

ETHICS PROGRAM INSPECTION REPORT

Agency: Defense Finance and Accounting Service

Report No.: 16-38I

Date: May 26, 2016

Period Covered by Review: January – December 2015

UNITED STATES OFFICE OF GOVERNMENT ETHICS


Preventing Conflicts of Interest
in the Executive Branch

| 1.0 AGENCY DATA | | |
|---|--|------------------------|
| EMPLOYEES (as reported in the most recent Annual Ethics Program Questionnaire) | | |
| 1.1 | Number of full-time agency employees | 11,848 |
| 1.2 | Number of agency special Government employees | 0 |
| 1.3 | Number of Presidentially appointed, Senate-confirmed (PAS) public financial disclosure reports required to be filed | 0 |
| 1.4 | Number of non-PAS public financial disclosure reports required to be filed | 26 |
| 1.5 | Number of confidential financial disclosure reports required to be filed | 175 |
| ETHICS PROGRAM | | |
| 1.6 | Title of Designated Agency Ethics Official (DAEO) | General Counsel |
| 1.7 | Grade level of DAEO | SES |
| 1.8 | Title of Alternate DAEO (ADAEO) | Deputy General Counsel |
| 1.9 | Grade level of ADAEO | GS 15 |
| 1.10 | Title of the primary, day-to-day ethics program administrator | Assistant Counsel |
| 1.11 | Grade level of the primary, day-to-day ethics program administrator | GS 13 |
| 1.12 | Current number of full-time ethics officials | 1 |
| 1.13 | Current number of part-time ethics officials | 4 |
| 1.14 | Average full-time equivalent (FTE) value of a part-time ethics official(s) (For example, if part-time ethics officials at the agency generally devote 10 hours per week to ethics work, the average FTE value is 25%.) | 10% |
| 1.15 | Number of reporting levels between the DAEO and the agency head | 1 |
| COMMENTS | | |
| (1.3) The Defense Finance and Accounting Service (DFAS) does not have any Presidentially appointed, Senate-confirmed officials (PAS). | | |

| 2.0 LEADERSHIP | | | | | |
|--|--|-------------------------------------|--------------------------|--------------------------|-----|
| COMPLIANCE REQUIREMENT | | | Yes | No | N/A |
| 2.1 | OGE has received an up-to-date designation from the agency head naming the DAEO. <i>See</i> 5 C.F.R. § 2638.202(c). | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 2.2 | OGE has received an up-to-date designation from the agency head naming the ADAEO. <i>See</i> 5 C.F.R. § 2638.202(c). | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| COMMENTS | | | | | |
| (2.1-2.2) OGE had not received an up-to-date designation letter naming the DAEO or ADAEO before the start of the inspection. DFAS subsequently provided an up-to-date designation letter naming both the DAEO and ADAEO on May 10, 2016. | | | | | |

| 3.0 ETHICS AGREEMENTS | | | | | |
|------------------------|--|--------------------------|--------------------------|-------------------------------------|-----|
| COMPLIANCE REQUIREMENT | | | Yes | No | N/A |
| 3.1 | During the period under review, all PAS officials complied with their ethics agreements. <i>See</i> 5 C.F.R. § 2634.804. | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 3.2 | During the period under review, all PAS officials complied with their ethics agreements in a timely fashion. <i>See</i> 5 C.F.R. § 2634.804. | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |

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| 3.3 | During the period under review, the agency notified OGE of ethics agreement compliance in a timely fashion. <i>See</i> DO-09-015. | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3.4 | For all officials currently in PAS positions, the agency maintains documentation of actions taken to comply with ethics agreements. <i>See</i> 5 C.F.R. § 2634.804. | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3.5 | For all officials currently in PAS positions, ethics agreements are maintained with their financial disclosure reports. <i>See</i> 5 C.F.R. § 2634.805. | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| COMMENTS | | | | |
| (3.1-3.5) DFAS does not have any PAS officials. | | | | |

| 4.0 PUBLIC FINANCIAL DISCLOSURE (OGE Form 278, OGE Form 278-T) | | | | | | | |
|--|--|-------------------------------------|--------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| COMPLIANCE REQUIREMENT | | | | Yes | No | N/A | |
| 4.1 | The agency has written policies and procedures in place governing: <i>See</i> 5 U.S.C. app. IV, § 402(d)(1). | | | | | | |
| 4.1.1 | • Collection of public financial disclosure reports | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | |
| 4.1.2 | • Review/evaluation of public financial disclosure reports | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | |
| 4.1.3 | • Public availability of public financial disclosure reports | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | |
| 4.2 | The agency can demonstrate that late filing fees are collected or, where appropriate, waivers are issued when public filers do not timely file financial disclosure reports. | | | | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 4.3 | Public financial disclosure reports are securely maintained. <i>See</i> OGE/GOVT-1. | | | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.4 | Public financial disclosure reports are retained in accordance with the retention requirements. <i>See</i> 5 C.F.R. § 2634.603(g)(1). | | | | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DATA ANALYSIS | | | | % | | | |
| 4.5 | Percentage of sampled non-PAS new entrant reports filed timely. <i>See</i> 5 C.F.R. § 2634.201(b). | | | | 100% | | |
| 4.6 | Percentage of sampled non-PAS annual reports filed timely. <i>See</i> 5 C.F.R. § 2634.201(a). | | | | 100% | | |
| 4.7 | Percentage of sampled non-PAS termination reports filed timely. <i>See</i> 5 C.F.R. § 2634.201(e). | | | | 100% | | |
| 4.8 | Percentage of sampled non-PAS public financial disclosure reports certified timely (within 60 days of receipt or later when additional information was being sought or remedial action was being taken). <i>See</i> PA-11-04. | | | | 88% | | |
| 4.9 | Percentage of sampled PAS annual reports filed timely. <i>See</i> 5 C.F.R. § 2634.201(a). | | | | N/A | | |
| 4.10 | Percentage of sampled PAS termination reports filed timely. <i>See</i> 5 C.F.R. § 2634.201(e). | | | | N/A | | |
| 4.11 | Percentage of sampled PAS annual and termination reports certified timely (within 60 days of receipt or later when additional information was being sought or remedial action was being taken). <i>See</i> 5 C.F.R. § 2634.605(a). | | | | N/A | | |
| COMMENTS | | | | | | | |
| <u>Comments</u> (4.2) No reports were filed more than 30 days late in 2015. (4.9-4.11) DFAS does not have any PAS officials. | | | | | | | |

| 5.0 CONFIDENTIAL FINANCIAL DISCLOSURE | | | | | | | |
|---------------------------------------|---|-------------------------------------|--------------------------|--------------------------|----|-----|--|
| COMPLIANCE REQUIREMENT | | | | Yes | No | N/A | |
| 5.1 | The agency has written policies and procedures in place governing: <i>See</i> 5 U.S.C app. IV, § 402(d)(1). | | | | | | |
| 5.1.1 | • Collection of confidential financial disclosure reports | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | |

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| 5.1.2 | <ul style="list-style-type: none"> Review/evaluation of confidential financial disclosure reports | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.2 | Confidential financial disclosure reports are securely maintained. <i>See</i> OGE/GOVT-2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.3 | The agency's OGE-approved alternative confidential financial disclosure system complies with plans approved by OGE. <i>See</i> 5 C.F.R. § 2634.905(a). | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5.4 | Confidential financial disclosure reports are retained in accordance with the retention requirements. <i>See</i> 5 C.F.R. § 2634.604. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DATA ANALYSIS | | % | | |
| 5.5 | Percentage of sampled confidential new entrant reports filed timely. <i>See</i> 5 C.F.R. § 2634.903(b). | 36% | | |
| 5.6 | Percentage of sampled confidential annual reports filed timely. <i>See</i> 5 C.F.R. § 2634.903(a). | 100% | | |
| 5.7 | Percentage of sampled confidential financial disclosure reports certified timely (within 60 days of receipt or later when additional information was being sought or remedial action was being taken). <i>See</i> 5 C.F.R. §§ 2634.605(a), 2634.909(a). | 97% | | |
| COMMENTS | | | | |
| <p><u>Comment</u> (5.3) DFAS does not have an alternative confidential financial disclosure system.</p> <p><u>Concern</u> (5.5) Of the 11 new entrant confidential financial disclosure reports OGE examined, 7 were filed late. OGE recommends that DFAS implement corrective action to ensure that new entrant confidential reports are filed timely. This corrective action may require increased coordination with the agency's Human Resources Office and supervisors. OGE will conduct a follow-up review to assess the effectiveness of the actions taken.</p> | | | | |

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|----------------------|--|-------------------------------------|--------------------------|--------------------------|
| 6.0 | INITIAL ETHICS ORIENTATION | | | |
| | COMPLIANCE REQUIREMENT | Yes | No | N/A |
| 6.1 | All initial ethics orientation material contains: <i>See</i> 5 C.F.R. § 2638.703(a) and (b). | | | |
| 6.1.1 | <ul style="list-style-type: none"> Current contact information of relevant ethics official(s) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.1.2 | <ul style="list-style-type: none"> Copy of the Standards of Ethical Conduct and any agency supplemental standards to keep or review; or Summaries of the Standards, any agency supplemental standards, and 14 Principles for employees to keep | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.2 | The agency can demonstrate that it has an effective process to ensure that new employees receive initial ethics orientations. <i>See</i> 5 C.F.R. § 2638.703(c). | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DATA ANALYSIS | | % | | |
| 6.3 | Percentage of new agency employees who received initial ethics orientation within 90 days. <i>See</i> 5 C.F.R. § 2638.703. | 100% | | |
| COMMENTS | | | | |
| None | | | | |

| | | | | |
|------------|--|-------------------------------------|--------------------------|--------------------------|
| 7.0 | ANNUAL ETHICS TRAINING | | | |
| | COMPLIANCE REQUIREMENT | Yes | No | N/A |
| 7.1 | All annual ethics training material contains: <i>See</i> 5 C.F.R. § 2638.704(b). | | | |
| 7.1.1 | <ul style="list-style-type: none"> Current contact information of relevant ethics official(s) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7.1.2 | <ul style="list-style-type: none"> Review of the criminal conflict of interest statutes | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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| 7.1.3 | • Review of the Standards of Ethical Conduct | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7.1.4 | • Review of the 14 Principles | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7.1.5 | • Review of any agency supplemental standards | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7.2 | The agency can demonstrate that it has an effective process to ensure that covered employees receive annual ethics training. <i>See</i> 5 C.F.R. § 2638.704(c) and 705(c). | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DATA ANALYSIS | | % | | |
| 7.3 | Public financial disclosure filers who completed annual ethics training. <i>See</i> 5 C.F.R. § 2638.704(a). | 100% | | |
| 7.4 | Confidential financial disclosure filers who completed annual ethics training. <i>See</i> 5 C.F.R. § 2638.705(a)(3). | 100% | | |
| COMMENTS | | | | |
| None | | | | |

| | | | | |
|---|--|-------------------------------------|--------------------------|--------------------------|
| 8.0 ETHICS ADVICE AND COUNSELING | | | | |
| COMPLIANCE REQUIREMENT | | Yes | No | N/A |
| 8.1 | Based on a sample collected by OGE, guidance provided by agency ethics officials to employees appears to be consistent with applicable laws and regulations. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| COMMENTS | | | | |
| None | | | | |

| 9.0 RECOMMENDATION(S) | | | |
|------------------------------|---------|--|----------------|
| # | Element | RECOMMENDATION | Compliance Due |
| 1 | 5.5 | <p><u>RECOMMENDATION:</u> Implement corrective action to ensure that new entrant confidential reports are filed timely. This corrective action may require increased coordination with the agency's Human Resources Office and supervisors.</p> <p><u>AGENCY RESPONSE:</u> Thank you for the draft OGE review report you provided to us on May 11, 2016. DFAS concurs with the recommendation in the report and concurs that we can improve our process for timely identifying new entrant filers whose collateral assigned duties qualify them as confidential financial disclosure report filers. We propose taking the following steps in line with your recommendations:</p> <ul style="list-style-type: none"> • The DFAS Ethics Program will coordinate with DFAS Human Resources to incorporate information about the confidential financial disclosure filing requirements into supervisor training and provide tools for supervisors to identify confidential financial disclosure report filers. • Send periodic reminders to all supervisors of the filing requirements with information on the process for getting filers registered. • Work with DFAS Contracting Services Directorate (CSD) to ensure that information about the filing requirements are incorporated into the initial and annual training that is provided to all certified Contracting Officer's Representatives (CORs), as almost all the new entrant collateral confidential financial disclosure filers are CORs. • Obtain a list of all active CORs from DFAS CSD which will be updated whenever there is a change. This list can be compared to the ethics program's list of current filers and unregistered filers identified. | November 2016 |

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| | <p>We believe these steps will significantly improve our ability to timely identify and register any employees whose collateral duties require them to file the confidential financial disclosure report by addressing the problem on both the supervisor side and on the filer side. We believe that this multiple prong approach will make it far more likely that new entrants will either be identified by their supervisors or that they will self-report.</p> | |
|--|---|--|