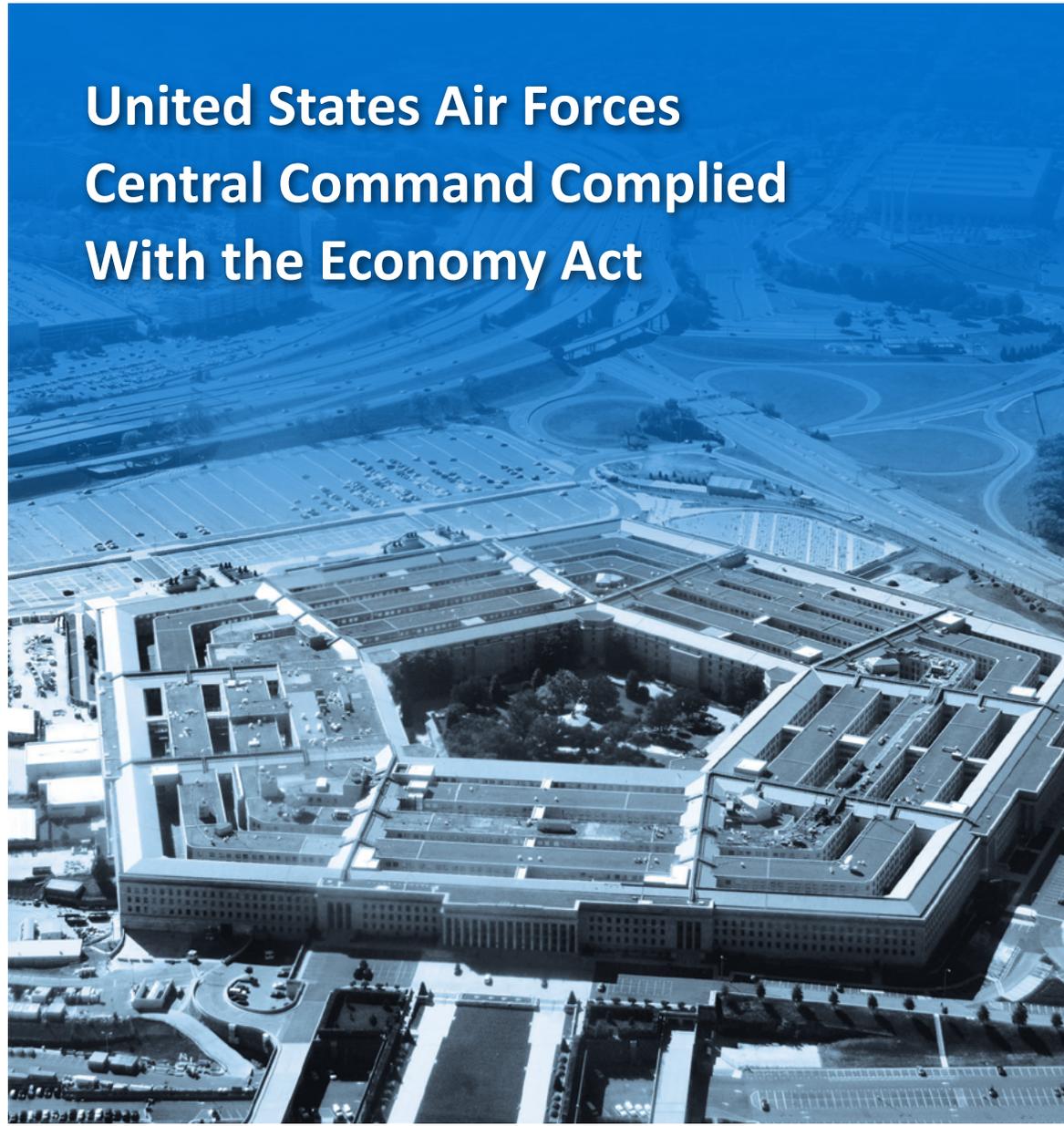




INSPECTOR GENERAL

U.S. Department of Defense

JANUARY 7, 2015



United States Air Forces Central Command Complied With the Economy Act

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Results in Brief

United States Air Forces Central Command Complied With the Economy Act

January 7, 2015

Objective

Our objectives were to determine whether the determinations and findings prepared by Air Force organizations support the use of Economy Act orders and whether the requiring activities provided the correct funding. We focused on Economy Act orders that United States Air Forces Central Command placed with Space and Naval Warfare Systems Center Atlantic in FY 2013 and FY 2014.

Finding

United States Air Forces Central Command Communications Directorate personnel and Operations Directorate personnel complied with Economy Act requirements for 14 Economy Act orders that were nonstatistically selected, totaling \$87.6 million, issued in FY 2013 and FY 2014 by using two support agreements with Space and Naval Warfare Systems Center Atlantic and Military Interdepartmental Purchase Requests as Economy Act Orders. United States Air Forces Central Command Communications Directorate personnel and Operations Directorate personnel complied because DoD Instruction 4000.19, "Interservice

Finding (cont'd)

and Intragovernmental Support," August 9, 1995, only requires signatures on the DoD Form 1144 by the requesting and supplying activities to satisfy the Economy Act. In addition, they used the correct type of funds for the 14 Economy Act orders. We found no indication that issuing Economy Act orders to Space and Naval Warfare Systems Center Atlantic was not in United States Air Forces Central Command's best interest.

Management Comments

We provided a discussion draft of this report on December 8, 2014. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

Recommendations Table

Management	Recommendations Requiring Comment
Commander, United States Air Forces Central Command	None.



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

January 7, 2015

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
TECHNOLOGY, AND LOGISTICS
COMMANDER, U.S. CENTRAL COMMAND
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: United States Air Forces Central Command Complied With the Economy Act
(Report No. DODIG-2015-063)

We are providing this report for information and use. United States Air Forces Central Command personnel, Shaw Air Force Base, South Carolina supported their use of the Economy Act when placing 14 Economy Act orders, totaling \$87.6 million, in FY 2013 and FY 2014. We conducted this audit in accordance with generally accepted government auditing standards.

We provided a discussion draft of this report on December 8, 2014. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187). If you desire, we will provide a formal briefing on the results.

A handwritten signature in black ink, appearing to read "M. Roark", is positioned above the name of the signatory.

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

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Finding. United States Air Forces Central Command Complied with the Economy Act

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Acronyms and Abbreviations

Introduction

Objective

Our objective was to determine whether the determinations and findings prepared by Air Force organizations, specifically the United States Air Forces Central Command (USAFCENT) at Shaw Air Force Base, South Carolina, supported the use of Economy Act orders and whether the requiring activities provided the correct funding. This is one in a series of audits on the use of Economy Act orders. See Appendix A for scope, methodology, and prior coverage.

Economy Act

Title 31 United States Code (U.S.C.) Section 1535, “Agency Agreements,” commonly referred to as the Economy Act, states that the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if the:

- amounts are available;
- head of the ordering agency or unit decides the order is in the best interest of the Government;
- agency or unit to fill the order is able to provide or get by contract the ordered goods or services; and
- head of the agency decides ordered goods or services cannot be provided by contract as conveniently or cheaply by a commercial enterprise.

Those determinations are to be made for each order placed under the Economy Act and are usually supported in a determination and findings document.

Guidance on Use of Support Agreements

DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” August 9, 1995, states that DoD activities shall provide requested support to other DoD activities when the head of the requesting activity determines it would be in the best interest of the Government, and the head of the supplying activity determines capabilities exist to provide the support without jeopardizing assigned missions. These determinations are signified by signing a support agreement. DoD activities may request support from other DoD activities when in-house capabilities do not exist or when support can be obtained more efficiently or effectively from other existing DoD capabilities.

United States Air Forces Central Command

USAFCENT¹ is the air component of the United States Central Command, a regional unified command. USAFCENT is responsible for air operations, either unilaterally or in concert with coalition partners, and developing contingency plans in support of national objectives for the United States Central Command's 20-nation area of responsibility in Southwest Asia. In addition, USAFCENT manages an extensive supply and equipment prepositioning program at several sites in Southwest Asia. We reviewed 14 Economy Act orders that the Communications Directorate (A6) and the Operations Directorate (A3) placed with the Space and Naval Warfare Systems Center (SPAWARSYSCEN) Atlantic.

Space and Naval Warfare Systems Center Atlantic

SPAWARSYSCEN² Atlantic, Charleston, South Carolina, reports directly to the Space and Naval Warfare Systems Command, San Diego, California. SPAWARSYSCEN Atlantic designs, acquires, engineers, and sustains the systems, sensor connections, cyber network infrastructures and knowledge management services to ensure reliable information is available to only those who need it, and when it is needed.

Economy Act Orders Reviewed

We reviewed 14 Economy Act orders that were nonstatistically selected, totaling \$87.6 million, issued under two support agreements between USAFCENT and SPAWARSYSCEN Atlantic in FY 2013 and FY 2014. Each support agreement was to obtain support for USAFCENT installation, operations and maintenance, logistics, procurement, and program management for communications as well as command and control systems requirements. Each support agreement stated that the statutory authority of the Economy Act would be used.

A6 Economy Act Orders Reviewed

We reviewed 10 Economy Act orders (totaling \$81.9 million) that A6 personnel placed with SPAWARSYSCEN Atlantic during FY 2013 and FY 2014. A6 personnel stated that they used SPAWARSYSCEN Atlantic from FY 1996 through FY 2014. On June 23, 2008, A6 and SPAWARSYSCEN Atlantic signed Support Agreement 5A55000/53000-1. A6 personnel provided a listing of 123 other Economy Act orders (totaling \$373.7 million) that they issued under Support Agreement 5A55000/53000-1 from June 2008 through August 2014. In 2013, A6 personnel began transitioning the work that SPAWARSYSCEN Atlantic performed to the Defense Information Systems Agency.

¹ <http://www.afcent.af.mil/AboutUs.aspx>

² <http://www.public.navy.mil/spawar/Atlantic/Pages/AboutUs.aspx>

A3 Economy Act Orders Reviewed

We reviewed four Economy Act orders (totaling \$5.7 million) that A3 personnel placed with SPAWARSYSCEN Atlantic during FY 2013 and FY 2014. A3 personnel stated that they began using SPAWARSYSCEN Atlantic in FY 2011. On February 3, 2011, A3 and SPAWARSYSCEN Atlantic signed Support Agreement AFCENT-11-537-013. A3 personnel provided a listing of 49 other Economy Act orders (totaling \$86.6 million) issued under Support Agreement AFCENT-11-537-013 from February 2011 through August 2014.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We did not identify any internal control weaknesses.

Finding

United States Air Forces Central Command Complied with the Economy Act

USAFCENT A6 and A3 personnel complied with Economy Act requirements for 14 Economy Act orders that were nonstatistically selected, totaling \$87.6 million, issued in FY 2013 and FY 2014 by using:

- two support agreements (DoD Form 1144, “Support Agreement”) with SPAWARSYSCEN Atlantic; and
- Military Interdepartmental Purchase Requests (MIPRs) as Economy Act orders.

A6 and A3 personnel complied because DoD Instruction 4000.19 only requires signatures on the DoD Form 1144 by the requesting and supplying activities to satisfy the Economy Act. In addition, A6 and A3 personnel used the correct type of funds for the 14 Economy Act orders. We found no indication that issuing Economy Act orders to SPAWARSYSCEN Atlantic was not in USAFCENT’s best interest.

Support Agreements Properly Used

USAFCENT A6 and A3 personnel complied with Economy Act requirements for 14 Economy Act orders, totaling \$87.6 million, by using the two following support agreements (DoD Form 1144) with SPAWARSYSCEN Atlantic.

- A6 personnel used Support Agreement 5A55000/53000-1 for 10 Economy Act orders (totaling \$81.9 million) that A6 personnel placed with SPAWARSYSCEN Atlantic during FY 2013 and FY 2014.
- A3 personnel used Support Agreement AFCENT-11-537-013, for four Economy Act orders (totaling \$5.7 million) that A3 placed with SPAWARSYSCEN Atlantic during FY 2013 and FY 2014.

DoD Instruction 4000.19 states:

DoD activities shall provide requested support to other DoD activities when the head of the requesting activity determines it would be in the best interest of the United States Government, and the head of the supplying activity determines capabilities exist to provide the support without jeopardizing assigned missions. These determinations are signified by signing a support agreement (blocks 8 and 9 on DD form 1144) — no further written determinations are required for agreements between DoD activities.

A6 and A3 personnel entered into the support agreements with SPAWARSSYSCEN Atlantic in accordance with the instruction's requirements.

Military Interdepartmental Purchase Requests Properly Used as Economy Act Orders

A6 and A3 personnel properly used MIPRs as Economy Act orders. The DoD Financial Management Regulation" (FMR),³ states:

An Economy Act order may be placed on DD Form 1144 or any form that is acceptable to both the requesting and servicing agencies involved based upon the documentation standards in Chapter 1, Paragraph 010204 of [this regulation]. Typically, between DoD Components, a DD Form 448, MIPR is used to place the order. A DD Form 448-2, "Acceptance of MIPR," is used to acknowledge acceptance. Economy Act orders may be placed on a reimbursable or direct fund citation basis.

Appendix B identifies the 14 Economy Act orders, the contracts that SPAWARSSYSCEN Atlantic awarded to satisfy the Economy Act orders, and the support agreements that A6 and A3 used as the method for complying with the Economy Act.

Correct Funding Used for Economy Act Orders

A6 and A3 personnel used the correct type of funds for the 14 Economy Act orders. A6 and A3 personnel certified that funds were available and suitable for the purposes identified in each of the 14 Economy Act orders. Specifically, they used FY 2013 or FY 2014 Air Force operations and maintenance funds. The statements of work for the 14 orders identified that contractors would perform various types of operation and maintenance type of services world-wide. We used Federal guidance⁴ as our basis for determining whether A6 and A3 personnel used the appropriate type of funds for the 14 Economy Act orders reviewed. Appendix B identifies the type of services ordered, the location where the contractors performed the services, and the type and year of funds used.

Economy Act Orders Were Justified

USAFCENT A6 and A3 personnel complied with Economy Act requirements and there was no indication that issuing Economy Act orders to SPAWARSSYSCEN Atlantic was not in USAFCENT's best interest. During the audit, A6 and A3

³ DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 11A, chapter 3, "Economy Act Orders," paragraph 030501, "Ordering Procedures."

⁴ 31 U.S.C. § 1301 (2012); DoD FMR volume 2A, chapter 1, "General Information;" and DoD FMR volume 2A, chapter 3, "Operation and Maintenance Appropriations."

personnel justified why they issued Economy Act orders to SPAWARSYSCEN Atlantic. A6 personnel explained that they began issuing Economy Act orders to SPAWARSYSCEN Atlantic starting in calendar year 2001; however, they did not document their rationale for using SPAWARSYSCEN Atlantic at that time. A6 personnel prepared a point paper for the audit team in August 2014 that explained their rationale as stated below.

The lack of an organic contracting capability within [USAFCENT], the 20th CONS [Contracting Squadron's] lack of resources and capability and no responsiveness from the Electronic Systems Command made SPAWAR's [Space and Naval Warfare Systems Command's] readiness to support the requirement the deciding factor to proceed with SPAWAR;

All USAF [United States Air Force] agencies contacted could not provide support for several years; and

The only agency capable and willing to provide this support was SPAWAR Charleston.

A3 personnel explained that they began issuing Economy Act orders to SPAWARSYSCEN Atlantic starting in calendar year 2006; however, they also did not document their rationale for using SPAWARSYSCEN Atlantic at that time. During a meeting with the audit team in August 2014, they explained that they used SPAWARSYSCEN Atlantic after identifying a urgent warfighter requirement that SPAWARSYSCEN Atlantic was already providing for A6. A3 personnel also provided a letter, dated December 15, 2005, from the USAFCENT Commander, 609th Combat Plans Squadron, to the Commanding Officer SPAWARSYSCEN Atlantic (Charleston). In that letter, A3 personnel requested program management assistance and stated that use of SPAWARSYSCEN would improve efficiency and reduce long term costs for USAFCENT.

Based on our review of the information that A6 and A3 personnel provided, we found no indication that issuing Economy Act orders to SPAWARSYSCEN Atlantic was not in USAFCENT's best interest. Therefore, we are not making any recommendations.

Appendix A

Scope and Methodology

We conducted this performance audit from June 2014 through January 2015 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We used the Federal Procurement Data System–Next Generation to identify Economy Act orders that A6 and A3 placed with SPAWARSSYSCEN Atlantic. The audit universe consisted of 300 contract actions,⁵ totaling \$508.6 million, that Air Force requesting activities placed with other DoD components from October 1, 2012, through May 28, 2014. We selected a nonstatistical sample of 14 contract actions and reviewed the associated 14 Economy Act orders (totaling \$87.6 million) that USAFCENT A6 and A3 personnel at Shaw Air Force Base, South Carolina, issued to SPAWARSSYSCEN Atlantic, Charleston, South Carolina. We collected, reviewed, and analyzed documents for the 14 Economy Act orders to determine whether A6 and A3 personnel complied with the requirements of the Economy Act. Specifically, we reviewed the following.

- Two support agreements that A6 and A3 personnel used as the basis for complying with Economy Act requirements to determine whether the support agreements complied with DoD Instruction 4000.19.
- Fourteen MIPRs to determine whether funds were available and suitable for the purposes identified in each Economy Act order. We verified that the type of funds used could be used to purchase the type of services ordered. We also verified that the funds were available for use when the order was awarded.
- Fourteen task orders that SPAWARSSYSCEN Atlantic issued to identify the services purchased and the type of funds used.

See Appendix B for a list of Economy Act orders we reviewed, the type of services purchased, and the type of funds used.

⁵ The Federal Procurement Data System–Next Generation does not contain Economy Act orders. The system includes a data element that identifies whether a contract action was subject to the statutory authority of the Economy Act.

We used the following criteria as the basis for our analysis.

- 31 U.S.C. §1535, “Agency Agreements”
- DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” August 9, 1995
- 31 U.S.C. §1301, “Application”
- DoD FMR volume 2A, chapter 1, “General Information”
- DoD FMR, volume 2A, chapter 3, “Operation and Maintenance Appropriations”
- DoD FMR volume 11A, chapter 3. “Economy Act Orders”

We met with personnel from the following offices during a site visit to Shaw Air Force Base.

- USAFCENT Operations (A3) Requesting Activity
- USAFCENT Communications (A6) Requesting Activity
- USAFCENT Contracting Office (A7)
- 20th Fighter Squadron Contracting Activity
- USAFCENT Office of the Staff Judge Advocate
- USAFCENT Support Agreement Manager (A4)

We reviewed documentation dated from August 1995 through August 2014.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Use of Technical Assistance

The Quantitative Methods Division approved the methodologies as reasonable.

Prior Audit Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) issued two reports on Economy Act requirements. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

DoD IG

Report No. DODIG-2012-117, “DoD Needs to Improve Controls Over Economy Act Orders With U.S. Agency for International Development,” August 14, 2012

Report No. D-2011-102, “Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements,” August 25, 2011

Appendix B

Economy Act Orders Reviewed

USAFCENT A6 and A3 personnel properly funded 13 of the 14 Economy Act Orders with FY 2013 Air Force Operations and Maintenance Funds and 1 Economy Act order with FY 2014 Air Force Operations and Maintenance Funds.

MIPR/Economy Act Order Number	Contract/Task Order	Order Amount (in millions)	Description of Services Ordered (Based on the Statement of Work)
A6 Orders Placed Under Support Agreement 5A55000/53000-1			
1. F3UT642275GC03	N65236-07-D-5877/150	\$3.5	Operations, maintenance, administration, and management support to A6 locations at Al Udeid Air base, Qatar
2. F3UT642272GC01	N65236-07-D-5877/151	18.4	Operations, maintenance, administration, and management support to the local communications squadron at Kandahar Air Base, Afghanistan, and Shindand Air Base, Afghanistan
3. F3UT642275GC01	N65236-07-D-5877/152	10.6	Operations, maintenance, administration, and management support to the local communications squadron at Ali Al Salem Air Base, Abdullah Al Mubarak Air Base, and Manas Transit
4. F3UT642290GC01	N65236-07-D-5877/153	10.0	Operations, maintenance, administration, and management support to the local communications squadron at Al Dhafra Air Base, United Arab Emirates
5. F3UT642320GC01	N65236-07-D-5877/154	12.5	Operations, maintenance, administration, and management support to the local communications squadron at Bagram Air Base, Afghanistan
6. F3UT642310GC01	N65236-07-D-5877/155	5.2	Operations, maintenance, administration, and management support to the local communications squadrons at Ali Al Salem Air Base, Kuwait; Al Dhafra Air Base, United Arab Emirates; Al Udeid Air base, Qatar; Manas, Kyrgyzstan; Eskan, Saudi Arabia; Kandahar, Afghanistan; Bagram Air Base, Afghanistan; and Thumrait, Oman
7. F3UT642320GC02	N65236-07-D-5877/156	15.2	Operations, maintenance, administration, and management support to the 379th Expeditionary Communications Squadron at Al Udeid Air Base, Qatar
8. F3UT643003GC01	N65236-07-D-5877/157	3.0	Operations, maintenance, administration, and management support for Masirah Island Air Base and Thumrait Air Base
9. F3UT643136GC01	N66001-09-D-0037/226	1.2	Operations and maintenance site support for the Defense Red Switch Switch located at Al Udeid Air Base, Qatar
10. F3UT643192GC01	N66001-09-D-0037/238	2.3	Command, control, communications, computers, and Intelligence support for the U.S. Air Forces Central Command A6 staff

MIPR/Economy Act Order Number	Contract/Task Order	Order Amount (in millions)	Description of Services Ordered (Based on the Statement of Work)
A3 Orders Placed Under Support Agreement AFCENT-11-537-013			
11. F3UTA32244G001	N65236-07-D-6880/332	1.2	Program, operations, and logistics project administration and management support; logistics engineering and training support; Air traffic control systems subject matter expert support; vendor help desk and software support; and vendor on-site support and training assist SPAWARSSYSCEN Atlantic in sustainment of facilities, systems, and equipment for USAFCENT systems worldwide
12. F3UTA33032GC02	N65236-07-D-6880/333	1.4	Program and project administration and management; system engineering integration support; training support; software support; and vendor on-site support and training for USAFCENT
13. F3UTA34006G001	N65236-07-D-6880/352	2.6	To assist SPAWARSSYSCEN Atlantic in sustainment of facilities, systems, and equipment for the Battlespace Command and Control Center family of systems for USAFCENT
14. F3UTA33084G004	N65236-08-D-3802/277	.5	Project management, technical support, procurement, and assembly and integration services required to complete the integration of the Battlespace Command and Control Center–Theater for shipment to Al Dhafra Air Base
Total		\$87.6	

Note: Amounts are rounded

Acronyms and Abbreviations

FMR	DoD Regulation 7000.14 R, "Financial Management Regulation"
MIPR	Military Interdepartmental Purchase Request
SPAWARSYSCEN	Space and Naval Warfare Systems Center
USAFCENT	United States Air Forces Central Command
U.S.C.	United States Code



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U.S. DEPARTMENT OF DEFENSE

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