



Highlights of [GAO-10-480](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The Army Working Capital Fund (AWCF) collected over \$16 billion for goods and services provided to customers in fiscal year 2009. Cash generated from sales is used by AWCF to cover its expenses such as paying employees. In light of the Army's changing role in the Middle East, GAO was asked to determine whether (1) AWCF's monthly cash balances fell within the Department of Defense's (DOD) cash requirements for fiscal years 2000 through 2009, (2) the cash transfers resulted in AWCF's monthly cash balances falling below the minimum amount required by DOD, and (3) the AWCF's projected monthly cash balances are expected to fall below DOD's minimum cash requirement for fiscal years 2010 and 2011 and actions the Army can take to manage those balances. To address these objectives, GAO (1) reviewed relevant DOD guidance, (2) obtained and analyzed AWCF budget and accounting reports containing cash information, and (3) interviewed DOD and Army officials.

What GAO Recommends

GAO is making four recommendations to DOD aimed at improving the management of AWCF's cash balances and clarifying the DOD's Financial Management Regulation that contains guidance on inventory levels. DOD concurred with our recommendations and has taken or plans to take action to implement them.

View [GAO-10-480](#) or [key components](#). For more information, contact Asif A. Khan at (202) 512-9095 or khana@gao.gov.

ARMY WORKING CAPITAL FUND

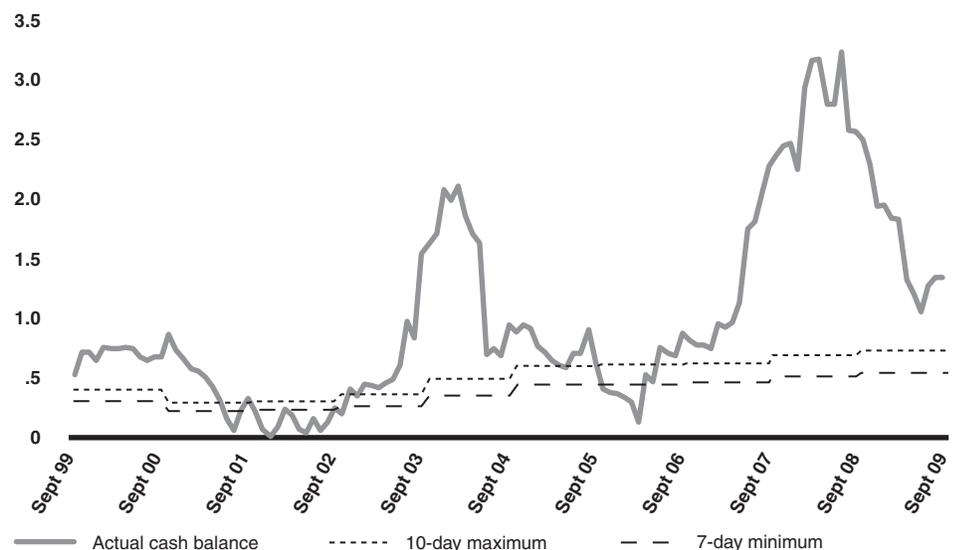
Army Faces Challenges in Managing Working Capital Fund Cash Balance during Wartime Environment

What GAO Found

GAO analysis showed that the AWCF monthly cash balance fluctuated significantly between fiscal years 2000 and 2009 and exceeded the maximum cash requirement prescribed by DOD regulation for 94 out of 120 months. The fluctuations were due to differences between receipts and disbursements, including the (1) receipt of collections from AWCF operations, (2) appropriations received in support of the wars, (3) disbursements made to pay for AWCF expenses, and (4) transfers made to fund other Army requirements.

AWCF Monthly Cash Balance Compared with Minimum and Maximum Cash Requirements

Dollars in billions



Source: GAO analysis of AWCF data.

The Army transferred \$4.8 billion out of AWCF from fiscal years 2004 through 2009. Most of the transfers funded requirements of Operation Iraqi Freedom, Operation Enduring Freedom, or military personnel costs. These transfers helped to reduce the cash balance, but also resulted in the AWCF cash falling below the minimum cash requirement for a 6-month period in fiscal year 2006.

GAO analysis of the AWCF fiscal year 2011 budget and cash plan showed that the projected monthly cash balances for fiscal years 2010 and 2011 would exceed DOD's minimum cash requirement for 22 out of 24 months. While the Army does not expect a cash shortfall due primarily to an increase in military build-up activities in Afghanistan, a cash shortfall may occur if certain Army actions are not implemented and monitored effectively. These actions include (1) reducing AWCF obligations to less than the amount of inventory sold, (2) collecting funds from Defense Logistics Agency (DLA) for inventory items transferred from AWCF to DLA, and (3) reducing the amount of inventory at industrial operations activities. Further, the relevant DOD Financial Management Regulation lacks sufficient clarity to determine the appropriate level of inventory to be held at these activities.