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Policies and Procedures Needed to Reconcile Ministry
of Defense Advisors Program Disbursements to Other
DoD Agencies

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Acronyms and Abbreviations

FMR	Financial Management Regulation
MABP	Management Analysis Briefing Package
MIPR	Military Interdepartmental Purchase Requests
MoDA	Ministry of Defense Advisors
U.S.C.	United States Code



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

March 28, 2013

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR
PARTNERSHIP STRATEGY AND STABILITY OPERATIONS

SUBJECT: Policies and Procedures Needed to Reconcile Ministry of Defense Advisors
Program Disbursements to Other DoD Agencies
(Report No. DODIG-2013-062)

We are providing this report for review and comment. This is the second in a series of reports on the Ministry of Defense Advisors program. In 2009, DoD developed the pilot Ministry of Defense Advisors program to support a pool of civilians capable of building ministerial capacity in Afghanistan. However, program officials did not develop adequate procedures to reconcile actual to estimated deployed civilians' costs. A reconciliation of \$3.6 million in disbursements showed potential overpayments of \$124,195 and potential underpayments of \$318,892 to DoD agencies. We considered management comments on the draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations were partially responsive. Therefore, we request additional comments on Recommendation 1.a-b, and 2.a by April 29, 2013.

If possible, send a Microsoft Word (.doc) file and portable document format (.pdf) file containing your comments to audjsao@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905 (DSN 664-8905).

A handwritten signature in black ink, reading "Amy J. Frontz".

Amy J. Frontz
Principal Assistant Inspector General
for Auditing

cc:

Under Secretary of Defense (Policy)
Assistant Secretary of Defense for Special Operations and Low Intensity Conflict
Director, Defense Security Cooperation Agency
Under Secretary of Defense (Comptroller)/Chief Financial Officer



Results in Brief: Policies and Procedures Needed to Reconcile Ministry of Defense Advisors Program Disbursements to Other DoD Agencies

What We Did

In 2009, DoD developed the Ministry of Defense Advisors (MoDA) pilot program to support a pool of civilians capable of building ministerial capacity in Afghanistan. Between FY 2010 and FY 2012, MoDA program officials reimbursed other DoD agencies for some of the deployed civilians' costs, to include premium pay, backfilling the vacant position, and training costs. Our audit objective was to determine whether MoDA program officials established adequate controls over the distribution of funds to other DoD agencies.

What We Found

MoDA program officials did not develop adequate controls over the distribution of funds to other DoD agencies for deployed civilians' premium pay, backfill, and training costs. Instead, program officials relied on other DoD agencies to ensure \$19.3 million in estimated costs for 118 military interdepartmental purchase requests (MIPR) issued in FY 2010 to FY 2012 were adjusted to the final payment amounts.

This occurred because MoDA program officials did not develop and implement policies and procedures to obtain actual-cost data, perform reconciliations, and adjust final payments made to DoD agencies. As a result, for \$3.6 million disbursed through 56 MIPRS, MoDA program officials:

- potentially overpaid 9 MIPRs by \$124,195, and

- potentially underpaid 13 MIPRs by \$318,892.

The remaining 34 MIPRs did not require adjustment. Without taking corrective action, MoDA program officials risk augmenting MoDA's or other DoD agencies' appropriations, which could result in Antideficiency Act violations.

What We Recommend

The Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations should:

- update policy and develop and implement procedures to obtain actual-cost data and reconcile funds disbursed through MIPRs for deployed advisors' premium pay, backfill, and training costs; and
- reconcile prior disbursements to actual costs and adjust the final payment amount, as appropriate.

Management Comments and Our Response

Comments from the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations were partially responsive and additional comments are required. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations	1.a-b, 2.a	2.b

Please provide comments by April 29, 2013.

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Introduction

Objective

This is the second in a series of reports on the Ministry of Defense Advisors (MoDA) program. The first report found MoDA program officials did not establish a performance management framework for assessing the effectiveness of the program.¹ The audit objective for this report was to determine whether MoDA program officials developed adequate controls over the distribution of funds to other DoD agencies. For this report, we refer to “other DoD agencies” as DoD organizations that employ civilian volunteers or provide deployment training. See Appendix A for a discussion of the audit scope and methodology and prior audit coverage.

Background

In 2008, senior DoD officials identified a need to develop an internal DoD capacity to provide institutional, ministerial training and advisory support to our partner nations. In anticipation of the growing importance of capacity building, DoD officials developed two complementary pilot programs: the Defense Institution Reform Initiative and MoDA. DoD officials developed the MoDA pilot program to support a pool of civilians capable of building ministerial capacity in Afghanistan. We also issued a report on the Defense Institution Reform Initiative program.²

MoDA Program

In 2009, DoD officials designed the MoDA program to forge long-term relationships with a partner nation’s ministry of defense by matching senior civilians to partner-identified requirements. To prepare for deployment, civilians attend 7 weeks of extensive training in an operational environment and obtain instruction on culture, language, advisory skills, personal security, and civilian-military coordination. MoDA program officials stated that as of October 2012, 109 civilians had been deployed to Afghanistan.³

MoDA program officials cited 10 U.S.C. § 2571, “Interchange of Supplies and Services,” as their authority to reimburse other DoD agencies in advance for the deployed civilians’ premium pay,⁴ backfilling the vacant position, and training costs. MoDA program officials execute these transactions using the DoD overseas contingency operations appropriation.

¹ Report No. DODIG-2013-005, “Performance Framework and Better Management of Resources Needed by the Ministry of Defense Advisors Program,” October 23, 2012.

² Report No. DODIG-2013-019, “Defense Institution Reform Initiative Program Elements Need to Be Defined,” November 9, 2012.

³ Once deployed, civilians work under the direction of the Commander, North Atlantic Treaty Organization Training Mission-Afghanistan/U.S. Combined Security Transition Command-Afghanistan.

⁴ Premium pay consists of danger, post differential, night, Sunday premium, and overtime pay.

On December 31, 2011, DoD officials received congressional authority through Public Law 112-81, “National Defense Authorization Act of FY 2012,” section 1081, “Authority for Assignment of Civilian Employees of the Department of Defense as Advisors to Foreign Ministries of Defense,” to establish a formal program that deploys civilians to other partner nations. This authority expires September 30, 2014.

Roles and Responsibilities

The Office of the Under Secretary of Defense (Policy), Assistant Secretary of Defense for Special Operations and Low Intensity Conflict, is responsible for providing policy guidance on foreign defense institution building. Within the Office of the Assistant Secretary of Defense, the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations is responsible for overseeing the development of DoD institution-building capabilities, to include the MoDA program. From FY 2010 to FY 2012, MoDA program officials were responsible for recruiting, training, and deploying civilians to Afghanistan. In addition, program officials, in coordination with the Office of the Under Secretary of Defense (Policy) Resource Management Office, were responsible for reimbursing various costs to other DoD agencies for deployed civilians’ premium pay, backfilling vacant positions, and training using military interdepartmental purchase requests (MIPR).⁵ On October 1, 2012, MoDA program management responsibilities were transitioned to the Defense Security Cooperation Agency.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance programs are operating as intended and to evaluate the effectiveness of the controls. MoDA program officials did not develop and implement policies and procedures to obtain actual-cost data, perform reconciliations, and adjust final payments made to other DoD agencies. We will provide a copy of the report to the senior official responsible for internal controls at the office of the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations.

⁵ MIPRs are used to execute financial transactions for interagency and intra-agency support, where an activity needing supplies or services obtains them from another activity through direct citation or fund reimbursement.

Finding. MoDA Program Officials Did Not Develop Adequate Controls Over the Distribution of Funds to Other DoD Agencies

Ministry of Defense Advisors (MoDA) program officials did not develop adequate controls over the distribution of funds to other DoD agencies for deployed civilians' premium pay, backfill, and training costs. Instead, program officials relied on other DoD agencies to ensure \$19.3 million in estimated costs for 118 MIPRs issued between FY 2010 and FY 2012 was accurately adjusted to the final payment amounts. This occurred because MoDA program officials did not develop and implement policies and procedures to obtain actual-cost data, perform reconciliations, and adjust final payments made to other DoD agencies. As a result, for \$3.6 million disbursed through 56 MIPRS, MoDA program officials:

- potentially overpaid 9 MIPRs by \$124,195, and
- potentially underpaid 13 MIPRs by \$318,892.

The remaining 34 MIPRs did not require adjustment. Without taking corrective action, MoDA program officials risk augmenting MoDA's or other DoD agencies' appropriations, which could result in Antideficiency Act violations.

In July 2012, MoDA program officials began taking action to develop policy and implement procedures to obtain actual costs from other DoD agencies and perform reconciliations. However, additional improvements are still needed to adjust final payment amounts to the amount disbursed.

Estimated Cost and Reimbursement Process

MoDA program officials disbursed \$8.7 million of their \$19.3 million in estimated costs between FY 2010 and FY 2012. Specifically, MoDA program officials reimbursed other DoD agencies in advance for deployed civilians' estimated premium pay, backfill, and training costs. For premium pay and backfill costs, MoDA program officials stated they estimated reimbursements using each civilian's Standard Form 50, "Notification of Personnel Action,"⁶ and North Atlantic Treaty Organization Training Mission-Afghanistan/U.S. Combined Security Transition Command-Afghanistan guidance on work schedules. For training costs, program officials stated they estimated reimbursements using the other agencies' statements of work.

Once MoDA program officials estimated costs, they coordinated with Office of the Under Secretary of Defense (Policy) Resource Management Office to issue MIPRs to those agencies. Once a DoD agency accepted the MIPR, it received funds through a series of

⁶ Office of Personnel Management Standard Form 50, "Notification of Personnel Action," contains information such as an individual's pay plan, pay grade, base salary, locality adjustment, and total salary.

disbursements or all at once. Program officials also stated that each DoD agency employing a civilian volunteer received a copy of the respective fiscal year's MoDA administrative policies memorandum, which included guidance on the deployed civilian's employment status, timekeeping responsibilities, and reimbursement for premium pay and backfill costs.

Program Officials Relied on Other DoD Agencies to Determine Final Payment Amounts

MoDA program officials did not develop adequate controls over the distribution of funds to other DoD agencies. From FY 2010 to FY 2012, program officials did not request actual-cost data and perform reconciliations to adjust \$19.3 million in estimated premium pay, backfill, and training costs to the final payment amounts. Instead, program officials

From FY 2010 to FY 2012, program officials did not request actual-cost data and perform reconciliations to adjust \$19.3 million in estimated premium pay, backfill, and training costs to the final payment amounts.

relied on other DoD agencies to ensure estimated costs were accurately adjusted. Specifically, officials stated they relied on other DoD agency personnel to identify and return excess funds.

However, Office of Management and Budget Circular A-123 "Management Responsibility for Internal Controls," December 21, 2004, states management is responsible for establishing and

maintaining internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Although MoDA program officials cited 10 U.S.C. § 2571, as their authority to reimburse some of the deployed civilians' costs, the authority does not include guidance on how to execute advance payments between other agencies. Therefore, we used DoD Financial Management Regulations (FMR) 7000.14-R as guidance for identifying internal controls over advance payments between DoD agencies. Specifically, DoD FMR 7000.14-R, Volume 11A, Chapter 3, "Economy Act Orders," March 2012, requires advance payments to be adjusted to the final payment amount to account for actual costs. Implementing similar procedures to those that apply to Economy Act orders can reduce the risk of augmenting appropriations. In August 2012, MoDA program officials began requesting and receiving \$3.8 million in actual-cost data reported by other DoD agencies and reconciled 56 of the 118 MIPRs issued between FY 2010 and FY 2012 with an estimated cost of \$8 million.

Policies and Procedures Needed to Reconcile Actual Costs to Final Payment Amounts

MoDA program officials did not develop and implement policies and procedures to obtain actual-cost data, perform reconciliations, and adjust final payments made to DoD agencies. Specifically, MoDA program officials did not develop policies that identified roles and responsibilities for providing actual-cost data and performing reconciliations to adjust the final payment amount. MoDA program officials also did not develop adequate procedures to reconcile disbursements made to other DoD agencies for actual costs incurred, which would identify the adjustment required for final payment.

On July 2, 2012, the Director, Coalition Affairs and Partnership Programs within the Office of the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations issued a memorandum to the MoDA program office establishing a policy to govern the distribution of MoDA program funds to other agencies. This policy included roles and responsibilities for obtaining actual-cost data and performing reconciliations. This memorandum stated that obtaining actual-cost data and performing reconciliations is the responsibility of MoDA program officials. However, the administrative memorandum, issued each fiscal year to the other DoD agencies, did not specify the roles and responsibilities of the other DoD agencies to provide the cost data. MoDA program officials should update the fiscal year administrative policy memorandum issued to other DoD agencies so that it includes roles and responsibilities for providing actual-cost data for deployed civilian premium pay and backfill. Furthermore, MoDA program officials should develop a memorandum of agreement with other DoD agencies that includes the roles and responsibilities for providing actual-cost data for training the deploying civilians.

During the audit, MoDA program officials took action to implement procedures reconciling estimated to actual costs, but they need to make more improvements to

MoDA program officials took action to implement procedures reconciling estimated to actual costs, but they need to make more improvements to accurately adjust final payment amounts.

accurately adjust final payment amounts. For example, MoDA program officials used the amount committed,⁷ or set aside to cover anticipated costs, to reconcile actual costs reported by other DoD agencies. Although in some cases the amount committed may match the actual amount disbursed, MoDA program

officials should use the actual amount disbursed to determine the final payment amount. For example, MoDA program officials committed \$165,353 to reimburse a DoD agency for a deployed civilian's premium pay. Program officials reconciled the committed amount to the actual cost of \$165,353 reported by the DoD agency, resulting in no adjustment to the final payment. However, the actual amount disbursed to the DoD agency was \$143,688, which would require a \$21,665 adjustment to the final payment, as of November 12, 2012. MoDA program officials should develop and implement procedures for reconciling disbursements to actual cost incurred to identify variances and make adjustments to the final payments.

Increased Risk of Augmented Appropriations

MoDA program officials may have improperly paid 22 of 56 MIPRs issued between FY 2010 and FY 2012. Specifically, MoDA program officials disbursed \$8.7 million through 118 MIPRs, of which only \$3.6 million disbursed through 56 MIPRs were reconciled to actual cost, as of November 2012. For the 56 MIPRs reconciled to actual cost, disbursements for 34 were equal to the costs; the remainder showed potential overpayment or potential underpayment. See Table 1 for the total net difference between

⁷ A commitment is the amount reserved and budgeted by management to cover a specific cost. However, a commitment does not represent a legal obligation to pay for goods or services.

funds disbursed by the MoDA program and actual cost reported by DoD agencies, indicating adjustments may be needed to the final payment amounts.

Table 1. MoDA Disbursements Reconciled to Actual Cost

	MIPRs Issued	Total Disbursed	Actual Cost Reported	Net Potential Adjustment
Potentially Overpaid	9	\$682,811	\$558,616	\$124,195
Potentially Underpaid	13	1,371,198	1,690,090	(318,892)
Cost Equal to Disbursements	34	1,509,852	1,509,852	0.0
Total	56	\$3,563,862*	\$3,758,559*	\$(194,698)*

* Mathematical differences are due to rounding.

See Appendix B for a list of the MIPRs potentially overpaid and underpaid as of November 2012; these may require adjustments to the final payment amount.

The actual final payment amounts that require adjustment will remain unknown until program officials can obtain actual-cost data and reconcile the remaining \$5.1 million disbursed through 62 MIPRs, with an estimated cost of \$11.3 million. Once the actual-cost data is obtained, MoDA program officials should reconcile the prior disbursements and take action to adjust the final payment. See Table 2 for the total amount disbursed and unreconciled by MoDA program officials for FY 2010 through FY 2012 and Appendix C for a list of those MIPRs as of November 2012.

Table 2. MoDA Disbursements Unreconciled by Fiscal Year

	MIPRs Issued	Amount Disbursed (Million)
FY 2010*	1	\$0.0
FY 2011	23	3.2
FY 2012	38	1.9
Total	62	\$5.1

* No funds were disbursed on this MIPR. However, \$46,403 in unliquidated obligations remained on the MIPR, resulting in funds remaining available to the DoD agency as of January 2013.

Until adequate policies and procedures are developed and implemented, MoDA program officials will continue to be at an increased risk of augmenting MoDA's or other DoD agencies' appropriations, which could result in Antideficiency Act violations. For example, not reimbursing the actual costs of other DoD agencies may improperly augment the overseas contingency operations appropriation used to fund the MoDA program in Afghanistan. Furthermore, not returning funds disbursed in excess of the actual cost

incurred may augment the appropriations of the other DoD agencies. Augmenting appropriations can violate Congress's power of the purse by indirectly exceeding the amount Congress has appropriated for the activity and is unallowable under 31 U.S.C. § 1341, commonly known as the Antideficiency Act.

Recommendations, Management Comments, and Our Response

1. We recommend the Deputy Assistant Secretary of Defense Partnership Strategy and Stability Operations, in coordination with the Director, Defense Security Cooperation Agency:

- a. update the fiscal year administrative policy memorandum issued to other DoD agencies to include roles and responsibilities for providing actual-cost data; and**
- b. develop a memorandum of agreement with other DoD agencies to include the roles and responsibilities for providing actual-cost data for training the deploying civilians.**

Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations Comments

The Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations partially concurred with the recommendations. He stated the MoDA program transferred to Defense Security Cooperation Agency in FY 2013; therefore, the MoDA program at the Defense Security Cooperation Agency should issue the administrative policy that includes roles and responsibilities for providing actual cost data and develop memorandums of agreement with other DoD agencies.

Our Response

Comments from the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations were partially responsive. We acknowledge that MoDA program management responsibilities such as recruiting and training advisors, and managing the global MoDA program transferred to Defense Security Cooperation Agency in FY 2013. We also acknowledge the Defense Security Cooperation Agency is now responsible for managing MoDA funding. However, the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations remains responsible for providing policy oversight and support for the MoDA program. In addition, the Office of the Under Secretary of Defense for Policy remains responsible for obtaining and providing funds to Defense Security Cooperation Agency for the MoDA program in Afghanistan. Therefore, we request the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations provide additional comments clarifying whether coordination occurred with Defense Security Cooperation Agency and corrective actions were taken to update the administrative policy and develop memorandum of agreements with other DoD agencies for FY 2013 and beyond.

2. We recommend the Deputy Assistant Secretary of Defense Partnership Strategy and Stability Operations, in coordination with the Director, Office of the Under Secretary of Defense (Policy) Resource Management Office:

a. develop and implement procedures to obtain actual-cost data and reconcile funds disbursed through military interdepartmental purchase requests for deployed advisors' premium pay, backfill, and training costs; and

b. reconcile prior disbursements to actual premium pay, backfill, and training costs incurred by other DoD agencies and take the appropriate action necessary to adjust the final payment.

Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations Comments

The Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations partially concurred with the recommendations. He stated his office will work with the Office of the Under Secretary of Defense (Policy) Resource Management Office to obtain actual cost data and reconcile MoDA funds disbursed to other DoD agencies in FY 2010 through 2012, to include taking the appropriate action to adjust final payment amounts. However, for FY 2013 and beyond, he stated that the Defense Security Cooperation Agency should develop and implement procedures to obtain actual cost data and reconcile funds, because this agency became responsible for the MoDA program on October 1, 2012.

Our Response

Comments from the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations were partially responsive. We commend the Deputy Assistant Secretary of Defense for taking steps to obtain actual-cost data and reconcile MoDA funds disbursed to other DoD agencies in FY 2010 through FY 2012. However, as previously stated, Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations remains responsible for MoDA program oversight and the Office of the Under Secretary of Defense for Policy remains responsible for providing funds for the program in Afghanistan. Therefore, we request the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations provide additional comments clarifying whether coordination occurred and corrective actions were taken to implement recommendation 2.a for the MoDA program.

Appendix A. Scope and Methodology

We conducted this performance audit from August 2012 through February 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence we obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

To accomplish our audit objective, we coordinated with or interviewed officials from the MoDA program, Defense Security Cooperation Agency, Office of the Under Secretary of Defense (Policy) Resource Management Office, and the Defense Finance and Accounting Services. We obtained and reviewed 10 U.S.C. § 2571 “Interchange of Supplies and Services”; 31 U.S.C. §1535 “Agency Agreements”; 31 U.S.C. §1341 “Limitations on Expending and Obligation Amounts”; DoD FMR 7000-14-R, Volume 11A, Chapter 3, “Economy Act Orders”; and U.S. General Accounting Office “Principles of Federal Appropriations Law—Vol. II,” January 2004. We also reviewed MoDA program policies for FY 2010 through FY 2012, to include administrative policies, and the “Policy to Govern the Distribution of MoDA Program Funds,” July 2, 2012.

We obtained Management Analysis Briefing Package (MABP)⁸ reports from the Office of the Under Secretary of Defense (Policy) Resource Management Office for the 118 MIPRs issued between FY 2010 and FY 2012. We also obtained all available actual-cost data provided to MoDA program officials, which as of November 2012, included cost data for 42 MIPRs. Using the data provided, we reconciled the actual cost reported by other DoD agencies to the disbursements reported in the MABP reports and identified variances. We also identified and calculated the amount disbursed on the remaining 76 MIPRs without actual-cost data as of November 2012.

Upon completing initial fieldwork, we coordinated with MoDA program and Office of the Under Secretary of Defense (Policy) Resource Management Office personnel to address concerns we observed during our audit. To validate factual accuracy, we also provided a discussion draft to DoD officials discussed in the report.

Use of Computer-Processed Data

To perform this audit, we used MABP reports from the Washington Headquarters Services Allotment Accounting System provided by Office of the Under Secretary of Defense (Policy) Resource Management Office when re-creating the MoDA programs FY 2010 through FY 2012 reconciliation of MIPRs issued to other DoD agencies. We assessed the reliability of the disbursements reported on 60 of the 118 MABP reports by obtaining SF 1080s⁹ from Electronic Document Access system to compare the amounts disbursed by

⁸ The MABP includes the transaction dates and the amount committed, obligated, and disbursed on each MIPR.

⁹ An SF 1080 is used to document the transfer of funds from one DoD agency to another.

Defense Finance and Accounting Services to the amount reported on the MABPs. We did not identify discrepancies between the amounts disbursed by Defense Finance and Accounting Services and reported on the MABP reports.

To verify the actual-cost data reported by MoDA program officials in the reconciliation spreadsheet, we obtained the supporting documents for the actual cost provided to the MoDA program by other DoD agencies. We assessed the reliability of the amount reported in the reconciliation by comparing the amount reported by the DoD agencies to the amount reported by the MoDA program in their reconciliation. Although we identified errors, such as transposed numbers and erroneous data entries, we determined that the actual-cost data reported by MoDA program officials was sufficiently reliable for the purpose of our audit.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD IG), and Inspector General for the U.S. Agency for International Development (USAID) issued six reports on intra-agency transactions and building institutional capacity. Unrestricted GAO reports can be accessed over the Internet at www.gao.gov. Unrestricted DoD IG reports can be accessed at www.dodig.mil/audit/reports. Unrestricted USAID IG reports can be accessed at www.usaid.gov/oig/public.

GAO

GAO Report No. GAO-11-907, “Afghanistan Governance Performance-Data Gaps Hinder Overall Assessment of U.S. Efforts to Build Financial Management Capacity,” September 20, 2011

DoD IG

DoD IG Report No. DODIG-2013-019, “Defense Institution Reform Initiative Program Elements Need to Be Defined,” November 9, 2012

DoD IG Report No. DODIG-2013-005, “Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program,” October 23, 2012

DoD IG Report No. SPO-2011-003 “Assessment of U.S. Government Efforts to Train, Equip, and Mentor the Expanded Afghan National Police,” March 3, 2011

DoD IG Report No. D-2010-062, “Controls Over Funds Appropriated for Assistance to Afghanistan and Iraq Processed Through the Foreign Military Sales Network,” May 24, 2010

USAID IG

USAID Report No. F-306-11-001-S, “Review of USAID/Afghanistan’s Ministerial Assessment Process,” November 6, 2010

Appendix B. Potential Adjustments to Military Interdepartmental Purchase Requests (MIPR)

Potentially Overpaid

MIPR Number	Amount Disbursed	Actual Cost	Net Difference
DSAM10277	\$3,545	\$1,333	\$2,212
DSAM10282	12,873	12,718	155
DSAM10545	5,382	2,584	2,798
DSAM10546	11,832	5,668	6,164
DSAM20213	3,945	2,996	949
DSAM20263	129,281	117,000	12,281
DSAM20264	122,942	87,094	35,848
DSAM20274	245,402	205,000	40,402
DSAM20662	147,609	124,223	23,386
Total	\$682,811	\$558,616	\$124,195

Potentially Underpaid

MIPR Number	Amount Disbursed	Actual Cost	Net Difference
DSAM10283	\$216,500	\$218,000	(\$1,500)
DSAM10444	570,292	576,500	(6,208)
DSAM10692	5,449	7,500	(2,051)
DSAM10693	0	15,050	(15,050)
DSAM20212	0	10,058	(10,058)
DSAM20248	0	145,000	(145,000)
DSAM20249	113,469	121,774	(8,305)
DSAM20269	143,688	165,353	(21,665)
DSAM20271	136,031	182,382	(46,351)
DSAM20272	125,584	146,696	(21,112)
DSAM20348	42,970	48,025	(5,055)
DSAM20843	807	23,627	(22,820)
DSAM21086	16,408	30,126	(13,718)
Total	\$1,371,198	\$1,690,090*	(\$318,892)*

*Mathematical differences are due to rounding.

Appendix C. Unreconciled Military Interdepartmental Purchase Requests (MIPR)

MIPR Number	Accepting Agency	Estimated Cost	Amount Disbursed
DSIA00198	Washington Headquarters Services	\$46,403	\$0
DSAM10167	United States Property and Fiscal Office for Indiana	275,000	275,000
DSAM10362	Headquarters Marine Corps	236,736	106,257
DSAM10363	Civilian Personnel Management Services	96,176	96,176
DSAM10370	Office of the Director of Administration and Management	96,176	96,176
DSAM10371	Defense Commissary Agency	148,320	148,320
DSAM10372	Office of the Under Secretary of Defense (Personnel & Readiness)	66,344	65,370
DSAM10383	U.S. Air Force, Bamberg Resource Management Office	81,976	81,976
DSAM10396	United States Army Reserve Command	81,976	81,976
DSAM10509	Comptroller, Navy Medicine Information Systems Support Activity	81,711	81,711
DSAM10513	Headquarters U.S. Africa Command, Resource Management Office	58,058	43,548
DSAM10514	Defense Logistics Agency, Finance, Aviation	77,427	77,427
DSAM10627	Headquarters Air Force	35,388	35,388
DSAM10629	Defense Information Security Agency	32,490	32,490
DSAM10630	Air Force Nuclear Weapons Center	24,606	24,484
DSAM10631	Naval Surface Force–U.S. Pacific Fleet Commander	32,482	23,370
DSAM10634	U.S. Africa Command, Resource Directorate	30,156	0
DSAM10637	Defense Finance and Accounting Service–Indianapolis	30,039	30,039

Unreconciled MIPRs Continued

MIPR Number	Accepting Agency	Estimated Cost	Amount Disbursed
DSAM10639	Department of Defense Education Activity	61,369	60,022
DSAM10640	Army Support Activity Legal Office	28,528	17,975
DSAM10662	Naval Facilities Engineering Command	26,761	26,761
DSAM10817	Naval Postgraduate School	200,000	160,521
DSAM10881	U.S. Joint Forces Command	191,293	191,293
DSAM10939	United States Property and Fiscal Office for Indiana	2,305,281	1,458,578
DSAM20054	Defense Finance and Accounting Services	133,707	120,564
DSAM20112	Document Automation & Production Service	10,000	7,481
DSAM20139	Naval Facilities Engineering Command, Atlantic	57,095	43,390
DSAM20147	Naval Post Graduate School	195,000	68,174
DSAM20228	Office of the Under Secretary of Defense (Personnel & Readiness)	120,146	90,801
DSAM20229	Defense Civilian Personnel Advisory Services	174,614	0
DSAM20230	Washington Headquarters Services	174,614	0
DSAM20231	Defense Commissary Agency	120,149	35,716
DSAM20239	Defense Logistics Agency, Finance, Aviation	214,089	75,245
DSAM20241	Navy Medicine Information System Support Activity	75,337	74,583
DSAM20244	Department of the Army	173,006	0
DSAM20245	Program Executive Office– Enterprise Information Systems, Biometrics	219,647	219,647
DSAM20246	175 th Financial Management Center	226,938	0
DSAM20250	Naval Special Warfare Command	222,662	183,931
DSAM20266	Program Executive Office– Stimulation, Training, and Instrumentation	143,921	60,140

Unreconciled MIPRs Continued

MIPR Number	Accepting Agency	Estimated Cost	Amount Disbursed
DSAM20267	Joint Guam Program Office	217,538	0
DSAM20268	Defense Information Systems Agency	165,392	93,145
DSAM20270	Headquarters Air Force	216,295	216,295
DSAM20273	U.S. Africa Command	184,120	0
DSAM20349	Navy Installations Command	59,548	59,548
DSAM20350	Defense Security Service	204,982	0
DSAM20600	Defense Technical Information Center	171,337	148,231
DSAM20651	U.S. Army Medical Department, Madigan Healthcare System	142,858	142,858
DSAM20663	U.S. Army Network Enterprise Technology Command	98,806	98,806
DSAM20664	U.S. Army Deputy Chief of Staff, G-8 Office	97,833	58,177
DSAM20844	United States Property and Fiscal Office for Indiana	10,945	0
DSAM20883	United States Property and Fiscal Office for Indiana	2,542,453	0
DSAM21081	Headquarters U.S. Africa Command	23,461	14,244
DSAM21082	Naval Seas Systems Command	40,248	40,248
DSAM21083	Directorate of Resource Management	47,549	0
DSAM21084	Naval Sea Systems Command	45,466	45,466
DSAM21085	Defense Commissary Agency	33,062	13,158
DSAM21088	Missile Defense Agency	45,466	0
DSAM21101	U.S. Army Installation Management Command	25,225	0
DSAM21109	Naval Post Graduate School	86,500	0
DSAM21111	Naval Post Graduate School	62,500	0
DSAM21121	Naval Post Graduate School	94,000	0
DSAM21133	U.S. Army Combined Arms Center	30,633	20,317
Total		\$11,251,838	\$5,145,024*

*Mathematical differences are due to rounding

Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations Comments



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MAR 18 2013

MEMORANDUM FOR DIRECTOR, JOINT AND SOUTHWEST ASIA OPERATIONS, OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Response to Draft Audit Report, "Policies and Procedures Needed to Reconcile Ministry of Defense Advisors Program Disbursements to Other DoD Agencies"
(Project No. D2012-D000JB-0209.000)

This memorandum responds to recommendations made to the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations in the subject report. The findings and recommendations provided by this audit will be very useful as my office, in conjunction with the Defense Security Cooperation Agency (DSCA) and the Policy Resource Management Office (PRMO), develops and implements controls over the distribution of Ministry of Defense Advisors (MoDA) program funds.

As the report points out, MoDA was developed as a pilot program. The MoDA program was managed in fiscal years 2010-2012 by the Office of the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations (DASD PSO (SO/LIC)). The MoDA program office at PSO was responsible for the recruitment, training, and deployment of the MoDA advisors to Afghanistan. PSO worked in coordination with PRMO and the Washington Headquarters Services (WHS) to distribute MoDA funding. WHS would issue military interdepartmental purchase requests (MIPRs) to other DoD agencies that employ civilian advisors or provided MoDA training.

PSO did not initially develop controls over the distribution of MoDA funds, as PSO typically does not manage fiscal accounts for programs and does not have direct access to funding data. In July 2012, PSO issued policy to govern the distribution of MoDA program funds and contacted parent organizations to request actual-cost data to reconcile previous MIPRs.

In FY 2013, management of the MoDA program transferred to DSCA. Effective October 1, 2012, the MoDA program team at DSCA is responsible for managing program funds and reconciling MoDA program disbursements.

To summarize, the audit report's central recommendations and our responses are as follows:

Prepared by [REDACTED]



Recommendation 1, Page 7, states:

"We recommend the Deputy Assistant Secretary of Defense Partnership Strategy and Stability Operations, in coordination with the Director, Defense Security Cooperation Agency:

- a. update the fiscal year administrative policy memorandum issued to other DoD agencies to include roles and responsibilities for providing actual-cost data; and
- b. develop a memorandum of agreement with other DoD agencies to include the roles and responsibilities for providing actual-cost data for training the deploying civilians."

PSO Response 1:

Partially concur. Since management of the MoDA program transferred to DSCA in FY13, the MoDA program office at DSCA should issue an administrative policy memorandum that includes roles and responsibilities for providing actual-cost data and develop memorandums of agreement with other DoD agencies.

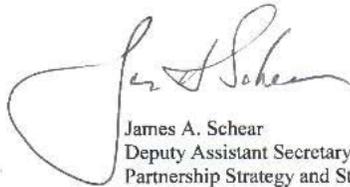
Recommendation 2, Page 7, states:

"We recommend the Deputy Assistant Secretary of Defense Partnership Strategy and Stability Operations, in coordination with the Director, Office of the Under Secretary of Defense (Policy) Resource Management Office:

- a. develop and implement procedures to obtain actual-cost data and reconcile funds disbursed through military interdepartmental purchase requests for deployed advisors' premium pay, backfill, and training costs; and
- b. reconcile prior disbursements to actual premium pay, backfill, and training costs incurred by other DoD agencies and take the appropriate action necessary to adjust the final payment."

PSO Response 2:

Partially concur. PSO will work in coordination with the PRMO to obtain actual-cost data and reconcile MoDA program funds disbursed to other DoD agencies in FY10-12. This includes taking the appropriate action to adjust final payments. For FY13 and beyond, DSCA should develop and implement procedures to obtain actual-cost data and reconcile MoDA program funds.



James A. Schear
Deputy Assistant Secretary of Defense for
Partnership Strategy and Stability Operations



Inspector General Department of Defense

