



# FINANCIAL MANAGEMENT

## DOD's Metrics Program Provides Focus for Improving Performance

Highlights of [GAO-03-457](#), a report to the Chairman and Ranking Minority Member, Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

### Why GAO Did This Study

The Department of Defense (DOD) has historically been unable to accurately account for and record its disbursements. In March 2002, the DOD Comptroller cited metrics that showed dramatic reductions in payment recording errors (57 percent between October 2000 and October 2001), backlogs of commercial payments (41 percent between April and October 2001), and travel card payment delinquencies (34 percent for those individually billed and 86 percent for those centrally billed between January and December 2001). As a result, the Congress asked us to determine whether the cited reductions were (1) calculated using consistent definitions and methodologies, (2) properly supported, and (3) effective indicators of short-term financial management progress.

### What GAO Recommends

GAO recommends the following:

- Use definitions and criteria consistent with the Defense Finance and Accounting Service when calculating and reporting metrics related to payment recording errors.
- Measure improvements in individually billed travel card delinquencies by using same month to same month comparisons.
- Work with the military services and other defense agencies to develop performance measures that complement the metrics program for crosscutting issues.

DOD concurred with our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-03-457](http://www.gao.gov/cgi-bin/getrpt?GAO-03-457).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz, (202) 512-9095 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

### What GAO Found

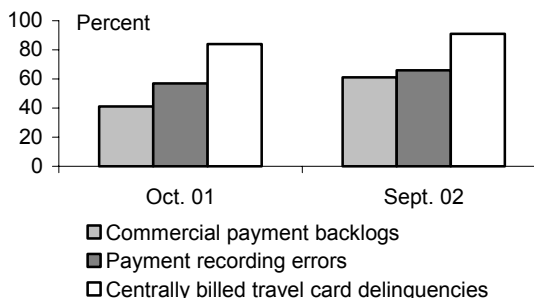
The DOD Comptroller's metrics showing significant reductions in payment recording errors and in commercial and travel card payment delinquencies were, in general, based on definitions and methodologies that were either consistent with or better than those used for prior reporting on these issues. Although the methodology used to calculate two of the cited measures resulted in overstating the rates of improvement, our recalculation after correcting for the methodology errors still showed positive—although less dramatic—improvement trends.

While we were able to verify the reductions in travel card delinquencies because the underlying data were available from an independent source, we could not verify the accuracy of the specific improvement percentages reported for payment recording errors and commercial payment delinquencies. DOD's archaic and nonintegrated systems either do not contain the transaction-level detail to support the completeness and accuracy of the metrics or they make it extremely onerous and time consuming for the staff to gather and reconcile the needed detail. However, we were able to verify that DOD has made numerous policy, procedure, and systems changes that support an overall trend toward improved performance in these areas.

If they could be verified, some of the cited metrics could be effective indicators of short-term financial management progress. However, if considered alone, delinquency rates are not necessarily good indicators for centrally billed travel cards or commercial payments. Placing too much emphasis on paying bills promptly may tempt DOD staff to bypass important internal controls meant to ensure that the goods and services being paid for were properly authorized and actually received.

Despite shortcomings, the cited metrics have focused DOD's attention on highly visible financial management problems. As shown below, recent metrics issued by the DOD Comptroller indicate continuing improvements.

Reported Progress from Beginning Measurement Dates



Source: GAO calculations using DOD data.

Note: Individually billed travel card delinquencies are not shown because of limitations in the data on the measurement dates.