrual basis of the statement of net cost (SNC) and net outlays, reported on a budgetary basis of the SBR. While budgetary and financial accounting are complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period.

The accrual basis of financial accounting is intended to provide a picture of the DISA GF's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by the DISA GF. Outlays are payments to liquidate an obligation, other than the repayment to the Treasury of debt principal.

The reconciling difference of $1.7 million is related to Line R1C2, not including Standard General Ledger (SGL) 711000.9000, which is included in SNC net cost of operations, but not in the SBR net outlays. The fluctuation is due to adjusting entries made for equipment sent to the Defense Logistics Agency (DLA) that was no longer in use.

Figure 13-Reconciliation of Net Cost to Net Budgetary Outlays
(thousands)

DISA GF	Intragov.	Public	Total
Net Cost of Operations	$ 2,601,020	$ 898,012	$ 3,499,032
Property, Plant, and Equipment, net changes	0	(133,030)	(133,030)
Increase/(Decrease) in Assets:			
Accounts and taxes receivable, net	(11,295)	(599)	(11,894)
Other Assets	0	(1)	(1)
Increase/(Decrease) in liabilities:			
Accounts Payable	44,593	(21,104)	23,489
Federal employee and veteran benefits payable	0	7,308	7,308
Other liabilities	3,092	8,588	11,680
Other Financing Sources:			
Imputed cost	(71,946)	0	(71,946)
Total Components of Net Cost That Are Not Part of Net Outlays	$ (35,556)	$ (138,838)	$ (174,394)
Miscellaneous Reconciling Items			
Transfers (in)/out without reimbursements	200,425	0	200,425
Other	0	7,530	7,530
Total Other Reconciling items	200,425	7,530	207,955
Total Net Outlays	2,765,889	766,704	3,532,593
Agency Outlays, Net, Statement of Budgetary Resources			$ 3,530,932
Unreconciled difference			$1,611

LIMITATIONS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal Generally Accepted Accounting Principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. government.

The statements should be read with the realization that they are for a defense agency of the U.S. government, a sovereign entity.

4. Analysis of Systems, Controls, and Legal Compliance

Management Assurances

The OCFO/Comptroller has oversight of DISA's Risk Management and Internal Control (RMIC) Program. Agency Assessable Unit Managers (AUMs) perform testing and report results for Internal Controls Over Reporting - Operations (ICOR-O) Non-Financial. Tests and reports of results are conducted for the Internal Controls Over Reporting - Financial Systems (ICOR-FS) for the agency. In addition, the OCFO conducts testing and reports on the overall Internal Controls Over Reporting - Financial Reporting (ICOR-FR) for the agency.

Reviews, testing, and evaluations are conducted to assess if the internal control structure is in compliance with the components of the Government Accountability Office (GAO) Green Book objectives of operations, reporting, and compliance. DISA's senior management has reviewed and evaluated the system of internal controls in effect during the fiscal year as of the date of this memorandum, according to the guidance in OMB Circular No. A-123 and the GAO Green Book. Included is our evaluation of whether the system of internal controls for DISA is compliant with standards prescribed by the Comptroller General.

The objectives of the system of internal controls are to provide reasonable assurance for

- Operations: effectiveness and efficiency of operations.
- Reporting: reliability of financial and non-financial reporting for internal and external use.
- Compliance: adherence to applicable laws and regulations, including financial information systems compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 (Public Law 104-208).

The evaluation of internal controls extends to every responsibility and activity undertaken by DISA and applies to program, administrative, and operational controls, making adherence of Risk Management and Internal Controls not only the responsibility of Management, but also every DISA employee. The concept of reasonable assurance recognizes that DISA's mission objectives are achieved, and managers must carefully consider the appropriate balance between risk, controls, costs, and benefits in our mission-support operations. Too many controls can result in inefficiencies, while too few controls might increase risk to an unacceptable level. In that premise, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal controls, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Projection of any system evaluation to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

DISA management evaluated the system of internal controls in accordance with the guidelines identified above. The results indicate that the system of internal controls of DISA, in effect as of the date of this memorandum, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved for reporting, DISA Memo, Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for FY 2022 operations, and compliance. Based upon this evaluation, establishing and integrating internal control into its operations in a risk-based and cost beneficial manner, DISA is providing reasonable assurance that our internal controls over reporting, operations, and compliance are operating effectively. Reasonable assurance has been achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

DEFENSE INFORMATION SYSTEMS AGENCY
P. 0. BOX 549
FORT MEADE, MARYLAND 20755-0549

OCT 0 7 2022

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C)) DEPUTY CHIEF FINANCIAL OFFICER (DFCO)

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year (FY) 2022

As Director of the Defense Information Systems Agency (DISA), I recognize DISA is responsible for managing risks and maintaining effective internal control to meet the objectives of sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. DISA conducted its assessment of risk and internal control in accordance with the Office of Management and Budget (OMB) Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," and the Green Book, Government Accountability Office (GAO) GAO-14-704G, "Standards for Internal Control in the Federal Government." This internal review also included an evaluation of internal controls around our Security Assistance Accounts (SAA) activities leveraged by established General Fund processes.

Based on the results of the assessment, DISA can provide reasonable assurance, except for one self-reported Material Weakness in SAA activities in FY 2022, reported in the "Significant Deficiencies and Material Weaknesses Template," that internal controls over operations, reporting, and compliance are operating effectively as of September 30, 2022. In FY 2022, there were six categories of material weaknesses (MWs) and Significant Deficiencies (SDs) with the associated Notices of Findings and Recommendations (NFRs) that are in process of correction or have mitigating controls: Accounts Receivable/Revenue (6); Accounts Payable/Expense (11); Budgetary Resources (4); Fund Balance with Treasury (9); Financial Reporting (4); and Information Technology (IT) and Internal Controls (ICs) (9).

DISA conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A-123, the GAO Green Book, and the FMFIA. The *"Internal Control Evaluation (Appendix C)"* section provides specific information on how DISA conducted this assessment. This internal review also included an evaluation of the internal controls around our SAA activities. Based on the results of the assessment, DISA can provide reasonable assurance that internal controls over operations and compliance are operating effectively as of September 30, 2022.

DISA conducted its assessment of the effectiveness of internal controls over reporting (including internal and external financial reporting) in accordance with OMB Circular No. A-123, Appendix A. The *"Internal Control Evaluation (Appendix C)"* section provides specific information on how DISA conducted this assessment.

DISA Memo, Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year (FY) 2022

An evaluation of the internal controls around our SAA activities is limited due to the financial reporting function not yet being in place for SAA for DISA as an Implementing Agency; however, related to SAA, DISA reported one self-reported MW (disbursement data used as receipt of services) in FY 2020 that has not been remedied in FY 2022. In FY 2022, DISA has self-reported one MW for Foreign Military Sales cost recovery. Also, from FY 2021 and not fully mitigated in FY 2022, DISA reported one self-identified SD (Government

Property in Possession of Contractors) and continues to implement corrective action. There were six categories of MWs with the associated NFRs: Accounts Receivable/Revenue (6); Accounts Payable/Expense (11); Budgetary Resources (4); Fund Balance with Treasury (9); Financial Reporting (4); and IT and ICs (9). Based on the results of the assessment, DISA is able to provide reasonable assurance that internal controls over reporting (including internal and external reporting as of September 30, 2022), and compliance are operating effectively as of September 30, 2022. Details are in the NFR database and available to interested parties.

DISA also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. The *"Internal Control Evaluation" (Appendix C)* section provides specific information on how DISA conducted this assessment. This internal review included an evaluation of the internal controls around our SAA activities leveraging DISA's financial management systems structure. Based on the results of this assessment, DISA can provide reasonable assurance that the internal controls over the financial systems are in compliance with the FMFIA, Section 4, Federal Financial Management Improvement Act (FFMIA), Section 803, and OMB Circular No. A-123, Appendix D, as of September 30, 2022.

DISA has assessed entity-level controls, including fraud controls in accordance with the Green Book, OMB Circular No. A-123, the Payment Integrity Act of 2019, and GAO Fraud Risk Management Framework. This internal review included an evaluation of the internal controls for SAA activities that leverage DISA's existing overall fraud controls structure. Based on the results of the assessment, DISA can provide reasonable assurance that entity-level controls including fraud controls are operating effectively as of September 30, 2022.

DISA is hereby reporting that no Anti-Deficiency Act (ADA) violation has been discovered/identified during our assessments of the applicable processes.

If there are any questions regarding this Statement of Assurance for FY 2022, my point of contact is Mr. Alex Diaz, and he can be reached at alexisdiaz20.civ@mail.mil or (614) 692-9400.

ROBERT J. SKINNER
Lieutenant General, USAF
Director

Attachments:
As stated

FY 2022 Internal Control Program Initiatives and Execution

In addition to the foundational sources of guidance such as OMB Circular A-123 and the GAO Green Book, DISA also receives direction from and coordinates with the Office of Under Secretary of Defense Comptroller (OUSD [C]) to execute its Risk Management Internal Control (RMIC) Program. The OUSD Comptroller RMIC Team issues the FY 2022 DOD Statement of Assurance Handbook that requires deliverables throughout the reporting cycle. The Handbook provides practical guidance to carry out the Program. In FY 2022, there was an emphasis on Entity Level Controls (ELCs), auditor Notice of Findings and Recommendations (NFR), Corrective Action Plan (CAP) implementation and resolution, and testing to pave the way in support of CAP resolution or mitigation.

Throughout the process, DISA has provided several templates and deliverables to support not only DISA, but the overall DOD RMIC Program. In the course of the year, DISA will have submitted an End-to-End Process Control Narrative Key Controls Memo, Agency Risk Assessment, Material Weakness (MW) and Deficiencies Reporting and Removal Template, Entity Level Control Testing Validation, Fraud Controls Matrix, Complementary User Control CAPs, Summary of Management's Approach to Internal Control Evaluation Template, and a DATA Act Data Quality Controls Matrix in support of the Program.

Correction of Prior Year Significant Deficiencies and Material Weaknesses:

One of the department's focus areas is to make progress towards resolution of prior year MWs and conditions impeding audit progress. DISA has made concentrated efforts to resolve and clear prior year issues. In FY 2022, at the time of this memorandum, DISA has a potential to close 16 NFRs upon final review and approval by the independent public accounting firm (IPA).

Entity Level Controls (ELCs):

ELCs include Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. Underlying these five control components, the Green Book states 17 control principles that represent fundamental elements associated with each component of control and recognizing that there are significant interdependencies among the various control principles. ELCs represent the overarching management controls that create an environment of management oversight for the financial and non-financial activities of the department and DISA as an agency. During the FY 2022 audit, DISA's IPA was briefed on six walkthroughs that outlined 20 different ELCs that presented an overview of the controls that are in place.

Enterprise Approach to Risk Management:

Each year, DISA kicks off its internal control program and begins by performing a risk assessment in which DISA has taken an enterprise approach that covers key business processes. Risk management has been aligned to the National Defense Strategy (NDS) and the National Defense Business Operations Plan (NDBOP). DISA supported NDS Strategic Goal 3 to "Reform the Department's Business Practices for Greater Performance and Affordability" through identifying associated control activities and evaluating risk and control effectiveness.

In addition, DISA adheres to the NDBOP goal of "undergo an audit and improve the quality of budgetary and financial information that is most valuable in managing the DOD," through its audit and continuous environment of improvement and refining processes. The RMIC Program is managed through a three-tiered approach, which provides a structure to identify risk at an enterprise level, as well as at a more granular level. The DISA director provides a "tone-at-the-top" memo, which defines management's leadership and commitment towards an effective internal control structure. The second tier is supported by the Internal Control team, consisting of subject matter experts providing guidance and execution of the program throughout the agency. The third tier is supported by the AUMs who manage at the program/directorate level within the organization. Each directorate's senior leadership, within each assessable unit, collaborates with AUMs to identify areas of risks in their respective area. The processes of coordinating and consolidating risk help identify the overall assessment of risk at the enterprise risk management level, while also reviewing

DISA's detail transactions. This risk assessment results in reviews and letters of assurance from each area that are considered in the annual Statement of Assurance assessment.

Oversight and Monitoring:

DISA's internal control structure of training provides AUM assistance; ELCs; risk assessments; continuous testing in mandatory and high-risk areas; reviews, updates, and management approval of process narratives and cycle-memos; CAPs; and senior accountable officials (SOAs) letters of assurance. These elements are all core to an integral program of oversight and monitoring. In addition, the Senior Assessment Team (SAT) met on Aug. 9, 2022, and provided oversight to the internal control program through discussion of results and anticipated outcomes to be reported in the FY 2022 Statement of Assurance.

Payment Integrity/Improper Payment Recovery:

For compliance with the Payment Integrity Information Act of 2019 (Pub. L. No. 116-117, 31 U.S.C. § 3352 and § 3357), DISA has an internal control structure in place to mitigate improper payments that could result in payment recovery actions. Actions taken to prevent overpayments include testing and review of civilian time and attendance, travel payments, and purchase card transactions. Tests validate that internal controls are in place and functioning as preventative measures to mitigate risks in the execution, obligation and liquidation of funding for transactions. Controls are in place through established policy and procedures, training, separation of duties, and data mining to identify risks and fraud vulnerabilities. Additionally, the DFAS, as DISA's accounting service provider, performs overpayment recapture functions on behalf of DISA. DFAS includes DISA transactions in their sampling populations for improper payment testing of civilian payroll and travel. There have been no issues arising to merit an anticipated DISA Memo, Annual Statement of Assurance Required Under the FMFIA for FY 2022 negative impact regarding payment integrity and improper payment recovery in FY 2022.

CARES Act/COVID-19:

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed on March 2, 2020, (Public Law 116-136) and includes a military support response to the public health emergency domestically and internationally. Since FY 2021, DISA has been allotted $182.9 million in CARES Act cumulative funding. The CARES Act provides the DOD flexibility in executing contract actions to expedite disbursement of these funds efficiently and effectively. In execution of this funding, the risk for fraud, waste and abuse is heightened when internal controls are relaxed. COVID19-related activity has been reviewed and tested using verification and validation (V&V) procedures. There have been no laws compromised or major issues identified leading to fraud, waste or abuse as validated through testing results for FY 2022. Identified areas of improvements for CARES Act execution include ensuring DISA Memo, Annual Statement of Assurance Required Under the FMFIA for FY 2022 requirements are aligned with spending plans and ensuring that transactions accurately reflect the Disaster Emergency Fund Code (DEFC).

Fraud Controls:

In FY 2022, DISA executed a fraud controls assessment on its environment. The review incorporated components of GAO Fraud Risk Management Framework 11 leading practices to detect gaps that require designing new or additional controls. These practices were employed in review of ICOR-O, ICOR-FR, and ICOR-FS for high-risk focus areas.

End to End Process Control Narrative (PCN) Memo:

One of the new requirements in FY 2022 was completion of the End-to-End Process Control Key Controls Memorandum. DISA completed a review and assessed that our narratives and key controls do not depart from the key controls at the DOD-wide level. Our DISA general roles and functions as presented in our narratives and cycle memos correlate with DOD-wide key controls. These include civilian payroll, requisitioning, contract and vendor pay, general property plant and equipment, and reimbursable work orders.

Security Assistance Agency (SAA):
Security Assistance Agency (SAA)/Foreign Military Sales (FMS): DISA is an implementing agency (IA) that supports the execution of military assistance programs. As an IA, DISA is responsible for the overall management of the actions that will result in delivery of the materials or services as stated in agreements established between a foreign country or international organization and DISA. In partnership with the Defense Security Cooperation Agency (DSCA), DISA is participating in DSCA's preparation for auditable financial statements. As of this fiscal year, DISA is not performing the financial reporting function for DSCA; however, the internal control structure already in place for DISA's General Fund and WCF audits are leveraged for the FMS process.

Although SAA internal controls reviews are not new, the FY 2022 requirement to review the cost recovery structure has been initiated in FY 2022. The DOD Inspector General issued a report (DODIG-2020-114) on the DOD's use of Security Assistance Funds and Asset Accountability. The report determined that DOD components did not recover their costs for executing security assistance programs in accordance with the Arms Export Control Act and the DOD Financial Management Regulation. Specifically, the DOD components did not recover their costs for paying DOD civilians to work on the security assistance programs. We performed a cost recovery review that documents that FMS personnel, aligned with FMS-related functions, are being paid with FMS dollars; however, non-FMS personnel are not being paid with FMS dollars. This finding has resulted in a MW and non-compliance with the principle that FMS business be conducted at no cost to the U.S. government. A plan has been put in place to ensure all FMS activity is captured and covered by FMS funding.

Data Act Data Quality Testing:
The OMB published memorandum 18-16, *Appendix A to OMB Circular A-123, Management of Reporting and Data Integrity Risk*, dated June 6, 2018, that outlines guidance for agencies to develop a Data Quality Plan (DQP) to achieve the objectives of the Data Accountability and Transparency Act (DATA) Act. DISA has established a DQP that provides an emphasis on a structure for data quality on financial data elements, procurement data reporting, data standardization, and data reporting. In FY 2022, in compliance with mandatory reviews, the internal control program has executed data quality testing to review data integrity. Testing results have documented that there are no major issues with the established attributes in both FYs 2021 and 2022.

Records Management:
While records management was not an OUSD focal area, the DISA Records Management team and the Internal Control team coordinated together to incorporate a records management checklist into their processes. The results supported that DISA has established 100 percent coverage and accountability throughout the organization with appointments of Records Liaisons (RLs). As an agency, we have completed the 2021 Records Management Self-Assessment (RMSA) for the National Archives and Records Administration (NARA) and improved the agency's score. We have also completed the 2021 Federal Electronic Records and Email Management Maturity Model Report (FEREM) for NARA and took the agency from a moderate to a low risk.

Internal Control Structure

Using the following process, DISA evaluated its system of internal control and maintains a sufficient documentation/audit trail to support its evaluation and level of assurance. DISA manages the RMIC Program through a three-tiered approach. The first tier is supported by the DISA SAT, which provides guidance and oversight to the RMIC Program. In FY 2021, the DISA director signed a "tone-at-the-top" memo which defines management's leadership and commitment towards an effective RMIC: openness, honesty, integrity, and ethical behavior. The memo directed the agency to follow a risk-based and results-oriented program in alignment with with the GAO Green Book and OMB A-123. The tone-at-the top is set throughout DISA by all levels of management and has a trickle-down effect on all employees.

The second tier is supported by a subject matter expert (SME) team. The team coordinates requirements with the OUSD comptroller regarding the RMIC Program in addition to providing training, guidance, oversight, and review in accordance with directives to the AUMs. DISA provided internal control kick-off training for the AUMs in November 2021 and conducted three additional workshops in the FY 2022 reporting cycle to address risk assessments, testing grids, and letters of assurance. The RMIC team compiles assessable unit (AU) submissions for the agency's Statement of Assurance, facilitates information sharing between AUMs, consolidates results, and communicates outcomes to OUSD and agency leadership.

Identification of Material Assessable Units

The third tier is supported by the AUMs, who manage at the program/directorate level within the organization. For this reporting cycle, DISA identified 13 AUs:

- ✓ Chief Financial Officer/Comptroller (OCFO)
- ✓ Component and Acquisition Executive (CAE)
- ✓ Digital Capabilities and Security Center (DCSC)
- ✓ Chief of Staff (DDC)
- ✓ Inspector General (IG)

Joint Force Headquarters-Department of Defense Information Network (JFHQ-DODIN)

- ✓ Joint Service Provider (JSP)
- ✓ Hosting and Compute Center (HaCC)
- ✓ White House Situation Room (WHSR)
- ✓ Procurement Services Directorate (PSD)
- ✓ Enterprise Integration and Innovation Center (EIIC)
- ✓ White House Communications Agency (WHCA)
- ✓ Workforce Services and Development Directorate (WSD)

Each AU is led by at least one member of the Senior Executive Service (SES) or military flag officer and carries a distinct mission within DISA, which in turn causes the AU to have unique operational risks that require evaluation.

In the first quarter FY 2022, DISA experienced a reorganization that impacted organizational lines. The Internal Control Office reached out to the impacted areas and identified gaps in reporting that mainly impacted operations activities, which had been absorbed into different areas. AUs shared responsibility at the center level to include those areas in mandatory testing.

Identifying Key Controls

Mandatory testing for all organizations is required to identify the functions performed within their area, in addition to the required testing areas of the Defense Travel System (DTS), Time and Attendance, and property, plant, and equipment (PP&E), to identify the level of process documentation available, and determine the associated risk of those functions. Additionally, the AUM is responsible for identifying and documenting the key controls within their AUs in accordance with DOD Instruction 5010.40. The internal control team documents processes and key controls for all ICOR-FR functions through detailed cycle memoranda and narratives. Each AU documents its key processes and risk on the Risk Assessment Template. The OCFO RMIC team advises the AUMs to test, at a minimum, those key processes that were self-identified as high risk, as well as safety, security (if applicable), and the required testing areas. In addition, a checklist for records management was prepared by each AUM.

Each AU performs a risk assessment considering what is important to each area, such as those processes that may be high or medium risk and associated processes that are central to an area. It involves identifying the risk category (e.g., financial, compliance, operational, etc.); risk description (e.g., if policy is not implemented); overall impact, likelihood, risk rating, and control activities (such as review and documented policy); whether risks are mitigated or residual; overall likeliness; and residual risk rating, process documentation, and financial statement impact. At the AU level and across the agency, this process develops an overarching risk assessment, approved by senior leadership. From this process, tests are developed for those areas that are high risk or into which management should look further.

Developing the Test Plan/Executing the Test

Each AU completed a plan to test the controls in place for each process identified to be tested. The development of the plan, includes consideration of the nature, extent (including sampling technique), and timing of the execution of the controls tested. Additionally, the risk magnitude (high, medium, or low), objective type, risk type, risk response, and tolerance rate are also identified. The test method (or type) is identified within the plan.

Test Results

After the tests are conducted and results are revealed, the test grid forms the basis to report the results in the letter of assurance (LoA). The LoA will reflect the data reported on the test grid.

Snapshot in Review

Internal Controls Over Reporting – Operations

Mandatory testing is required for all organizations. An AUM in coordination with senior management identify the functions performed within their area, in addition to the required testing areas of DTS, time and attendance, and PP&E, to identify the level of process documentation available and determine the associated risk of those functions. In addition, Government Purchase Card and Records Management are tested by process owners, and the results of these tests are reported in each respective area’s letters of assurance.

Internal Controls Over Reporting - Financial Systems

The implementation of Enterprise Resource Planning (ERP) approved systems as of FY 2019 resolved compliance issues associated with the legacy systems. Some key indicators for underlying sound internal controls include that DISA consistently provides timely and reliable financial statements to OMB within 21 calendar days at the end of the first through third quarters and unaudited financial statements to OMB, GAO, and Congress by Nov. 15 each year. DISA has not reported anti-deficiency violations in more than a decade, and it continues to demonstrate compliance with laws and regulations.

DISA’s core financial management systems routinely provide reliable and timely information for managing day-to-day operations, as well as information used to prepare financial statements and maintain effective internal controls. These factors are key indicators of FFMIA compliance.
Additionally, DISA provides application hosting services for the department’s service providers: the Defense Finance and Accounting Service (DFAS), the Defense Logistics Agency (DLA), the Defense Contract Management Agency (DCMA), the Defense Human Resource Activity (DHRA), military services, and other defense organizations. As a result, DISA is responsible for most of the general IT controls over the computing environment in which many financial, personnel, and logistics applications reside. For service providers and components to rely on automated controls and documentation within these applications, controls must be appropriately and effectively designed. In FY 2022, DISA embarked on two Statement on Standards for Attestation Engagement (SSAE) 18 audits and received an unmodified opinion on Automated Time and Attendance and Production System (ATAAPS) and a modified opinion for hosting services.

Internal Controls Over Reporting - Financial Reporting

The OCFO documented end-to-end business processes and identified key internal control activities supporting key business processes for ICOR-FR. DISA conducted an internal risk assessment that evaluated the results of prior year audits, internal analyses of the results of financial operations, and known upcoming business events. An internal control assessment was conducted within DISA for key mission-specific processes. The internal control team annually reviews and updates narratives and cycle memos of key processes. The internal control team maintains a Control Evaluation Matrix, which provides a detailed analysis, documents the Control Activities identified in the narratives, and includes mapping to a Financial Improvement and Audit Readiness (FIAR) Financial Reporting Objective; FIAR Risk of Material Misstatement, Test of Design and Implementation Effectiveness details; and test of Operating Effectiveness details.

Based on the results of the internal risk analysis, internal testing was conducted to evaluate the significance of potential deficiencies identified. Specific areas of testing included the following:

Figure 14-Areas of Testing

General Fund	Working Capital Fund	Other
Data Quality Plan	CS Trial Balance (Rollforward) Testing	Active Users
Dormant Reviews*	TSEAS Trial Balance (Rollforward) Testing	Departed Users*
Year End Obligations	TSEAS Revenue	Security Awareness Training
Trial Balance Rollforward Testing	TSEAS Expenditure	Segregation of Duties
GF Revenue		PP&E Additions
GF Expenditure		PP&E Disposals
CARES Act Testing*		Periodic Access Systems Reviews*
Accounts Receivable Reporting		
FMS Cost Recovery*		

*Note: *Exceptions of non-compliance.*

The OUSD Financial Improvement and Audit Readiness (FIAR) Office led department-wide discussions regarding SSAE 18 reviews and the impact to component financial statements. DISA identified more than 201 Complementary User Entity Controls (CUECs) that impacted our financial statements. In addition to our continued participation in Service Provider CUEC discussions, at the time of the Statement of Assurance assessment, DISA is completing the process of reviewing more than 201 identified CUECs to determine our level of risk and identified control descriptions and control attributes for each. For those CUECs determined to be common across all the identified systems, testing was conducted for areas of high risk. In addition, the internal control team has developed active and departed user segregation of duties and periodic access system reviews to a more granular level. Review of these areas further strengthens the internal control backbone for the agency.

The following table provides a summary of DISA's approach to the FY 2022 internal control evaluation:

Summary of Management's Approach to Internal Control Evaluation

Reporting Entity/Component Name: Defense Information Systems Agency

Summary of Component Mission: To conduct Department of Defense Information Network (DODIN) operations for the joint warfighter to enable lethality across all warfighting domains in defense of our nation.

List of all Component Organizations:

- Chief Financial Officer/Comptroller (OCFO)

- Component and Acquisition Executive (CAE)
- Operations & Infrastructure Center (OPIC)
- Digital Capabilities and Security Center (DCSC)
- Chief of Staff (DDC)
- Inspector General (IG)
- Joint Force Headquarters DODIN (JFHQ-DODIN)
- Joint Service Provider (JSP)
- Hosting and Compute Center (HACC)
- White House Situation Room (WHSR)
- Procurement Services Directorate (PSD)
- Enterprise Integration and Innovation Center (EIIC)
- Operations & Infrastructure Center (OPIC)
- White House Communications Agency (WHCA)
- Workforce Services and Development Directorate (WSD)

List of all Component material AUs related to ICOR

- Chief Financial Officer/Comptroller (OCFO)
- Hosting and Compute Center (HACC)
- Procurement Services Directorate (PSD)

Summary of Internal Control Evaluation Approach: DISA's approach to internal controls extends to all responsibilities and activities undertaken within DISA. Adherence of RMIC Program internal controls is not only the responsibility of Management, but every DISA employee. In addition to compliance with applicable laws and regulations, internal controls are embedded in DISA's day to day processes. Internal controls have been evaluated in a top down and bottom-up approach resulting in reasonable assurance that financial reporting, operations, and systems are operating effectively.

Figure 15-Overall Assessment of a System of Internal Control

Internal Control Evaluation	Designed & Implemented (Yes/No)	Operating Effectively (Yes/No)
Control Environment	Yes	Yes
Risk Assessment	Yes	Yes
Control Activities	Yes	Yes
Information and Communication	Yes	Yes
Monitoring	Yes	Yes
Are all components above operating together in an integrated manner?	Yes	Yes

Figure 16-Overall Evaluation of a System of Internal Control

Overall Evaluation	Operating Effectively (Yes/No)
Is the overall system of internal control effective?	Yes

Financial Management Systems Framework, Goals, and Strategies

DISA's financial system implementations have been planned and designed within the framework of the Business Enterprise Architecture (BEA) established within the DOD, which facilitates a more standardized framework for systems in the department. Financial system-related initiatives target implementation of a standardized financial information structure that will be compliant with FFMIA and BEA requirements and provide DISA with cost accounting data and timely accounting information that enable enhanced decision-making.

During FY 2022, DISA continued to operate, enhance, and sustain the Financial Accounting and Management Information System (FAMIS), which supports the full breadth of DISA's WCF lines of business. The FAMIS-WCF solution provided DISA with DOD Standard Line of Accounting (SLOA) and USSGL compliance in support of a clean audit opinion for the WCF. Additionally, FY 2022 activities/goals include performing a technology refresh of the FAMIS software; implementing a compliant G-invoicing solution; completing Phase II of Direct Treasury Disbursing; implementing SOA/Web Services capabilities; and laying the groundwork to migrate FAMIS to a commercial cloud environment. In addition to the accounting system, DISA's financial systems environment is complemented by a select group of integrated financial tools and capabilities. These include:

- The functionality to provide customer and internal users with the ability to view details behind their telecommunication and contract IT invoices.
- A WCF information/execution management tool that provides users with the ability to view financial and non-financial (workload) data/consumption at a detailed level and a standardized method for cost allocations, budget preparation, rate development, and execution tracking with on-demand reports, ad-hoc queries, and table proof listings for analysis and decision-making.
- A web-based WCF budgeting system and financial dashboard that allows program financial managers to formulate budgets, project future estimates, prepare required budget exhibits, and monitor budget execution.
- A financial dashboard on a web-based business intelligence platform that enables users across the enterprise to access financial information for Defense Working Capital Fund (DWCF) funds through static reports, interactive data cubes, and customizable dashboards.

These capabilities, combined with key interfaces to acquisition, contracting, and ordering systems, underpin DISA’s automated framework of financial budgeting, execution, accounting, control, and reporting. Moving forward, DISA continues solution improvements to its suite of financial tools by leveraging new technologies, evaluating opportunities to eliminate functional duplication where it exists, and reducing the footprint (and associated costs) of business systems writ large.

In that regard, DISA is driving standardization of the customer order provisioning process to include a single integrated order entry solution for all orders while validating the solutions that integrate with DISA’s financial and contracting systems and tools. DISA’s financial systems strategy is purpose driven to continually innovate and increase its use of technologies, such as robotic process automation and artificial intelligence, to improve and automate financial and contractual transactions. As a result of DISA’s experience using its newly modernized/compliant accounting systems for the previous three years, its accounting operations have stabilized, and it is taking advantage of its capabilities to improve accounting processes and audit readiness, and to set the course for further financial modernization efforts across its business ecosystem. This includes identifying and assessing opportunities to sunset older legacy supporting systems by consolidating and/or migrating functionality to more modern and flexible technologies and architectures.

These advancements will result in increased automation, transparency, access, and control of financial information to support financial managers, mission partners, and higher echelon leaders.

5. Forward-Looking Information

The DOD information environment is designed to optimize the use of the DOD IT assets, converging communications, computing, and enterprise services into a single joint platform that can be leveraged for all department missions. These efforts improve mission effectiveness, reduce total cost of ownership, reduce the attack surface of our networks, and enable DISA's mission partners to more efficiently access the information resources of the enterprise to perform their missions from any authorized IT device anywhere in the world. DISA continues its efforts towards realization of an integrated department-wide implementation of the DOD information environment through the development, integration, and synchronization of technical plans, programs, and capabilities.

DISA is uniquely positioned to provide the kind of streamlined, rationalized enterprise solutions the department is looking for to effect IT transformation. DISA owns/operates enterprise and cloud-capable DISA data centers, the worldwide Defense Information Systems Network (DISN), and the Defense IT Contracting Organization (DITCO). DISA data centers routinely see workload increases — this trend will increase as major new initiatives begin to fully impact the department. As part of the department's transition to the JIE, DISA data centers have been identified as continental United States (CONUS) Core Data Centers (CDCs).

DISA also anticipates continuation of partnerships with other federal agencies. The DOD/Veterans Affairs Integrated Electronic Health Record (iEHR) agreement to host all medical records in DISA data centers and the requirement for DOD to provide Public Key Infrastructure (PKI) services to other federal agencies on a reimbursable basis are examples. We continue to move forward on several new initiatives, including:

- Implementation of MPLS technology.
- Deploying and sustaining Joint Regional Security Stacks (JRSS) to fundamentally change the way the DOD secures and protects its information networks.
- Operating a Joint Enterprise License Agreement (JELA) line of business with a low fee.
- The delivery of an on-premise, cloud hosting capability and commercial cloud access infrastructure to enable the department's migration to cloud computing.
- A reduced data footprint.
- Streamlined cybersecurity infrastructure and the convergence of DOD networks, service desks, and operations centers into a consolidated, secure, and effective environment capable of addressing current and future mission objectives called Fourth Estate Network Optimization (4ENO).
- The establishment of an impact Level 5 cloud-based collaboration and productivity environment for Fourth Estate agencies and combatant commands.
- The enterprise-wide roll-out of a Cloud-Based Internet Isolation (CBII) capability that isolates malicious code and content from DOD networks.

DISA has implemented the Compute Operations (formerly Ecosystem) to support computing services for mission partners worldwide. This model aligned like-functions across a single computing enterprise and established a unified computing structure operating under a single command — one large virtual data center. The Compute Operations prioritizes excellence in service delivery, process efficiency, and standardization for tools and processes. Ultimately, the shift to the Compute Operations model is fulfilling the goal of providing excellence in IT service delivery to our mission partners through the provision of cutting-edge computing solutions and a flexible and adaptable infrastructure. These optimization efforts are projected to yield a savings of $695 million over 10 years.

Defense Information Systems Agency
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Principal Statements
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Department of Defense
Defense Information Systems Agency General Fund
As of Sept. 30, 2022 and 2021
($ in thousands)

Figure 17-Balance Sheet

	Unaudited 2022	Unaudited 2021
Intragovernmental assets:		
Fund Balance with Treasury (Note 2)	$ 2,658,098	$ 2,702,093
Accounts receivable, Net (Note 3)	39,429	49,998
Total Intragovernmental assets	2,697,527	2,752,091
Other than intragovernmental assets:		
Accounts receivable, net (Note 3)	747	1,345
General property, plant and equipment, net (Note 4)	326,365	459,397
Advances and prepayments-Other Assets (Note 10)	19	20
Total other than intragovernmental assets	327,131	460,762
Total Assets	$ 3, 024,658	$ 3,212,853
Stewardship PP&E, (Note 9)		
Liabilities (Note 7)		
Intragovernmental liabilities:		
Accounts payable	$ 315,964	$ 359,837
Other Liabilities (Notes 7 and 9)	2,655	5,746
Total intragovernmental liabilities	318,619	365,583
Other than intragovernmental liabilities:		
Accounts payable	22,112	1,007
Federal employee and veteran benefits payable (Note 6)	48,453	55,760
Advances from others and Deferred Revenue (Note 7)	7,654	6,017
Other Liabilities (Notes 7, 8 and 9)	5,531	15,755
Total other than intragovernmental liabilities	83,750	78,539
Total liabilities	402,369	444,122
Commitments and contingencies (Note 9)		
Net Position:		
Unexpended Appropriations – Funds from Other than Dedicated Collections	2,345,346	2,323,840
Total Unexpended Appropriations (consolidated)	2,345,346	2,323,840
Cumulative Results from Operations – Funds from Other than Dedicated Collections	276,943	444,891
Total Cumulative Results of Operations (Consolidated)	276,943	444,891
Total net position	2,622,289	2,768,731
Total liabilities and net position	$ 3,024,658	$ 3,212,853

*The accompanying notes are an integral part of these statements.

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($ in thousands)

Figure 18-Statement of Net Cost

Gross Program Costs	**Unaudited 2022**	**Unaudited 2021**
Gross Costs	$ 3,711,059	$ 4,174,083
Less: Earned Revenue	(212,027)	(195,040)
Net Cost of Operations	3,499,032	3,797,043
Operations & Maintenance	2,827,862	3,089,015
Procurement	467,272	539,047
Research, Development Test & Evaluation	412,717	543,262
Military Construction	3,208	2,758
Less: Earned Revenue	(212,027)	(195,039)
Net Appropriation Costs	$ 3,499,032	$ 3,979,043

*The accompanying notes are an integral part of these statements.

Department of Defense
Defense Information Systems Agency General Fund
As of Sept. 30, 2022 and 2021
($ in thousands)

Figure 19-Statement of Changes in Net Position

	Unaudited 2022	Unaudited 2021
Unexpended Appropriations:		
Beginning Balance	$ 2, 323,840	$ 2,791,350
Appropriations received	3, 418,243	3,402,714
Appropriations transferred-in/out	133,936	92,947
Other Adjustments (+/-)	(28,553)	(62,048)
Appropriations used	(3, 502,120)	(3,901,123)
Net Change in Unexpended Appropriations	21,506	(467,510)
Total Unexpended Appropriations	2, 345,346	2,323,840
CUMULATIVE RESULTS OF OPERATIONS		
Beginning balances, as adjusted	444,891	386,499
Other adjustments (+/-)	(34,230)	825
Appropriations used	3, 502,120	3,901,123
Transfers in/out without reimbursement	(202,883)	(115,864)
Imputed financing	71,946	251,062
Other	(5,869)	289
Net Cost of Operations	3, 499,032	3,979,043
Net Change in Cumulative Results of Operations	(167,948)	58,392
Total Cumulative Results of Operations	276,943	444,891
Net Position	$ 2, 622,289	$ 2,768,731

*The accompanying notes are an integral part of these statements.

Department of Defense
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Figure 20-Statement of Budgetary Resources

	Unaudited 2022	Unaudited 2021
Budgetary Resources		
Unobligated balance from prior year budget authority, net	$ 998,751	$ 729,158
Appropriations (discretionary and mandatory)	3,487,453	3,491,182
Spending Authority from offsetting collections	232,499	197,337
Total Budgetary Resources	4,718,703	4,417,677
Status of Budgetary Resources		
New obligations and upward adjustments (total) (Note 11)	4,036,714	3,815,262
Apportioned, unexpired accounts	302,700	289,637
Unapportioned, unexpired accounts	0	0
Unexpired unobligated balance, end of year	302,700	289,637
Expired unobligated balance, end of year	379,289	312,778
Unobligated balance, end of year (total)	681,989	602,415
Total Budgetary Resources	4,718,703	4,417,677
Outlays, Net (Note 38)		
Outlays, net (total) (discretionary and mandatory)	3,530,932	3,868,601
Agency outlays, net (discretionary and mandatory)	$ 3,530,932	$ 3,868,601

*The accompanying notes are an integral part of these statements.

Defense Information Systems Agency
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Defense Information Systems Agency
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Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Defense Information Systems Agency (DISA), a combat support agency within the DOD, is a "Component Reporting Entity," as defined by Statement of Federal Financial Accounting Standards (SFFAS 47), of and consolidated into the financial statements of the DOD.

The DOD includes the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff (JCS), DOD Office of the Inspector General (OIG), military departments, defense agencies, DOD field activities, and combatant commands, which are considered, and may be referred to, as DOD components. The military departments consist of the Departments of the Army, the Navy (of which the Marine Corps is a component), and the Air Force (of which the Space Force is a component).

DISA provides, operates, and assures command and control, information-sharing capabilities, and a globally accessible enterprise information infrastructure in direct support to joint warfighters, national level leaders, and other mission and coalition partners across the full spectrum of operations. DISA implements the secretary of defense's defense strategic guidance and reflects the DOD CIO capability planning guidance.

Using the definitions and Appendix B Flowchart contained in SFFAS 47, DISA GF has determined that there are not any other consolidation or disclosure entities or related transactions that are required to be disclosed within these notes.

Accounting Policies

DISA GF financial statements and supporting trial balances are compiled from the underlying financial data and trial balances of DISA GF organizational elements. The underlying data is largely derived from budgetary transactions (obligations, disbursements, and collections), nonfinancial feeder systems, and accruals made for major items such as payroll expenses and accounts payable.

DISA GF presents the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position on a consolidated basis, which are the summation of the DOD components less the eliminations of intradepartmental activity. The Statement of Budgetary Resources (SBR) is presented on a combined basis, which is the summation of the DOD components; therefore, DOD intradepartmental activity has not been eliminated. The financial transactions are recorded on both a proprietary accrual basis and a budgetary basis of accounting. Under the proprietary accrual basis, revenues are recognized when earned, and expenses are recognized when incurred, without regard to the timing of receipt or payment of cash. Under the budgetary basis, the legal commitment or obligation of funds is recognized in advance of the proprietary accruals and in compliance with legal requirements and controls over the use of federal funds.

DISA GF adopted updated accounting standards and other authoritative guidance issued by the Federal Accounting Standards Advisory Board (FASAB) as listed below:

- *SFFAS 50: Establishing Opening Balances for General Property, Plant, and Equipment*. Issued on: Aug. 4, 2016. Effective Date: For periods beginning after Sept. 30, 2016.

- *SFFAS 53: Budget and Accrual Reconciliation: Amending SFFAS 7 and 24, and Rescinding SFFAS 22*: Issued on: Oct.27, 2017: Effective Date: reporting periods beginning after Sept. 30, 2018.

- *Technical Bulletin 2020-1, Loss Allowance for Intragovernmental Receivables*; Effective upon issuance.

DISA GF has implemented Standard Financial Information Structure (SFIS) compliant accounting systems and improved processes based on independent reviews and compliance with OMB Circular No. A-136 and U.S. GAAP.

The financial statements should be read with the realization that they are for a component of the U.S. government. Additionally, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. government entity.

Fund Balance with Treasury

The Fund Balance with Treasury (FBWT) represents the aggregate amount of DISA GF available budget spending authority available to pay current liabilities and finance future authorized purchases. DISA GF monetary resources of collections and disbursements are maintained in Department of the Treasury (Treasury) accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), the military departments, the U.S. Army Corps of Engineers (USACE), and the Department of State's financial service centers process the majority of the Department of Defense's cash collections, disbursements, and adjustments worldwide. Each disbursing station reports to Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

FBWT is an asset of a component entity and a liability of the Treasury General Fund. The amounts represent commitments by the government to provide resources for programs, but they do not represent net assets to the government as a whole.

In addition, DFAS reports to Treasury by appropriation on interagency transfers, collections received, and disbursements issued. Treasury records these transactions to its applicable Fund Balance.

DISA GF does not report deposit fund balances on its financial statements.

For additional information, see the *Fund Balance with Treasury, Note 2.*

Revenue and Other Financing Sources

As a component of the government-wide reporting entity, DISA GF is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions resulting from the budget process are generally the same transactions reflected in the agency and the government-wide financial reports.

DISA GF budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but do not reflect assets to the government.. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, which, as noted above, is to borrow from the public if there is a budget deficit.

DISA receives congressional appropriations and funding as general and working capital (revolving) and uses these appropriations and funds to execute its missions and subsequently report on resource usage.

General funds are used for collections not earmarked by law for specific purposes, the proceeds of general borrowing, and the expenditure of these moneys. DOD appropriations funding covers costs including personnel, operations and maintenance, research and development, procurement, and military construction.

DISA GF receives congressional appropriations as financing sources for general funds, and on occasion, will also receive congressional appropriations for the Working Capital Funds (WCFs). These funds either expire annually, some on a multi-year basis, or do not expire. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. DISA GF recognizes revenue resulting from costs incurred for goods and services provided to other federal agencies and the public. Full-cost pricing is DISA GF standard policy for services provided as required by OMB Circular A-25, "User Charges." In some instances, revenue is recognized when bills are issued.

DISA GF net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amounts of budget authority that are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred.

Cumulative results of operations represent the net difference between expenses and losses and financing sources (including appropriations, revenue, and gains) since inception. The cumulative results of operations also include donations and transfers in and out of assets that were not reimbursed.

In accordance with SFFAS Number 7 "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," DISA recognizes nonexchange revenue when there is a specifically identifiable, legally enforceable claim to the cash or other assets of another party that will not directly receive value in return. Typically, DISA nonexchange revenue is composed of immaterial amounts of public interest receivable and accumulated penalties and administrative fees as reported in the Monthly Debt Management Report Contract Debt System.

Deferred revenue is recorded when the DOD receives payment for goods or services that have not been fully rendered. Deferred revenue is reported as a liability on the balance sheet until earned.

The DOD does not include non-monetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost. The U.S. has cost sharing agreements with countries, through mutual or reciprocal defense agreements, where U.S. troops are stationed or where the U.S.fleet is in a port.

Budgetary Terms

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law.

The department's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but do not reflect assets to the government. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations have incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements.

The following budgetary terms are commonly used:

- Appropriation is a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

- Budgetary resources are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

- Obligation is a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

- Offsetting collections are payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the government and from intragovernmental transactions with other government accounts. The authority to spend collections is a form of budget authority.

- Offsetting receipts are payments to the government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditures for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, gifts or donations of money to the government, and from intragovernmental transactions with other government accounts.

- Outlays are the liquidation of an obligation that generally takes the form of an electronic funds transfer. Outlays are reported both gross and net of offsetting collections and they are the measure of government spending.

For further information about budget terms and concepts, see the “Budget Concepts” chapter of the Analytical Perspectives volume of the President’s Budget: Analytical Perspectives - The White House.

Classified Activities

Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Parent-Child Reporting

DISA GF is a party to allocation transfers with other federal agencies as a receiving (child) entity. An allocation transfer is an entity’s legal delegation of authority to obligate budget authority and outlay funds on its behalf. Generally, all financial activity related to allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity. Exceptions to this general rule apply to specific funds for which OMB has directed that all activity be reported in the financial statements of the child entity.

DISA receives allocation transfers from the Defense Acquisition University (DAU).

Note 2. Fund Balance with Treasury

The Treasury records cash receipts and disbursements on DISA GF’s behalf and are available only for the purposes for which the funds were appropriated. The DISA General Fund balances with treasury consists of appropriation accounts.

The status of FBWT, as presented below, reflects the reconciliation between the budgetary resources supporting FBWT (largely consisting of unobligated balance and obligated balance not yet disbursed) and those resources provided by other means. The total FBWT reported on the balance sheet reflects the budgetary authority remaining for disbursements against current or future obligations.

Unobligated balance is classified as available or unavailable and represents the cumulative amount of budgetary authority set aside to cover future obligations. The available balance consists primarily of the unexpired, unobligated balance that has been apportioned and available for new obligations. The unavailable balance represents amounts that are not apportioned for obligation by law during the current fiscal year and consists primarily of funds invested in Treasury securities. Certain unobligated balances are restricted for future use and are not apportioned for current use. Unobligated balances for trust fund accounts are restricted for use by public law that established the funds.

Obligated balance not yet disbursed represents funds obligated for goods and services but not paid.

Non-budgetary FBWT includes accounts without budgetary authority, such as deposit funds unavailable receipt accounts, clearing accounts and nonentity accounts.

Non-FBWT budgetary accounts create budget authority and unobligated balances, but do not record to FBWT as there has been no receipt of cash or direct budget authority, such as appropriations. The DISA GF non-FBWT budgetary accounts are primarily composed of unfilled orders without advance from customers and receivables.

Treasury securities provide DISA GF with budgetary authority and enable DISA GF to access funds to make future benefit payments or other expenditures. DISA GF must redeem these securities before they become part of the FBWT.
Unfilled customer orders without advance and reimbursements and other income earned-receivable provide budgetary resources when recorded. The FBWT is only increased when reimbursements are collected, not when orders are accepted or have been earned.

Total FBWT does not include funds held as a result of allocation transfers received from other federal agencies and fiduciary activities.

The FBWT reported in the financial statements has been adjusted to reflect the DISA GF balance as reported in the Cash Management Report (CMR). The difference between FBWT in the DISA GF general ledgers and FBWT reflected in the CMR is attributable to transactions that have not been posted to the individual detailed accounts in the DISA GF general ledger as a result of timing differences or the inability to obtain valid accounting information prior to the issuance of the financial statements. When research is completed, these transactions will be recorded in the appropriate individual detailed accounts in the DISA GF general ledger accounts.

Figure 21-Status of Fund Balance with Treasury

(thousands)

DISA GF		2022		2021
Unobligated Balance:				
Available	$	302,699	$	289,636
Unavailable		379,288		312,779
Total Unobligated Balance		681,987		602,415
Obligated Balance not yet Disbursed		2,125,124		2,262,596
Non-FBWT Budgetary Accounts:				
Unfilled Customer Orders without Advance		(108,036)		(110,646)
Receivables and Other		(40,977)		(52,272)
Total Non-FBWT Budgetary Accounts		(149,013)		(162,918)
Total FBWT	$	2,658,098	$	2,702,093

Note 3. Accounts Receivable, Net

Accounts receivable represent DISA GF's claim for payment from other entities. Claims with other federal agencies are resolved in accordance with the business rules published in Appendix 5 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700. Allowances for uncollectible accounts due from the public are based on an estimation methodology using three years of historical collection data and is calculated on consolidated receivable balances**.**

The Federal Accounting Standards Advisory Board (FASAB) issued Technical Bulletin 2020-1, *Loss Allowance for Intragovernmental Receivables*, which clarified previously issued guidance. An allowance recorded to recognize an intragovernmental receivable at net realizable value on the financial statements does not alter the underlying statutory authority to collect the receivable or the legal obligation of the other intragovernmental entity to pay. For FY 2021, the intragovernmental allowance was calculated using the same methodology as for public receivables. DISA GF developed its policy related to the allowance for uncollectible accounts for intragovernmental receivables.

DFAS has reviewed the monthly receivables data report (MRD), and it does not balance to the trial balance for the period ending May 30, 2022. We are working with the Target Systems Branch II, the DFAS Project Management Office, and DISA to correct the variances. This is being worked under ticket PSR042065.

In light of the difference between the trial balance and the total amount reported and aged on the MRD, DISA does not believe that the calculated amount for an allowance is accurate or material to the financial statements for the GF.

Figure 22-Accounts Receivable, Net

(thousand)

DISA GF 2022	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 39,429	$ 0	$ 39,429
Non-Federal Receivables (From the Public)	746	1	747
Total Accounts Receivable	$ 40,175	$ 1	$ 40,176

DISA GF 2021	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 49,998	$ 0	$ 49,998
Non-Federal Receivables (From the Public)	1,345	0	1,345
Total Accounts Receivable	$ 51,343	$ 0	$ 51,343

Note 4. General Property, Plant and Equipment, Net

The DISA GF general PP&E is composed of leasehold improvements, equipment, and software with a net book value (NBV) of $326.4 million.

The DISA GF PP&E consists of telecommunications equipment, computer equipment, computer software, assets under capital lease, construction in progress, and leasehold improvements whereby the acquisition cost falls within prescribed thresholds and the estimated useful life is two or more years. The DISA WCF PP&E capitalization threshold is $250 thousand for asset acquisitions and modifications/improvements placed into service after Sept. 30, 2013. PP&E assets acquired prior to October 1, 2013, were capitalized at prior threshold levels ($100 thousand for equipment and $250 thousand for real property). PP&E with an acquisition cost of less than the capitalization threshold is expensed when purchased. Property and equipment meeting the capitalization threshold are depreciated using the straight-line method over the initial or remaining useful life as appropriate, which can range from two to 45 years.

The DISA GF capitalizes improvements to existing General PP&E assets when the improvements equal or exceed the capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. Leasehold improvements are amortized over the lesser of their useful life, generally five years, or the unexpired lease term.

There are no restrictions on the use or convertibility of DISA GF's property and equipment, and all values are based on acquisition cost.

Information concerning deferred maintenance and DOD repairs is discussed in unaudited required supplementary information.

The following table provides a summary of the activity for the current fiscal year.

Figure 23-General Property, Plant, and Equipment, Net

(thousands)

DISA GF	CY	PY
General PP&E, Net beginning of year	$ 459,395	$ 406,651
Capitalized Acquisitions	162,351	247,367
Dispositions	(7,530)	(18,554)
Transfers in/(out) without reimbursement	(200,439)	0
Revaluations (+/-)	(2,855)	(108,858)
Depreciation Expense	(84,557)	(67,142)
Other	0	(184)
Balance at end of year	$ 326,365	$ 459,280

The charts below provide the depreciation method, service life, acquisition value, depreciation, and net book value for the different categories in a comparative view.

Figure 24-Major General PP&E Asset Classes

(thousands)

DISA GF 2022 Major Asset Classes	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Buildings, Structures, and Facilities	S/L	35,40, or 45*	$ 10,012	$ (1,246)	$ 8,766
Leasehold Improvements	S/L	Lease term	81,857	(54,953)	26,904
Software	S/L	2-5 or 10	40,277	(24,125)	16,152
General Equipment	S/L	Various**	542,572	(387,549)	155,023
Construction-in-Progress	N/A	N/A	119,520	N/A	119,520
Total General PP&E			$ 794,238	$ (467,873)	$ 326,365

DISA GF 2021 Major Asset Classes	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Buildings, Structures, and Facilities	S/L	35,40, or 45*	$ 10,014	$ (745)	$ 9,269
Leasehold Improvements	S/L	Lease term	79,761	(48,953)	30,805
Software	S/L	2-5 or 10	49,825	(18,528)	31,297
General Equipment	S/L	Various**	481,231	(330,499)	150,732
Construction-in-Progress	N/A	N/A	237,294	N/A	237,294
Total General PP&E			$ 858,125	$ (398,728)	$ 459,397

S/L= Straight Line N/A= Not Applicable

*Estimated useful service life is 35 years for structures, 40 years for linear structures, and 45 years for buildings.

**GF uses 5 years for depreciation, unless otherwise specified (10/20 years)

Note 5. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Intragovernmental liabilities “other” consists of $854 thousand of unfunded Federal Employees’ Compensation Act (FECA) liabilities related to bills from the Department of Labor (DOL) that are not funded until the billings are received.

Other than intragovernmental liabilities consist of “federal employee and veteran benefits,” which include $42.2 million in unfunded annual leave liability reflecting earned amounts of annual leave to be paid from future appropriations, and $3.7 million in various employee actuarial FECA liabilities not due and payable during the current fiscal year. For the fourth quarter of FY 2022, it also includes $60 thousand in accounts payable from canceled appropriations. Refer to the Federal Employee and Veteran Benefits Payable note, for additional details.

Figure 25-Liabilities Not Covered by Budgetary Resources

(thousands)

DISA GF	2022	2021
Intragovernmental Liabilities		
Other	$ 854	$ 971
Total Intragovernmental Liabilities	854	971
Other than Intragovernmental Liabilities		
Accounts Payable	60	0
Federal employee and veteran benefits payable	45,869	48,730
Other Liabilities	0	0
Total Other than Intragovernmental Liabilities	45,929	48,730
Total Liabilities Not Covered by Budgetary Resources	46,783	48,730
Total Liabilities Covered by Budgetary Resources	355,586	394,421
Total Liabilities	$ 402,369	$ 444,122

Note 6. Federal Employee and Veteran Benefits Payable

Actuarial cost method used and assumptions:

The DOL estimates actuarial liability only at the end of each fiscal year.

In FY 2021, the methodology for billable projected liabilities included, among other things:

1. An algorithmic model that relies on individual case characteristics and benefit payments (the FECA Case Reserve Model).
2. Incurred but not reported claims were estimated using the patterns of incurred benefit liabilities in addition to those of payments.

The FY 2021 methodology also included adjustments to normalize the levels of payments in chargeback FY 2021 because payment levels in FY 2021 were not representative of what could be expected to occur absent the pandemic. The FY 2022 methodology remained the same, except it omitted the pandemic-related adjustments to normalize the levels of payments.

To provide more specifically for the effects of inflation on the liability for future workers’ compensation benefits, wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPI-Ms) were applied to the calculation of projected future benefits.

DOL selected the COLA factors, CPI-M factors, and discount rate by averaging the COLA rates, CPI-M rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

The FY 2022 and FY 2021 methodologies for averaging the COLA rates used OMB-provided rates. The FY 2022 and FY 2021 methodologies for averaging the CPI-M rates used OMB-provided rates and information obtained from the Bureau of Labor Statistics public releases for CPI.

The actual rates for these factors for the charge back year (CBY) 2021 were also used to adjust the methodology's historical payments to current year constant dollars. The compensation COLAs and CPI-Ms used in the projections for various CBY were as follows:

Figure 26-Compensation COLAs and CPI-Ms

CBY	COLA	CPI-M
2022	N/A	N/A
2023	3.37%	3.13%
2024	3.97%	3.62%
2025	4.10%	3.55%
2026	4.16%	3.84%
2027 and thereafter	3.91%	4.20%

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (the TNC Yield Curve) to reflect the average duration of income payments and medical payments. Discount rates were based on averaging the TNC Yield Curves for the current and prior four years for FY 2022 and FY 2021, respectively. Interest rate assumptions utilized for FY 2022 discounting were as follows:

Discount Rates
For wage benefits:
2.119% in year 1 and years thereafter;
For medical benefits:
1.973% in year 1 and years thereafter.

To test the reliability of the model, comparisons were made between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year's analysis to this year's analysis were also examined by agency, with any significant differences by agency inspected in greater detail. The model has been stable and has projected the actual payments by agency reasonably well.

The American Rescue Plan Act, P.L. 117-2, section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," mandated that the FECA Special Benefits Fund assume an unreimbursed liability (i.e., a liability that is not chargeable to the agencies) for approved claims of certain covered employees for injuries proximately caused by exposure to the novel coronavirus that causes COVID-19 (or another coronavirus declared to be a pandemic by public health authorities) while performing official duties during the covered exposure period. Pursuant to section 4016, these claims must be accepted on or after March 12, 2021, and through Sept. 30, 2030, and cover benefits for disability compensation and medical services and survivor benefits. Accordingly, section 4016 future benefits are properly omitted from the table of Estimates of Total FECA Future Liabilities as of Sept. 30, 2021, and 2022, respectively.

Expense Components

For FY 2022, the only expense component pertaining to other actuarial benefits for DISA GF is the FECA expense. The DOL provides the expense data to DISA. The staffing ratio data from the DISA Headquarters determines the allocation of the expense to DISA GF and DISA WCF.

The DOL provided an estimate for DISA's future workers' compensation benefits of $7.8 million in total, of which $3.7 million was distributed to DISA GF based upon staffing ratios. DISA made the distribution using its normal methodology of apportioning FECA liability to GF and WCF based upon relative staffing levels. DISA used the same apportionment methodology in prior years.

Changes in Actuarial Liability

Fluctuations in the total liability amount charged to DISA by DOL will cause changes in FECA liability. The other actuarial benefits, FECA liability for DISA GF, decreased $244.5 thousand due to a decrease in COLA and CPIM inflation factors that in turn increased the actuarial liability estimate provided by DOL (http://www.dol.gov/ocfo/publications.html).

Other Benefits

For the fourth quarter of FY 2022, DISA GF's "other" benefits are composed of unfunded accrued annual leave in the amount of $42.2 million.

Figure 27-Federal Employee and Veteran Benefits Payable

(thousands)

DISA GF 2022	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
Other Benefits			
FECA	$ 3,652	$ (0)	$ 3,652
Other	44,801	(2,584)	42,217
Total Other Benefits	48,453	(2,584)	45,869
Federal Employee and Veteran Benefits Payable (presented separately on the Balance Sheet)	48,453	(2,584)	45,869
Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	2,655	(1,800)	855
Total Federal Employee and Veteran Benefits Payable	$ 51,108	$ (4,384)	$ 46,724

DISA GF 2021	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
Other Benefits			
FECA	$ 4,460	$ (0)	$ 4,460
Other	50,300	(7,030)	44,270
Total Other Benefits	55,760	(7,030)	48,730
Federal Employee and Veteran Benefits Payable (presented separately on the Balance Sheet)	55,760	(7,030)	48,730
Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	5,740	(4,776)	964
Total Federal Employee and Veteran Benefits Payable	$ 61,500	$ (11,806)	$ 49,694

Note 7. Other Liabilities

DISA GF Intragovernmental Other Liabilities consist of:

- Federal employee and veteran benefits of $2.7 million: This liability represents the employer portion of payroll taxes and employer contributions for health benefits, life insurance, and retirement, as well as unfunded FECA liability.

DISA GF Other Than Intragovernmental Other Liabilities consist of:

- Accrued funded payroll and benefits of $5.5 million: DISA GF reports as other liabilities, the unpaid portion of accrued funded civilian payroll and employee's annual leave as it is earned, and subsequently reduces the leave liability when it is used.
- Advances from others (presented separately on the Advances from Others and Deferred Revenue line below) of $7.7 million: This liability represents liabilities for collections received to cover future expenses or acquisition of assets DISA GF incurs or acquires on behalf of another organization. Further, is represents the remaining amount of customer advance billings. These customer advances will be liquidated in future periods as the result of filling customer orders/earned revenue based on the completion of contract task orders and other direct costs being applied to the specific customer advance accounts under major range and test facility base guidelines, polices, and regulation.

DISA GF's life and other insurance programs covering civilian employees are provided through OPM. DISA GF does not negotiate the insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholdings related to the insurance and employer matches are submitted to OPM.

Figure 28-Other Liabilities

(thousands)

DISA GF 2022	Current Liability	Non-Current Liability	Total
Intragovernmental			
Other Liabilities reported on *Federal Employee and Veterans Benefits Payable Note*	$ 2,247	$ 408	$ 2,655
Total Intragovernmental	2,247	408	2,655
Other than Intragovernmental			
Accrued Funded Payroll and Benefits	5,531	0	5,531
Contingent Liabilities	0	0	0
Total Other than Intragovernmental	5,531	0	5,531
Total Other Liabilities	$ 7,778	$ 408	$ 8,186

DISA GF 2021	Current Liability	Non-Current Liability	Total
Intragovernmental			
Other Liabilities reported on *Federal Employee and Veterans Benefits Payable Note*	$ 5,203	$ 543	$ 5,746
Total Intragovernmental	5,203	543	5,746
Other than Intragovernmental			
Accrued Funded Payroll and Benefits	15,755	0	15,755
Contingent Liabilities	0	0	0
Total Other than Intragovernmental	15,755	0	15,755
Total Other Liabilities	$ 20,958	$ 543	$ 21,501

Figure 29-Advances from Others and Deferred Revenue

(thousands)

DISA GF	2022	2021
Other than Intragovernmental Liabilities	$ 7,654	$ 6,017
Total Intragovernmental Liabilities	$ 7,654	$ 6,017

Note 8. Leases

Future Payments Due for Leases:

DISA GF has non-cancelable operating leases for office equipment, vehicles, land, buildings, and commercial space. The agency does not receive copies of leases but obtains individual occupancy agreements and is billed a cost based on the space DISA is occupying. The largest portion of these costs are reimbursements to the Pentagon Reservation Maintenance Fund. Occupancy agreements are also held with Washington Headquarters Service or the General Services Administration based upon the space DISA GF is occupying. Prior year tables for future minimum lease payments are not presented. Future lease payments due as of Sept. 30, 2022, were as follows:

Figure 30-Future Payments Due for Non-Cancelable Operating Leases

(thousands)

DISA GF 2022	Land & Buildings	Other	Total
Federal			
Fiscal Year 2023	$ 45,599	$ 771	$ 46,370
Fiscal Year 2024	41,238	775	42,013
Fiscal Year 2025	42,475	635	43,110
Fiscal Year 2026	43,749	6	43,755
Fiscal Year 2027	45,062	6	45,068
After 5 years	57,092	27	57,119
Total Federal Future Lease Payments	275,215	2,220	277,345
Total Future Lease Payments	$ 275,215	$ 2,220	$ 277,345

Note 9. Commitments and Contingencies

DISA GF is a party in various administrative proceedings and legal actions related to contractual based disputes and reviews the agency claims report to determine if a liability should be recorded for the reporting period. DISA GF is not aware of any contingent liabilities for legal actions as of the fourth quarter of FY 2022.

Note 10. Suborganization Program Costs

The Statement of Net Cost (SNC) represents the net cost of programs and organizations of DISA GF supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. The DOD's current processes and systems capture costs based on appropriations groups as presented in the schedule below. The DOD is in the process of reviewing available data and developing a cost reporting methodology required by the SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," as amended by SSFAS No. 55, "Amending Inter-Entity Cost Provisions."

The Defense Department implemented SFFAS No. 55 in FY 2018, which rescinded SFFAS No. 30, "Inter-Entity Cost Implementation: Amending SFFAS No. 4, Managerial Cost Accounting Standards and Concepts and Interpretation 6, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4."

Intragovernmental costs and revenue are related to transactions between two reporting entities within the federal government. Public costs and revenue are exchange transactions made between DISA GF and a non-federal entity.

DISA GF reports exchange revenues for inflows of earned resources. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Exchange revenues arise when DISA GF provides something of value to the public or another government entity at a price. Pricing policy for exchange revenues are derived by recovering costs.

DISA GF employs a trading partner reconciliation throughout the year to validate buyer-side and seller-side balances and collaborates with its major DOD partners to identify and resolve material differences. Generally, in accordance with DOD Financial Management Regulation (FMR) Volume 6B, Chapter 13, paragraph 13201, the internal DOD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. For variances that remain unreconciled at the end of the period, the DISA GF expenses are adjusted by reclassifying amounts between federal and non-federal expenses or by accruing additional accounts payable and expenses.

Figure 31-Costs and Exchange Revenue by Major Program

(thousands)

DISA GF	2022	2021
Operations, Readiness & Support		
Gross Cost	$ 2,827,862	$ 3,089,016
Less: Earned Revenue	(171,031)	(160,585)
Net Program Costs	2,656,831	2,656,831
Procurement		
Gross Cost	467,272	539,047
Less: Earned Revenue	(7,574)	(3,536)
Net Program Costs	459,698	535,511
Research, Development, Test & Evaluation		
Gross Cost	412,717	543,262
Less: Earned Revenue	(33,422)	(30,919)
Net Program Costs	379,295	512,343
Family Housing & Military Construction		
Gross Cost	3,208	2,758
Net Program Costs	3,208	2,758
Consolidated		
Gross Cost	3,711,059	4,174,083
Less Earned Revenue	(212,027)	(195,040)
Total Net Cost	$ 3,499,032	$ 3,979,043

Note 11. Statement of Budgetary Resources

DISA GF operates primarily with funding derived from direct appropriations that are subject to cancellation by the time-period in which funds may be used. An additional funding source is the use of reimbursable authority obtained from customer orders for services provided.

As of Sept. 30, 2022, DISA GF incurred $4 billion in obligations, all of which are reimbursable and none of which are exempt from apportionment.

The total unobligated balance available as of Sept. 30, 2022, is $682 million and represents the cumulative amount of budgetary authority that has been set aside to cover future obligations for the current period.

The DISA GF SBR includes intra-entity transactions because the statements are presented as combined.

As of Sept. 30, 2022, DISA GF's net amount of budgetary resources obligated for undelivered orders is $1.8 billion.

DISA GF does not have any legal arrangements affecting the use of unobligated budget authority and has not received permanent indefinite appropriations.

The amount of obligations incurred by DISA GF may not be directly compared to the amounts reported in the Budget of the United States Government because DISA GF funding is received and reported as a component of the "Other Defense Funds" program. The "Other Defense Funds" is combined with the service components and other DOD elements and then compared to the Budget of the United States government at the defense agency level.

Figure 32-Budgetary Resources Obligated for Undelivered Orders at the End of the Period

(thousands)

DISA GF	2022	2021
Intragovernmental		
Unpaid	$ 1,352,635	$ 1,777,119
Total Intragovernmental	1,352,635	1,777,119
Non-Federal		
Unpaid	423,007	94,799
Prepaid/Advanced	19	20
Total Non-Federal	423,026	94,819
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 1,775,661	$ 1,871,938

Note 12. Reconciliation of Net Cost to Net Outlays

The reconciliation of net cost to net outlays demonstrates the relationship between DISA GF's net cost of operations, reported on an accrual basis on the SNC, and net outlays, reported on a budgetary basis on the SBR. While budgetary and financial accounting are complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period.

The accrual basis of financial accounting is intended to provide a picture of DISA GF's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by DISA GF. Outlays are payments to liquidate an obligation, other than the repayment to the Treasury of debt principal.

The FY 2021 reconciliation was modified to conform to the FY 2022 presentation.

The reconciling difference of $1.7 million is related to Line R1C2, not including SGL 711000.9000, which is included in the SNC net cost of operations, but not in the SBR net outlays. The fluctuation is due to adjusting entries made for equipment sent to the DLA that was no longer in use.

Figure 33-Reconciliation to the Net Cost of Operations to Net Outlays

(thousand)

DISA GF	Intragov.	Public	Total
Net Cost of Operations (SNC)	$ 2,601,020	$ 898,012	$ 3,499,032
Components of Net Cost That Are Not Part of Net Outlays:			
Change in Property, Plant, and Equipment, net	0	(133,030)	(133,030)
Increase/(Decrease) in Assets:			
Accounts receivable, net	(11,295)	(599)	(11,894)
Other Assets	0	(1)	(1)
Decrease/(Increase) in liabilities:			
Accounts Payable	(44,593)	(21,104)	23,489
Federal employee and veteran benefits payable	0	7,308	7,308
Other liabilities	3,092	8,588	11,680
Other Financing Sources:			
Imputed cost	(71,946)	0	(71,946)
Total Components of Net Cost Not Part of Net Outlays	$ (35,556)	$ (138,838)	$ (174,394)
Miscellaneous Reconciling Items			
Transfers (in)/out without reimbursements	200,425	0	200,425
Other	0	7,530	7,530
Total Other Reconciling Items	200,425	7,530	207,955
Total Net Outlays	2,765,889	766,704	3,532,593
Agency Outlays, Net, Statement of Budgetary Resources			$ 3,530,932
Unreconciled difference			$ 1,661

Note 13. COVID-19 Activity

During FY 2020, DISA received O&M funding for expenses to prevent, prepare for, or respond to the coronavirus pandemic. Funds are required to support increases in telework capability to ensure the DOD can continue its mission. Prior to the pandemic, the DOD estimated 95,000 active duty and civilian personnel teleworked on a regular basis. As of April 2020, DOD estimated 970,000 active duty and civilian personnel were teleworking on a regular basis. The DOD/DISA has provisioned circuits globally for COVID-19 support to combatant commands, services, defense agencies, and field activities, increasing capacity by 300 gigabytes per second (approximate increase of 556 percent). As of May 2020, DOD cybersecurity efforts have blocked over 700,000 suspicious COVID-19 emails in a month's time since the start of the crisis.

The Office of the Undersecretary of Defense (Comptroller) has provided evolving guidance regarding CARES Act funding to mitigate the increased risk of fraud, waste, and abuse related to CARES funding. DISA has initiated a structure to identify and track COVID-19 transactional data and will be incorporating COVID-19 testing in its RMIC Program.

DISA GF did not receive any additional CARES Act funding related to COVID-19 for FY 2021 or FY 2022.

The following table displays the budgetary resources for COVID-19 activity funded by COVID-19 Disaster Emergency Fund (DEF) Codes M (*Families First Coronavirus Response Act (Public Law 116-127), Emergency*) and N (*Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136), Emergency*):

Figure 34-Budgetary Resources for COVID-19 Activity Funded by COVID-19 DEF Codes M and N

(thousands)

DISA GF	2022	2021
Unobligated and unexpired balance, beginning of year	5,370	5,316
Less: Obligations	1,175	0
Less: Expiring Funds	(4,207)	(4,141)
Unobligated and unexpired balance, end of year	2,338	1,175
Outlays, Net (Total)	$ 17,547	$ 132,184

DISA GF notes impacted by COVID-19 activities include FBWT, accounts receivable, general PP&E, other assets, liabilities not covered by budgetary resources, federal employee and veteran benefits, other liabilities, general disclosures related to SNC, and disclosures related to the SBR.

Note 14. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

The Statement of Changes in Net Position (SCNP) reports the change in net position for the period, which results from changes to cumulative results of operations. During FY 2022, changes for DISA GF primarily consists of budgetary financing sources for appropriations received, transferred-in/out, and used.

DISA GF does not have funds from dedicated collections.

Required Supplemental Information

Deferred Maintenance and Repairs Disclosures

In accordance with FASAB SFFAS 42 and FMR 6B, Chapter 12, paragraph 120201, DISA is to report material amounts of deferred maintenance and repairs (DM&R) as supplementary information on its financial statements. In FY 2022, DISA GF has DM&R to report of $23.8 million.

Generally, due to the nature of DISA's business providing IT, telecommunications and computing services in support of combat missions, all required maintenance is funded within the period required to meet performance requirements of DISA missions.

DM&R determination is based on development and annual review of an integrated project list of life-cycle replacement items and identification of needed maintenance. Analysis determines and identifies any replacement of life-cycle items in the year that the items are needed. A review is conducted annually to rank and prioritize maintenance and repairs (M&R) activities, among other activities. The criteria for prioritizing M&R activities are life, safety, health, mission, and general repairs. The integrated project listing review and preventative maintenance (PM) contracts from the project manager on equipment are considered in determining acceptable condition standards when deferred maintenance is not required. PM is performed at least quarterly on systems based on operations and maintenance contracts.

As of the fourth quarter of FY 2022, DISA has transferred out all GF real property assets. The DISA GF has DM&R related to capitalized general, non-capitalized or fully depreciated general PP&E. DISA does not have stewardship PP&E or PP&E for which management does not measure and/or report DM&R. The rationale for excluding any PP&E asset other than if not capitalized, or it is fully depreciated, is the item does not meet the applicable capitalization criteria, is not on the integrated project list, or there are preventative maintenance contracts in place to address maintenance needs in the current year.

There have been changes in identification of DM&R that have occurred since the last fiscal year. In FY 2022, DISA GF has further refined its identification of DM&R and reports deferred maintenance of $23.8 million for general PP&E. DISA GF will continue to review its process and enhance its identification of deferred maintenance reporting as needed.

Defense Information Systems Agency
General Fund
As of Sept. 30, 2022
(thousands)

Figure 35- Combining Statement of Budgetary Resources

	O&M	PROC	RDT&E	MILCON	COMBINED
Budgetary Resources (discretionary and mandatory):					
Unobligated balance from prior year budget authority, net	$ 436,445	$356,441	$188,451	$ 17,414	$ 998,751
Appropriations	2,665,112	447,299	375,042	0	3,487,453
Spending Authority from offsetting collections	192,627	9,931	29,941	0	232,499
Total Budgetary Resources	3,619,511	813,670	593,435	17,414	4,718,703
Status of Budgetary Resources:					
New obligations and upward adjustments	3,023,849	516,977	495,517	371	4,036,714
Unobligated balance, end of year:					
Apportioned, unexpired accounts	21,487	211,788	61,238	8,178	302,700
Unexpired unobligated balance, end of year	21,487	211,788	61,238	8,178	302,700
Expired unobligated balance, end of year	248,848	84,905	36,680	8,856	379,289
Unobligated balance, end of year (total)	270,335	296,693	97,918	17,043	681,989
Total Budgetary Resources	3,294,184	813,670	593,435	17,414	4,718,703
Outlays, net:					
Outlays, net (total) discretionary and mandatory	2,593,243	553,705	378,797	5,187	3,530,932
Agency Outlays, net (discretionary and mandatory)	$2,593,243	$553,705	$378,797	$ 5,187	$ 3,530,932

Other Information

DEFENSE INFORMATION SYSTEMS AGENCY
P. O. BOX 549
FORT MEADE, MARYLAND 20755-0549

02-Nov-2022

MEMORANDUM FOR DIRECTOR (D)

SUBJECT: Top Management and Performance Challenges Facing the Defense Information Systems Agency (DISA) in Fiscal Year 2023

The Reports Consolidation Act of 2000 requires the DISA Office of the Inspector General (OIG) to issue a report summarizing what the OIG considers as serious management and performance challenges facing DISA and assessing the Agency's progress in addressing those challenges. DISA is required to include this report in its agency financial report. This report represents DISA OIG's independent assessment of the top management challenges facing DISA in fiscal year 2023.

In developing this report, the DISA OIG considered several criteria, including items such as the impact on safety and cyber security, documented vulnerabilities, large dollar implications, high risk areas, and the ability of DISA to effect change. We reviewed recent and prior internal audits, evaluations, and investigation reports; reports published by other oversight bodies; and input received from DISA senior leadership. In addition, we recognize that DISA faces the extraordinary task of meeting these challenges while working in a hybrid work environment.

The DISA OIG identified five challenges this year. The challenges are not listed in a specific order and all are considered to be significant to DISA's work. DISA's Top Management and Performance Challenges for Fiscal Year 2023 include:

- Meeting Data Management Challenges
- Managing Human Capital in a Hybrid Work Environment
- Cyber Supply Chain
- Current and Future Contracting Environment
- Mission Partner Payments

RYAN.STEPHEN.MICHAEL. Digitally signed by 626706

Stephen M. Ryan
DISA Inspector General

Challenge 1
Meeting Data Management Challenges

Data management is the practice of collecting, keeping, and using data securely. DISA has a vast infrastructure that transports mission partner data internally and externally while successfully maintaining various operating systems that produce massive amounts of complex data.

The federal government, Department of Defense (DOD), and DISA, are under constant data-driven cyber-attacks. For example, the Federal Bureau of Investigations (FBI), National Security Agency (NSA), and the Cybersecurity and Infrastructure Security Agency (CISA) announced that Chinese state-sponsored hackers targeted and breached major telecommunications companies and network service providers and breached U.S. defense and technology firms. The hackers obtained passwords to gain access to the organizations' systems and intercept sensitive communications.

To help address these challenges, DOD outlined data management goals in the 2020 DOD Data Strategy. Per the Strategy, DOD aims to protect data and evolve data into actionable information for decision makers.

DISA has the responsibility to help DOD modernize the infrastructure and identify, protect, detect, respond, and recover from data threats. DISA recently established the Chief Data Officer (CDO) and created DISA Data Scientist positions. In 2022, the CDO published the DISA Data Strategy Implementation Plan (IPlan) to describe a modern approach to information architecture and data management, outline workstreams necessary to organize activities, define future activities, and identify next steps for the DISA organization. DISA also created DISA Data Community of Excellence forum to bridge business policies, cyber, and information technology. In 2023, the DISA Office of the Inspector General (OIG) plans to assess DISA's progress in meeting the 2020 DOD Data Strategy and the 2022 IPlan.

Challenge 2
Managing Human Capital in a Hybrid Work Environment

COVID-19 forced DISA to change the way it operates to accomplish the mission through telework and new technologies and tools enhancing communication, collaboration, and coordination, both, internally and with mission partners. With new telework and remote work policies, DISA has transitioned to a hybrid work environment with most employees having the option to work from home more frequently. Moving forward in the hybrid work environment, DISA leadership will be presented with many of the same challenges faced during maximum telework, including maintaining employee morale and productivity, recruiting and retaining talent, facility and workspace management, and acquiring the necessary and relevant technology and tools.

Employee morale and productivity in the hybrid environment will continue to be challenging. As the workforce evolves, there will be many employees who never meet in person, bringing forth challenges with team bonding and socializing across the agency. DISA leadership will need to monitor morale and productivity; consider office culture; and ensure the workforce has the tools needed for collaboration in the hybrid environment.

Recruiting talent continues to be a challenge. DISA implemented new telework and remote work policies, allowing leadership to broaden the hiring pool of candidates in various geographical regions to attract and retain high quality talent. However, leadership will have to balance the use of telework and remote work to ensure mission requirements are met while providing the flexibilities to recruit and retain a skilled cyber workforce.

Facility and workspace management decisions continue to be impacted by the need to protect employees' health and safety in the current hybrid environment. We recognize the human capital improvements DISA has made for onboarding new employees and social distancing measures for protecting the health and safety of employees. However, continuing improvements may require updates to DISA's required footprint worldwide, facility needs, and additional changes to the physical workspaces, including configuration modifications, furniture, audio/visual, technological tools, etc., having a considerable impact to the budget.

Workforce 2025 is the agency's plan to shape an empowered workforce, inspire trust through high trust behaviors, develop leaders, encourage bold decision making, enable collaboration, embrace technological advancement, and optimize the hybrid workforce and hybrid workplace. The agency must rapidly adapt to inevitable technological advances and mission portfolio adjustments to ensure DISA delivers relevant, cutting-edge capabilities so our warfighters gain and maintain an operational and competitive edge.

Challenge 3
Cyber Supply Chain

Strengthening and securing DISA's Cyber Supply Chain is an important management challenge. DISA provides, operates, and assures command and control, information-sharing capabilities, and a globally accessible enterprise information infrastructure in direct support to the warfighter, national-level leaders, combatant commands, and coalition partners across the full spectrum of military operations.

To support this mission, DISA relies on an international supply chain to provide software, hardware, and services. The cyber supply chain includes a complex array of manufacturers, suppliers, and contractors. Cyber supply chain risk is the possibility that supply chain threats and vulnerabilities may intentionally or unintentionally compromise Information Technology (IT) or Operational Technology (OT) products and services.

To secure the cyber supply chain, DISA must protect, detect, respond, and recover from supply chain threats. Specifically, Cyber Supply Chain Risk Management (C-SCRM) is the process of identifying, assessing, and mitigating the risks associated with the distributed and interconnected nature of IT services and supply chains. C-SCRM covers the entire life cycle of the supply chain, including design, development, distribution, deployment, acquisition, maintenance, and destruction. C-SCRM also includes cybersecurity, software assurance, obsolescence, counterfeit parts, foreign ownership of sub-tier vendors and other categories of risk that affect the supply chain. Successful C-SCRM maintains the integrity of products, services, people, and technologies, and ensures the undisrupted flow of product, materiel, information, and finances.

In 2022, the DISA Office of the Inspector General (OIG) initiated an evaluation to assess DISA's Cybersecurity Supply Chain Risk Management program. The OIG is focusing on mapping the processes and stakeholders, as well as comparing the program to DOD, DISA, and industry requirements and best practices.

Challenge 4
Current and Future Contracting Environment

Contracting is a top management challenge at DISA due to increased mission partner contracting requirements without the respective increase in staffing levels and ability to hire and retain talent, causing the inability to sufficiently and effectively meet DOD and other federal agency mission needs. DISA's Procurement Services Directorate (PSD)/Defense Information Technology Contracting Organization (DITCO) provides efficient and compliant procurement services for Information Technology, Cyber, and Telecommunication services that support national defense partners through timely, quality, and ethical contracting. PSD has turned away mission partner requests in the past year, resulting in lost revenue, due to PSD's mission requirements, increasing workload, and hiring and retention challenges.

In addition, PSD identified the submission of late procurement packages and late funding from internal and external mission partners as a challenge. Late procurement packages occurred because of contract package routing delays, requirement definition issues, incomplete and unactionable procurement packages, unfunded requirement delays, and contract scope issues. Other challenges in contracting faced by PSD and mission partners are increased by Office of Management and Budget (OMB), Office of the Secretary of Defense (OSD), DOD, and DISA funding levels, increased contract documentation, and other indirect process requirements. PSD and the Office of the Chief Financial Officer continue to collaborate to implement process improvements to fulfill contract requirements in a timely manner and meet mission partner needs.

The DISA Office of Inspector General (OIG) reported concerns relating to contracting at DISA; specifically, contracts pertaining to mobility devices, Government-Furnished Property, cyber safeguards of defense information clause, contractor workspace designations, Government Purchase Card oversight, timely contract closeout, and management of unliquidated obligations. Additionally, the OIG identified concerns relating to Contracting Officer Representatives (CORs) performing their duties and DITCO's oversight of CORs.
CORs ensure delivery of supplies and critical mission services; however, inadequate COR oversight could result in a decreased quality of contractor services.

Challenge 5
Mission Partner Payments

DISA continues to have challenges obtaining Mission Partner (Military Services and Defense/Non-Defense Agencies) payments in a timely manner for reimbursable costs incurred. Overall, in FY22, DISA DWCF managed approximately 3,190 Computing orders, 13,422 PDCs, and 1,135 Telecommunication MIPRs. DISA General Fund managed approximately 1,400 reimbursable projects.

Delinquent accounts receivable (AR) can take a significant amount of time and resources to resolve. DISA officials take several actions to attempt collection of past due accounts by holding several meetings with Mission Partners throughout the year to discuss the respective past due AR and sends formal collection memos on a periodic basis to the Mission Partners. Finally, if a Mission Partner is not reimbursing DISA according to the support agreement for services previously ordered, the OCFO calls the mission partner CFO directly. The DOD FMR allows for elevation to the Under Secretary of Defense Comptroller, Program Budget and/or Treasury for further collection action if warranted.

One can speculate why Mission Partners are waiting on payment submission closer to fiscal year end, including: funding uncertainties, reduced budgets, changes to Reimbursable Agreements, and penalties not applied to customers with delinquent accounts. Additionally, the move to G-Invoicing in October 2022, will also impact Mission Partner collection process. G-Invoicing was developed to efficiently manage Intra-Governmental Buy/Sell transactions between two federal agencies from the creation of the General Terms and Conditions (GT&C) to the Intra-governmental Payment and Collection system payment notification.

Delaying payment increases DISA's risk of not collecting payment by fiscal year end, while also putting a strain on the DWCF's budgetary resources to fund other mission requirements. The total past due AR on 30 September 2022, totaled $1.2M in DISA Computing and $14.4M in Telecommunications DWCF orders. The total past due AR for the DISA General Funds on 30 September 2022, totaled $21.7M.

In 2022, the DISA Office of the Inspector General (OIG) initiated an audit of DISA's Reimbursable Services Collections to determine whether DISA collects AR for reimbursable services in accordance with DoD and DISA guidance.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) is an impartial fact-finder for the director and leaders of DISA. The OIG seeks to improve the efficiency and effectiveness of DISA's programs and operations by conducting Audits, Investigations, and Evaluations. The OIG then evaluates and coordinates to close the recommendations through the Liaison office.

AUDIT

OIG Audit provides independent and objective audit services to promote continuous performance improvement, management, and accountability of DISA operations, programs, and resources to support DISA's missions as a combat support agency. The types of services OIG Audit provides are performance audits, attestation engagements, financial audits, and, occasionally, non-audit services. OIG Audit is built on a framework for performing high-quality audit work with competence, integrity, and transparency.

INVESTIGATION

OIG Investigation supports the efficiency and effectiveness of DISA by providing accurate, thorough, and timely investigative products to key agency leaders. OIG Investigation performs five primary functions: Hotline Program, Administrative Investigations, Digital Forensics, Criminal Investigation Liaison Support, and Fraud Awareness Program. The fundamental purpose of investigations is to resolve specific allegations, complaints, or information concerning possible violations of law, regulation, or policy.

EVALUATION

OIG Evaluation conducts evaluations and special inquiries to improve processes, optimize the effective use of military and civilian personnel, enhance operational readiness, assess focus areas, and provide recommendations for improvement while teaching and training. The fundamental purpose of evaluations is to assess, assist, and enhance the ability of a command or component to prepare for and perform its assigned mission.

LIAISON

OIG Liaison serves as the conduit between DISA and external parties by providing guidance and assistance ensuring leadership, at all levels, is appropriately informed and ensuring external agency objectives are met while minimizing the impact to DISA operations. OIG Liaison supports DISA as a whole by providing:

- Audit Coordination - Monitor all oversight activities impacting DISA.
- Communication - Liaison between DISA leadership and external parties.
- Follow-up - Track and ensure implementation of all external/internal recommendations.

Payment Integrity

For compliance with the Payment Integrity Information Act of 2019 (Pub. L. No. 116-117, 31 U.S.C. § 3352 and § 3357), DISA has an internal control structure in place to mitigate improper payments that could result in payment recovery actions. Actions taken to prevent overpayments include testing and review of civilian time and attendance, travel payments, and purchase card transactions. Tests validate that internal controls are in place and functioning as preventative measures to mitigate risks in the execution, obligation, and liquidation of funding for transactions. Controls are in place through established policy and procedures; training; separation of duties; and data mining to identify risks and fraud vulnerabilities. Additionally, DFAS, as DISA's accounting service provider, performs overpayment recapture functions on behalf of DISA. DFAS includes DISA transactions in its sampling populations for improper payment testing of civilian payroll and travel. There have been no issues arising to merit an anticipated negative impact regarding payment integrity and improper payment recovery in FY 2022.

DOD Office of Inspector General (OIG)
Audit Report Transmittal Letter

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 10, 2022

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY

SUBJECT: Transmittal of the Independent Auditor's Reports on the Defense Information Systems Agency General Fund Financial Statements and Related Notes for FY 2022 and FY 2021 (Project No. D2022-D000FL-0053.000, Report No. DODIG-2023-016)

We contracted with the independent public accounting firm of Kearney & Company, P.C. (Kearney & Company) to audit the Defense Information Systems Agency (DISA) General Fund Financial Statements and related notes as of and for the fiscal years ended September 30, 2022, and 2021. The contract required Kearney & Company to provide a report on internal control over financial reporting and compliance with provisions of applicable laws and regulations, contracts, and grant agreements, and to report on whether the DISA's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996. The contract required Kearney & Company to conduct the audit in accordance with generally accepted government auditing standards (GAGAS); Office of Management and Budget audit guidance; and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, "Financial Audit Manual," June 2022, Volume 1, Volume 2 (Updated, June 2022), and Volume 3 (Updated, June 2022). Kearney & Company's Independent Auditor's Reports are attached.

Kearney & Company's audit resulted in a disclaimer of opinion. Kearney & Company could not obtain sufficient, appropriate audit evidence to support the reported amounts within the DISA General Fund Financial Statements. As a result, Kearney & Company could not conclude whether the financial statements and related notes were presented fairly in accordance with Generally Accepted Accounting Principles. Accordingly, Kearney & Company did not express an opinion on the DISA General Fund FY 2022 and FY 2021 Financial Statements and related notes.

Kearney & Company's separate report, "Independent Auditor's Report on Internal Control Over Financial Reporting," discusses six material weaknesses related to the DISA General Fund's internal controls over financial reporting.* Specifically, Kearney & Company concluded that DISA did not implement adequate controls to:

- reconcile and accurately report Fund Balance with Treasury;
- validate, reconcile, and support Accounts Receivable and revenue transactions;
- record property, plant, and equipment transfers in a timely manner;
- validate, record, and support Accounts Payable and expense transactions;
- validate, record, and support budgetary resource related transactions; or
- provide accurate and timely financial reporting information.

Kearney & Company's additional report, "Independent Auditor's Report on Compliance With Laws, Regulations, Contracts, and Grant Agreements," discusses two instances of noncompliance with provisions of applicable laws and regulations, contracts, and grant agreements. Specifically, Kearney & Company's report describes instances in which DISA did not comply with the Federal Financial Management Improvement Act of 1996 and the Federal Managers' Financial Integrity Act of 1982.

In connection with the contract, we reviewed Kearney & Company's reports and related documentation and discussed them with Kearney & Company's representatives. Our review, as differentiated from an audit of the financial statements and related notes in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the DISA General Fund FY 2022 and FY 2021 Financial Statements and related notes. Furthermore, we do not express conclusions on the effectiveness of internal control over financial reporting, on whether the DISA's financial systems substantially complied with Federal Financial Management Improvement Act of 1996 requirements, or on compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Our review disclosed no instances where Kearney & Company did not comply, in all material respects, with GAGAS. Kearney & Company is responsible for the attached November 10, 2022 reports, and the conclusions expressed within the reports.

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* A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the financial statements in a timely manner.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me.

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting

Attachments:
As stated

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Director, Defense Information Systems Agency, and Inspector General of the Department of Defense

Report on the Audit of Financial Statements

Disclaimer of Opinion

We were engaged to audit the General Fund (GF) financial statements of the Defense Information Systems Agency (DISA), which comprise the Balance Sheets as of September 30, 2022 and 2021, the related Statements of Net Cost and Changes in Net Position, and the combined Statements of Budgetary Resources (hereinafter referred to as the "financial statements") for the years then ended, and the related notes to the financial statements.

We do not express an opinion on the accompanying GF financial statements of DISA. Because of the significance of the matters described in the ***Basis for Disclaimer of Opinion*** section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion that the financial statements are complete and free from material misstatements when taken as a whole.

We were unable to obtain sufficient appropriate audit evidence to support the existence, completeness, and accuracy of Fund Balance with Treasury (FBWT), Accounts Receivable (AR), Accounts Payable (AP), Earned Revenue, Gross Costs, and the related budgetary accounts. DISA was unable to provide sufficient supporting documentation in a timely manner to support these line items in fiscal year (FY) 2022. DISA was unable to provide sufficient supporting documentation in a timely manner to complete testing over Financial Reporting. Specifically, DISA was unable to provide sufficient appropriate audit evidence to support certain types of transactions, referred to as undistributed and unmatched transactions, that materially impacted each of the aforementioned audit areas.

Undistributed transactions are disbursements and collections from feeder systems that were unable to interface into DISA's general ledger (GL) system. Unmatched transactions are disbursements that interface into DISA's GL system, but do not match to an obligating document in the GL system. DISA reported a material amount of both undistributed and unmatched

transactions each quarter-end during FY 2022. Undistributed and unmatched transactions prevent DISA from preparing and supporting transaction-level lists of activity for its Revenue, Expense, AR, AP, and related budgetary accounts.

The undistributed and unmatched transactions significantly impacted our audit procedures and were the primary reasons for DISA's inability to accurately provide sufficient audit evidence.

The effects of the conditions in the preceding paragraphs and overall challenges in obtaining sufficient audit evidence limited our ability to execute all planned audit procedures. As a result, we were unable to determine whether any adjustments were necessary to DISA's financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; 3) the preparation and presentation of Other Information included in DISA GF's Agency Financial Report (AFR), as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DISA GF's ability to continue as a going concern for 12 months beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of DISA GF's financial statements in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. We are required to be independent of DISA GF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We were unable to apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America because of matters described in the ***Basis for Disclaimer of Opinion*** section above. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01, we have also issued reports, dated November 10, 2022, on our consideration of DISA GF's internal control over financial reporting and on our tests of DISA GF's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2022. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 and should be considered in assessing the results of our audit.

Kearney & Company

Alexandria, Virginia
November 10, 2022

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Director, Defense Information Systems Agency, and Inspector General of the Department of Defense

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the General Fund (GF) financial statements of the Defense Information Systems Agency (DISA) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise DISA GF's financial statements, and we have issued our report thereon dated November 10, 2022. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered DISA GF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DISA GF's internal control. Accordingly, we do not express an opinion on the effectiveness of DISA GF's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 22-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings to be a significant deficiency.

We noted certain additional matters involving internal control over financial reporting that we will report to DISA GF's management in a separate letter.

The DISA GF's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DISA GF's response to the findings identified in our engagement and described in the accompanying Agency Financial Report (AFR). DISA GF's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements; accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of DISA GF's internal control. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 10, 2022

Schedule of Findings

Material Weakness

Throughout the course of our audit work of the Defense Information Systems Agency (DISA) General Fund (GF), we identified internal control deficiencies which were considered for the purposes of reporting on internal control over financial reporting. The material weaknesses presented in this Schedule of Findings have been formulated based on our determination of how individual control deficiencies, in aggregate, affect internal control over financial reporting. ***Exhibit 1*** presents the material weaknesses identified during our audit.

Exhibit 1: Material Weaknesses and Sub-Categories

Material Weakness	Material Weakness Sub-Category
I. Fund Balance with Treasury	A. Budget Clearing Account Reconciliation and Reporting Processes B. Statement of Differences Reconciliation and Reporting Processes C. Lack of Controls over the Cash Management Report Creation Process D. Cash Management Report Reconciliation and Reporting Procedures E. Lack of Controls over the Department 97 Reconciliation and Reporting Tool Process
II. Accounts Receivable/Revenue	A. Revenue Samples Not Supported B. Lack of Revenue Recognition and Collection Validation
III. Property, Plant, and Equipment	A. Untimely Asset Transfers
IV. Accounts Payable/Expense	A. Lack of Accounts Payable Validation B. Expense Samples Not Supported C. Lack of Receipt and Acceptance
V. Budgetary Resources	A. Invalid Unfilled Customer Orders Without Advance Transactions B. Invalid Undelivered Orders Transactions C. Inaccurate Recoveries of Prior-Year Unpaid Obligations
VI. Financial Reporting	A. Untimely Issuance of Requested Audit Documentation and Financial Statement Package B. Lack of Documentation of the Defense Information Systems Agency Management's Assessment Related to its Reporting Entity per Statement of Federal Financial Accounting Standards Requirements C. Undistributed and Unmatched Defense Agencies Initiative Transactions D. Lack of Timely Validation of Undistributed Journal Vouchers

I. Fund Balance with Treasury (*Repeat Condition)*

Deficiencies in five related areas, in aggregate, define this material weakness:

A. Budget Clearing Account Reconciliation and Reporting Processes
B. Statement of Differences Reconciliation and Reporting Processes
C. Lack of Controls over the Cash Management Report Creation Process
D. Cash Management Report Reconciliation and Reporting Procedures
E. Lack of Controls over the Department 97 Reconciliation and Reporting Tool Process

A. Budget Clearing Account Reconciliation and Reporting Processes

Background: DISA's service organization manages, reports, and accounts for Fund Balance with Treasury (FBWT) budget clearing (suspense) account activities to the U.S. Department of the Treasury (Treasury). DISA is responsible for monitoring and approving the FBWT reconciliations performed by its service organization on its behalf and is responsible for the complete and accurate reporting of FBWT on its financial statements and disclosures.

Budget clearing accounts temporarily hold unidentifiable general, revolving, special, or trust fund collections or disbursements that belong to the Federal Government. An "F" preceding the last four digits of the fund account symbol identifies these funds. These clearing accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and, therefore, properly affect the budgetary resources of the Department of Defense (DoD) activity. None of the collections recorded in clearing fund accounts are available for obligation or expenditure while in a clearing account. Agencies should have a process to research and properly record clearing account transactions in their general ledgers (GL) timely. DoD 7000.14-R, Financial Management Regulation (FMR), Volume 4, Chapter 2, Section 8.3, *Treasury Reconciliation Requirements* (020803), revised April 2020, states that differences recorded in Treasury Budget Clearing Accounts (suspense accounts) are reconciled monthly as instructed in Treasury Financial Manual (TFM) Volume I Part 2, Chapter 5100 and moved to the appropriate Line of Accounting (LOA) within 60 business days from the date of transaction.

DISA suspense transactions, if any, are included and accounted for in Treasury Index (TI) 97 Other Defense Organizations (ODO), Department of the Navy (DON) (TI-17), Department of the Air Force (TI-57), and Department of the Army (TI-21) suspense accounts based on DoD disbursing processes.

Condition: DISA, in coordination with its service organization, has not implemented sufficient internal control activities to ensure that transactions recorded in suspense accounts do not contain DISA collections and disbursements that should be recognized in the DISA accounting records. While DISA's service organization prepares quarterly suspense management analyses for each TI to identify the total count and amount of suspense account transactions resolved to DISA and other Defense agencies, the management analyses are not available after quarter-end or FY-end in a timely manner to perform sufficient analysis for financial reporting.

Cause: DISA's suspense activity is not recorded in unique suspense accounts, but rather in shared TI-97, TI-57, TI-21, and TI-17 suspense accounts. DoD suspense accounts continue to contain a high volume of collections and disbursements which require manual research and resolution. DISA and its service organization have not designed or implemented a methodology to determine the financial reporting impact of DoD suspense account balances to DISA's financial statements for financial reporting in a timely manner sufficient for quarterly and annual financial reporting timelines.

Effect: DISA cannot identify and record its suspense activity into its GL and financial statements pursuant to quarterly financial reporting timelines. Without additional compensating internal controls or monitoring procedures and analyses, the lack of methodology to determine the financial reporting impact of the suspense balances inhibits DISA's ability to assert to the completeness and accuracy of reported FBWT on its Balance Sheet and other financial statement line items, as applicable.

Recommendations: Kearney & Company, P.C. (Kearney) recommends that DISA implement internal control activities to ensure that material DISA transactions, individually and in the aggregate, are identified and appropriately included within DISA's accounting records. Specifically, Kearney recommends that DISA perform the following:

1. Continue implementing business process improvements to prevent items from reaching suspense.
2. Research and resolve suspense transactions by correcting the transactions in source systems and assist DISA's service organization by providing the necessary supporting documentation for corrections, if needed.
3. Consider any limitations to DISA's service organization's suspense account reconciliation process and develop compensating controls to reconcile any included FBWT suspense activity or, through documented materiality analysis, indicate that management accepts the risk of potential misstatement.
4. Pursuant to receiving the necessary information and documentation from its service organization, develop and implement procedures to identify DISA's actual or estimated suspense account balances for recording and reporting into the GLs and financial statements. Estimates should only be developed using relevant, sufficient, and reliable information.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Continue to develop procedures to determine what portion of the suspense balances, if any, should be attributed to DISA for financial reporting in a timely manner and made available for year-end financial reporting purposes.
2. Continue to monitor and track the resolution of suspense activity cleared to DISA to enable DISA to perform root cause analysis.

3. Continue to develop effective system and process controls to ensure that disbursements and collections are processed with valid TI, Treasury Account Symbol (TAS), and fiscal year (FY) inputs.
4. Continue to develop and implement processes and controls to eliminate instances where transactions are being placed in suspense accounts intentionally.

B. Statement of Differences Reconciliation and Reporting Processes

Background: DISA's service organization provides daily Non-Treasury Disbursing Office (NTDO) disbursing services under various Agency Location Codes (ALC), often referred to as Disbursing Station Symbol Numbers (DSSN). Additionally, DISA's service organization provides monthly Treasury reporting services under various reporting ALCs, which are different than disbursing ALCs. Monthly, NTDO disbursing activity is submitted to its assigned reporting ALC to generate a consolidated Standard Form (SF)-1219, *Statement of Accountability*, and SF-1220, *Statement of Transactions*. Daily, Treasury Disbursing Office (TDO) ALCs submit reports directly to Treasury and complete SF-224, *Statement of Transactions*, at month-end. DoD Components are responsible for investigating and resolving these differences and reporting any required adjustments on their monthly submissions to Treasury.

Treasury compares data submitted by financial institutions and Treasury Regional Financial Centers to ensure the integrity of the collection and disbursement activity submitted. A Statement of Differences (SoD) report, known as the Financial Management Services (FMS) 6652, is generated monthly in Treasury's CARS. The SoD report identifies discrepancies between the collections and disbursements reported to Treasury and what was actually processed for each ALC by accounting month (i.e., the month the report is generated) and accomplished month. DISA is responsible for researching and resolving all differences identified on the FMS 6652 for its ALCs.

There are three categories of SoD reports generated by Treasury: 1) Deposit in Transit (DIT); 2) Intra-Governmental Payment and Collections (IPAC) or Disbursing; and 3) Check Issued. Disbursing Officers responsible for applicable disbursing ALCs are required to research and resolve DIT, IPAC, and Check Issued differences monthly. DISA's service organization has three reporting ALCs which are responsible for month-end reporting of collections and disbursements to Treasury.

Condition: DISA, in coordination with its service organization, has not implemented sufficient internal control activities to ensure that transactions which comprise the SoD balances in DISA's primary DSSNs do not contain DISA collections and disbursements that should be recognized in DISA's accounting records. While its service organization prepares quarterly SoD management analyses for each DSSN to identify the total count and amount of SoD transactions resolved to DISA and other Defense agencies, the management analyses are not available after quarter-end or FY-end in a timely manner to perform sufficient analysis for financial reporting.

Cause: DISA's service organization's process to create the SoD Universe of Transactions (UoT) is a time-intensive and manual process that requires the consolidation of multiple files from various sources and subsequent manual research to identify the owners of the transactions. As such, the UoTs are not available after quarter-end in a timely manner to perform sufficient analysis for financial reporting and often do not identify the responsible reporting entity for each transaction. DISA and its service organization have not designed or implemented a methodology to determine the financial reporting impact of the SoD balances to DISA's financial statements in a timely manner sufficient for quarterly and annual financial reporting timelines. While DISA's service organization has continued efforts to identify root causes by DSSN to reduce SoD balances and clear transactions to DoD entities timely, shared ALCs and lack of LOA information continue to make it difficult to resolve differences timely.

Effect: DISA cannot identify and record its SoD activity into its GL and financial statements pursuant to quarterly financial reporting timelines. Without receiving the complete and final UoTs in a timely manner, as well as additional compensating internal controls or monitoring procedures and analyses, the lack of methodology to determine the financial reporting impact of the SoD balances inhibits DISA's ability to assert to the completeness and accuracy of reported FBWT on its Balance Sheet and other financial statement line items, as applicable.

Recommendations: Kearney recommends that DISA implement internal control activities to ensure that material DISA transactions, individually and in the aggregate, are identified and appropriately included within DISA's accounting records. Specifically, Kearney recommends that DISA perform the following:

1. Assist DISA's service organization by providing supporting information to clear transactions timely.
2. Continue working with Treasury, the Office of the Secretary of Defense (OSD), DISA's service organization, and other parties to transition from leveraging monthly NTDO reporting ALCs to using daily TDO reporting ALCs.
3. Consider any limitations to DISA's service organization's SoD reconciliation process and develop compensating controls to reconcile any included FBWT SoD activity in an effort to minimize the risk of a potential material misstatement, or, through documented materiality analysis and risk assessment, indicate that management accepts the risk of potential misstatement.
4. Pursuant to receiving the necessary information and documentation from DISA's service organization, develop and implement procedures to identify DISA's actual or estimated SoD balances for recording and reporting into the GLs and financial statements. Estimates should only be developed using relevant, sufficient, and reliable information.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Continue to develop procedures to determine what portion of the SoD balances, if any, should be attributed to DISA for financial reporting in a timely manner and made available for year-end financial reporting purposes.

2. Continue to research and resolve SoD transactions in a timely manner.
3. Continue to assess and identify ALCs that primarily report collection and disbursement activity to Treasury on behalf of DISA.
4. Continue to monitor and track the resolution of SoDs cleared to DISA to enable DISA to perform root cause analysis and create projections of potential outstanding unresolved balances.
5. Continue to schedule recurring meetings with DISA to help resolve outstanding differences.

C. Lack of Controls over the Cash Management Report Creation Process

Background: DISA is one of the TI-97 ODOs whose funds are aggregated at Treasury. Treasury maintains and reports FBWT balances at the TAS level, rather than at the limit level, which would distinguish DISA's FBWT balance from the combined ODO FBWT amount. DISA's service organization's Treasury Division produces the Cash Management Report (CMR) to provide ODOs with individual FBWT at limit level.

The CMR creation process is complex and requires the compilation of data from multiple sources and systems, including:

- Headquarters Accounting and Reporting System (HQARS)
  - CIGGAX.txt – A text file of current and cumulative year-to-date disbursement and collection transactions
  - Hcb04y01.txt (Edit Table 4) – Period of Availability (POA) crosswalk table maintained by the Fiscal Code Team at DISA's service organization per 7097 and the Sub-Allocation Holder Identifier (SAHI) regulations
- Defense Cash Accounting System (DCAS)
  - OSDLimitConvTable.csv – Navy Subhead distribution file, which crosswalks Navy subheads to valid OSD limits
- Treasury CARS data
  - CARS_EXPEND.csv – Funding and expenditure data by appropriation reported to U.S. Treasury by ALC for the current FY
  - CARS_RECEIPTS.csv – Net Activity Data by appropriation reported to Treasury by ALCs for the current FY
- Defense Departmental Reporting System (DDRS) – Budgetary (B) of data from the Program Budget Accounting System (PBAS)/Enterprise Funds Distribution (EFD)
  - CMR_Funding.csv – Contains TI-97 funding.

DISA's service organization consolidates the expenditure and budgetary data in HQARS and then transfers the compiled activity to a C# database to create the CMR. The CMR is disaggregated and used to generate TI-97 Audit Workbooks and is ingested into DDRS-B to calculate automated undistributed adjustments that force DISA's FBWT balance to reconcile to the CMR at the limit level. As a DoD Component, DISA is responsible for monitoring and approving the reconciliations performed by its service organization on its behalf.

Condition: Internal control deficiencies were identified in the CMR creation process which negatively impact DISA's ability to support the completeness and accuracy of its FBWT balance. The specific conditions comprise:

- DISA's FBWT is reconciled to Treasury via the CMR created by its service organization. DISA's service organization does not perform data validation procedures to ensure the source files used to create the CMR reconcile back to the original source systems. This applies to expenditure activity that is imported at the summary level from DCAS and the Defense Cash Management System (DCMS) into HQARS, as well as to the files imported or interfaced into HQARS for the DSSN managed by its service organization
- DISA's service organization creates the CMR to determine the FBWT balance for each TI-97 agency at the limit level. The CMR contains unidentified differences with Treasury which could contain transactions belonging to DISA and could pose a completeness risk to DISA
- The data in the CMR is obtained from a number of different sources which use a variety of structures for various data elements. DISA's service organization has created several databases to convert the data into a consistent format that is compatible with HQARS. The tables in these databases that perform the conversions do not have documented controls to ensure the data conversions are performed accurately.

Cause: DISA shares TI and basic symbols with multiple agencies, which prevents it from obtaining its discrete FBWT balance directly from Treasury. DISA is dependent on its service organization to provide the FBWT amount on the financial statements. DISA's service organization does not reconcile input data for the CMR back to source systems. The CMR contains unidentified differences with Treasury, which could contain transactions belonging to DISA and could pose a completeness risk to DISA. In addition, DISA has not fully developed compensating controls to ensure that its FBWT is complete and accurate.

Effect: The internal control deficiencies surrounding the CMR creation process may impact DISA's ability to: 1) support its financial statement balances in a timely manner; 2) support the completeness and accuracy of its FBWT; and 3) detect errors which may result in the increased risk that errors or necessary adjustments exist but remain undetected by management. DISA is unable to support the completeness and accuracy of its FBWT without sufficiently documented procedures and controls over the generation of the CMR. The internal control deficiencies over the creation of the CMR also mean that the assignment of transactions in the CMR to various ODOs may not be accurate. As a result, DISA's financial statements may contain significant misstatements that may not be detected and corrected in a timely manner.

Recommendations: Kearney recommends that DISA perform the following:

1. Implement appropriate data validation controls of the source files used to create the CMR as they are gathered and transferred from system to system during the creation of the CMR process.
2. Create the CMR in a system with appropriate general application information technology (IT) controls to prevent changes to the data without appropriate authorization.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Work with Treasury to establish subaccounts under the basic symbols used by DISA (0100, 0300, 0400, 0500) that are unique to DISA so that it can obtain CARS reports to document its FBWT balance directly from Treasury and remove the need for the creation of the CMR.

D. Cash Management Report Reconciliation and Reporting Procedures

Background: DISA is one of the TI-97 ODOs whose funds are aggregated at Treasury. Treasury maintains and reports FBWT balances at the TAS level, rather than at the limit level, which would distinguish DISA's FBWT balance from the aggregated ODO FBWT amount. DISA's service organization's Treasury Division produces the CMR to provide ODOs with individual FBWT at limit level.

The CMR is broken up into different categories, two of which are Edit Issue Balances, also called "Reconciling Items," and Unidentified Variances. For the transactions in these categories, an owner agency has not been identified at the time of reporting; therefore, they are not reported on any specific ODO's financial statements, including DISA's. DISA's service organization is responsible for tracking, researching, and resolving the Reconciling Items and Unidentified Variances timely as part of the TI-97 FBWT reconciliation. The CMR Reconciling Items could potentially result in material misstatements for any one specific TI-97 agency, including DISA.

Condition: DISA, in coordination with its service organization, has not implemented sufficient internal control activities to ensure that transactions recorded in the CMR Reconciling Items and Unidentified Variances do not contain DISA collections and disbursements that should be recognized in DISA's accounting records. While DISA's service organization prepares quarterly CMR management analyses to identify the total count and amount of Reconciling Items and Unidentified Variances transactions resolved to DISA and other Defense agencies, the management analyses are not available after quarter-end or FY-end in a timely manner to perform sufficient analysis for financial reporting.

Cause: DISA shares TI and basic symbols with multiple agencies, which prevents it from obtaining its discrete FBWT balance directly from Treasury. DISA is dependent on its service organization to provide the FBWT amount on the financial statements. The CMR contains Reconciling Items and Unidentified Variances with Treasury which could contain transactions belonging to DISA and could pose a completeness risk to DISA. In addition, DISA has not fully developed compensating controls to ensure that its FBWT is complete and accurate. DISA and its service organization have not designed or implemented a methodology to determine the financial reporting impact of CMR Reconciling Items and Unidentified Variances to DISA's financial statements for financial reporting in a timely manner sufficient for quarterly and annual financial reporting timelines. While DISA's service organization has continued efforts to identify root causes and clear transactions to DoD entities timely, shared basic symbols and a lack of LOA information continue to make it difficult to resolve differences timely.

Effect: DISA cannot identify or record CMR Reconciling Items or Unidentified Variances activity belonging to DISA into its GL and financial statements pursuant to quarterly financial reporting timelines. Without additional compensating internal controls or monitoring procedures and analyses, the lack of methodology to determine the financial reporting impact of these balances inhibits DISA's ability to assert to the completeness and accuracy of reported FBWT on its Balance Sheet and other financial statement line items, as applicable.

Recommendations: Kearney recommends that DISA perform the following:

1. Work with Treasury to establish subaccounts under the basic symbols used by DISA (0100, 0300, 0400, 0500) that are unique to DISA so that it can obtain CARS reports to document its FBWT balance directly from Treasury and remove the need for the creation of the CMR.
2. Work with Treasury, OSD, DISA's service organization, and other parties to transition away from using monthly non-CARS reporting ALCs to daily full CARS reporting ALCs.
3. With the support of its service organization, continue developing and implementing a methodology to identify the actual or estimated impact of CMR differences that should be attributed to DISA's FBWT account.
4. Consider any limitations to DISA's service organization's CMR reconciliation process and continue developing compensating controls to reconcile any included FBWT activity or, through documented materiality analysis, indicate that management accepts the risk of potential misstatement.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Continue to develop and implement procedures to resolve differences between the CMR and CARS monthly and identify the agencies for which the differences impact.
2. Ensure that the documented procedures are reviewed and updated regularly.
3. Continue to monitor and track the resolution of the various CMR differences categories cleared to DISA to enable DISA to perform root cause analysis and create projections of potential outstanding unresolved balances.

E. Lack of Controls over the Department 97 Reconciliation and Reporting Tool Process

Background: DISA is a DoD agency that is required to prepare quarterly and annual financial statements in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as established by the Federal Accounting Standards Advisory Board (FASAB).

The Department 97 Reconciliation and Reporting Tool (DRRT) is primarily used to reconcile TI-97 ODO disbursements and collections that have posted to Treasury against the detailed transactions recorded in the ODOs' GL systems, as well as provide the basis for agencies' undistributed adjustments journal vouchers (JV). DRRT is a Transact-Structured Query Language (T-SQL) programmed system developed by DISA's service organization.

DISA's service organization uses DRRT to perform monthly FBWT reconciliations for multiple ODOs, including DISA, to identify differences in FBWT balances between what is reported on the CMR and what is recorded in an entity's GL system. Individual ODOs utilize various financial systems. Financial data from these systems are collectively imported into DRRT for processing at DISA's service organization. The DRRT reconciliation process exists to ensure that the net FBWT balance attributed to and reported within an ODO's GL, including DISA GF's Defense Agencies Initiative (DAI) GL system, ties to the balance reported on the CMR for that agency. DISA is responsible for reconciling its FBWT monthly and maintaining effective internal controls over its financial reporting to prevent, detect, and correct material misstatements in a timely manner. This includes coordinating with its service organization, as necessary, and monitoring, reviewing, and approving the reconciling procedures performed on its behalf. Without administering these steps, DISA is at risk of posting unsupported adjusting entries and potentially reporting material misstatements in its financial statements.

Condition: DISA does not validate the information received from DRRT or have front-end controls in place to confirm the accuracy and completeness of the data attributed to DISA GF.

DISA's service organization does not have procedures or controls in place to reconcile input data imported into DRRT back to original source systems. Additionally, DISA's service organization does not have a process in place to validate that the limits assigned to transactions within DRRT are accurate and attributed to the correct entities, including the transactions attributed to DISA GF.

Cause: DISA and its service organization did not design or implement effective FBWT reconciliation controls to ensure that accurate, complete, and properly supported financial data is included within the DRRT reconciliation. While DISA has made improvements since FY 2021, it does not have an effective Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, program or an enterprise risk assessment process in place, which would include developing detective controls over recurring financial reporting procedures. Additionally, DISA's internal control program does not include testing controls to ensure they address the applicable financial reporting objectives.

Effect: As a result of the lack of effective controls over the DRRT reconciliation process, FBWT may be misstated and include transactions that do not belong to DISA, and misstatements may not be detected and corrected timely, which may result in a misstatement on DISA's financial statements.

Recommendations: Kearney recommends that DISA perform the following:

1. Develop and implement procedures for effective communication with its service organization's management throughout the DRRT reconciliation process to ensure there is DISA management review and approval of the data being attributed to DISA from DRRT.
2. Develop and implement effective controls to ensure the validation and/or review of the data received from its service organization, produced by DRRT, before it is recorded into DISA's GL system.
3. Coordinate with its service organization to develop and implement a process in which data imported into DRRT is traced to original source systems and the accuracy of the LOA information is validated.
4. Develop a more effective internal control program, including an enterprise-wide risk assessment, to determine risks in financial reporting and implement detective controls in line with financial reporting objectives.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Develop and implement effective controls related to identifying and analyzing the risk with regard to the incorrect and incomplete data used for ODOs' financial statement compilation, including an analysis of internal and external factors, involving appropriate level of management, and determining how to respond to risk.
2. Develop and implement effective procedures to internally communicate information necessary to support the functioning of internal controls related to the DRRT reconciliation, including relevant objectives and responsibilities. These procedures should include the flow of information up, down, and across the organization using a variety of methods and channels.

II. Accounts Receivable/Revenue *(Repeat Condition)*

Deficiencies in two related areas, in aggregate, define this material weakness:

A. Revenue Samples Not Supported
B. Lack of Revenue Recognition and Collection Validation

A. Revenue Samples Not Supported

Background: DISA participates in various types of transaction activities that generate revenue that is reported on its annual Statement of Net Cost (SNC). Specific to DISA GF, this revenue is generated primarily to provide information system (IS) services to various trading partners throughout the FY. DISA GF revenue recorded for the period ended March 31, 2022 totaled approximately $62.9 million. DISA management is responsible for ensuring revenue transactions are recorded in the correct period for the correct amount.

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As part of the procurement process, DISA prepares billing documentation for services performed for its customer. This invoice type varies, as it is dependent on whether the transaction is between another Government agency or a commercial customer. Another type of document, which is typically included in addition to the invoice provided by DISA, relates to SF-1080, *Vouchers for Transfers Between Appropriations and/or Funds.* This standard DoD form provides details relating to the amount of the applicable transfer and appropriation, as well as citing the agency's (e.g., DISA GF) LOA. A majority of DISA's transactions that utilize the SF-1080 forms are processed through DCAS and IPAC, as well as the SF-1080-Print (PRN) billing process. DISA's service organization processes and collects these intragovernmental transactions and bills on behalf of the customers and their performing agencies.

Condition: A sample of 129 DISA GF revenue transactions underwent review. Testing resulted in 21 exceptions, totaling approximately $537,000. Exceptions were related to revenue recorded by DISA in the current year; however, the supporting documentation provided indicated the revenue was earned in a prior year.

Cause: DISA management does not have processes or controls in place to ensure revenue is recorded in the period in which it is earned. DISA does not currently record an accrual to account for revenue that is earned, but not yet billed. Many of DISA's revenue transactions are driven by its expense recognition, which is subject to an accrual. However, when these expense accruals are recorded, DISA does not always record an entry to reflect the corresponding revenue accrual. Also, as noted in Notice of Finding and Recommendation (NFR) #2022-FIN-GF-11, *Undistributed and Unmatched DAI Transactions*, a significant number of payments (expenses) were not recorded in DISA's financial accounting system accurately and timely. When expenses that drive DISA's revenue are not recorded timely, DISA cannot effectively perform analysis to ensure revenue is recorded in the correct period.

Effect: The exceptions noted during sample-based testing amounted to DISA's earned revenue being misstated by approximately $537,000. However, due to the systemic nature of this control deficiency, additional misstatements also exist in this balance. Without effective controls relating to timely revenue recognition, DISA is unable to ensure that revenue will be billed and collected accurately, completely, and in a timely manner. DISA management cannot assert to the completeness and accuracy of the amounts recorded on the SNC Earned Revenue line item, as well as the Accounts Receivable (AR) line item on the Balance Sheet. DISA's current revenue recognition process does not ensure revenue is recorded in the period it is earned.

Recommendations: Kearney recommends that DISA perform the following:

1. Design and implement procedures and controls to confirm that revenue accruals are recorded to match corresponding expense accruals, when appropriate. This should include posting a JV entry to ensure revenue is recorded in the proper period.
2. Implement the recommendations described in NFR #2022-FIN-GF-11, *Undistributed and Unmatched DAI Transactions*, and reconcile expenditure activity to revenue activity.

B. Lack of Revenue Recognition and Collection Validation

1. Lack of Revenue Recognition

Background: DISA provides goods and services to other Federal and commercial entities that generate revenue reported on the SNC. These revenues are generated primarily to provide IS services to various trading partners throughout the FY. Much of DISA's revenue is earned by performing work through Reimbursable Agreements. Under the Economy Act of 1933, which allows Federal agencies to use advances or reimbursements in return for providing others with goods and services, payment (via expenditure transfer) may be made in advance or reimbursements may be made. Advances and reimbursements from other Federal Government appropriations are available for obligation, but not disbursed until received, when the ordering appropriation records a valid obligation to cover the order. The Act states that the providing agency shall charge the ordering agency "on the basis of the actual cost of goods or services provided" as agreed to by the agencies. DISA management is responsible for ensuring all revenue is billed and recorded in the correct period for the correct amount.

Condition: DISA identified instances where goods and services were provided to other Federal agencies, but revenue was not being systematically recorded in its accounting system, DAI, as expected. Manual research conducted by DISA, utilizing the End-to-End Reimbursable Data Mart (E2ERDM) system reports and Advanced Analytics (Advana), has not identified or corrected all instances of unrecorded revenue. Due to the manual review process that has not been completed, there is a risk that DISA's revenue reported on the financial statements is not accurate or complete.

Cause: DISA relies on transaction posting models in DAI to ensure that revenue is recorded and billed. Expenditures relating to reimbursable activity should systematically generate revenue within DAI. DISA's manual research has not yet identified all causes of the unrecorded revenue identified to date. In addition, DISA did not establish or implement an effective control or process to review and reconcile reimbursable activity to ensure all revenue was being accurately recorded. DISA is in the process of designing a control to detect future instances and correct prior-period errors.

Effect: DISA has not completed its analysis to determine the total impact of unbilled and unrecorded revenue in DAI. The revenue reported on DISA's SNC may not be complete or accurate for the period ended June 30, 2022. DISA's revenue and related budgetary accounts could potentially be materially misstated due to prior-year and current-year unrecorded revenue.

Recommendations: Kearney recommends that DISA perform the following:

1. Continue to research, identify, and quantity the total misstatement due to the lack of revenue recognition. Once complete, DISA should post the appropriate adjusting entries to ensure the SNC is materially correct.
2. Continue to design and implement processes and controls to ensure all revenue from reimbursable activities is actually recorded and reconciles to the associated expenditure.

3. Continue review of the E2ERDM system-generated reports to review revenue to determine if the revenue posted is recognized in the proper period.

2. Lack of Monitoring and Assigned Criteria of the Defense Information Systems Agency's Manual Collections Transactions

Background: Receivables arise from claims to cash or other assets against another entity. DISA's business process consists of its service organization processing collections received from DoD and Non-DoD entities on behalf of DISA. DISA's collections are received via automated or manual methods. DISA's service organization receives manual collections through the 1080-PRN process in the following classification categories: FedWire, Automated Clearing House (ACH)/Credit Card (Pay.Gov), and Physical Checks. DISA's service organization is responsible for collecting these payments from the entities and ensuring that the collections are credited to DISA. However, DISA is responsible for monitoring its service organization to ensure that the applicable collections are recorded and apply to DISA. The manual collections for the FedWire/ACH/Physical Checks transactions are processed at DISA's service organization, and each transaction received flows through DISA's service organization prior to any involvement of DISA personnel.

Based on the prior findings, DISA GF has taken actions outlined in its Corrective Action Plan (CAP) for remediation efforts, but it had not fully implemented the applicable controls in FY 2022. DISA's service organization utilizes an informal listing and relies on its individual knowledge and prior experience in determining the applicable entity to assign the collection amounts. In January 2022, DISA GF implemented a new process, entitled ALC+3, specific to ACH customers, but had not fully executed the testing of the new controls, and the teams are working with their customers to document billing methods, thus ensuring that both DISA and its service organization could accurately reconcile the collections balances. Collections also received via the FedWire, ACH, and Physical Checks processes may not arrive with any specific data to identify and link it to an agency, and each transfer from DISA's service organization requires research to determine the applicable receiving agency. DISA relies on its service organization to track the receipt of these manual collections and determine which payments pertain to DISA. DISA is working with its service organization to review and finalize a listing of customers and collection reports to improve the collections process in place at DISA GF, as well as continuing to implement and test the quarterly collections reviews in response to the NFR.

Condition: DISA has not fully implemented a process to create and maintain appropriate documentary evidence to support manual collections received through the FedWire, ACH, Physical Check processes. This can result in unmatched collections. DISA had not fully implemented its quarterly collections control processes to monitor customer listings created by its service organization to confirm and reconcile that the collections received via the FedWire/ACH/Physical Check processes are credited to the proper DISA account and the corresponding bill, which could result in potential unmatched collections.

Cause: In response to the prior-years' NFRs, DISA has been working with its service organization to better develop the collections process. The CAP in place has not yet fully executed the planned controls in place for DISA GF to remediate the finding and perform effective reviews over the customer listings and processed collections in place at DISA's service organization. As such, DISA has not provided oversight for the GF collections process in place at its service organization to ensure that the collections received through the various methods of collection have a proper review or agency-specific reconciliation prior to the acceptance and processing by its service organization on behalf of DISA.

Effect: Without appropriate monitoring and a formalized, official customer listing in place at DISA's service organization, there is an increased risk that DISA could receive FedWire/ ACH/Physical Check transaction collections that may not be related to DISA's operations or transactions and, thus, are credited to the incorrect customer. Conversely, there is an increased risk that DISA could record a collection that was not related to its operations.

Recommendations: Kearney recommends that DISA perform the following:

1. Continue to implement and test the CAP remediation efforts in place to further develop the GF's collections process.
2. Design, coordinate, and formally implement a process to document and perform a quarterly review of a formalized listing of DISA's customer agencies to ensure the listing continues to be updated and revised for any incoming FedWire/ACH/Physical Check collections received at DISA's service organization on behalf of DISA to account for the accurate recording of the receivables.
3. Coordinate with its service organization to continue to implement the current effort to assign account numbers to Commands to automatically apply the applicable agency that is associated with the received wires and other collection transactions.
4. Increase the review and communication of the agencies submitting collections to effectively monitor the process completed at DISA's service organization on behalf of DISA to ensure there is an appropriate understanding between DISA and its service organization on the responsibilities, as well as update necessary documentation noted within the Standard Operating Procedure (SOP) on at least an annual basis.

III. Property, Plant, and Equipment *(New Condition)*

A deficiency in this area defines this material weakness for Property, Plant, and Equipment (PP&E).

A. Untimely Asset Transfers

Background: The September 30, 2021 DISA GF General PP&E was composed of leasehold improvements, equipment, and software with a net book value (NBV) of $459.4 million. DISA utilizes the Defense Property Accountability System (DPAS) as its property management system, which provides property financial reporting information.

Starting in FY 2019, assets purchased using GF appropriations that will be leveraged for the DISA Working Capital Fund (WCF) are reported as Construction-in-Progress (CIP) (United States Standard General Ledger [USSGL] 172000) on the GF until deployed from a DISA storage warehouse. When an asset is purchased by the GF and received from the storage warehouse as CIP, the date of shipment from the storage warehouse is used as the activation date for depreciation.

In FY 2020, DISA implemented controls to identify equipment and labor costs received but not recorded in DPAS at FY-end. Accordingly, the DISA Capital Asset Management (CAM) Team identifies equipment received or disposed of and not recorded in DPAS at FY-end due to monthly "down-time" and creates a JV to account for the costs. DISA is responsible for establishing controls to record assets timely and accurately in DPAS.

Condition: DISA management did not transfer assets from the GF to the WCF in a timely manner. The following transactions were recorded by DISA during FY 2022 and noted several events that actually occurred in prior periods, as described below

- DISA management transferred equipment and software assets from the GF to the WCF in FY 2021 and prior but did not record the transfers in its property records until FY 2022. The equipment had an NBV of $4.9 million and a Software NBV of $10.5 million
- DISA did not identify certain capitalizable costs, referred to as equipment ancillary cost, of $11.7 million until FY 2022 that should have been transferred to the WCF prior to September 30, 2021
- DISA processed a JV late in FY 2022 to transfer $35 million in equipment from the GF to the WCF which should have been transferred in FY 2021. Additionally, DISA officials did not communicate this JV correction to the auditor timely.

Cause: The untimely asset transfers generally resulted from inconsistent or ineffective communications between program officials responsible for the assets and DISA officials who are responsible for property accounting. Many of the noted testing exceptions related to a new program (i.e., 4ENO Program). Specifically, DISA did not transfer 4ENO Program assets timely from the GF to the WCF because the program was incorrectly identified as a program for the GF rather than the WCF. For the assets recorded through the year-end JV, the DISA CAM Team was not timely informed that the equipment was installed onsite by the vendor as opposed to delivery to the DISA warehouse. Additionally, due to the agency's decentralized environment with equipment in locations world-wide, DISA's program personnel do not always provide documentation to the DISA CAM Team timely or have a consistent understanding of property accounting requirements.

Effect: The untimely asset transfers resulted in an overstatement of approximately $62 million NBV on the PP&E financial statement line item on the Balance Sheet and the General Equipment cost on Footnote 9 of the September 30, 2021 financial statements. DISA management is currently confirming the impacts and appropriate accounting treatment for assets impacted by year-end cut-off. The lack of an effectively designed control increases the risk that a material misstatement could occur and not be prevented, or detected and corrected, in a timely manner.

Recommendations: Kearney recommends that DISA perform the following:

1. Further develop an effective control and process to monitor assets for timely activation and ensure they are recorded in the financial statements in a timely manner by JV if received after the DPAS shut-down period.
2. Develop and implement a process to monitor CIP accounts on DISA GF to ensure timely transfers and review inventory reports from the DISA warehouse to monitor asset shipments.
3. Implement an effective control and process to notify the DISA CAM Team when shipments arrive or depart site locations, in addition to enhanced coordination with Property Custodians on asset shipments.
4. Develop and implement a review process to ensure all new programs are designated to the correct Fund to ensure that DISA accurately records assets to the correct Fund's financial statements.
5. Conduct annual PP&E inventory control to ensure assets noted on the inventory are identified in the current FY's financial statements.
6. Increase communication between the DISA CAM Team, DISA Financial Management Team, and DISA's main program officials who are responsible for significant property inventories. This may include property management and property accounting training programs for DISA's program officials.

IV. Accounts Payable/Expense *(Repeat Condition)*

Deficiencies in three related areas, in aggregate, define this material weakness:

A. Lack of Accounts Payable Validation
B. Expense Samples Not Supported
C. Lack of Receipt and Acceptance

A. Lack of Accounts Payable Validation

1. Invalid Accounts Payable

Background: Accounts Payable (AP) are liabilities owed by the DoD for goods and services received from, progress in contract performance made by, and rents due to other entities. Federal agencies should only record a liability when there is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions. The USSGL provides guidance on which USSGL accounts should be used to report the various types of liabilities that a Federal entity may encounter. DISA's AP GL detail as of September 30, 2021, totaled $7.0 million.
In October 2018, DISA GF transitioned its GL accounting system from the Washington Headquarters Services (WHS) Allotment and Accounting System (WAAS) to DAI. After the conversion, DISA GF encountered several system issues related to activity posting in a complete

and accurate manner. The remediation efforts related to these systematic issues are currently ongoing. Due to the GL conversion and DAI's data quality limitations, DISA's service organization, on behalf of DISA, processes payments without the appropriate data and project elements, which can result in undistributed and unmatched transactions. In order to correct undistributed and unmatched transactions, DISA uses a process to void and cancel the original payment, which requires manual efforts to ensure transactions are reposted correctly.

Condition: DISA's AP balance in DAI was summarized for audit testing into 44 unique projects. Testing over DISA's Beginning Balance AP line item revealed 18 exceptions, totaling $5.6 million of AP that did not represent a true liability as of September 30, 2021. These exceptions included duplicative AP balances, residual errors due to conversion to DAI, and uncorrected errors during the void and cancel process.

Cause: Undistributed and unmatched transactions, coupled with the void and cancel process, limit DISA's ability to appropriately reconcile, track, and monitor the validity of AP balances within DAI. DISA's processes to void, cancel, and correct unmatched payments within DAI occasionally result in unintended misstatements. In some cases, the correcting entry for an unmatched transaction is not posted in a complete and accurate manner, resulting in abnormal balances. Further, DISA management did not have a process to review and potentially correct aged and abnormal AP balances that remained in DAI as of September 30, 2021.

Effect: Without effective processes and controls in place to review and correct invalid AP, there is an increased risk that DISA's AP line item on the Balance Sheet is materially misstated. Cumulative errors have posted within DISA's AP GL detail and, due to the void and cancel process, DISA cannot effectively attest to the validity of its AP line item. Additionally, DISA's AP accrual estimate may be misstated due to the errors posted within DAI.

Recommendations: Kearney recommends that DISA perform the following:

1. Implement and document a process to research, identify, and correct invalid AP balances that exist within DAI, including aged and abnormal balances.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Establish preventative controls to ensure payments made on behalf of DISA cannot process as unmatched into DAI without a valid obligation and AP. This would ensure all payments post correctly in DAI.
2. Develop and implement alternative methods to effectively correct unmatched transactions and discontinue the void and cancel process within DAI.
3. Implement and document a process to research, identify, and correct systematic interface issues in DAI in a timely manner in order to reduce the overall undistributed and unmatched transaction balances.

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COMPANY

2. Lack of Accounts Payable/Expense Accrual Validation

Background: A liability is a responsibility of a Federal Government agency to provide assets or services to another entity at a determinable date, when a specific event occurs, or on demand. Federal agencies should only record a liability when there is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions. USSGL provides guidance on which USSGL accounts should be used to report the various types of liabilities that a Federal entity may encounter.

When a Federal agency is preparing financial statements, a methodology for estimating amounts owed, but not yet invoiced, must be established. This AP estimate ensures expenses are recorded in the proper period using accrual accounting and the matching principle. Management is responsible for developing these reasonable estimates based on assumptions and relevant factors and comparing estimates with subsequent results to assess the accuracy of the estimation process. An AP accrual is intended to recognize amounts owed by DISA for goods and services received, but not yet invoiced, and amounts invoiced, but not yet paid at the end of the accounting period. The majority of AP recorded by DISA GF is estimated. As of September 30, 2021, invoiced AP totaled $7.0 million, while estimated AP totaled $353.9 million. Nearly 75% of DISA GF's estimated AP is with the WCF. That portion is validated through a reconciliation process. The GF's estimated non-WCF accrual subject to a separate validation as of September 30, 2021 totaled $99.1 million.

Condition: DISA GF records estimated AP/Expenses based on a straight-line estimation methodology of 91% of the total contract value over the period of performance specified in the signed contract agreement. DISA calculated this estimate by reviewing its history of completed contracts and the payments recorded compared to contractual ceiling values. DISA has not successfully implemented a process or control to analyze subsequent vendor invoices paid to determine which FY the underlying goods and services were received. Such an analysis would provide a validation of whether the estimated AP reported at period end was estimated based on reasonable assumptions.

Cause: DISA has not successfully executed a process to validate its AP accrual estimates through a review of documentation in a timely and effective manner that supports when the goods or services were actually received. In FY 2022, DISA initiated a process to attempt to perform this validation. However, several factors impact DISA's ability to complete the validation in a complete and timely manner. For example, supporting documentation behind DISA's intra-governmental expenses does not consistently contain sufficient detail to determine when goods or services were actually incurred. Further, corrections to prior-year unmatched disbursement activity cannot be easily identified and appear to be current-year activity. DISA's GL expense and AP detail do not differentiate between contract type, which may change the assumption and inputs of the AP accrual.

Effect: Without sufficient underlying supporting documentation and a process to validate the reasonableness of significant accounting estimates, the estimates may be based on assumptions that are not consistent with actual events and data. This increases the risk that DISA's financial statements may be misstated.

Recommendations: Kearney recommends that DISA perform the following:

1. Continue to execute its plan to perform an accrual validation through the review of subsequent vendor invoices. DISA should compare actual vendor invoice amounts to the estimated AP balance to assess the reasonableness of the estimate.
2. Reassess the reasonableness of the AP estimation technique and its underlying assumptions based on the results and conclusion of the validation effort. This should include adding a data field to differentiate contract type.
3. Coordinate with its service organization to ensure expense transaction supporting documentation contains sufficient evidence of when goods/services were provided, as prescribed in the FMR.

3. Lack of Cut-Off Controls Related to Accounts Payable/Expense and Accounts Receivable/Revenue

Background: DISA is a DoD agency that is required to prepare annual financial statements in accordance with GAAP, as established by FASAB. When a Federal agency prepares financial statements, a methodology for estimating amounts owed, but not yet invoiced, must be established. The estimate ensures expenses are recorded in the correct period in accordance with GAAP. Many of DISA's expenditures are passed onto its customers creating revenue, so this issue impacts the AR and Revenue line items as well. DISA management is responsible for asserting that all transactions are accounted for in the proper period through an accrual and subsequent period review of activity.

In October 2018, DISA transitioned its GL accounting system from WHS WAAS to DAI. Due to data conversion and posting logic challenges, a significant number of payments made by its service organization on behalf of DISA were processed without matching the payment to the appropriate project within DAI. Payments not linked to a document in DAI, also called "unmatched disbursements," generate expense transactions. In some cases, transactions are not posted to DAI, but are assigned to DISA and posted through an unsupported JV entry, called "undistributed activity."

Condition: DISA does not perform an effective review of subsequent period disbursements, collections, expense, and revenue activity to determine if activity posted in the following FY should be accounted for in the current FY through a JV adjustment or if the activity was properly accounted for through DISA's estimated accrual. Additionally, DISA does not fully assess the impact of transactions that have not interfaced or posted into DAI, such as undistributed and unmatched activity, when asserting to the existence and completeness of its Expense, Revenue, AP, AR, and related budgetary account balances. Expense and revenue sample testing results have identified multiple instances of DISA recording revenue and expense transactions in the incorrect FY.

Cause: DISA's internal control structure does not effectively assess the risk over all of the relevant financial statement assertions related to AP, Expense, AR, and Revenue. Within DAI, there are still a significant number of transactions that are not processed timely and accurately. DISA's accounting policies for processing undistributed and unmatched transactions does not allow for an effective review and analysis to ensure activity reported on the financial statements is recorded in the correct period.

Effect: Without review of subsequent period activity, DISA cannot perform proper cut-off procedures or support that the amounts reported on Gross Costs and revenues on its SNC and that AP and AR on its Balance Sheet are complete and exist or occurred. There is an increased risk of material misstatements reported on the SNC and Balance Sheet.

Recommendations: Kearney recommends that DISA perform the following:

1. Design and implement internal controls to perform a risk assessment that links risks to the financial reporting objectives, financial statement lines, and related assertions.
2. Continue to coordinate with its service organization to establish controls to mitigate or clear unmatched expense transactions and reduce the undistributed balance in a timely manner.
3. Develop and perform a review of transactions that occur in the following FY to determine if they should be accounted for in the current period and determine if an adjusting entry is needed.

B. Expense Samples Not Supported

Background: DISA participates in various types of transaction activities that generate expenses for the agency which are reported on the SNC. These expenses are generated primarily through the costs to provide IS services to various trading partners, as well as the standard, operational expenses incurred throughout the FY. DISA GF records expenses based on cash payments and estimated expenses based on a straight-line estimation methodology of 91% of the total contract value over the period of performance specified in the signed contract agreement through an accrual JV. DISA calculated this estimate by reviewing its history of completed contracts and the expenses recorded compared to contractual ceiling values. DISA GF expenses recorded for the period ended March 31, 2022 totaled $1.8 billion. DISA management is responsible for ensuring expense transactions are recorded in the correct period for the correct amount and that appropriate documentation is readily available to support the transaction.

As part of the procurement process, DISA obtains documentation for services received from the vendor. This invoice type varies, as it is dependent on whether the transaction is between another Government agency or a commercial vendor. When the transaction is with another Government agency, DISA typically obtains an SF-1080, *Vouchers for Transfers Between*

Appropriations and/or Funds. This standard DoD form provides details relating to the amount of the applicable transfer and appropriation, as well as citing the agency's (e.g., DISA GF) LOA. Additionally, the SF-1080 is primarily used by DISA's service organization when processing and documenting the transactions. A majority of DISA's transactions that utilize the SF-1080 forms are processed through DCAS and IPAC, as well as the 1080-PRN billing process. For each of these sources of intragovernmental transactions, DISA's service organization processes and collects on behalf of the performing agency.

Condition: A sample of 345 GF expense transactions was selected for review. Of the 345 samples, testing was completed over only 270 samples due to the intent to disclaim on DISA GF's financial statements. Testing over DISA's supporting documentation identified 31 exceptions totaling $8.0 million. Several exceptions related to expenses recorded by DISA in the current year; however, the supporting documentation provided indicated the expense was incurred in a prior year and not accounted for through DISA's prior-year accrual process. Additional exceptions related to prior-period unmatched activity. Testing indicated further exceptions for transactions in which DISA was not able to provide sufficient audit evidence to support what period the expense was incurred.

Cause: DISA's service organization does not maintain appropriate evidence to support the payments made on DISA's behalf. DISA does not have controls in place to retain documentation of when expenses were incurred. As noted in NFRs #2022-FIN-GF-09, *Lack of Timely Validation of Undistributed JVs*, and #2022-FIN-GF-11, *Undistributed and Unmatched Transactions*, a significant number of payments are not recorded in DISA's financial accounting system timely and accurately, and DISA relies on payments to post expenses in its accounting system. When unmatched payments are corrected in DAI, a process to void and cancel the original transaction populates GL data incorrectly in the current year when corrections cross FYs.

Effect: Without sufficient and appropriate audit evidence for underlying expenses, DISA is unable to sufficiently support the amounts reported in DISA's Gross Cost line (SNC) and AP (Balance Sheet). This lack of documentation also impacts DISA's ability to sufficiently complete accrual estimates and ensure expenses are posted in the proper period.

Recommendations: Kearney recommends that DISA perform the following:

1. Design and implement procedures and controls to confirm the expenses are appropriately recorded in the proper period, or accounted for through DISA's accrual process, as well as contain the necessary documentation and support for each transaction type.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Coordinate to ensure that sufficient and appropriate evidence is collected and maintained for each expense transaction prior to processing the payment so DISA has readily

available documentation to support expense transactions (e.g., applicable invoice, matching receiving report, and/or applicable contract).
2. Establish preventative controls to ensure payments made on behalf of DISA cannot process as unmatched into DAI without a valid obligation and AP. This would ensure all payments post correctly in DAI.
3. Develop and implement alternative methods to effectively correct unmatched transactions and discontinue the void and cancel process within DAI.

C. Lack of Receipt and Acceptance

1. Lack of Intragovernmental Payment and Collection System Receipt and Acceptance Process

Background: DISA GF participates in Reimbursable Work Order – Grantor (RWO-G) transactions with its intragovernmental trading partners. Within an RWO-G agreement, DISA grants reimbursable authority to another Federal entity that performs the work stipulated in the agreement and bills DISA in order to replenish the funding that it expended on DISA's behalf. In this process, DISA, through its service organization, reimburses its trading partners using IPAC.

The IPAC system allows intragovernmental entities to transfer funding between one another as reimbursement for goods and services provided. This system is configured to allow the service organization to process payments without prior approval from the receiver of those goods or services. These disbursements and collections are reported to Treasury on a monthly basis by its service organization, and DISA allows its service organization to accept and create payments on its behalf. DISA retains responsibility for ensuring it has sufficient appropriate documentation to support the payment.

Condition: DISA does not consistently obtain, review, and document the receipt and acceptance of goods and services received from intragovernmental trading partners prior to payment.

Cause: DISA has engaged a service organization to process disbursements that pertain to expenses on the agency's behalf. DISA has not developed and implemented a formalized process with supporting internal controls to validate trading partner activity prior to payment via evidence of receipt and acceptance. DISA has not yet implemented G-Invoicing, which is required for all new orders dated October 1, 2022 and later. Additionally, DISA has not developed and implemented a process to obtain timely post-payment evidence of receipt.

Effect: Without appropriate receipt and acceptance of trading partner activity, DISA is not able to confirm the accuracy, validity, or timeliness of its intergovernmental transactions (both Gross Costs and AP). As a result, DISA may have misstatements in its Gross Costs and AP in the period it receives goods and services, as well as additional misstatements in the subsequent period when the Gross Costs and AP are recorded. DISA is at increased risk of paying trading partners for goods or services that do not conform with the terms of its agreements or that DISA did not receive.

Recommendations: Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Design, track, and implement G-Invoicing and ensure the process is mitigating the issues identified in the condition accordingly.
2. Design and implement a process to validate and document receipt and acceptance of goods/services provided by intragovernmental trading partners to confirm the valuation and occurrence of expense transactions.
3. Coordinate with trading partners to ensure Support Agreements (SA), Inter-Agency Agreements (IAA), Memorandums of Understanding (MOU), or equivalent include language requiring cooperation of the trading partner to provide any required documentation necessary for DISA to validate the accuracy of the amounts that have been billed.

2. Lack of Documentation Reflecting Wide Area Workflow Receipt and Acceptance

Background: DISA GF procures various telecommunication and computing goods and services throughout the year with both DoD and Non-DoD agencies. DISA receives invoices for the procured goods/services through the Wide Area Workflow (WAWF) system. A majority of these transactions are invoiced through the system. WAWF provides the DoD and its suppliers with a single point of entry to generate, process, and store invoices, receiving reports, non-contractual payment requests, and acceptance data sets, as well as other related data to support DoD asset visibility, tracking, and payment processes by a systematic flow for agencies. It provides the connection of information related to the acceptance of goods and services in support of the DoD supply chain. The WAWF system has a *Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting* (also known as a System and Organization Controls [SOC] 1® Type 2 report) completed each FY in order to assess the specific systematic controls, as well as to identify the complementary user entity controls (CUEC) that the user entity (i.e., DISA) has the responsibility to implement to support WAWF transactions.

WAWF system end users include vendor technicians entering the invoice detail, as well as the specific Contracting Officer's Representatives (COR) who approve orders within WAWF, which initiates payment. WAWF's Program Office encourages the user entities to implement the entity's own policies and procedures relating to what is required to be confirmed for each WAWF transaction. The WAWF process is initiated by the vendor who is providing goods/services to DISA and loading the invoice detail (e.g., amounts, Contract Line Item Number [CLIN], description of goods and services, date received) into WAWF. The vendor submits this summary of the invoice information and can also upload an electronic copy of the invoice from the vendor's accounting system for additional support as an attachment within WAWF. The COR is responsible for verifying the vendor attachments in WAWF, ensuring the transaction is accurate and valid, as well as uploading evidence of receipt into WAWF.

Condition: DISA does not have a process in place to consistently validate the supporting documentation submitted by vendors and approved by the COR prior to certification and payment. DISA has not implemented a consistent process to document evidence of the review of the invoice, receiving report, and contract/purchase request. Additionally, DISA has not implemented the CUECs from the WAWF SOC 1®, Type 2 report regarding obtaining and maintaining sufficient support to document evidence of receipt and acceptance of goods and/or services.

Cause: DISA management places reliance on the general functionality of the WAWF environment in order to perform a systematic receipt and acceptance of the transactions. DISA's CORs and customers do not have a consistent methodology to retain the supporting documentation of their concurrence, in having received the specific goods/services as noted by their systematic approval. DISA has chosen not to outline or document a policy to emphasize the COR's retention of supporting documentation per the WAWF SOC 1®, Type 2 report, which is documented as a key responsibility of DISA.

Effect: Without appropriate review of the supporting documentation submitted and attached for receipt and acceptance within WAWF, there is an increased risk that DISA has not received the goods or services described in the vendor invoice. CORs who are responsible for receipt and acceptance will make varying decisions on what documentation demonstrates acceptance, thus resulting in inconsistency across DISA. DISA is not able to support the accuracy, validity, or timeliness of its receipt and acceptance in instances where the invoices are not submitted with applicable descriptions of the goods or services, whether that is on a timely basis or billed erroneously. Ineffective controls or control objectives may result from DISA's failure to implement internal controls to address all required CUECs.

Recommendations: Kearney recommends that DISA perform the following:

1. Design and implement a standardized process to perform a three-way match between the invoice, receiving report, and contract/purchase request in order to validate the documentation of the receipt and acceptance of goods and/or services provided by vendors through WAWF.
2. Design and implement the CUEC described in the WAWF SOC 1®, Type 2 report to ensure that the COR consistently reviews and documents evidence of the receipt and acceptance of the goods and service prior to approving the invoice in WAWF. This may include updating the SOP and COR training to meet those requirements.
3. Continue to engage with the Procurement Services Directorate (PSD) to configure alternative ways to provide evidence of the COR's review over transaction support.

V. Budgetary Resources *(Repeat Condition)*

Deficiencies in three related areas, in aggregate, define this material weakness:

A. Invalid Unfilled Customer Orders Without Advance Transactions
B. Invalid Undelivered Orders Transactions
C. Inaccurate Recoveries of Prior-Year Unpaid Obligations

A. Invalid Unfilled Customer Orders Without Advance Transactions

Background: *Unfilled Customer Orders (UCO) Without Advance*, USSGL Account 422100, represent orders for goods and/or services to be furnished for other Federal Government agencies and for the public. Federal agencies record UCOs Without Advance when they enter into an agreement, such as a Military Interdepartmental Purchase Request (MIPR), contract, or sales order, to provide goods and/or services when a customer cash advance is not received. These orders provide obligational budgetary authority for reimbursable programs. Agencies should maintain policies and procedures to ensure that UCOs represent valid future billings and collections.

DISA GF reported approximately $174.8 million in UCOs Without Advance on its June 30, 2022 trial balance. The account balance is supported by a subsidiary ledger that details information such as the fund, document number, order amount, and transaction date, among other unique identifying details for each UCO balance.

Condition: DISA GF implemented a control to record an adjustment for dormant UCOs, in which DISA would post an on-the-top JV to reduce the obligation balance by the amount identified. Dormant UCOs are identified by UCO balances as uncollected orders aged greater than 365 days with an obligation date greater than 18 months.

The operating effectiveness of the GF UCO dormant control is limited by the impact of undistributed and unmatched transactions. DISA and its service organization's current business processes and control structures allow payments to be processed without correctly or completely matching all data elements to an obligating document/AP balance in DAI. These transactions are processed as "unmatched." For undistributed transactions, when payments do not successfully interface into DAI, a bulk JV is assigned to DISA, which reduces DISA's FBWT and AP line items and corresponding Budget Accounts. When an unmatched transaction interfaces to DAI and does not post to a Purchase Order, the unmatched transaction posts to a project segment "0" and creates an abnormal Undelivered Order (UDO) (4801) until cleared by successfully matching to a Purchase Order. Once the unmatched transaction is successfully cleared, the clearing transactions remains in the Unmatched UoT. The dormant UCOs are impacted by undistributed and unmatched transactions, as these revenue transactions are driven by expenditures through a "pass-through" process.

Testing a series of Beginning Balance testing procedures over the UCO balance as of September 30, 2021 noted several exceptions, as described below:

- Selection of a sample of UCOs which were part of DISA's FY 2021 Dormant Adjustment to confirm they were in fact no longer valid UCOs. For 13 samples, the UCOs had recent activity which may indicate they are still valid. DISA management was unable to provide support that it was appropriate to include the 13 samples in the Dormant Adjustment as of September 30, 2021 for $1.2 million

- Selection of a sample of UCOs that met DISA's criteria to potentially be dormant, but were not part of the FY 2021 Dormant Adjustment, to assess their validity. DISA management was unable to provide support for the validity of 34 samples, totaling $3.2 million
- DISA management recorded a "Mass Allocation" JV at the end of FY 2021 to reduce UCOs with expired funding, affecting 84 UCO samples for $24.7 million. However, DISA management reversed the JV in FY 2022 to restore the UCO balance the next FY. DISA was unable to provide support for the validity of the balances, such as documented communication with customer organizations.

Cause: Systems used for processing DISA's obligations and disbursements do not have effective controls established to prevent disbursements from being processed when they cannot be matched to an outstanding payable and obligation. All unmatched transactions that are assigned to DISA but do not interface into DAI (i.e., "Undistributed transactions") are posted via a JV through DISA's service organization's reconciliation process. DISA has not yet identified all root causes or implemented corrective actions for undistributed and unmatched disbursements; see the documented finding at NFR #2022-FIN-GF-11, *Undistributed and Unmatched DAI Transactions*.

The accuracy of DISA's data and effectiveness of its process to identify dormant UCOs and adjust its financial statements is impacted by undistributed and unmatched transactions. Without resolving these issues, DISA is unable to confirm the validity and accuracy of a significant number of its UCO balances.

DISA has not developed internal controls to ensure that all JVs, such as the "Mass Allocation" JVs, are appropriate and supported by documentation.

Effect: Because DISA cannot account for the impact of undistributed and unmatched transactions, it cannot reconcile and assert to the completeness, accuracy, and validity of its UCO population. Without sufficient and appropriate audit evidence for the validity of the UCOs, DISA's Statement of Budgetary Resources (SBR) Lines 1071, *Unobligated balance from prior year budget authority, net (discretionary and mandatory)*, and 1890, *Spending Authority from offsetting collections (discretionary and mandatory)*, could be materially misstated.

Recommendations: Kearney recommends that DISA perform the following:

1. Identify unmatched transactions and undistributed amounts affecting the UCO Without Advance population.
2. Continue to perform analysis to determine the root cause of the undistributed and unmatched

transactions and establish controls to mitigate future transactions from being processed.

3. Develop and increase documentation on existing policies to ensure that funds holders are adequately assessing the validity of the open UCO balances and liquidate invalid UCOs when possible.
4. Implement policies, or increase documentation on existing policies, which require PSD to process contract actions timely once all goods and services have been provided to the customer.
5. Ensure deobligations of UCOs are supported by documented communications and agreements with customer organizations.

B. Invalid Undelivered Orders Transactions

Background: UDOs represent the amount of goods and/or services ordered which have not been actually or constructively received and for which amounts have not been prepaid or advanced. Federal agencies record UDOs when they enter into an agreement, such as a MIPR, contract, or sales order, to receive goods and/or services. Agencies should maintain policies and procedures to ensure that UDOs represent valid future outlays.

DISA GF reported more than $2.0 billion in UDOs on its June 30, 2022 trial balance. The account balance is supported by a subsidiary ledger that details information such as the document number, obligated amount, undelivered amount, and transaction date, among other unique identifying details for each UDO balance.

Condition: DISA GF performed a control to record an adjustment for dormant UDOs, in which DISA would post an on-the-top JV to reduce the obligation balance by the amount identified as aged UDOs as of June 30, 2022. Dormant UDOs are identified by UDO balances as uncollected orders aged greater than 365 days with an obligation date greater than 18 months.

The operating effectiveness of the GF UDO dormant control is limited by the impact of undistributed and unmatched transactions. DISA and its service organization's current business processes and control structures allow payments to be processed without correctly or completely matching all data elements to an obligating document/AP balance in DAI. These transactions are processed as "unmatched." For undistributed transactions, when payments do not successfully interface into DAI, a bulk JV is assigned to DISA, which reduces DISA's FBWT and AP line items and corresponding Budget Accounts. When an unmatched transaction interfaces to DAI and does not post to a Purchase Order, the unmatched transaction posts to a project segment "0" and creates an abnormal UDO (4801) until cleared by successfully matching to a Purchase Order. Once the unmatched transaction is successfully cleared, the clearing transactions remains in the unmatched UoT.

Testing of a series of procedures over DISA's UDO balances noted several exceptions, as described below:

- Selection of a sample of 268 UDOs which were part of DISA's FY 2021 Dormant Adjustment to confirm they were in fact no longer valid UDOs. For 37 samples, the UDOs had recent activity, which may indicate the UDOs are still valid. DISA management was unable to provide support that it was appropriate to include these 37 samples in the Dormant Adjustment as of September 30, 2021 for $31.8 million
- Selection of a sample of 437 UDOs that met DISA's criteria to potentially be dormant, but were not part of the FY 2021 Dormant Adjustment, to assess their validity. DISA management was unable to provide support for the validity of 306 samples, totaling $314.1 million
- Selection of a sample of 548 UDOs newly created in FY 2022. For 12 samples, DISA management did not record MIPR amendments for $1.2 million in a timely manner
- Selection of a sample of 98 UDOs which related to unmatched activity and had abnormal balances. DISA management was unable to provide support for the validity of all 98 UDOs, totaling $29.4 million
- Selection of a sample of 15 UDOs which related to unmatched activity and had normal balances. DISA management was unable to provide support for the validity of all 15 unmatched UDOs, totaling $9.1 million.

Cause: Systems used for processing DISA's obligations and disbursements do not have effective controls established to prevent disbursements from being processed when they cannot be matched to an outstanding payable and obligation. All unmatched transactions that are assigned to DISA but do not interface into DAI, known as "undistributed transactions," are posted via a JV through DISA's service organization's reconciliation process. DISA has not yet identified all root causes or implemented corrective actions for undistributed and unmatched disbursements; see the documented finding at NFR #2022-FIN-GF-11, *Undistributed and Unmatched DAI Transactions*.

The accuracy of DISA's data and effectiveness of its process to identify dormant UDOs and adjust its financial statements is impacted by undistributed and unmatched transactions. Without resolving the issues, DISA is unable to confirm the validity and accuracy of UDO balances.

Effect: Because DISA cannot account for the impact of undistributed and unmatched transactions, it cannot reconcile and assert to the completeness, accuracy, and validity of its UDO population. Without sufficient and appropriate audit evidence for the validity of the UDOs, DISA's SBR Lines 1071, *Unobligated balance from prior year budget authority, net (discretionary and mandatory)*, and 2190, *New obligations and upward adjustments (total) Unobligated balance, end of year*, could be materially misstated.

Recommendations: Kearney recommends that DISA perform the following:

1. Implement procedures to determine the impact of the undistributed and unmatched transactions on the GF UDO population.
2. Continue to perform analysis to determine the root cause of the undistributed and unmatched transactions and establish controls to mitigate future transactions from being processed.
3. Update existing policies to ensure that funds holders are adequately assessing the validity of the open UDO balances and deobligate invalid UDOs when possible.
4. Implement policies, or update existing policies, which require PSD to process contract actions timely once all goods and services have been provided to the customer.

C. Inaccurate Recoveries of Prior-Year Unpaid Obligations

Background: Recoveries of unpaid obligations consist of USSGL Accounts 487100, *Downward Adjustments of Prior-Year Unpaid Undelivered Orders – Obligations, Recoveries*, and 497100, *Downward Adjustments of Prior-Year Unpaid Delivered Orders – Obligations, Recoveries*. These accounts represent recoveries during the current FY resulting from downward adjustments to obligations or delivered orders originally recorded in a prior FY. Recovered budget authority is presented on SBR Line 1071, *Unobligated Balance from Prior Year Budget Authority, net*. DISA is responsible for developing policies and procedures to ensure that budgetary activity is accurately reported in accordance with USSGL guidelines.

DISA GF reported $229.8 million in recoveries to USSGL Account 487100 on its March 31, 2022 trial balance. The account balance is supported by transaction-level detail that contains information such as document number, project number, and amount, among other identifying details.

DISA developed a JV process starting in Quarter (Q) 2 of FY 2021 to remove inaccurate recoveries of prior-year unpaid obligations resulting from DAI posting logic issues. Specifically, DISA became aware that the processing of certain administrative modifications resulted in inappropriate postings to its budgetary accounts. To adjust for these inaccurate postings, DISA determines the Inaccurate Recoveries of Prior-Year Obligations transactions from the UDO report, identifying matching transactions to General Ledger Account Codes (GLAC) 4871 and 4881.

Condition: A sample of 25 recoveries of prior-year obligations was selected for review. As a result of testing, the following exceptions were identified:

- Two recoveries of prior-year obligations, totaling $1.6 million, where DISA was unable to provide a signed deobligating document
- Four recoveries of prior-year obligations, totaling $1.5 million, where the Deobligation Acceptance was not recorded timely
- One recovery of prior-year obligations, totaling $789 thousand, where the deobligation moved funds from Reimbursable to Direct Cite Funds through a contract modification; therefore, this

was an administrative change and not a downward adjustment of a prior- year obligation

- Thirteen recoveries of prior-year obligations, totaling $7.9 million, where DISA recorded an unsupported obligation to match a customer order amount. In these exceptions, while DISA had a valid customer order, such as an agreement with another agency to provide goods or services, DISA was unable to provide evidence that an obligation existed, such as a contract with a vendor to provide the requested goods or services to the customer agency. DISA subsequently deobligated these amounts in FY 2022.

Cause: Despite DISA's implementation of a new process to identify and adjust for erroneous transactions resulting from DAI posting logic issues, a significant number of unsupported or untimely transactions exist in DISA's accounts. In some instances, DISA did not have effective control procedures to ensure that transactions recorded to USSGL Account 487100 were properly supported downward adjustments to prior-year obligations. DISA also did not have effective control procedures to ensure that transactions recorded in USSGL Account 487100 were recorded in a timely manner.

Thirteen of the noted exceptions resulted from DISA reversing unsupported obligations recorded in FY 2021. These unsupported obligations were recorded in FY 2021 to preserve funding provided on a customer order.

DISA's internal control program does not yet include a risk assessment that links risks to financial statement lines or assertions. It also does not include testing controls to ensure they address the applicable financial reporting objectives. Such risk assessment and test procedures may have enabled DISA to identify the necessary control activities related to recording obligations timely. Updates and improvements to the internal control program will help to identify and remediate control gaps.

Effect: SBR Lines 1071, *Unobligated balance from prior year budget authority, net (discretionary and mandatory)*, and 2190, *New obligations and upward adjustments (total)*, were misstated due to $11.7 million in known errors as of March 31, 2022.

Recommendations: Kearney recommends that DISA perform the following:

1. Update its internal control program to ensure:
   a. The risk assessment is linked to financial statement lines and assertions.
   b. The control testing is designed to address the risks identified in the risk assessment and the financial reporting objectives.
2. Revisit existing practices to record obligations at year-end to match customer orders to ensure that obligations are only recorded when valid, supported obligations exist.
3. Implement processes and controls to ensure that all transactions recorded to USSGL Account

487100 reference obligations are recorded in a prior FY and are recorded timely.

4. Implement procedures to ensure each transaction is supported by documentary evidence that meets the requirement for Government obligations of USSGL Account 487100 transactions to ensure that any transactions are produced by accounting events (i.e., contractual deobligation and not administrative fund changes).
5. Implement a process to require adequate support of obligations to ensure the obligation represents a valid future outlay.

VI. Financial Reporting *(Repeat Condition)*

Deficiencies in four related areas, in aggregate, define this material weakness:

A. Untimely Issuance of Requested Audit Documentation and Financial Statement Package
B. Lack of Documentation of the Defense Information Systems Agency Management's Assessment Related to its Reporting Entity per Statement of Federal Financial Accounting Standards Requirements
C. Undistributed and Unmatched Defense Agencies Initiative Transactions
D. Lack of Timely Validation of Undistributed Journal Vouchers

A. Untimely Issuance of Requested Audit Documentation and Financial Statement Package

Background: As a part of the financial statement audit of DISA GF, DISA management is required to submit Provided by Client (PBC) documentation regularly throughout the course of the audit. Because of the nature of a financial statement audit, DISA management receives specific supporting documentation requests at FY-end to substantiate the balances reported within the financial statements as of September 30, 2022 and to support critical year-end procedures, which are necessary for DISA to obtain an opinion on its financial statements. DISA is responsible for preparing and maintaining the documentation in order to be readily available for auditors and applicable stakeholders.

DISA's service organization compiles DISA GF's financial statements. When the financial statement compilation process is initiated, the DISA GF DDRS-B trial balance is imported into DDRS – Audited Financial Statements (AFS). Once received, DISA's service organization collects, consolidates, and identifies all ODOs' GF financial activity for the Defense agencies under its purview and reports the information within DDRS-AFS. DISA GF utilizes the DDRS-AFS information to complete the year-end financial statement package, to include the draft Agency Financial Report (AFR) with Management's Discussion and Analysis (MD&A), financial statements, footnotes, and Other Information. Historically, DISA GF's financial statements have included both a high volume and material amount of on-top JV adjusting entries posted in DDRS-B and DDRS-AFS. In order to determine what composes the ending balances reported in DDRS-AFS, DISA creates a crosswalk from its GL system, DAI, to DDRS-AFS. DISA relies on its service organization to provide the JV listings out of DDRS-B and DDRS-AFS to complete the crosswalk. DISA management is responsible for performing a quality control (QC) review of the files prepared by its service organization.

The Office of the Under Secretary of Defense (Comptroller) (OUSD[C]) has established due dates for the submission of year-end documents to ensure that agencies meet the schedule requirements of their respective financial statement audits. The DoD Office of Inspector General (OIG) establishes contractual deadlines for DISA's external auditors, including requiring the draft audit report, with all underlying supporting working papers, comprising the aforementioned working papers related to the financial statements, footnotes, and related audit documentation, to be completed by deadlines at the end of October each FY.

Condition: DISA GF, in coordination with its service organization, was unable to provide the applicable audit documentation requests in time for year-end testing procedures, which would be necessary to conclude on a potential audit opinion and maintain compliance with contractual external audit deliverables. Specifically, the following documents listed in ***Exhibit 2***, which are needed to perform testing procedures over and support the final reported amounts on the AFR, were not provided in time for year-end testing procedures to be performed by the contractual audit deliverables. The testing and financial reporting portion of the audit was scheduled to conclude on October 26, 2022. See below for the financial reporting audit documentation requests that were not received in a reasonable timeframe to perform testing procedures before the October 26, 2022 deadline:

Exhibit 2: PBC Timeline and AFR Schedule

PBC Name	Date Due to the Auditor	Date Received by Auditor
September 30, 2022 Financial Statement Reconciliation Crosswalk	10/20/2022	Not received as of October 24, 2022
September 30, 2022 GL Activity	10/11/2022	October 21, 2022
September 30, 2022 Financial Statements and Footnotes	10/20/2022	Partially received on October 21, 2022
September 30, 2022 Draft AFR	10/24/2022	Not received as of October 24, 2022
September 30, 2022 Q4 Eliminations Schedule(s) and Reconciliation(s)	10/20/2022	Not received as of October 24, 2022
September 30, 2022 Payroll Register Reconciliation	10/20/2022	Partially received on October 21, 2022

September 30, 2022 DISA GF JV Log	10/28/2022	Not received as of October 24, 2022

Cause: DISA's current procedures and dependencies on its service organization contribute to its inability to timely and sufficiently provide documentation in a reasonable timeframe for financial reporting and audit timelines. The OUSD(C) schedule does not allow sufficient time for review and performance of testing procedures by external component auditors of necessary audit documentation in time for draft audit report due dates. Additionally, the process of posting a high volume of material adjusting entry JVs into DDRS-B and DDRS-AFS, rather than ensuring entries are posted in DISA's GL system in time for year-end reporting, contributes to the need to perform testing procedures over year-end JVs for the draft audit report.

Effect: Without readily available documentation, DISA management may not be able to perform critical functions to monitor and provide requests necessary to obtain an audit opinion or provide year-end financial statements and reports to the relevant stakeholders and auditors. Delayed PBC items which were provided shortly before, or after, the established due date did not allow sufficient time to complete required audit procedures.

There is an increased risk that the lack of controls and processes in place do not adequately substantiate whether the balances reported within DISA GF's financial statements are materially correct and presented in accordance with GAAP.

Recommendations: Kearney recommends that DISA perform the following:

1. Continue to develop processes and facilitate the delivery of critical audit documentation requests made by the external auditor in line with quarterly and year-end financial reporting timelines.
2. Develop and implement processes which ensure timely posting of accounting entries into the GL system, DAI, and reduce the volume of adjusting entry JVs entered on-top via DDRS-B and DDRS-AFS.
3. Coordinate with its service organization and OUSD(C) to establish processes and controls for completing year-end financial reporting documentation in a timelier manner to be available for external audit review and testing.

B. Lack of Documentation of the Defense Information Systems Agency Management's Assessment Related to its Reporting Entity per Statement of Federal Financial Accounting Standards Requirements

Background: FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*, was established to guide preparers of General-Purpose Federal Financial Reports (GPFFR) in determining what organizations to report upon, identifying "consolidation entities" and "disclosure entities," establishing what information should be presented for each type of entity, and selecting related parties. DISA management is responsible for determining the applicable implementation and documenting their review over the FASAB standards and the SFFAS assessments within a timely manner to ensure auditability and proper application of the standards.

In response to prior-year findings, DISA implemented a procedure to review guidance related to SFFAS No. 47 and document any updates via a checklist and assessment. DISA did not have procedures to perform a documented review of its reporting entity in accordance with SFFAS No. 47.

Condition: Although DISA implemented procedures to assess the requirements of SFFAS No. 47, the procedures were not performed in a timely manner. Additionally, the procedures did not include steps to confirm the completeness of the reporting entity, financial statements, or related disclosures in accordance with SFFAS No. 47.

Cause: DISA has not fully developed or implemented sufficient documented controls to ensure that it has complied with SFFAS No. 47. Additionally, DISA has not developed procedures to periodically confirm the completeness of its reporting entity, such as analyzing its basic symbols and reporting limits within a separately documented management-approved assessment.

Effect: The lack of a comprehensive SFFAS No. 47 assessment increases the risk that DISA's financial statements may omit consolidation entities and/or disclosure entities as required by the Standard. Further, the Government-wide GPFFR may be incomplete as a result of any missing consolidation or disclosure entities. In addition, if this assessment is performed late in the FY,

DISA may lack sufficient time to properly adjust its financial statements and disclosures based on the conclusions of the assessment.

Recommendations: Kearney recommends that DISA perform the following:

1. Expand and document its procedures and controls relating to SFFAS No. 47 to include documented steps to validate the completeness of its reporting entity, such as an analysis of the appropriateness of its basic symbols and reporting limits.
2. Implement the expanded procedures and controls early in the FY, prior to preparing interim financial statements and note disclosures, to allow for sufficient time to process any adjustments resulting from the assessment.

C. Undistributed and Unmatched Defense Agencies Initiative Transactions

Background: In October 2018, DISA transitioned its GL accounting system from WHS WAAS to DAI. Due to data conversion and posting logic challenges, a significant number of payments made by DISA's service organization on behalf of DISA were processed without matching the payment to the appropriate project within DAI. Payments not linked to a document in DAI, also called "unmatched" disbursements, generate expense transactions. In order to correct unmatched activity within DAI, a process to void and cancel the original transaction is performed. In some cases, transactions are not posted to DAI but are assigned to DISA and posted through an unsupported JV entry, called "undistributed" activity.

When a Federal agency prepares financial statements, a methodology for estimating amounts owed, but not yet invoiced, must be established. The AP estimate ensures expenses are recorded in the correct period following accrual accounting and the matching principle. DISA GF records estimated AP/Expense based on a straight-line estimation methodology of 91% of the total contract value over the period of performance specified in the signed contract agreement. This estimate relies on accurate and complete obligation and payment data in DAI. Management is responsible for developing these reasonable estimates based on assumptions and relevant factors and comparing estimates with subsequent results to assess the accuracy of the estimate.

When an unmatched transaction interfaces to DAI and does not post to a Purchase Order, the unmatched transaction posts to a project segment "0" and creates an abnormal UDO (4801) until cleared by successfully matching to a Purchase Order. Once the unmatched transaction is successfully cleared, the clearing transactions remains on the unmatched UoT. DISA conducts manual research to determine why the transaction did not post to the correct project and coordinates with its service organization to post the correction to clear the unmatched transaction in DAI. To preserve the integrity of the financial IS, it is important to identify and prevent unmatched transactions and develop a reasonable estimate to establish a proper AP.

Condition: DISA and its service organization's current business processes and control structures allow payments to be processed without correctly or completely matching all data elements to an obligating document/AP balance in DAI. These transactions are processed as "unmatched." For undistributed transactions, when payments do not successfully interface into DAI, a bulk JV is assigned to DISA, which reduces DISA's FBWT and AP line items.

This JV is unsupported without underlying details available at the time it is posted. In order to clear unmatched transactions from DAI, DISA requires a manual process of research and coordination with its service organization. For unmatched transactions, through the manual void and cancel process, errors remain in DISA's accounting records and financial statements.

For the period ended June 30, 2022, the following amounts remained in undistributed and unmatched:

Exhibit 3: Undistributed and Unmatched Balances

Account	Unmatched Amounts	Undistributed Amounts*
Expense	$36.8 million	$0
AP	$446 thousand	$37.8 million
UDOs	$51.1 million	$37.8 million

*Undistributed JVs' impact reduces AP and cash.

Cause: Systems used for processing DISA's obligations and disbursements do not have effective controls established to prevent disbursements from being processed when they cannot be matched to an outstanding payable and obligation. All unmatched transactions that are assigned to DISA but do not interface into DAI are posted via JVs through DISA's service organization's reconciliation process.

DISA has not yet identified all root causes or implemented corrective actions for undistributed and unmatched disbursements. However, DISA officials have identified several causes of unmatched transactions to date, including:

- Certain Disbursing Offices do not interface specific data elements, such as CLIN and contract Accounting Classification Reference Number (ACRN)
- Some documents have truncated document numbers
- Payment amounts higher than the project's AP balance
- Typos (i.e., "0" versus "O")
- Certain systems do not interface correctly into DAI and drop key data elements required to pass validation checks and match appropriately in DAI
- Obligating documents are not always entered timely in DAI and payments are sometimes made before initial agreements and/or modifications are recorded.

Effect: Undistributed/unmatched transactions result in several negative impacts to DISA's financial management and reporting processes. When material undistributed/unmatched transactions exist, DISA cannot perform effective analysis or assert to the existence or completeness of its FY 2022 Gross Costs on its SNC or Cumulative Results of Operations (CRO) on its Balance Sheet. DISA cannot perform an AP accrual or accrual validation, perform cut-off procedures, or support that the amounts reported on Gross Costs on its SNC and AP on its Balance Sheet are complete and exist or occurred.

The process to clear and post unmatched activity correctly into DAI results in duplicative activity within DAI, limiting DISA's ability to produce reliable GL data and leaving the unmatched clearing transactions on the UDO UoT. Undistributed and unmatched transactions could lead to erroneous or duplicative disbursements made without detection until the completion of the manual research process. The manual process needed to resolve undistributed/unmatched transactions introduces additional risk of misstatement and is inherently inefficient. Prior-year misstatements impacted the Gross Cost Line Item (SNC) which were unaddressed, resulting in an overstatement in the CRO balance (Balance Sheet). DISA has recorded at least $9.1 million in inaccurate Unmatched UDOs on Line 1071, *Unobligated balance from Prior-Year Budget Authority, Net*, on the SBR. DISA has not determined the impact to SBR Line 2190, *New Obligations and Upward Adjustments*.

Recommendations: Kearney recommends that DISA perform the following:

1. Perform an analysis over the unmatched expense population and the contract accrual population to determine the impact of double-counted prior-year Gross Cost (SNC) transactions which are now in CRO (Balance Sheet) in order to post an adjustment based on the analysis. This should include a review of abnormal AP balances.

In addition, Kearney recommends that DISA coordinate with its service organization to perform the following:

1. Establish preventative controls to ensure payments made on behalf of DISA cannot process as unmatched into DAI without a valid obligation and AP. This would ensure all payments post correctly in DAI.
2. Perform root cause analysis to identify why transactions systematically do not interface into DAI. This should include identifying which specific systems and transaction types fail to interface correctly and implementing corrective actions to mitigate future undistributed and unmatched transactions from being processed.

D. Lack of Timely Validation of Undistributed Journal Vouchers

Background: DISA is one of the TI-97 ODOs whose funds are aggregated at Treasury.
Treasury maintains and reports FBWT balances at the TAS level, rather than at the limit level, which would distinguish DISA's FBWT balance from the aggregated ODO FBWT amount. DISA's service organization produces the CMR to provide ODOs with individual FBWT at limit level.

DISA's service organization prepares various JVs for DISA and other customers and processes them within DDRS-B. DISA's service organization processes many of these JVs within DDRS-B, on behalf of DISA, including the Undistributed Cash JV. Since the accounting cycle is cut off the last day of each month, there is a timing difference between cash transactions reported on the CMR by DISA's service organization on behalf of TI-97 agencies, including DISA, and cash transactions recorded in agencies' GLs, including DAI and the Financial Accounting and Management Information System (FAMIS) – WCF for DISA GF and DISA WCF, respectively.

The CMR is used to prepare the Undistributed JV. DRRT is not available until after the JVs have been completed. The Undistributed JV is prepared by calculating the difference between the CMR and the DAI trial balance. The JV is recorded to eliminate the difference between the CMR and DISA's GL. Each month, DISA's service organization prepares the Undistributed JV, then DISA reviews the JV and its service organization processes it in DDRS-B.

The difference is known as the Undistributed Cash amount, as it includes transactions which have not been distributed to the agencies' GL systems. DISA is responsible for ensuring FBWT is reconciled, as well as for maintaining effective internal controls over its financial reporting to prevent, detect, and correct material misstatements in a timely manner, as mandated by the FMR and the Government Accountability Office (GAO). This includes reviewing, approving, and maintaining support for all transactions and JVs recorded by DISA or its service organization on DISA's behalf. By not administering these steps, DISA is at risk of posting unsupported adjusting entries and potentially reporting material misstatements in its financial statements. Additionally, DISA is responsible for implementing and maintaining effective controls and system interfaces to ensure that transactions posted outside of its GL system are recorded to its financial statements timely and accurately.

Condition: DISA does not have effectively designed controls in place to ensure and verify, in a timely manner, that the transactions on the Undistributed JV belong to DISA and are adequately supported. At the time of its posting, the Undistributed JV is not validated or researched by DISA to verify that the transactions included in this JV belong to DISA (i.e., were properly attributed to DISA based on the full LOA, including limit). During FY 2022, Q1 pilot testing of the Undistributed transactions, one of the 30 samples was determined to not belong to DISA and was improperly posted to DISA's GL.

Cause: DISA has not performed a root cause analysis to validate that all of its financial systems properly interface to DAI, ensuring transactions are recorded timely. The Undistributed JV includes, on average, more than 3,500 transactions each month from approximately 35 different source systems for which transactions are processed but are not making it into DISA GF's DAI GL system timely.

Additionally, DISA has not designed or implemented effective controls to reconcile and review Undistributed adjustments that are posted to its FBWT or resolve any differences timely and ensure that they are properly supported. In particular, there are no front-end controls in place to validate that the transactions included in the Undistributed JV belong to DISA and are properly supported with supporting documentation.

DISA does not effectively monitor the CMR process to ensure that the data populating the CMR is accurate and transactions belong to them. When the CMR data is reconciled in DRRT, there are not sufficient controls to verify that the limits are accurate, so the accuracy of the data that processes through the CMR, DRRT, and, ultimately, to DISA's financial statements is not properly verified; see the documented control deficiency over the DRRT process at NFR #2022-FIN-GF-02, *Lack of Controls over the DRRT Reconciliation Process*.

Effect: As a result of a lack of effective controls in place, the following line items were adjusted without validating the transactions or obtaining appropriate supporting documentation for the transactions prior to posting (amounts in millions):

Exhibit 4: Undistributed Balances per Line Item

Line Item	September 2021	December 2021	March 2022
FBWT	($28.5)	$18.2	$25.2
Accounts Receivable (AR)*	($1)	$4	$6.9
AP*	$26.3	$13.7	$18.4

*Amounts of AR and AP combined do not equal amounts of FBWT due to limitations in data available.

DISA is not able to support the split between the amounts recorded to "Intragovernmental" and "Other than intragovernmental" for AR or AP. The percentages and the DRRT data used to create these splits is not reliable and not readily available at the time of the Undistributed JV entry.

Without appropriate processes and controls in place, DISA management has an increased risk that FBWT, AP, and AR are materially misstated on the financial statements and may not be presented in accordance with GAAP. Based on the results of the FY 2022 Q1 pilot testing, DISA is at risk of reporting transactions on its financial statements that do not belong to DISA.

Recommendations: Kearney recommends that DISA perform the following:

1. Perform root cause analysis to identify why transactions do not make it into DISA GF's DAI system and why some external systems do not appropriately interface with DAI. DISA should determine what steps are necessary to fix the interface issues and ensure that transactions post correctly and timely into DISA GF's DAI to reduce the balance and material impact of the monthly Undistributed JVs.
2. Monitor the undistributed adjustments recorded in DDRS-B and research all unsupported adjustments to ensure the FBWT balances reported are accurate and complete prior to posting.
3. Document and implement appropriate controls to ensure that the balances recorded within the financial statements are appropriately classified and truly belong to DISA.
4. Develop and implement procedures to maintain readily available supporting documentation for the transactions included in the Undistributed JVs.

*   *   *   *   *

Significant Deficiency

Throughout the course of our audit work of DISA GF, we identified internal control deficiencies which were considered for the purposes of reporting on internal control over financial reporting. The significant deficiency presented in this Schedule of Findings has been formulated based on our determination of how individual control deficiencies, in aggregate, affect internal control over financial reporting. ***Exhibit 5*** presents the significant deficiency identified during our audit:

Exhibit 5: Significant Deficiency

Significant Deficiency	Significant Deficiency Sub-Category
I. Information Technology	**A. Incomplete Complementary User Entity Controls Implementation**

I. Information Technology *(Repeat Condition)*

A. Incomplete Complementary User Entity Controls Implementation

Background: DISA utilizes several service organizations to support its operations and mission. As such, DISA obtains assurances from each organization regarding the effectiveness of the organization's internal controls related to the service(s) provided. Specifically, each organization provides a written assertion that accompanies a description of its service(s) and related IS(s). These assertions are communicated via a SOC report. In FY 2022, each service organization provided DISA management with a SOC 1®, Type 2, *Report on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, to report on the design and operating effectiveness of its internal controls.

In many cases, service organizations design their controls in support of their service(s) with the assumption that the user entities (i.e., customers or users of the service[s]) will implement certain controls (i.e., CUECs) to achieve the overall control objectives and create a secure computing environment. Specifically, Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification*, defines CUECs as controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by user entities and are necessary to achieve the control objectives stated in management's description of the service organization's system.

DISA relies on multiple service organizations and their respective SOC reports to gain an understanding of the security posture of each of the systems upon which DISA relies. For example, DISA utilizes the Defense Logistics Agency's (DLA) DAI system for financial management; DLA's DPAS for logistics and property management services; DLA's WAWF for management of goods and services; the Defense Finance and Accounting Service's (DFAS) DCAS for transaction distribution services; DFAS's Defense Civilian Pay System (DCPS) for Federal civilian payroll services; DFAS's DDRS for financial reporting services; DFAS's Automated Disbursing System (ADS) for standard disbursing services; and the Defense

Manpower Data Center's (DMDC) Defense Civilian Personnel Data System (DCPDS) for processing payroll affecting civilian human resource transactions.

Condition: DISA has not implemented all of the CUECs required by its service organizations. Based on a subset of high-risk CUECs (e.g., cross-system segregation of duties [SD], periodic access reviews, and removals) required by DISA's service organizations, examples of control deficiencies indicating CUECs that DISA has not fully implemented included:

- DISA did not develop cross-system SD documentation to detail conflicts that may occur when personnel obtain access to multiple systems utilized by DISA to include, but not be limited to, DAI, DCAS, DCPS, DCPDS, DDRS, DPAS, and WAWF
- DISA did not perform periodic reviews of DISA users for the DCPS application
- DISA did not consistently remove or disable access to DISA users of the DAI and DPAS applications upon their separation from the agency.

Cause: Although DISA was aware of the requirements for implementing the CUECs and had begun implementation, it had not finalized implementation of all CUECs as of the end of the FY 2022 financial statement audit. Throughout FY 2022, DISA refined its existing process regarding implementation of all CUECs identified within each service organization and implemented a QC review over the process. Additionally, due to the large number of CUECs, DISA established a three-year schedule and executed it to test CUECs based on level of risk.

Effect: As SOC 1®, Type 2 reports address the effectiveness of controls related to the user entity's financial reporting, ineffective controls/control objectives (i.e., Access Controls, Security Management, and Configuration Management) increase the risk of negative impact to the confidentiality, integrity, and availability of data supporting DISA's financial statements. Ineffective controls/control objectives may result from DISA's failure to implement internal controls to address all required CUECs.

Recommendations: Kearney recommends that DISA perform the following:

1. Finalize and implement the process control document, which details how DISA management, system owners, and/or information owners plan to implement all CUECs identified within each service organization's SOC 1®, Type 2 report.
2. Implement all CUECs identified within each service organization's SOC 1®, Type 2 report.

3. Implement a QC review over the CUEC process.

* * * * *

APPENDIX A: STATUS OF PRIOR-YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the audit report on the Defense Information Systems Agency's (DISA) General Fund's (GF) fiscal year (FY) 2021 financial statements, we noted several issues that were related to internal control over financial reporting. The statuses of the FY 2021 internal control findings are summarized in ***Exhibit 6***.

Exhibit 6: Status of Prior-Year Findings

Control Deficiency	FY 2021 Status	FY 2022 Status
Fund Balance with Treasury	Material Weakness	Material Weakness
Accounts Receivable/Revenue	Material Weakness	Material Weakness
Property, Plant, and Equipment	N/A	Material Weakness
Accounts Payable/Expense	Material Weakness	Material Weakness
Budgetary Resources	Material Weakness	Material Weakness
Financial Reporting	Material Weakness	Material Weakness
Information Technology	Significant Deficiency	Significant Deficiency

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COMPANY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Director, Defense Information Systems Agency, and Inspector General of the Department of Defense

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the General Fund (GF) financial statements of the Defense Information Systems Agency (DISA) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise DISA GF's financial statements and have issued our report thereon dated November 10, 2022. Our report disclaims an opinion on such financial statements because we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of DISA GF, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement, and provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DISA GF. However, providing an opinion on compliance with those provisions was not an objective of our engagement; accordingly, we do not express such an opinion. The results of our tests, exclusive of those referred to in FFMIA, disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 22-01 and which are described in the accompanying **Schedule of Findings** as Items I and II.

The results of our tests of compliance with FFMIA disclosed that DISA GF's financial management systems did not comply substantially with the Federal financial management system's requirements, applicable Federal accounting standards, or application of the United States Standard General Ledger at the transaction level, as described in the accompanying **Schedule of Findings** as Items I and II.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

KEARNEY& COMPANY

DISA GF's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DISA GF's response to the findings identified in our engagement and described in the accompanying memorandum attached to this report in the Agency Financial Report (AFR). DISA GF's response was not subjected to the other auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 10, 2022

Schedule of Findings

Noncompliance and Other Matters

I. The Federal Financial Management Improvement Act of 1996 (*Repeat Condition*)

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that an entity's overall financial management systems environment operate, process, and report data in a meaningful manner to support business decisions. FFMIA states that Federal agencies shall comply substantially with the requirements within Section 803(a). These requirements include:

A. Federal financial management system requirements
B. Applicable Federal accounting standards
C. United States Standard General Ledger (USSGL) at the transaction level.

The Defense Information Systems Agency's (DISA) financial management systems do not substantially comply with the requirements within FFMIA, as discussed below.

Federal Financial Management Systems Requirements

FFMIA requires reliable financial reporting, including the availability of timely and accurate financial information, and maintaining internal control over financial reporting and financial system security. The matters described in the Basis for Disclaimer of Opinion section in the accompanying *Independent Auditor's Report*, as well as the material weaknesses reported in the accompanying *Report on Internal Control over Financial Reporting*, represent noncompliance with the requirement for financial systems and reliable financial reporting.

Federal Accounting Standards

FFMIA requires that agency management systems maintain data to support financial reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). As described in the Basis for Disclaimer of Opinion section in the accompanying *Independent Auditor's Report*, we experienced a scope limitation and were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of DISA's financial statements. Because of the significance of this scope limitation, we were unable to determine whether DISA's financial statements contained material departures from GAAP.

United States Standard General Ledger at the Transaction Level

FFMIA requires that agency management systems record financial events by applying the

USSGL guidance in the Treasury Financial Manual (TFM) at the transaction level. As described in the Basis for Disclaimer of Opinion section in the accompanying *Independent Auditor's Report*, we experienced a scope limitation and were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of DISA's financial statements. Because of the significance of this scope limitation, we were unable to execute all planned audit procedures, including tests for compliance with the USSGL at the transaction level.

II. The Federal Managers' Financial Integrity Act of 1982 (*Repeat Condition*)

Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, implements the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). FMFIA and OMB Circular A-123 require agencies to establish a process to document, assess, and assert to the effectiveness of internal control over financial reporting.

DISA has not established and implemented controls in accordance with standards prescribed by the Comptroller General of the United States, as codified in the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (the Green Book), as described by the material weaknesses in the *Report on Internal Control over Financial Reporting*.

DISA Management Comments to Auditors Report

DEFENSE INFORMATION SYSTEMS AGENCY

P. O. BOX 549
FORT MEADE, MARYLAND 20755-0549

Mr. Kelly Gorrell
Kearney & Company
1701 Duke Street, Suite 500
Alexandria, VA 22314

Mr. Gorrell:

DISA acknowledges receipt of Kearney & Company's final audit report for DISA's FY 2022 General Fund (GF) financial statements.

We acknowledge the auditor-identified findings in the following key areas: 1) Fund Balance with Treasury, 2) Accounts Receivable/Revenue, 3) Property, Plant and Equipment, 4) Accounts Payable/Expense, 5) Budgetary Resources, and 6) Financial Reporting, each of which, in the aggregate are considered material weaknesses. We also acknowledge the auditor-identified findings in the Information Technology area which is considered a significant deficiency.

DISA made great progress in FY 2022 and has placed a renewed focus on successful resolution of the remaining audit issues during the upcoming audit cycle.

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ALEX DIAZ

Director, Accounting Operations and Compliance