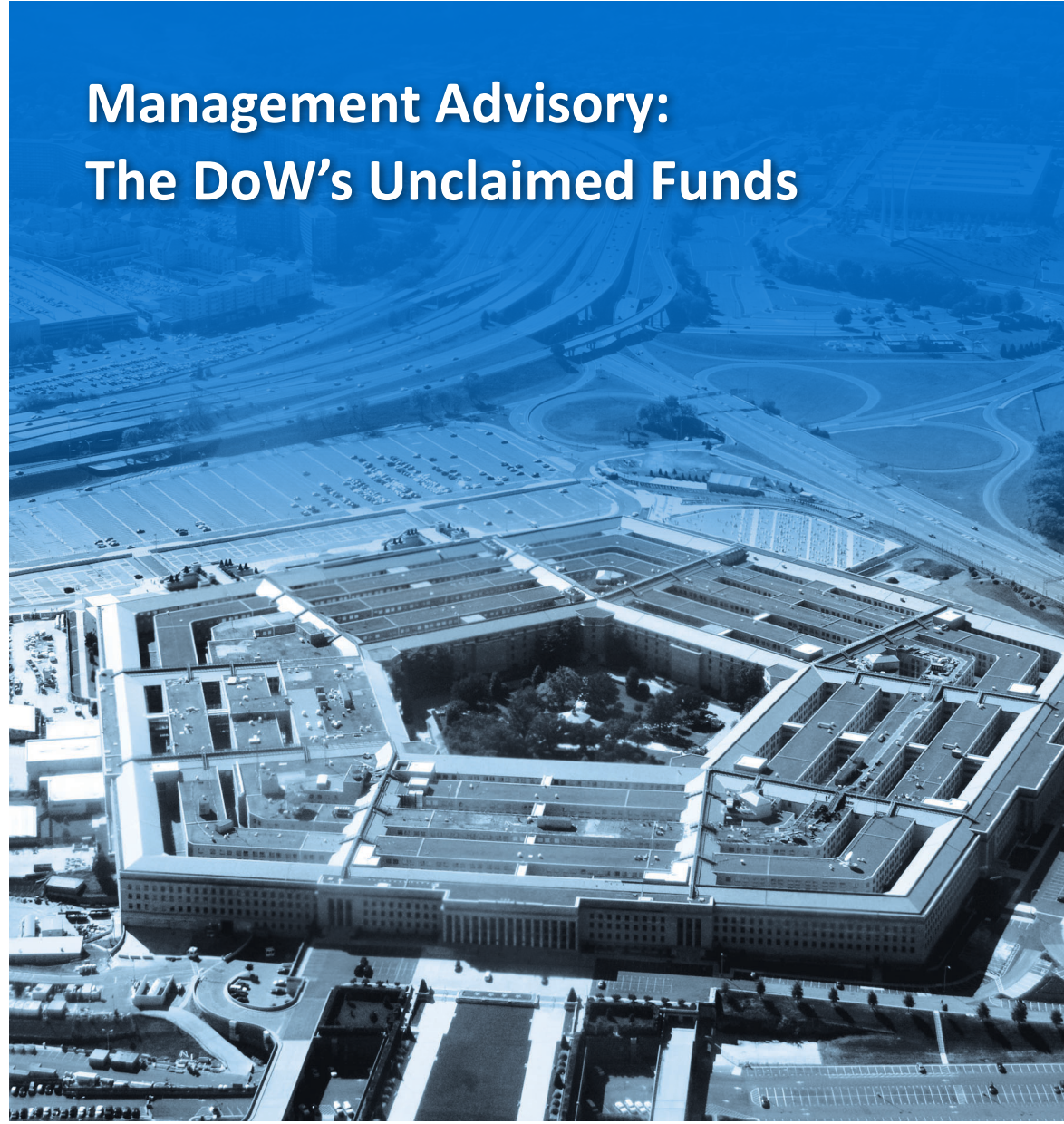




INSPECTOR GENERAL

U.S. Department of War

JUNE 1, 2026



Management Advisory: The DoW's Unclaimed Funds

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY



Pursuant to Executive Order 14347, "Restoring the United States Department of War," September 5, 2025, the Department of Defense Inspector General (DoD IG) and Office of Inspector General (DoD OIG) use the secondary titles of the Department of War Inspector General (DoW IG) and Office of Inspector General (DoW OIG), respectively. The use of these secondary titles does not in any way affect the primary statutory title or authorities of the DoD IG under The Inspector General Act of 1978, as amended (5 U.S.C. Chapter 4, Inspectors General), or the authorities or responsibilities of the DoD IG or DoD OIG pursuant to any laws, regulations, or policies.



OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF WAR
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

June 1, 2026

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Management Advisory: The DoW's Unclaimed Funds (Report No. DOWIG-2026-087)

This final management advisory provides the concerns found during the DoW Office of Inspector General's review on Project No. D2026-D000AU-0036.001, "Management Advisory: The DoW's Unclaimed Funds."¹ We previously provided copies of the draft management advisory and requested written comments on the recommendations. We considered management's comments on the draft advisory when preparing the final advisory. These comments are included in this advisory.

The Director, Defense Finance and Accounting Service, agreed to address the recommendations presented in this management advisory; therefore, we consider them resolved and open. We will close the recommendations when you provide us with documentation showing that all agreed-upon actions to implement the recommendations are completed.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Send your response to either [REDACTED] if unclassified or [REDACTED] if classified SECRET.

We appreciate the cooperation and assistance received during the management advisory. If you have any questions, please contact me at [REDACTED].

Carmen J. Malone
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

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Executive Summary

The Defense Finance and Accounting Service (DFAS) did not designate a responsible official or have procedures for the recovery of unclaimed funds, as required by the “Treasury Financial Manual.” We conducted a review of the DoW’s unclaimed funds for three states and identified that DFAS had not recovered at least 19,301 claims, totaling a potential monetary benefit of \$5.9 million in unclaimed funds that we recommend DFAS collect.

The Department of the Treasury, Bureau of the Fiscal Service, “Treasury Financial Manual,” requires the DoW to recover unclaimed funds. DoW unclaimed funds occur when DoW contractors or other entities owe money to the DoW, but the funds were not received by the DoW. The unclaimed funds remain on the entities’ accounting payable records. After a number of years as determined by each state, the entity notifies the state that receives and tracks the unclaimed funds. The DoW’s unclaimed funds must be turned over to the state of the last known DoW address. Each state maintains its own database for unclaimed funds, allowing personnel to use keyword searches to locate funds owed to the DoW. DFAS is responsible for identifying and recovering the DoW’s unclaimed funds.

As a result of our review, DFAS personnel stated that they have staffed a position with duties that included identification and recovery of the DoW’s unclaimed funds and establishing and implementing internal procedures to identify and recover unclaimed funds. As of February 18, 2026, DFAS personnel stated that they were in the process of recovering \$879,498 in DoW unclaimed funds held by four states and confirmed they had coordinated with several other states to identify unclaimed funds.

Background

On December 17, 2025, the DoW OIG announced Project No. D2026-D000AU-0036.000, “Continuous Oversight of Selected DoD Transactions to Test Management Controls and Identify Fraud, Waste, and Abuse Within DoD Programs.”² The announcement notified DoW Components that the DoW OIG would periodically review selected DoW transactions to test internal controls and identify fraud, waste, and abuse within DoW programs. The announcement also stated that the DoW OIG may initiate an audit or issue management advisories as a result of its ongoing reviews. The objective of this management advisory is to inform DoW leadership of issues related to the identification and recovery of the DoW’s unclaimed funds.

We conducted the work on this management advisory from August 2025 through February 2026, in accordance with generally accepted government auditing standards except for initial planning of the project. Although we did not initially plan the project as an audit, we did perform the project to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions.

² Initial audit work was conducted under Project No. D2024-D000AW-0034.000 “Review of Selected DoD Transactions to Test Management Controls and Identify Fraud, Waste, And Abuse Within DoD Programs,” December 14, 2023.

Unclaimed Funds

The DoW unclaimed funds occur when contractors or other entities owe money to the DoW and have been unable to return those funds to the DoW for a period of time.³ The DoW's unclaimed funds must be turned over to the state. Each state maintains its own database for unclaimed funds, allowing personnel to use keyword searches to locate funds owed to the DoW.

The Department of the Treasury, Bureau of the Fiscal Service, "Treasury Financial Manual," establishes government-wide policies and guidelines regarding the efforts of Federal agencies to identify, recover, and account for unclaimed Federal financial assets (unclaimed funds).⁴ The Treasury Financial Manual requires the DoW to:

- designate at least one unclaimed asset recovery official, and
- establish and implement internal procedures to identify and recover their unclaimed funds.

DFAS is responsible for identifying and recovering the DoW's unclaimed funds.

Recovering Unclaimed Funds

Each state maintains its own database of unclaimed funds. Owners of unclaimed funds can search for and claim the funds from individual states. The states also established the National Association of Unclaimed Property Administrators to strengthen interstate cooperation and enhance the return of unclaimed funds. The National Association of Unclaimed Property Administrators uses a website, [MissingMoney.com](https://www.missingmoney.com), to help owners search for their unclaimed funds across multiple states.⁵

DFAS officials can identify unclaimed funds by using specific search terms on each state's website, the MissingMoney.com website, or both. To recover the funds, DFAS officials must prove a relationship between the DoW and the entity that surrendered the funds to the state, compile a claims packet, and provide the claims packet to the state holding the funds.

³ Unclaimed funds occur for many reasons, for example, checks that were not cashed or checks sent to an incorrect address.

⁴ Department of the Treasury, Bureau of the Fiscal Service, "Treasury Financial Manual," volume I, "Federal Agencies," part 3, "Receivable and Delinquent Debt Management," chapter 8000, "Recovering Unclaimed Federal Financial Assets," June 22, 2020.

⁵ Hawaii does not report unclaimed funds to MissingMoney.com.

The DoW Did Not Identify and Recover Unclaimed Funds

The DoW did not identify and recover unclaimed funds from at least 19,301 claims. We conducted a search for unclaimed funds in three states. Specifically, we obtained claims data from the:

- Ohio Division of Unclaimed Funds,
- South Carolina Unclaimed Property Program, and
- Wisconsin Department of Revenue.

To identify the DoW’s unclaimed funds, we used search terms that included “DFAS,” “Defense,” “DoD,” “Army,” “Navy,” “Air Force,” “Marine Corps,” and “National Guard,” as well as other DoW related terms and addresses. We reviewed the data provided by the three states to identify the unclaimed funds that the DoW could potentially recover, as shown in Table 1.

Table 1. Summary of the DoW’s Unclaimed Funds in the States Reviewed

State	Number of Claims	Dollar Amount of Claims
South Carolina	12,009	\$3,099,196
Ohio	1,367	1,800,628
Wisconsin	5,925	978,481
Total	19,301	\$5,878,305

Source: The DoW OIG.

For example, on February 17, 2023, a telecommunications company sent \$233,673 in unclaimed funds to the state of Ohio, which were associated with refunds owed to the Defense Information Systems Agency.

Since 2020, DFAS did not have a designated unclaimed asset recovery official responsible for identifying and recovering unclaimed funds. In addition, DFAS did not have processes or procedures to identify and recover unclaimed funds.

As a result, DFAS did not recover at least \$5.9 million of potential monetary benefits, deposit the money into to a DoW account, or return the money to the U.S. Treasury for use by the U.S. Government. Until DFAS designates an unclaimed asset recovery official, establishes procedures to identify and recover unclaimed funds, and begins collection efforts, these funds will continue to accumulate without being able to be used by the DoW or U.S. Government.

Management Actions Taken

As a result of our review and coordination, DFAS personnel stated that they established and filled a position with duties that include identification and recovery of the DoW's unclaimed funds. In addition, DFAS personnel stated that they are establishing and implementing internal procedures to identify and recover DoW unclaimed funds. As of February 18, 2026, DFAS personnel stated that they had coordinated with several states on unclaimed funds and identified \$879,498 from four states and are in the process of recovering those funds. For example, DFAS coordinated with Indiana and were in the process of recovering \$635,240 in unclaimed funds.

We appreciate the actions of the DFAS personnel; however, these actions do not specifically address designating an unclaimed asset recovery official in writing, establishing the policy requirements, or fully identifying and recovering unclaimed funds from all states. Therefore, the Director, Defense Finance and Accounting Service, should designate an unclaimed asset recovery official, establish and implement procedures to identify and recover DoW unclaimed funds, and collect the \$5.9 million identified in this advisory.

Recommendation, Management Comments, and Our Response

Recommendation 1

We recommend that the Director, Defense Finance and Accounting Service:

- a. Designate an unclaimed asset recovery official;**

Director, Defense Finance and Accounting Service Comments

The Director, Defense Finance and Accounting Service (DFAS) agreed with the recommendation. The Director stated that in December 2025, DFAS filled a position that includes identifying and recovering the DoW's unclaimed funds. Additionally, the Director stated that the DFAS Office of General Counsel advised that the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW, should designate the official for unclaimed asset recovery and DFAS would prepare the documentation for this formal designation. The estimated completion date is May 31, 2026.

Our Response

Comments from the Director addressed the specifics of the recommendation, therefore, it is resolved but will remain open. We will close the recommendation once DFAS provides documentation that the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW, has designated an unclaimed asset recovery official.

- b. Establish and implement procedures to identify and recover DoW unclaimed funds; and**

Director, Defense Finance and Accounting Service Comments

The Director, Defense Finance and Accounting Service (DFAS) agreed with the recommendation. The Director stated that DFAS completed the primary actions to establish the standard operating procedures and is finalizing the process for implementation. Additionally, the Director stated that the procedures will be completed once an unclaimed asset recovery official has been designated. The estimated completion date is June 30, 2026.

Our Response

Comments from the Director addressed the specifics of the recommendation, therefore, it is resolved but will remain open. We will close the recommendation once DFAS provides the final procedures and provides documentation that DFAS has implemented those procedures to identify and recover the DoW's unclaimed funds.

- c. Collect the \$5.9 million identified in this advisory.**

Director, Defense Finance and Accounting Service Comments

The Director, Defense Finance and Accounting Service (DFAS) agreed with the recommendation. The Director stated that DFAS has contacted 28 states to determine the balances of the DoW's unclaimed funds. The Director also stated that, once the Under Secretary of War (Comptroller)/Chief Financial Officer, DoW, designates an unclaimed asset recovery official, DFAS will complete the required state documentation to collect the DoW's unclaimed funds. The estimated completion date is June 30, 2026.

Our Response

Comments from the Director addressed the specifics of the recommendation, therefore, it is resolved but will remain open. We will close the recommendation once DFAS provides documentation that DFAS is collecting the DoW's unclaimed funds.

Potential Monetary Benefits

Recommendation 1 would likely result in a potential monetary benefit of at least \$5.9 million, which may increase while DFAS continues its ongoing identification and recovery efforts of the DoW's unclaimed funds from each state, Washington, D.C., and the U.S. territories. We will consider a future follow-up effort to review the procedures to identify and recover DoW unclaimed funds and to determine the amounts recovered by the DoW.

Table 2. Potential Monetary Benefits

Recommendation	Type of Benefit	Amount of Benefit	Account
1.c	Funds put to better use	At least \$5.9 million	Multiple accounts

Source: The DoW OIG.

Management Comments

Defense Finance and Accounting Service



DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249-0201

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Defense Finance and Accounting Service (DFAS) Response to DoD Office of Inspector General Draft Management Advisory, "Management Advisory: The DoD's Unclaimed Funds," (Project No. D2026-D000AU-0036.001), dated March 16, 2026.

This memorandum is DFAS' response to the DoD Office of Inspector General (DoD OIG) draft management advisory, "Management Advisory: The DoD's Unclaimed Funds," (Project No. D2026-D000AU-0036.001). In accordance with the subject report, DFAS concurs with the reports as written and will implement the following recommendations:

RECOMMENDATION 1a: The Director, Defense Finance and Accounting Service should designate an unclaimed asset recovery official.

RESPONSE: Concur. In December 2025, DFAS filled a position with assigned responsibilities including identifying and recovering the DoD's unclaimed funds. The DFAS Office of General Counsel advised that the Under Secretary of War (Comptroller)/Chief Financial Officer should designate the official for unclaimed asset recovery. DFAS is now preparing the documentation for this formal designation. Estimated Completion Date: May 31, 2026.

RECOMMENDATION 1b: The Director, Defense Finance and Accounting Service should establish and implement procedures to identify and recover DoD unclaimed funds.

RESPONSE: Concur. DFAS completed the primary actions to establish and implement these procedures. DFAS created and filled a position on the Total Force Pay Tax team dedicated to recovering unclaimed funds. Standard Operating Procedures outlining the process are being finalized and will be completed once the formal designation of an unclaimed asset recovery official has been received and the team is able to complete the full process of collecting unclaimed funds from the states. Estimated Completion Date: June 30, 2026.

RECOMMENDATION 1c: The Director, Defense Finance and Accounting Service should collect the \$5.9 million identified in this advisory.

RESPONSE: Concur. DFAS has already initiated contact with 28 states to determine the balances of their respective unclaimed funds. Upon formal designation of an unclaimed asset recovery official, DFAS will proceed with completing the required state-level documentation to collect all identified unclaimed funds on behalf of the Department of War. Estimated Completion Date: June 30, 2026.

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www.dfas.mil

Defense Finance and Accounting Service (cont'd)

My point of contact for additional information is [REDACTED] who can be reached at [REDACTED] or [REDACTED].

WITTER.JONATHAN [REDACTED]
AN.R [REDACTED]
Jonathan Witter
Director



Whistleblower Protection

U.S. DEPARTMENT OF WAR

Whistleblower Protection safeguards DoW employees against retaliation for protected disclosures that expose possible fraud, waste, and abuse in Government programs. For more information, please visit the Whistleblower webpage at www.dodig.mil/Components/Administrative-Investigations/Whistleblower-Reprisal-Investigations/Whistleblower-Reprisal/ or contact the Whistleblower Protection Coordinator at Whistleblowerprotectioncoordinator@dodig.mil

For more information about DoW OIG reports or activities, please contact us:

Legislative Affairs Division
legislative.affairs@dodig.mil

Public Affairs Division
public.affairs@dodig.mil



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DoD Hotline
www.dodig.mil/hotline





DEPARTMENT OF WAR INSPECTOR GENERAL

4800 Mark Center Drive
Alexandria, VA 22350-1500
www.dodig.mil
DoD Hotline 1.800.424.9098

