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United States General Accounting Office
Washington, DC 20548

June 21, 2004

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

Subject: Department of Defense Write Off of Aged Transactions

Conference report 107-772, which accompanied the fiscal year 2003 Defense Authorization Act, requires that we review and evaluate DOD's implementation of its authority to write off aged suspense transactions and aged manual check discrepancies. We contacted your staff on June 14, 2004, to confirm our understanding of your needs. Please see enclosure I for cognizant committees and subcommittees with whom we will be coordinating this engagement.

Due to the complexity of DOD's accounting for suspense transactions, we need to proceed with a separate design phase. The purpose of this letter is to set forth the study objectives and provide you with a completion date for the design phase. We agreed that the overall objectives of our work will be to (1) identify the procedures and controls that DOD has in place to assure that write-offs are in accordance with legislative requirements, (2) identify improvements, if any, that DOD should make to its procedures/controls, and (3) determine how the write-offs will impact DOD's proprietary and budgetary accounts.

The design phase will be completed by September 17, 2004. We will remain in contact with your staff, and at the end of the design phase, we will provide you with a projected completion date for the total study. Should you have any questions, please contact me on (202) 512-9505, email: kutzg@gao.gov or Molly Boyle, Assistant Director, on (202) 512-9524, email: boylem@gao.gov.

Gregory D. Kutz
Director, Financial Management and Assurance

Enclosure

cc: Joe Fengler
Erin Conaton

Congressional Defense Committees/Subcommittees

Chairman and Ranking Minority Member
Committee on Armed Services
United States Senate
(Staff Members: Bill Greenwalt, Peter Levine)

Chairman and Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate
(Staff Members: Bob Henke, Nicole DiResta)

Chairman and Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives
(Staff Members: Paul Terry, Dave Morrison)