



DoD Inspector General Report

December 8, 2006
Report No. D-2007-030
Project No. D2006-D000LQ-0184.000

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE
(COMPTROLLER/CHIEF FINANCIAL OFFICER)
ASSISTANT SECRETARY OF THE ARMY FOR
FINANCIAL MANAGEMENT AND COMPTROLLER**

**SUBJECT: Management of the Iraq Security Forces Fund in Southwest
Asia - Phase I**

Objectives. The overall objectives of the audit are to evaluate whether the \$5.7 billion provided in the FY 2005 supplemental appropriation for equipping, supplying, and training the Iraq Security Forces and repairing, renovating, and constructing facilities and infrastructure was used for the intended purposes and whether transfers to other DoD appropriations followed congressional intent and applicable appropriation law.

Scope and Methodology. "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005" (Public Law 109-13), May 11, 2005, provided \$5.7 billion for the Iraq Security Forces Fund (ISFF).

We planned the audit in three phases. Specifically, in the first phase, we examined how the Office of the Under Secretary of Defense (OUSD [Comptroller/Chief Financial Officer]) and the Office of the Assistant Secretary of the Army for Financial Management and Comptroller (OASA [FM&C]) distributed the \$5.7 billion ISFF to determine whether the distribution complied with the 14 provisions of Public Law 109-13 and applicable appropriation law. The second and third phases of the audit will be performed in Iraq and subsequent reports will be issued for those phases of the audit.

Results-In-Brief and Effect. The OUSD (Comptroller/Chief Financial Officer) and the OASA (FM&C) distributed and transferred the \$5.7 billion in the ISFF in compliance with the 14 provisions of Public Law 109-13 and applicable appropriation law.

Results and Effects on Operations

The Office of the Under Secretary of Defense (Comptroller/Chief Financial Officer)(the Under Secretary), and the Office of the Assistant Secretary of the Army (Financial Management and Comptroller)(the Army) distributed and transferred the \$5.7 billion in compliance with the 14 provisions of Public Law 109-13 and applicable appropriation law.

Background

Public Law 109-13, specifically, “Section 3.; References.; Division A-Emergency Supplemental Appropriations for Defense, the Global War on Terror, and Tsunami Relief, 2005; Title I-Defense Related Appropriations,” appropriated \$5.7 billion to the Secretary of Defense to allow the Commander, Multi-National Security Transition Command-Iraq (MNSTC-I), to provide assistance, with the concurrence of the Secretary of State, to the security forces of Iraq. The funds were to be used primarily by the Commander, MNSTC-I although the U.S. Army Forces Command and the Defense Security Cooperation Agency received funds from this appropriation. In addition, some funds from the appropriation were transferred to the “Operations and Maintenance, Army” appropriation account.

The funds were to be used to provide equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and were to remain available until September 30, 2006. The law also provided that the Secretary of Defense may transfer the funds to other DoD organizations and appropriations. The distribution of the funds within the DoD is shown in the attachment.

Audit Results

We examined compliance with each of the 14 provisions in Public Law 109-13 as necessary. We discuss the results below grouped by subject area.

General Provision. Public Law 109-13 states that the \$5.7 billion for the Iraq Security Forces Fund is to remain available until September 30, 2006.

The Office of Management and Budget apportioned \$5.7 billion to the Department of the Army, of which \$5.49 billion was apportioned for the “Iraq Security Forces Fund, Army.”

The Defense Finance and Accounting Service issued “The Army Management Structure Fiscal Year 2006” showing the Army’s appropriation account for the “Iraq Security Forces Fund, Army” apportionment. The fund identifier 21 2005/2006 2092, where 21 (Treasury Agency symbol for Department of the Army, General Funds), 2005/2006 (fiscal year when the funds are to be used), and 2092 (Treasury Account for the ISFF Appropriation) was used to distribute the \$5.49 billion to the MNSTC-I, the U.S. Army Forces Command, and the Defense Security Cooperation Agency. The fund identifier indicates that the funds were available until September 30, 2006.

December 8, 2006
Report No. D-2007-030
Project No. D2006-D000LQ-0184.000

The Office of Management and Budget transferred the remaining \$.210 billion by apportionment to the "Operations and Maintenance, Army" appropriation account using a fund identifier of 21 2005 2020 to reimburse the Army for costs previously expended for assistance to the Iraqi Security Forces. The fund identifier indicates that the funds transferred reimbursed FY 2005 Army funds.

Distribution Provisions. Public Law 109-13 states:

Provided, That such funds shall be available to the Secretary of Defense, notwithstanding any other provision of law, for the purpose of allowing the Commander, Multi-National Security Transition Command-Iraq, or the Secretary's designee to provide assistance, with the concurrence of the Secretary of State, to the security forces of Iraq including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and funding:

Provided further, That the authority to provide assistance under this section is in addition to any other authority to provide assistance to foreign nations:

"The Army Management Structure Fiscal Year 2006" showed that \$5.49 billion was available to the Commander, MNSTC-I, and 10 projects codes were established for the management of the "Iraq Security Forces Fund, Army" funds. One of those project codes was established for the U.S. Army Forces Command for a Quick Response Fund, another project code was established for the Defense Security Cooperation Agency to provide assistance to the Government of Jordan, and the remaining eight project codes were for MNSTC-I. Of the \$5.49 billion in this appropriation account, \$5.246 billion was distributed to the MNSTC-I, \$.145 billion was distributed to the U.S. Army Forces Command, and \$.099 billion was distributed to the Defense Security Cooperation Agency. The Under Secretary and the Army distributed the \$5.246 billion in ISFF within the DoD in compliance with the 14 provisions of Public Law 109-13 and applicable appropriation law.

Transfer Provisions. Public Law 109-13 states:

Provided further, That the Secretary of Defense may transfer the funds provided herein to appropriations for military personnel; operation and maintenance; Overseas Humanitarian, Disaster, and Civic Aid; procurement; research, development, test and evaluation; and defense working capital funds to accomplish the purpose provided herein:

Provided further, That this transfer authority is in addition to any other transfer authority available to the Department of Defense:

Provided further, That upon a determination that all or part of the funds so transferred from this appropriation are not necessary for the purposes provided herein, such amounts may be transferred back to this appropriation:

The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) stated that it did not transfer any funds from the ISFF.

December 8, 2006
Report No. D-2007-030
Project No. D2006-D000LQ-0184.000

Contributions Provisions. Public Law 109-13 states:

Provided further, That contributions of funds for the purposes provided herein from any person, foreign government, or international organization may be credited to this Fund, and used for such purposes:

Provided further, That the Secretary shall notify the congressional defense committees in writing upon the receipt and upon the transfer of any contribution delineating the sources and amounts of the funds received and the specific use of such contributions:

The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) stated that no contributions were made to the ISFF and no notifications were necessary or were made by the DoD to the congressional defense committees.

Army Operations and Maintenance Transfer Provision. Public Law 109-13 states:

Provided further, That of the amounts provided under this heading, \$210,000,000 shall be transferred to "Operations and Maintenance, Army" to reimburse the Department of the Army for costs incurred to train, equip, and provide related assistance to Iraqi Security Forces:

The Office of Management and Budget issued an apportionment and reapportionment schedule on August 3, 2004, designating that \$.210 billion was transferred to "Operations and Maintenance, Army" with the fund identifier as 21 2005 2092.

Jordan Transfer Provisions. Public Law 109-13 states:

Provided further, That, notwithstanding any other provision of law, from funds made available under this heading, \$99,000,000 shall be used to provide assistance to the Government of Jordan to establish a regional training center designed to provide comprehensive training programs for regional military and security forces and military and civilian officials, to enhance the capability of such forces and officials to respond to existing and emerging security threats in the region:

Provided further, That assistance authorized by the preceding proviso may include the provision of facilities, equipment, supplies, services and training, and the Secretary of Defense may transfer funds to any Federal agency for the purpose of providing such assistance:

An Under Secretary memorandum, "Release of Fiscal Year (FY) 2005/2006 Obligation Authority for the Iraq Security Force Fund (ISFF) (No. 6)," April 10, 2006, was issued to the Army to provide for the release of the full \$.099 billion in obligation authority to provide assistance to the Government of Jordan to establish a regional training center.

Reporting Transfers Provisions. Public Law 109-13 states:

Provided further, That the Secretary of Defense shall, not fewer than 5 days prior to making transfers from this appropriation, notify the

congressional defense committees in writing of the details of any such transfer:

Provided further, That the Secretary shall submit a report no later than 30 days after the end of each fiscal quarter to the congressional defense committees summarizing the details of the transfer of funds from this appropriation:

In a memorandum dated June 27, 2005, the Deputy Secretary of Defense (then Acting), notified the Senate and House Appropriations and Armed Services committees that he had decided to execute funds directly from the funds appropriated for the ISFF rather than use the transfer provisions provided for in Public Law 109-13. Officials with the Under Secretary and the Army stated that the chairmen of those committees did not object to this decision. As a result, the DoD did not believe that the congressional reporting requirement on transfers found in two provisions of Public Law 109-13 any longer applied. The Under Secretary and the Army stated that no notifications or reports were necessary, therefore, DoD sent none to the congressional defense committees. We agree.

Emergency Requirement Provision. Public Law 109-13 states:

Provided further, That the amount provided under this heading is designated as an emergency requirement pursuant to section 402 of the conference report to accompany S. Con. Res. 95 (108th Congress).

This provision did not require a specific action, therefore, we did not further examine it for our audit.

Conclusion

The \$5.7 billion in ISFF were distributed and transferred in compliance with the 14 provisions of Public Law 109-13 and applicable appropriation law.

We are providing this report for information and use. We considered management comments on a draft of this report in preparing the final report.

Management Comments

Although not required to comment, the Offices of the Under Secretary of Defense (Comptroller/Chief Financial Officer) and the Assistant Secretary of the Army (Financial Management and Comptroller) concurred with the report as written. The respective offices were not held to the usual standard of DoD Directive 7650.3 for formatting and submitting comments because there were no recommendations for their offices.

December 8, 2006
Report No. D-2007-030
Project No. D2006-D000LQ-0184.000

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Timothy M. Wimette at (703) 604-8876 (DSN 664-9068) or Mr. Robert Murrell at (703) 604-9074 (DSN 664-9074).

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, appearing to read "Wanda A. Scott". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Wanda A. Scott
Assistant Inspector General
Readiness and Operations Support Directorate

cc:
Commander, U.S. Central Command
Auditor General, Department of the Army

Funds Distribution for the Iraq Security Forces Fund Appropriation

