Audit Report

OFFICE OF THE INSPECTOR GENERAL

AGREEMENTS CONCERNING
U.S. DEFENSE OPERATIONS IN ICELAND

Report No. 96-152 June 10, 1996

Department of Defense

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Acronyms

IDF	Iceland Defense Force
USACOM	U.S. Atlantic Command

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

June 10, 1996

MEMORANDUM FOR GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
COMMANDER IN CHIEF, U.S. ATLANTIC COMMAND
DIRECTOR, JOINT STAFF
COMMANDER, ICELAND DEFENSE FORCE

SUBJECT: Audit Report on Agreements Concerning U.S. Defense Operations in Iceland (Report No. 96-152)

We are providing this audit report for review and comment. Management comments that we received on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all unresolved issues be resolved promptly. The comments received were partially responsive. The General Counsel did not indicate planned actions in response to Recommendation 1. to revise DoD guidance on international agreements. Also, the U.S. Atlantic Command did not indicate planned actions in response to Recommendation 3. to similarly revise guidance and to update indexes of international agreements. Further, the Joint Staff did not comment on the draft of this report. Therefore, we request that the General Counsel, the U.S. Atlantic Command, and the Joint Staff provide comments on the unresolved issues by August 9, 1996. Specific comment requirements are indicated in the report at the end of the finding.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Harlan M. Geyer, Audit Program Director, at (703) 604-9594 (DSN 664-9594) or Ms. Sandra L. Fissel, Audit Project Manager, at (703) 604-9595 (DSN 664-9595). See Appendix F for the report distribution. Audit team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. 96-152
Project No. 5RA-0058

June 10, 1996

Agreements Concerning U.S. Defense Operations in Iceland

Executive Summary

Introduction. DoD officials negotiate and conclude defense agreements to support military requirements. In 1951, under the auspices of the North Atlantic Treaty Organization, the United States and the Republic of Iceland entered into a bilateral defense agreement, which remains in force today as the basis for current defense cooperation. The 1951 Bilateral Defense Agreement, which established the Iceland Defense Force, specifies that the United States will provide for the defense of Iceland under guidelines mutually agreed upon by the two governments. Since the initial signing, the 1951 agreement has been supplemented by various additional agreements, annexes, and memorandums of understanding. The additional agreements between Iceland and the United States provide the specific rules and guidelines under which the United States and Iceland implement their responsibilities under the 1951 Bilateral Defense Agreement.

Audit Objectives. The primary audit objective was to evaluate the continuing requirement for international agreements between Iceland and the United States. Specifically, we determined whether the existing agreements were commensurate with current and anticipated operational requirements for U.S. military operations. We also evaluated the effectiveness of applicable management controls.

Audit Results. Existing agreements between Iceland and the United States were commensurate with current and anticipated operational requirements for U.S. military operations (Appendix C). However, a repeat finding, related to management information about international agreements involving the DoD, needs management attention.

The DoD does not have a complete and accurate accounting of active international agreements. Current guidance from various DoD Components on reporting the nature and status of international agreements is conflicting. As a result, DoD could have problems in determining available support in times of crisis and the existing administrative processes are inefficient.

Management controls could be improved by better assuring accountability for international agreements. The recommendations in the report, if implemented, will help to improve those controls.

Summary of Recommendations. We recommend amending guidance to specify the type of information needed on the current status of agreements and to establish due dates for receiving updated indexes of international agreements to allow time for annual reporting through the DoD hierarchy. We also recommend, while guidance is being amended, issuing interim guidance to obtain the needed information on international agreements. Further, we recommend updating the four DoD organizations' respective master indexes to reflect current agreements with Iceland and submit updated indexes

by the required due dates to the appropriate senior organization in the reporting chain in accordance with DoD Directive 5530.3 and the subsequent implementing instructions.

Management Comments. The General Counsel; the Commander in Chief, U.S. Atlantic Command; and the Commander, Iceland Defense Force, concurred with the recommendations to improve management of DoD international agreements with Iceland. The General Counsel is converting to a fully automated international agreement records system and agreed to adjust the due date for receiving annual indexes of international agreements through the DoD hierarchy. The U.S. Atlantic Command is hiring a civilian paralegal whose primary responsibilities will be to track the agreements and reconcile indexes between commands. The Iceland Defense Force has completed actions to update its index of international agreements as of December 31, 1995, and to submit the updated index to the U.S. Atlantic Command and has initiated actions to improve management controls. The Director, Joint Staff, however, did not respond to the draft of this report. See Part I for a summary of management comments and Part III for the complete texts of the comments.

Audit Response. Although the General Counsel and the U.S. Atlantic Command concurred with the recommendations, we request clarification of certain points. The General Counsel did not indicate specifically when that office will revise DoD Directive 5530.3 or issue interim guidance to obtain needed information on international agreements. Until the General Counsel revises DoD Directive 5530.3 or issues interim guidance, the DoD Components will not be able to revise their respective implementing instructions or issue interim guidance to eliminate conflicting reporting requirements. Further, the DoD Components will not be able to provide the General Counsel with the information that office needs to fulfill responsibilities as the DoD central repository of international agreements affecting the DoD. The U.S. Atlantic Command did not indicate what specific actions it will take to resolve the guidance problems or the material control weakness in its management control program. The Joint Staff historically has been very interested in assuring that the terms of international support agreements are adequate and clearly understood. The Joint Staff's role in addressing the finding in this report is crucial.

We request that the General Counsel; the Commander in Chief, U.S. Atlantic Command; and the Director, Joint Staff, provide comments on the final report by August 9, 1996.

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Part I - Audit Results

Audit Background

DoD officials negotiate and conclude international agreements to support military requirements. DoD Directive 5530.3, "International Agreements," June 11, 1987, defines an international agreement as any agreement concluded with one or more foreign governments that meets the following criteria:

o is signed or agreed to by personnel of any DoD Component or by representatives of the Department of State or any other Department or Agency of the U.S. Government;

o signifies the intent of its parties to be bound in international law; and

o is denominated as an international agreement or as a memorandum of understanding, memorandum of agreement, memorandum of arrangements, exchange of notes, exchange of letters, technical arrangement, protocol, note verbal, aide memoirs, agreed minute, contract, arrangement, statement of intent, letter of intent, statement of understanding, or any other name connoting a similar legal consequence.

In 1951, under the auspices of the North Atlantic Treaty Organization, the United States and the Republic of Iceland entered into a bilateral defense agreement, which remains in force today as the basis for current defense cooperation. The 1951 Bilateral Defense Agreement established the Iceland Defense Force (IDF) and specified that the United States would provide for the defense of Iceland under guidelines mutually agreed upon by the two governments.

Since the initial signing, the 1951 agreement has been supplemented by various additional agreements, annexes, and memorandums of understanding. Recent updates occurred in 1994 and 1996. In January 1994, in a 2-year agreement known as the 1994 Agreed Minute, both governments acknowledged the end of the cold war, the changing defense environment, and the need to reduce the U.S. cost of operations in Iceland. The United States decreased the number of fighter aircraft and closed one naval organization in Iceland and made plans to close another naval organization there in 1997.

On April 9, 1996, the U.S. Under Secretary of Defense for Policy and the Icelandic Minister for Foreign Affairs signed an agreement known as the 1996 Agreed Minute. The 5-year agreement stabilizes force levels and commits both governments to cooperating to reduce all costs associated with the U.S. military presence in Iceland. The other agreements between Iceland and the United States provide the specific rules and guidelines under which the United States and Iceland implement their responsibilities under the 1951 Bilateral Defense Agreement.

Policy for International Agreements. The Case Act, title 1, United States Code, section 112b, "United States International Agreements; Transmissions to Congress," 1972, requires prompt reporting to the Congress of all international agreements to which the United States is a party. The Department of State is

primarily responsible for implementing the Case Act and has established a policy of centralized control and decentralized execution of international agreements. The DoD has implemented that policy through DoD Directive 5530.3, which established DoD policy and procedures for negotiating and concluding international agreements. The Directive requires that a DoD Component* entering into an agreement send a copy of the agreement to the Department of State and the General Counsel of the Department of Defense (hereafter referred to as the General Counsel) no later than 20 days after the agreement is enacted. The Department of State uses the information to determine whether an agreement should be reported to Congress. The General Counsel is required to maintain copies of all agreements concluded by DoD personnel in a central repository and to update its master index of agreements on an annual basis.

Responsibilities for International Agreements. DoD Directive 5530.3 establishes the level of authority for DoD Components to negotiate and conclude international agreements. The Directive prescribes each DoD Component's approval authority over specific categories of agreements. No DoD directives specify how an agreement should be administered once it has been concluded. However, it has been unwritten policy in DoD to delegate the administration of the agreement to the organizational level affected by the conditions of the concluded agreement, no matter which level of authority approved and signed the agreement. The defense of Iceland is within the area of responsibility of the U.S. Atlantic Command (USACOM), and the USACOM has delegated the administrative responsibilities to the IDF, the subordinate command directly affected by the conditions of agreements between Iceland and the United States.

Military Forces in Iceland. Military forces in Iceland are organized into four commands, and all four commands are commanded by the same Department of the Navy flag officer. The one North Atlantic Treaty Organization command is Island Commander Iceland, which reports through the Commander in Chief, East Atlantic in Northwood, United Kingdom, to the Supreme Allied Commander Atlantic in Norfolk, Virginia, for planning and control of Icelandic air defense and maritime patrol operations in the North Atlantic and Norwegian Sea. The remaining three commands are U.S. national commands. The Commander, IDF, is responsible to the National Command Authority through the Commander in Chief, USACOM, for the defense of Iceland and for the coordination of political and military issues with the Government of Iceland. Through Navy channels, the Iceland Sector Anti-Submarine Warfare Group is responsible, under U.S. national tasking, for control of maritime patrol activity in the North Atlantic and Norwegian Sea. Finally, Commander Fleet Air Keflavik is the area coordinator responsible for command oversight of all naval organizations in Iceland. As of June 30, 1995, total personnel strength for all 4 commands in Iceland was 5,615 personnel, of which 2,197 were U.S. military personnel. The remainder was foreign military personnel (five), civilian employees, and dependents. Appendix D shows the

*DoD Components are the offices of the Secretary of Defense, the Military Departments, the Joint Staff, the unified commands, and the Defense agencies.

changes in personnel strength in Iceland since 1990. All personnel, whether military or civilian, U.S. or foreign, including family members, assigned to any of the four commands in Iceland are under the operational control of the Commander, IDF.

Iceland Defense Force. The IDF was established as a result of the 1951 Bilateral Defense Agreement and is responsible to the National Command Authority through the Commander in Chief, USACOM, for the defense of Iceland and for the coordination of political and military issues with the government of Iceland. The primary missions of the IDF are to protect Iceland and to support the North Atlantic Treaty Organization in the control of North Atlantic sea and air lines of communication. The IDF works closely with the American Embassy and the Government of Iceland to provide for common security interests. Within its office of the Staff Judge Advocate, the IDF is responsible for ensuring the completion, retention, and retrievability of complete negotiating history files for each international agreement for which the IDF bears primary negotiating responsibility, irrespective of whether the chief U.S. negotiator or the signer of the agreement is an official of another DoD organization. As of April 1995, the IDF had a record of 81 active agreements between Iceland and the United States.

Audit Objectives

The primary audit objective was to evaluate the continuing requirement for international agreements between Iceland and the United States. Specifically, we determined whether the existing agreements were commensurate with current and anticipated operational requirements for U.S. military operations. We also evaluated the effectiveness of applicable management controls. See Appendix A for a discussion of the audit scope and methodology and Appendix B for a summary of prior coverage related to the audit objectives. Appendix A also discusses the review of the management control program; see the finding for details. We determined that the existing agreements between Iceland and the United States were commensurate with current and anticipated operational requirements for U.S. military operations (see Appendix C).

Accountability for International Agreements

The General Counsel did not have current and complete information on active agreements concerning U.S. defense operations in Iceland. The information was not available because USACOM did not give the General Counsel an annual updated index of agreements as required by DoD Directive 5530.3. Also, DoD Directive 5530.3 is silent on the type of information needed to maintain an index that identifies active agreements, and the Directive and DoD Components' implementing instructions have conflicting reporting requirements. The problem is systemic and applies to international agreements in general. As a result, DoD could have difficulty in determining available support in times of crisis and current administrative processes are inefficient.

Administrative Problems Previously Identified

The lack of having and maintaining current and complete information on active international agreements concerning U.S. defense operations has been previously reported. In 1991, both we and the U.S. Army Audit Agency issued reports that identified problems in DoD with the administration and control of international agreements. In 1993, the Inspector General, DoD, found again that administration and control problems still existed.

In June 1993, we reported that the records for managing and administering international agreements were so deficient that the auditors judged them to be not in condition for audit. The condition occurred because a system and process to control and reconcile active agreements had not been established by the Assistant Secretary of Defense (International Security Affairs), the General Counsel, and the Comptroller of the Department of Defense [now the Under Secretary of Defense (Comptroller)]. As a result, in many cases, the propriety, financial consequences, interrelationships, status of, and continuing need for international agreements could not be readily determined. The audit also identified a material control weakness in that controls had not been established for the administration of concluded international agreements. The report recommends that DoD Directive 5530.3 be amended to include specific provisions for controlling and reconciling international agreements, their financial provisions, and the applicable financial records. Initially, the Assistant Secretary stated that his office would work with the General Counsel to develop procedures that would increase control over agreements. The Assistant Secretary and General Counsel later reversed their positions. The Joint Staff, on the other hand, issued guidance in September 1994 that was intended to instill more discipline and reliability into compiling management information on international agreements.

DoD Guidance on International Agreements

Every level in DoD, from the Office of the Secretary of Defense to the IDF, has written guidance concerning accountability for international agreements. Table 1 identifies the chain of regulations that apply to agreements concerning U.S. defense operations in Iceland.

Table 1. Regulations Titled "International Agreements"

DoD Component	Directive (D) or Instruction (I) Number	Date
General Counsel	(D) 5530.3	June 11, 1987
Chairman of the Joint Chiefs of Staff	(I) 2300.01	September 15, 1994
Commander in Chief, U.S. Atlantic Command	(I) 5711.1A	June 21, 1990
Commander, Iceland Defense Force	(I) 5711.1D	April 17, 1995

Each regulation requires the DoD Components to appoint a single office of record that is responsible for the administration and control of agreements. Each regulation specifically states that the single office of record will maintain a repository of agreements, maintain an index of agreements within its area of responsibility, update its index of agreements on a calendar-year basis, and provide a copy of its updated index up the administrative chain of command so that the General Counsel receives all updated indexes by January 31 annually.

Submitting Updated Indexes as Required by DoD. For the reporting period ended December 31, 1994, none of the single offices of record submitted updated indexes of agreements with Iceland to the appropriate commands by the due dates specified in the regulations. The IDF did not submit an updated index of agreements to USACOM by December 31, 1994, as required by Commander in Chief, USACOM, Instruction 5711.1A. The USACOM did not submit an updated index of agreements to either the General Counsel or the Joint Staff, as required by DoD Directive 5530.3 and Chairman of the Joint Chiefs of Staff Instruction 2300.01. Further, the Joint Staff did not submit an updated index of agreements to the General Counsel by January 31, 1995, as required by DoD Directive 5530.3.

Until September 1994, USACOM was required to submit its annual index directly to the General Counsel in accordance with DoD Directive 5530.3. In September 1994, the Joint Staff issued Instruction 2300.01, which requires that combatant commands submit indexes to the Joint Staff instead of the General Counsel. However, the Joint Staff acknowledged that it did not implement the reporting requirements of the new Instruction for 1994. The Joint Staff reasoned that the Instruction was too new to have the combatant commands submit indexes as of December 31, 1994, because not all the combatant commands received the Instruction in time to comply with the reporting

requirements for 1994. As anticipated by the Joint Staff, the single offices of record for USACOM and the Joint Staff stated that they were unaware of the reporting requirements in the Instruction.

Differing Requirements in DoD Regulations. Requirements in the regulations pertaining to the content and reporting of the indexes were inconsistent.

General Counsel Requirements. To fulfill responsibilities as the DoD central repository of international agreements affecting the DoD, the General Counsel is dependent on DoD Components to comply with DoD Directive 5530.3. The General Counsel uses that Directive as the principal guidance on this subject.

Content of Index of Agreements. DoD Directive 5530.3 requires an annual updated index of agreements, but is silent on the type of information the General Counsel needs in maintaining an index that identifies active agreements. Because the General Counsel is responsible for maintaining an updated index of all agreements that are coordinated, negotiated, or concluded by DoD personnel, the General Counsel should take the lead in defining the minimum information requirements for the index of agreements. The minimum requirements for the General Counsel index of agreements should be identified in DoD Directive 5530.3 and should include the following information:

- o country with which the agreement was made;
- o governmental entity of the country, if applicable, with which the agreement was made;
- o title of the agreement;
- o date of signature;
- o specific statutory authority providing the substantive legal basis for DoD to enter into the agreement and to expend funds to implement the agreement;
- o date of entry into force;
- o date of termination;
- o current status (active or inactive); and
- o if inactive, the reason for the inactive status.

By using an automated data base with those fields of information, the General Counsel would have a source for identifying DoD international obligations and support and for maintaining historical information for legal research.

Reporting Due Dates. DoD Directive 5530.3 requires DoD Components to submit their annual updated indexes to the General Counsel by January 31 of each year. However, that due date is not realistic because the indexes must be updated as of December 31 annually and because reporting is done through the administrative chain of command. Each reporting entity needs time to receive the required updated indexes, to update its own master index, and to submit a singular index to the next senior reporting entity. Each reporting entity has its own system of maintaining the information for its area of responsibility. Updating indexes and sending the updated index to the next reporting level is done manually. Until all the DoD Components are using the same automated data base, it is more realistic to require 30 days for each reporting level rather than 31 days for the entire reporting process. The General Counsel arbitrarily selected January 31 as a reporting due date for the updated indexes. The General Counsel agreed that a March 31 due date would not affect the mission and, therefore, would be feasible.

Table 2 shows the proposed due dates for each reporting level, assuming a 30-day window for each level and a final index submitted to the General Counsel by March 31.

Table 2. Proposed Due Dates for Reporting Agreements with Iceland

Date	Action
December 31	End of calendar year and reporting year.
January 30	Due date for the IDF to submit to the USACOM the updated index of agreements within the IDF area of responsibility (agreements with Iceland).
March 1	Due date for the USACOM to submit to the Joint Staff the updated index of agreements within the USACOM area of responsibility (includes agreements received from the IDF and all other subordinate combatant commands).
March 31	Due date for the Joint Staff to submit to the General Counsel the updated index of agreements within the Joint Staff area of responsibility (includes agreements received from the USACOM and all other combatant commands).

The current DoD reporting requirement cannot be met using the current methods employed by DoD Components for maintaining and updating indexes of agreements. Therefore, DoD Directive 5530.3 should be revised to establish March 31 as the due date for submitting annual updated indexes of agreements to the General Counsel.

Joint Staff Requirements. Chairman of the Joint Chiefs of Staff Instruction 2300.01 places the Joint Staff in a position between the combatant commands and the General Counsel by requiring the combatant commands to provide an annual updated index of their agreements to the Joint Staff by January 31. However, the Instruction does not allow time for the Joint Staff to receive the indexes, use the information to update and reconcile the Joint Staff master index, and submit a consolidated index to the General Counsel by the deadline of January 31. As a result of the General Counsel changing the reporting date to March 31 and each reporting level having a 30-day window, the Joint Staff should revise Instruction 2300.01 to reference a revised DoD Directive 5530.3 and to establish March 1 as the due date for combatant commands to submit annual updated indexes of agreements to the Joint Staff.

USACOM Requirements. Commander in Chief, USACOM, Instruction 5711.1A references a Joint Chiefs of Staff Memorandum of Policy that was superseded by Joint Staff Instruction 2300.01. Also, USACOM Instruction 5711.1A requires subordinate combatant commands to provide an annual updated index of their agreements to USACOM by December 31. Because the annual updated index should reflect the status of agreements on a calendar-year basis, that is, as of December 31, the USACOM reporting date is unrealistic. Therefore, the USACOM should revise USACOM Instruction 5711.1A to reference a revised DoD Directive 5530.3 and a revised Joint Staff Instruction 2300.01 that reflect new due dates and to establish January 30 as the due date for subordinate combatant commands to submit annual updated indexes of agreements to the USACOM.

IDF Requirements. Commander, IDF, Instruction 5711.1D references a Joint Chiefs of Staff Memorandum of Policy that was superseded by Joint Staff Instruction 2300.01. The IDF needs to revise Instruction 5711.1D to reference a revised DoD Directive 5530.3, a revised Joint Staff Instruction 2300.01, and a revised USACOM Instruction 5711.1A as previously discussed. In so doing, the IDF will have a 30-day window to update and reconcile its index of agreements and to submit its index to USACOM by January 30.

Completeness of Master Indexes

None of the indexes of agreements maintained by IDF, USACOM, or the General Counsel included the 1994 Agreed Minute signed on January 4, 1994, in Reykjavik, Iceland, by the U.S. Deputy Secretary of Defense and the Icelandic Minister for Foreign Affairs. The 1994 Agreed Minute fits the definition of an international agreement as defined by DoD Directive 5530.3. Accordingly, the 1994 Agreed Minute should have been included on each of the indexes of agreements maintained by the IDF, the USACOM, and the General Counsel.

According to DoD Directive 5530.3, DoD officials responsible for negotiating and concluding agreements are required to obtain concurrence of their

respective Office of General Counsel or Staff Judge Advocate before tendering drafts of and concluding international agreements. When DoD officials do not comply, the respective DoD legal offices cannot effectively meet their responsibilities in the area of international agreements, including the proper reporting of such agreements. For the 1994 Agreed Minute, the IDF Office of the Staff Judge Advocate was a participant in the negotiating process; and, therefore, was aware of the existence of the agreement.

The IDF retained the negotiating history file for the 1994 Agreed Minute, as required by DoD Directive 5530.3, but did not include the agreement in its index of international agreements, also as required by the Directive. The USACOM and the General Counsel should have received copies of the 1994 Agreed Minute within 20 days after the agreement was signed. At that time, both organizations should have added the agreement to their respective indexes. A check on the completeness of the respective indexes should have occurred when the IDF, USACOM, and General Counsel reconciled their indexes as of December 31, 1994, again, as required by the Directive. After the reconciliation, all three organizations should have had the 1994 Agreed Minute on their respective indexes of international agreements.

Reconciling Master Indexes

The IDF, the USACOM, and the General Counsel maintain their own indexes of agreements with Iceland. The most recent reconciliation took place in 1995 between IDF and USACOM indexes. The General Counsel index was not reconciled in 1995.

USACOM and IDF Indexes. In March 1995, USACOM requested a reconciliation of its master index of agreements with IDF records. The USACOM index listed 114 agreements with the Government of Iceland. In April 1995, the IDF returned the index to the USACOM and included information to clarify or correct entries on the index. The IDF identified agreements that were completed, expired, terminated, or superseded. The IDF also identified entries on the index that were not agreements, but were contracts or leases that did not meet the definition of an agreement as defined by DoD Directive 5530.3 or were annexes to existing agreements that should not have been listed in the index as separate agreements. The IDF also identified duplicate entries in the index. As a result of the information provided by the IDF, the USACOM index reconciled to 81 active agreements.

As of June 12, 1995, the USACOM had neither updated its index to reflect the changes from the reconciliation nor submitted a copy of its reconciled index to the Joint Staff or the General Counsel. The USACOM was unaware of the Joint Staff Instruction 2300.01 that requires combatant commands to submit annual updated indexes to the Joint Staff. In addition, the USACOM reasoned that because no new agreements with Iceland had been negotiated since January 1994, it was not necessary to send a copy of an updated index to the General Counsel.

General Counsel and USACOM Indexes. The General Counsel files the submitted indexes in a safe for reference purposes. The practice does not include using the submitted indexes to update the General Counsel master index of agreements. The General Counsel gave the auditors a copy of its index of agreements with Iceland. The General Counsel index was dated January 1993 and listed 85 agreements. Of the 85 agreements, only 34 (40 percent) agreements were on the USACOM reconciled index. Also, of the 81 active agreements on the USACOM reconciled index, 49 (60 percent) agreements were not on the General Counsel index. As a result, the General Counsel index is incomplete and inaccurate.

Summary

Although the audit covered only agreements with Iceland, the problems identified with the regulations and the noncompliance with the regulations indicate potential incompleteness and inaccuracy of all indexes of agreements maintained by the USACOM, the Joint Staff, and the General Counsel. All three organizations have recognized a need to have current information on agreements within their areas of responsibility. The Joint Staff initiatives undertaken in response to previous audits on this matter were commendable, but problems remain that can only be addressed by a thorough overhaul of the hierarchy of regulations, starting with the governing DoD Directive. Only then can DoD better rely on its information on international agreements.

Recommendations, Management Comments, and Audit Responses

1. We recommend that the General Counsel of the Department of Defense:

a. Revise DoD Directive 5530.3, "International Agreements," to:

(1) Specify the type of information required to maintain an index of international agreements that provides the current status of agreements.

(2) Establish March 31 of each year as the due date for receipt of updated indexes of international agreements from DoD Components.

b. Issue interim guidance to implement Recommendations 1.a.(1) and 1.a.(2) until DoD Directive 5530.3 is revised.

Management Comments. The General Counsel concurred with Recommendation 1.a., stating that that office is converting to a fully automated international agreement records system, that the content of the index of agreements should also include two other items of information in addition to the items listed in the finding, and that the due date for international agreement indexes should be adjusted from January 31 to March 31. The General Counsel did not comment on Recommendation 1.b.

Audit Response. We do not consider the General Counsel comments fully responsive. The General Counsel did not indicate the specific actions that office will take to revise DoD Directive 5530.3. Until the General Counsel revises the Directive, the DoD Components will not be able to revise their implementing instructions to eliminate conflicting reporting requirements and to provide the General Counsel the information needed to fulfill the responsibilities as the DoD central repository of international agreements affecting the DoD. We request that in response to the final report, the General Counsel provide the specific action to be taken to revise the Directive and a date by which the action will be completed. We also request that the General Counsel provide her position on Recommendation 1.b. and the corrective actions taken or planned in response to the final report.

c. Update the General Counsel index of international agreements as of December 31, 1995, to reflect active agreements with Iceland.

Management Comments. The General Counsel concurred with the recommendation, stating that that office is converting to a fully automated international agreement records system.

2. We recommend that the Director, Joint Staff:

a. Revise Chairman of the Joint Chiefs of Staff Instruction 2300.01, "International Agreements," to:

(1) Reference the revised DoD Directive 5530.3 as described in Recommendation 1.a.

(2) Direct combatant commands to submit annual updated indexes to the Joint Staff by March 1 each year.

b. Issue interim guidance to implement General Counsel interim guidance described in Recommendation 1.b. and requirements in Recommendation 2.a.(2) until Chairman of the Joint Chiefs of Staff Instruction 2300.01 is revised.

c. Update the Joint Staff index of international agreements as of December 31, 1995, to reflect active agreements with Iceland.

d. Submit an updated index of international agreements as of December 31, 1995, to the General Counsel in accordance with General Counsel interim guidance described in Recommendation 1.b.

Management Comments. The Director, Joint Staff, did not respond to the draft of this report. We request that the Director provide comments in response to the final report.

3. We recommend that the Commander in Chief, U.S. Atlantic Command:

a. Revise Commander in Chief, U.S. Atlantic Command Instruction 5711.1A, "International Agreements," to:

(1) Reference the revised DoD Directive 5530.3 as described in Recommendation 1.a. and revised Chairman of the Joints Chiefs of Staff Instruction 2300.01 as described in Recommendation 2.a.

(2) Direct subordinate combatant commands to submit annual updated indexes to the U.S. Atlantic Command by January 31 each year.

b. Issue interim guidance to implement the General Counsel interim guidance described in Recommendation 1.b., Joint Staff interim guidance described in Recommendation 2.b., and requirements in Recommendation 3.a.(2) until Commander in Chief, U.S. Atlantic Command Instruction 5711.1A is revised.

c. Update U.S. Atlantic Command index of international agreements as of December 31, 1995, to reflect active agreements with Iceland.

d. Submit an updated index of international agreements as of December 31, 1995, to the Joint Staff in accordance with the Joint Staff interim guidance described in Recommendation 2.b.

e. Review the management and administration of international agreements as part of the U.S. Atlantic Command self-evaluation.

Management Comments. The U.S. Atlantic Command concurred with Recommendation 3., stating that it recognizes the need to better manage yearly reporting requirements and reconciliation of indexes of international agreements and is hiring a civilian paralegal whose primary responsibilities will be to track the agreements and reconcile indexes between commands.

Audit Response. The U.S. Atlantic Command comments were partially responsive. The U.S. Atlantic Command did not indicate what actions it will take to resolve the guidance problems or the material control weakness in its management control program. We request that in response to the final report, the U.S. Atlantic Command provide additional comments on the actions to be taken and include completion dates.

4. We recommend that the Commander, Iceland Defense Force:

a. Revise Commander, Iceland Defense Force Instruction 5711.1D, "International Agreements," to reference revised DoD Directive 5530.3 as described in Recommendation 1.a., revised Chairman of the Joints Chiefs of Staff Instruction 2300.01 as described in Recommendation 1.a., and revised Commander in Chief, U.S. Atlantic Command Instruction 5711.1A as described in Recommendation 3.a.

Management Comments. The Iceland Defense Force concurred with Recommendation 4.a., stating that although it may be able to modify the Iceland Defense Force practices in response to the recommendation, the expected completion date for the revised guidance is contingent on receipt of revisions from higher authority and is, therefore, unknown at this time.

b. Issue interim guidance to implement the General Counsel interim guidance described in Recommendation 1.b., the Joint Staff interim guidance described in Recommendation 2.b., and the U.S. Atlantic Command interim guidance described in Recommendation 3.b. until Commander, Iceland Defense Force Instruction 5711.1D is revised.

Management Comments. The Iceland Defense Force concurred with Recommendation 4.b., stating that the Iceland Defense Force will issue interim guidance upon receipt of interim guidance from the General Counsel, the Joint Staff, and the U.S. Atlantic Command.

c. Update Iceland Defense Force index of international agreements as of December 31, 1995, to reflect active agreements with Iceland.

Management Comments. The Iceland Defense Force concurred, stating that actions were completed as a result of the signing of the 1996 Agreed Minute on April 9, 1996.

d. Submit an updated index of international agreements as of December 31, 1995, to the U.S. Atlantic Command in accordance with the U.S. Atlantic Command interim guidance described in Recommendation 3.b.

Management Comments. The Iceland Defense Force concurred, stating that action was completed on January 30, 1996.

e. Review the management and administration of international agreements as part of the Iceland Defense Force self-evaluation.

Management Comments. The Iceland Defense Force concurred, stating that this action is considered an ongoing self-improvement project.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope

International Agreements with Iceland. We evaluated the status of international agreements between Iceland and the United States and determined whether there was a continuing need for the agreements. To identify active agreements, we reviewed master indexes of agreements maintained by the General Counsel, the USACOM, and the IDF. To identify current and anticipated operational requirements for U.S. military operations, we reviewed USACOM and IDF 1995 and 1996 military planning documents. Further, we reviewed the policies and procedures implemented by the General Counsel, the Joint Staff, the USACOM, and the IDF to account for and manage the agreements between Iceland and the United States. In addition, we examined the missions, personnel strengths, and funding data from FY 1990 through FY 1995 for operations performed by U.S. organizations in Iceland and under the operational control of the Commander, IDF.

Methodology

The 3 master indexes listed a total of 154 agreements dated from 1939 through 1994. We reconciled the list to 81 active agreements dated from 1951 through 1994. We judgmentally selected and reviewed 33 agreements (active agreements and inactive agreements) that were categorized as defense, security, equipment, mapping, real estate, utility, facility, maritime, and aviation. We reviewed the agreement files maintained by IDF; determined the purpose and status of the agreements; traced the agreements to their respective managing U.S. organizations; determined the financial considerations involved; and traced the resulting finances, if any, to the accounting records. We also compared the agreements to the current and anticipated U.S. military operational requirements to determine whether the agreements were still valid.

Use of Computer-Processed Data. We performed limited tests on the reliability of computer-processed data provided by the General Counsel, the USACOM, and the IDF. The computer-processed data related to the indexes received from the three organizations. We reconciled the three indexes using the agreement files maintained by the IDF. To the extent that we relied on the computer-processed data, they were sufficiently reliable for us to meet our audit objectives.

Audit Period, Standards, and Locations. We performed this program audit from July 1995 through January 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the

Inspector General, DoD, and accordingly, included such tests of management controls as were considered necessary. Appendix E lists the organizations visited or contacted.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of USACOM and IDF controls over the management and administration of international agreements. Specifically, we reviewed USACOM and IDF management controls over maintaining, updating, reporting, and reconciling master indexes of international agreements between the United States and Iceland. We reviewed management's self-evaluations applicable to those controls.

Adequacy of Management Controls. We identified material management control weaknesses, as defined by DoD Directive 5010.38, in the USACOM and the IDF controls. USACOM and IDF controls for the management and administration of international agreements were not effective to ensure that master indexes of international agreements between the United States and Iceland were maintained, updated, reported, and reconciled in accordance with DoD Directive 5530.3 and USACOM and IDF implementing instructions. Recommendations 3. and 4., if implemented, will improve controls for the management and administration of international agreements at the USACOM and the IDF. A copy of the report will be provided to the senior officials responsible for management controls in the Office of the Commander in Chief, USACOM, and in the Office of the Commander, IDF. Since a root cause of the control weaknesses was the lack of adequate guidance from higher authority, copies of the report are also being provided to the officials responsible for management controls of the Joint Staff and Office of the Secretary of Defense.

Adequacy of Managements' Self-Evaluations. The USACOM and IDF officials did not identify management and administration of international agreements as part of an assessable unit and, therefore, did not identify or report the material management control weaknesses identified by the audit. We did not review the self-evaluation of the Joint Staff and Office of the Secretary of Defense.

Appendix B. Summary of Prior Audits And Other Reviews

Inspector General, DoD

Inspector General, DoD, Report No. 93-119, "Agreements with North Atlantic Treaty Organization Allies," June 21, 1993, reports that a viable system to record, control, and link active agreements to financial records did not exist in the DoD. The report recommends that DoD Directive 5530.3, "International Agreements," be amended to include specific provisions for controlling and reconciling international agreements, their financial provisions, and the applicable financial records. Initially the Assistant Secretary of Defense (International Security Affairs) partially concurred and the General Counsel and Director, Joint Staff, fully concurred with the finding and recommendations. In the audit followup process, the Comptroller of the Department of Defense [now the Under Secretary of Defense (Comptroller)], stated that the auditors did not identify a need for the requested information or a user of such information and, therefore, nonconcurred with the finding and recommendations. The Assistant Secretary and the General Counsel ultimately reversed their positions and did not initiate corrective actions.

Inspector General, DoD, Report No. 91-066, "United States-German Wartime Host Nation Support Agreement," March 20, 1991, recommends that the Under Secretary of Defense for Policy request a bilateral review of the agreement and its implementing technical arrangements. The purpose of the review was to determine whether cost-saving measures existed as a result of the changed threat in the European theater. The report also recommends that the Under Secretary of Defense for Acquisition (now the Under Secretary of Defense for Acquisition and Technology), pending the results of the review, suspend all acquisition and construction support required by the agreement and cancel existing procurement and construction contracts consistent with the results of the review. The Deputy Secretary of Defense agreed with the need for a bilateral review, which was subsequently implemented by the U.S. European Command, and resulted in a 43-percent reduction in the number of German reservists (53,000 personnel) and monetary benefits of $186 million in U.S. procurement and new construction costs.

U.S. Army Audit Agency

U.S. Army Audit Agency, Report No. EU 91-308, "International Agreements U.S. Army, Europe and Seventh Army," September 10, 1991, states that U.S. Army, Europe and Seventh Army had not implemented procedures to properly administer and control international support agreements, had not collected reimbursement costs for support that had been furnished to

international organizations, and did not properly charge customers for reimbursable costs applicable to support or services furnished under international agreements, and that the system of management controls for international agreements was not effective. The report recommends that U.S. Army, Europe and Seventh Army develop and issue standard operating procedures for the management of agreement administration, identify all existing international agreements requiring reimbursements, instruct personnel on proper procedures for recording and processing collections, and issue supplemental guidance explaining costing procedures for calculating applicable reimbursement rates. U.S. Army, Europe and Seventh Army concurred with the recommendations; however, Inspector General, DoD, Report No. 93-119 showed that the reported deficiencies had not been corrected.

Appendix C. Agreements Commensurate with U.S. Military Requirements

Existing international agreements between Iceland and the United States are commensurate with current and anticipated operational requirements for U.S. military operations. The 1951 Bilateral Defense Agreement is the basis for current defense cooperation between Iceland and the United States. The 1951 agreement specified that the United States would provide for the defense of Iceland under guidelines mutually agreed upon by the two governments. Over the years, the 1951 agreement has been revised or further defined. In 1956, an agreement was made to establish a Defense Standing Group, known as the United States-Iceland Defense Council, to provide senior-level oversight of the defense working relationship between Iceland and the United States, represented by the IDF. In 1974, another agreement was made in which new limits were established for the number and type of U.S. personnel allowed to be stationed in Iceland. In January 1994, in a 2-year agreement known as the 1994 Agreed Minute, both governments acknowledged the end of the cold war, the changing defense environment, and the need to reduce the U.S. cost of operations in Iceland.

The 1994 Agreed Minute acknowledged that the United States had already planned to decrease the number of fighter aircraft and to close two naval organizations in Iceland. The Air Combat Command reorganized the Air Force Fighter Squadron in Iceland and reduced the number of F-15 fighter aircraft from 15 permanently stationed aircraft to 4 rotational aircraft. As a result, funding for air defense in Iceland decreased from about $33.8 million in FY 1994 to about $18.8 million in FY 1995, and the number of military personnel was decreased from 2,148 to 1,121 personnel, more than 47 percent. The Navy closed the Naval Security Group Activity in Iceland in 1994 and plans to close the Naval Facility in Iceland in 1997.

The most recent update occurred on April 9, 1996, when the U.S. Under Secretary of Defense for Policy and the Icelandic Minister for Foreign Affairs signed an agreement known as the 1996 Agreed Minute. The 5-year agreement stabilizes force levels and commits Iceland and the United States to cooperating to reduce all costs associated with the U.S. military presence in Iceland. In comments on the draft of this report, the IDF stated that action officers from the two governments were working on procedures to implement the 1996 Agreed Minute.

Because of the actions implemented by the United States and Iceland since 1994 and the senior-level oversight provided by the United States-Iceland Defense Council, we determined that existing agreements between Iceland and the United States were commensurate with current and anticipated operational requirements for U.S. military operations.

Appendix D. Changes in Personnel Strength in Iceland

	June 30, 1990, through June 30, 1995					
	1990	1991	1992	1993	1994	1995
Military Strength						
U.S. Army	5	5	4	4	4	4
U.S. Navy	1,871	1,810	1,706	1,640	1,499	1,372
U.S. Air Force	1,249	1,315	1,227	1,137	1,125	736
U.S. Marine Corps	80	94	86	87	91	85
U.S. Coast Guard	2	2	2	2	2	0
Foreign	5	5	5	5	5	5
Military strength subtotal	**3,212**	**3,231**	**3,030**	**2,875**	**2,726**	**2,202**
(Percent of 1990 Total)	(100)	(101)	(94)	(90)	(85)	(69)
Civilian Strength						
U.S. Dependent employees	361	397	493	433	461	451
U.S. Non-dependent employees	92	115	115	100	85	101
Icelandic and third-nation employees	1,190	1,135	996	1,012	988	954
Non-employee dependents	1,697	2,075	2,106	2,381	2,310	1,907
Civilian strength subtotal	**3,340**	**3,722**	**3,710**	**3,926**	**3,844**	**3,413**
(Percent of 1990 Total)	(100)	(111)	(111)	(118)	(115)	(102)
Total strength	**6,552**	**6,953**	**6,740**	**6,801**	**6,570**	**5,615**
(Percent of 1990 Total)	(100)	(106)	(103)	(104)	(100)	(86)

Appendix E. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Assistant Secretary of Defense (International Security Affairs), Washington, DC
General Counsel of the Department of Defense, Washington, DC

Joint Staff

Directorate of Management, Joint Staff, Washington, DC
Directorate for Operations (J-3), Joint Staff, Washington, DC
Directorate for Strategic Plans and Policy (J-5), Joint Staff, Washington, DC

Department of the Navy

U.S. Atlantic Fleet, Norfolk, VA
  Integrated Undersea Surveillance System, Dam Neck, VA
  Naval Air Forces Atlantic Fleet, Norfolk, VA
  Fleet Air Keflavik, Iceland
  Naval Air Station, Keflavik, Iceland

Department of the Air Force

Air Combat Command, Langley Air Force Base, VA
  Air Forces Iceland, Keflavik, Iceland

Unified Command

U.S. Atlantic Command, Norfolk, VA

Other Defense Organization

Iceland Defense Force, Keflavik, Iceland

Non-Defense Federal Organization

U.S. Embassy, Reykjavik, Iceland

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Policy
Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (International Security Affairs)
Assistant Secretary of Defense (International Security Policy)
General Counsel of the Department of Defense
Assistant to the Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Joint Staff

Director, Joint Staff

Department of the Army

Commander, U.S. Forces Command
Deputy Chief of Staff for Logistics
Auditor General, Department of the Army

Department of the Navy

Chief of Naval Operations
Commandant of the Marine Corps
Commander in Chief, U.S. Atlantic Fleet
Assistant Secretary of the Navy (Financial Management and Comptroller)
Commander, U.S. Marine Forces-Atlantic
Deputy Chief of Staff for Installations and Logistics, U.S. Marine Corps
Auditor General, Department of the Navy

Department of the Air Force

Commander, Air Combat Command
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Chief of Staff Logistics
Auditor General, Department of the Air Force

Unified Command

Commander in Chief, U.S. Atlantic Command

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Commander, Iceland Defense Force
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Ambassador, U.S. Embassy, Reykjavik, Iceland
Office of Management and Budget
Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

  Senate Committee on Appropriations
  Senate Subcommittee on Defense, Committee on Appropriations
  Senate Committee on Armed Services
  Senate Committee on Governmental Affairs
  House Committee on Appropriations
  House Subcommittee on National Security, Committee on Appropriations
  House Committee on Government Reform and Oversight
  House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
  House Committee on National Security

Part III - Management Comments

General Counsel of the Department of Defense Comments

DEPARTMENT OF DEFENSE
OFFICE OF GENERAL COUNSEL
1600 DEFENSE PENTAGON
WASHINGTON, DC 20301-1600

May 3, 1996

MEMORANDUM FOR THE DIRECTOR, READINESS AND OPERATIONAL SUPPORT DIRECTORATE, OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Audit Report Concerning U.S. Defense Operations in Iceland (Project No. 5RA-0058)

Thank you for the opportunity to respond in this memorandum to your letter of March 5, 1996 and to the findings and recommendations of the subject draft report.

Responsibility for Submission of Information by DoD Components

With respect to your findings on submissions of information regarding international agreements, it is important to note at the outset, as you do on page 5 of the draft report, that any lack of current and complete information concerning active agreements applicable to defense operations in Iceland on the part of the DoD Office of the General Counsel ("OGC") was due to USACOM not providing OGC the information required to be provided under DoD Directive 5530.3. The report accurately notes on page 7 that "to fulfil the responsibilities as the DoD central depository for international agreements affecting DoD, the General Counsel is dependent on DoD components to comply with DoD Directive 5530.3". Indeed, OGC cannot effectively administer or manage information regarding international agreements unless DoD components provide it with the necessary information.

Automated Data Base

On page 7 of the draft report you note that by using an automated data base, OGC would have "a source for identifying DoD international obligations and support for maintaining historical information for legal research." While this is a correct statement and OGC is currently in the process of converting to a

fully automated international agreement records system, it is important to again note that OGC efforts in this area will continue to be dependent on the timely submission by all DoD components of complete and accurate information regarding component international agreement activities.

Previously Identified Administrative Problems

With respect to "administrative problems previously identified" on page 5 of the draft report, Report No. 93-119 is described as having found that "A viable system to control, record, and link active international agreements to financial records did not exist in the DoD" and recommended that DoD Directive 5530.3 "be amended to include specific provisions for controlling and reconciling international agreements, their financial provisions, and applicable financial records." Whatever the merits or desirability of maintaining such detailed financial records in connection with each international agreement to which DoD is a party, OGC feels compelled to note, again, that primary responsibility for such financial records rests with the Under Secretary of Defense (Comptroller) and changes to 5530.3 in this area are dependent on the concurrence and active participation of the Office of the Under Secretary of Defense for Policy and the Under Secretary of Defense (Comptroller), as well as the provision of sufficient resources and staffing to the Comptroller's office to support such an activity. To imply, as the draft report does in the last sentence of page 5, that the General Counsel shares responsibility for failing to implement the results of Report No. 93-119, is not accurate in view of the primary role of the Office of the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense for Policy in this area.

Content of Index of Agreements

OGC concurs in the findings on page 7 of the draft report regarding the desirability of additional information being included in the index of agreements that DoD components are required to submit on an annual basis to OGC under DoD Directive 5530.3. In addition to the 7 items recommended in the draft report, the following information should also be included:

Final Report Reference

the country and the governmental entity (if applicable) with which the agreement was made; and

the specific statutory authority providing the substantive legal basis for DoD entering into the agreement and expending funds to implement it.

Reporting Due Dates

Page 8

OGC concurs in the draft report's findings on page 7 regarding adjustment of the due date for international agreement indexes from January 31 to March 31.

Completeness of Master Indexes

The draft report notes on page 9 how a specific document, in this case an "agreed minute," failed to be included in any DoD index of international agreements even though it "fits within the definition of an international agreement as defined by DoD Directive 5530.3." The draft report fails to note that DoD legal offices cannot effectively implement their responsibilities in the area of international agreements, including the proper reporting of such agreements, unless the DoD components responsible for the negotiation and conclusion of these international agreements fully comply with the requirements of DoD directive 5530.3 by ensuring that the relevant DoD component's Office of General Counsel or Staff Judge Advocate is given the opportunity to review the document in question and provide concurrence before any draft of such agreement is tendered to a prospective party thereto. See DoD Directive 5530.3, section H., paragraph 13. It is the responsibility of DoD legal officers to determine whether a particular document does or does not constitute an international agreement, although in practice it appears that some DoD officials may not always recognize or understand this requirement. Failure on the part of DoD officials to seek review of draft documents by their legal counsel prior to their negotiation not only prevents timely legal advice from being provided but may also contribute to these documents not being included in appropriate international agreement indexes because they have not been properly identified as international agreements or as documents containing international legal obligations.

Accordingly, based on the above, OGC recommends that the findings and recommendations of the subject draft report include a statement that effective implementation of DoD Directive 5530.3 and the compilation of complete international agreement indexes require DoD components to fully comply with section H., paragraph 13 and ensure that DoD legal officers are given the opportunity to review documents before any draft is tendered to a foreign government in order to determine whether or not those documents constitute international agreements or contain legally binding international obligations.

Reconciling Master Indexes

Page 10 of the draft report notes problems in reconciling international agreement indexes. OGC is in the process of creating an automated data base for international agreements and intends to reconcile existing master indexes of international agreements as part of this process.

Recommendations

OGC concurs with the recommendations of the draft audit report, subject to:

(1) inclusion of the additional items noted above regarding the type of information to be included in the index of international agreements; and

(2) reference in the findings and recommendations of the draft report regarding the need for DoD components to comply with DoD directive 5530.3, section H., paragraph 13, and thus ensure that DoD legal officers are given the opportunity to review documents and provide concurrence before such documents are tendered to foreign governments in order to determine whether or not they constitute international agreements or contain legally binding international obligations.

John H. McNeill
Senior Deputy General Counsel
(International Affairs & Intelligence)

Commander in Chief, U.S. Atlantic Command Comments

DEPARTMENT OF DEFENSE
COMMANDER IN CHIEF
U. S. ATLANTIC COMMAND
1562 MITSCHER AVENUE SUITE 200
NORFOLK, VA. 23551 - 2488

J00IG
Ser 6U9529
14 May 96

MEMORANDUM FOR: INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
(Attn: Ms Sandra Fissel)

Subject: Review of DoDIG Draft Audit Report "Audit Report on Agreements Concerning U.S. Defense Operations in Iceland," (Project No. 5RA-0058)

1. USACOM has reviewed the subject draft report. Our comments remain consistent with our first response at attachment 1.

2. Point of contact for this review is CDR A. R. Painter, USN, (C) 804-322-6942 or DSN 836-5942.

A. R. PAINTER
Commander, U.S. Navy
Inspector General
Acting

Attachment:
USACOM ltr dated 20 Feb 95

DEPARTMENT OF DEFENSE
COMMANDER IN CHIEF
U. S. ATLANTIC COMMAND
1562 MITSCHER AVENUE SUITE 200
NORFOLK, VA. 23551 - 2488

J00IG
Ser 6U9573
20 FEB 1996

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

Subject: Review of DoDIG Draft Audit Report "International Agreements Between Iceland and the U.S. Atlantic Command," (Project No. 5RA-0058)

1. USACOM has completed the review of subject report.

2. Concur with recommendation number 3. We recognize the need to better manage yearly reporting requirements and reconciliation of lists. USACOM is hiring a civilian paralegal whose primary responsibilities will be to track the agreements and reconcile lists between commands.

3. However, the thrust of the report misses the mark of the primary objective. The DoDIG Draft Audit on "International Agreements between Iceland and the U.S. Atlantic Command," dated 26 January 1996 states the "primary audit objective was to evaluate the continuing requirement for international agreements...(to) determine whether the existing agreements were commensurate with current and anticipated operational requirements for U.S. military operations." The report's main focus is on the administrative controls of the international agreements and fails to analyze or comment on the value, content, or appropriateness of agreements in force, current or future negotiations, nor is there any substantive comment/analysis on the direction which current Agreed Minute discussions with the Icelandic government are taking.

4. Point of contact for this review is CDR A. R. Painter, USN, (C) 804-322-5942 or DSN 836-5942.

H. W. Lehman, Jr.

H. W. GEHMAN, JR.
Vice Admiral, U.S. Navy
Deputy Commander in Chief

Copy to:
J02L
J5

Commander, Iceland Defense Force Comments

DEPARTMENT OF DEFENSE
ICELAND DEFENSE FORCE
PSC 1003, BOX 1
FPO AE 09728-0301

3020
Ser SJA/0291
6 May 96

From: Commander, Iceland Defense Force
To: Inspector General, Department of Defense, 400 Army Navy Drive, Arlington, Virginia, 22202-2884

Subj: AUDIT REPORT ON AGREEMENTS CONCERNING U.S. DEFENSE OPERATIONS IN ICELAND (PROJECT NO. 5RA-0058)

Ref: (a) IG memo of 5 Mar 96

1. In response to reference (a), the following comments are provided concerning the recommendations for corrective action and scope:

a. Recommendations for Corrective Action

(1) Item 4.a. - The Iceland Defense Force Instruction 5711.1D is built upon the DoD and CINCUSACOM directives. While we may be able to modify our practices based on the recommendations in the draft audit report, the expected completion date is contingent on receipt of revisions from higher authority and is, therefore, unknown at this time.

(2) Item 4.b. - The Iceland Defense Force will issue interim guidance upon receipt of interim guidance from the General Counsel, the Joint Staff and U.S. Atlantic Command. Expected completion date is, therefore, unknown at this time.

(3) Item 4.c. - Action completed on this item as a result of the signing of the 1996 Agreed Minute.

(4) Item 4.d. - Action completed on 30 January 1996.

(5) Item 4.e. - This item is considered an ongoing self-improvement project therefore, no specific completion date is identified.

b. Scope

(1) Appendix A - There does not appear to be any indication that international lawyers conducted a legal review of the agreements. The focus of the auditors seemed to be more on management controls than on the substance of the agreements, although both areas were listed as audit objectives.

Subj: AUDIT REPORT ON AGREEMENTS CONCERNING U.S. DEFENSE OPERATIONS IN ICELAND (PROJECT NO. 5RA-0058)

(2) Appendix C - We recommend that the DoD IG add the following to appendix C:

"The two governments entered into another Agreed Minute on 9 April 1996 that will last for five years. The Agreed Minute stabilizes force levels and commits the two governments to cooperating to reduce all costs associated with the U.S. military presence in Iceland. Action Officers from the two governments are currently working on implementing procedures."

2. Point of contact on this issue is LCDR Tom Booker, DSN 450-7014, COMM 011-354-425-7014.

S.W. BRYANT

Audit Team Members

This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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