

Abstract

Multiple GAO reports, including the September 2025 audit-readiness review, show the Department of Defense still struggles with auditability, driven in part by unmatched disbursement contract payments. This study analyzes Cost Plus Fixed Fee contracts line-item proration issues, finding that multi-ACRN allocations within a single CLIN frequently create unmatched disbursements due to weak controls and unclear guidance. Through data analysis, policy and process reviews, internal controls mapping, and auditability mapping, this study identifies systemic inefficiencies and gaps in current procedures in relation to the automated proration process. Recommended fixes include stronger contract-writing and funding practices, improved workforce training, tighter payment controls, an unmatched-disbursement prevention structure, and updated DFARS PGI 204.7108 guidance.

Methods

Summary Table of Findings

Task Order	Unmatched Disbursements	Matched Disbursements	Contractor Failure to Track Real-Time ACRN
A	x		
B		x	
C	x		
D	x		
E	x		
F		x	
G	x		
H			x
I	x		
J			x
K	x		
L		x	
M			x
N		x	

- Data utilized in this study retrieved from USA Spending, Navy ERP, and PIEE.
- Analyzed data from a random sample of 14 Task Orders
- Created a database from the data sources to compare variances between contractor-submitted vs. DFAS-paid ACRN allocations
- Mapped identified factors to the Auditability Triangle (Rendon & Rendon, 2015) and the COSO Internal Control-Integrated Framework (COSO, 2013).

Results & Impact

- Of the 14 Task Orders analyzed: 7 had unmatched disbursements, 4 had matched disbursements, and 3 showed contractor failure to track real-time ACRN balances.
- COSO Framework analysis ranked Risk Assessment as the highest-scoring component.
- Auditability Triangle Framework analysis ranked Processes as the highest-scoring element.

Future Research

- Examine how these proration challenges affect other Navy departments and branches to determine whether the underlying causes are systemic across the enterprise or unique to specific organizations.
- Explore how employee capability, control quality, and process clarity influence proration accuracy.
- Use quantitative methods to examine the relationship between the number of ACRNs assigned to a CLIN and the likelihood of proration mismatches.