

# **Audit**



# **Report**

OFFICE OF THE INSPECTOR GENERAL

**UNITED NATIONS REIMBURSEMENT FOR  
DOD TROOP CONTRIBUTIONS**

Report No. 97-077

January 21, 1997

**Department of Defense**

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### **Acronyms**

DASD(PK/HA)	Deputy Assistant Secretary of Defense for Peacekeeping and Humanitarian Assistance
DFAS-DE	Defense Finance and Accounting Service-Denver Center
UN	United Nations
USUN	United States Mission to the United Nations



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



January 21, 1997

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)**  
**ASSISTANT SECRETARY OF DEFENSE (STRATEGY**  
**AND REQUIREMENTS)**

**SUBJECT: Audit Report on United Nations Reimbursement for DoD Troop**  
**Contributions (Report No. 97-077)**

We are providing this report for review and comment. Management comments on a draft were generally responsive and were considered in preparing the final report.

DoD Directive 7650.3 requires that all recommendations and potential monetary benefits be resolved promptly. While we consider the recommendations to be resolved, there were questions raised concerning the potential monetary benefits from implementing the agreed-upon management actions. We request that the Under Secretary of Defense (Comptroller) comment on the potential monetary benefits as discussed in this final report and provide an update on the status of United Nations reimbursements received by the DoD for FY 1996 peacekeeping operations by March 21, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Ms. Evelyn R. Klemstine, Audit Program Director, at (703) 604-9172 (DSN 664-9172) or Ms. Judy K. Palmer, Acting Audit Project Manager, at (703) 604-9614 (DSN 664-9614). See Appendix H for the report distribution. The audit team members are listed inside the back cover.

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

**Report No. 97-077**  
(Project No. 6LG-0022)

January 21, 1997

### United Nations Reimbursement for DoD Troop Contributions

#### Executive Summary

**Introduction.** The President authorizes the use of U.S. troops under the operational control of a United Nations commander for peacekeeping operations authorized by the United Nations Security Council. The United States provides support to the United Nations under the Foreign Assistance Act of 1961, as amended, and the United Nations Participation Act of 1945, as added and amended. The United Nations provides reimbursement for participating troops at standard rates approved by the General Assembly. Those rates together with the number of troops provided are used to calculate the level of reimbursement to be made to a participating country for the incremental costs incurred for providing troops to the United Nations for peacekeeping operations. From October 1994 through May 1996, DoD reported \$429.4 million in incremental costs to support United Nations peacekeeping operations for the Former Yugoslavia and Haiti.

**Audit Objectives.** The audit objective was to determine whether the DoD portion of the reimbursement received from the United Nations is adequate to cover the incremental costs incurred for deployment of U.S. troops to peacekeeping operations under United Nations operational control. We also reviewed the management control program as it related to the audit objective.

**Audit Results.** The DoD portion of UN reimbursement for U.S. troop contributions, as costed out by DoD at the time of the audit, would not have been sufficient to cover DoD support to UN peacekeeping operations in the Former Yugoslavia and Haiti. In accordance with the existing split disbursement procedures, for the first 8 months of FY 1996, DoD would have contributed \$11.8 million of United Nations reimbursements for U.S. troop contributions, that could have been used to defray DoD incremental costs, to the Department of State United Nations account for U.S. peacekeeping assessments (Finding A).

The DoD processing of United Nations reimbursements for U.S. troop contributions to United Nations peacekeeping operations was not timely. Specifically, the United States Mission to the United Nations took an average of 156 days, after the United Nations notification, to provide reimbursement disposition instructions to the United Nations. Additionally, delays ranging from 40 to 265 days occurred from the date of the United Nations reimbursement check to distribution to the Military Departments. Also, policies need to be clarified to ensure that reimbursements are credited to the Military Departments (Finding B).

The management control program could be improved because material management control weaknesses existed for processing United Nations reimbursements for U.S. troop contributions, and disposition instructions were not provided to the United Nations in a timely manner (Appendix A).

See Part I for a discussion of the audit results and Appendix G for a summary of the potential benefits related to the audit recommendations.

**Summary of Recommendations.** We recommend that the Assistant Secretary of Defense (Strategy and Requirements) negotiate a written agreement between DoD and the Department of State that stipulates that incremental costs will be reimbursed before any United Nations reimbursement is credited to the Department of State United Nations account for U.S. peacekeeping assessments. Additionally, we recommend that the Assistant Secretary of Defense (Strategy and Requirements) negotiate a written agreement with the Department of State to establish policies and procedures for providing timely disposition instructions to the United Nations. We also recommend that the Under Secretary of Defense (Comptroller) determine the cost elements to be included in the incremental costs, and revise DoD Regulation 7000.14R, volume 12, chapter 23.

**Management Comments.** Although the Office of the Assistant Secretary of Defense (Strategy and Requirements) nonconcurred with Finding A, it entered into negotiations with the Department of State to establish a memorandum of understanding to establish policies and procedures to provide timely disposition instructions and that DoD incremental costs be reimbursed before crediting the Department of State United Nations account for U.S. peacekeeping assessments. The Under Secretary of Defense (Comptroller) partially concurred with the recommendation to participate with the Assistant Secretary of Defense (Strategy and Requirements) in those negotiations, but expressed doubts about the accuracy of the potential monetary benefits discussed in the draft report. The Under Secretary of Defense (Comptroller) agreed to review policies and procedures related to capturing incremental cost data to ensure that DoD receives its appropriate amount of United Nations reimbursements. Additionally, the Under Secretary of Defense (Comptroller) partially concurred to determine whether additional procedural operating guidance is required for the receipt and distribution of United Nations reimbursements and agreed to work with the Defense Finance and Accounting Center to ensure that guidance is implemented by June 30, 1997. Also, the Under Secretary of Defense (Comptroller) agreed to revise DoD Regulation 7000.14R, volume 12, chapter 23, to clarify the 180-day rule by June 30, 1997. A discussion of management comments is in Part I and the complete text is in Part III.

**Audit Response.** We consider the comments to be generally responsive. The action by the Office of the Assistant Secretary of Defense (Strategy and Requirements) to negotiate a written agreement with the Department of State and the agreed-upon participation by the Under Secretary of Defense (Comptroller) meet the intent of the related recommendations. Additionally, the Under Secretary of Defense (Comptroller) agreed to review policies and procedures related to capturing incremental cost data and to review DoD Regulation 7000.14R, volume 12, chapter 23, to implement procedural operating guidance and clarify the 180-day rule. We have amended the report to clarify the discussion of potential monetary benefits. We request that the Under Secretary of Defense (Comptroller) comment on the potential monetary benefits identified in this report and provide the status of United Nations reimbursements for FY 1996 U.S. peacekeeping costs by March 21, 1997.

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## **Part I - Audit Results**

### Audit Background

**U.S. Support Provided to the United Nations.** Among the authorities under which the United States provides support to the United Nations (UN) are the Foreign Assistance Act of 1961, as amended, and the United Nations Participation Act of 1945, as added and amended. U.S. troops can be deployed to UN peacekeeping operations under United States Code, title 22, section 2388 (22 U.S.C. 2388) (section 628 of the Foreign Assistance Act of 1961, as amended), "Detail of Personnel to International Organizations" and 22 U.S.C. 287d-1, "Noncombatant Assistance to the United Nations" (section 7 of the United Nations Participation Act of 1945, as added and amended). Additionally, goods and services can be provided to the UN for peacekeeping operations and humanitarian assistance under 22 U.S.C. 2357, "Furnishing of Services and Commodities" (section 607 of the Foreign Assistance Act of 1961, as amended).

**U.S. Troops Detailed to the UN.** The 22 U.S.C. 2388 and 22 U.S.C. 287d-1 authorize the President to deploy U.S. troops to UN peacekeeping operations. Under 22 U.S.C. 2388, U.S. troops may be placed under operational control of the UN to provide technical, scientific, or professional advice or services. Under 22 U.S.C. 287d-1 U.S. troops may be deployed to the UN to serve as observers, guards, or in any noncombatant capacity. Since September 1994, the United States has participated in two major peacekeeping operations, UN Protection Force in the Former Yugoslavia (Former Yugoslavia) and UN Mission in Haiti (Haiti). From October 1994 through May 1996, DoD reported \$429.4 million in incremental costs to support UN peacekeeping operations for the Former Yugoslavia and Haiti.

**Goods and Services Provided to the UN.** The 22 U.S.C. 2357 authorizes the President to provide goods and services to friendly countries, international organizations or nonprofit organizations. Services do not include U.S. troop contributions. From January 1995 through May 1996, the United States agreed to provide \$42 million in goods and services to the UN.

**UN Mission in the Former Yugoslavia.** On April 7, 1992, the UN Security Council authorized the full deployment of UN Protection Forces to the Former Yugoslavia. The council confirmed that the force should create the conditions of peace and security required for the negotiation of an overall settlement of the Former Yugoslavia crisis. On March 31, 1995, the UN decided to divide the UN Protection Force into three operations: UN Confidence Restoration Operation in Croatia, UN Peace Force, and UN Preventative Deployment Force in the Former Yugoslavia Republic of Macedonia. In January 1996, all UN missions with U.S. participation ended except the operation in the Former Yugoslavia Republic of Macedonia.

**UN Mission in Haiti.** The UN Mission in Haiti was established by the UN Security Council in August 1993. The UN mission was to assist the Government of Haiti in maintaining a secure and stable environment to permit the organization of free and fair elections. The United States led a UN mandated multinational force, Operation Uphold Democracy, deployed to



Haiti in September 1994 and completed its mission in March 1995 when it turned over its responsibility to the UN. U.S. troops participated in Haiti under UN operational control from March 1995 through March 1996.

**Reimbursement for U.S. Troops Detailed to the UN.** The 22 U.S.C. 2390 (section 630 of the Foreign Assistance Act of 1961, as amended), and 22 U.S.C. 287d-1 allow the United States to seek reimbursement from the UN for U.S. troops assigned to UN peacekeeping operations. The UN provides reimbursement for participating troops at standard rates approved by the UN General Assembly. Those rates establish the level of reimbursement to be made to participating countries for the costs incurred by them in providing troops for UN peacekeeping operations. All troop contributing countries receive the same rate of reimbursement. The General Assembly approved the latest UN standard rates in July 1991. Those rates, per servicemember, per month, are shown in Table 1.

**Table 1. Standard Rates of Reimbursement**

Pay and allowances, all ranks	\$988
Usage factor for personal clothing, gear, and equipment; all ranks	65
Personal weaponry (including ammunition), all ranks	5
An additional supplementary payment for specialists (25 percent of logistics contingents and 10 percent of others)	291

**Management Structure for UN Peace Operations.** The Under Secretary of Defense for Policy represents DoD in matters involving the Department of State and provides policy guidance and oversight for United States participation in contingency operations, such as UN peacekeeping operations. The Assistant Secretary of Defense (Strategy and Requirements) is the staff advisor to the Under Secretary of Defense for Policy and represents the Under Secretary of Defense for Policy and DoD in interagency deliberations for DoD participation in UN peacekeeping operations. The Deputy Assistant Secretary of Defense for Peacekeeping and Humanitarian Assistance (DASD(PK/HA)) implements policy guidance and oversight for DoD participation in UN peacekeeping operations. The Under Secretary of Defense for Policy in conjunction with the Under Secretary of Defense (Comptroller) determine the financial responsibility of DoD Components for all contingency operations. The Director, Defense Finance and Accounting Service administers the reimbursement distribution function in support of contingency operations and the Defense Finance and Accounting Service-Denver Center (DFAS-DE) distributes UN reimbursements to the Military Departments.

### Audit Objectives

The audit objective was to determine whether the DoD portion of the reimbursement received from the UN is adequate to cover the incremental costs incurred for deployment of U.S. troops to peacekeeping operations under UN operational control. We also reviewed the management control program as it related to the audit objective. See Appendix A for a discussion of the audit process and the management control program, Appendix B for a summary of prior audit coverage related to the audit objectives, and Appendix C for a discussion of other matters of interest.

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## **Finding A. United Nations Reimbursement for U.S. Troops**

The DoD portion of UN reimbursement for U.S. troop contributions, as costed out by DoD at the time of the audit, would not have been sufficient to cover DoD support to UN peacekeeping operations in the Former Yugoslavia and Haiti. The reimbursement would not have been sufficient because the Office of the Under Secretary of Defense (Comptroller) had not determined all of the cost elements needed to be included as incremental costs eligible for UN reimbursement. In accordance with existing split disbursement procedures, for the first 8 months of FY 1996, DoD would have contributed \$11.8 million of UN reimbursements for U.S. troop contributions, that could have been used to defray DoD incremental costs, to the Department of State UN account for U.S. peacekeeping assessments.<sup>1</sup>

### **Reimbursement of U.S. Troops Participating under UN Operational Control**

**Statutory Authorities.** The 22 U.S.C. 287d-1 and 22 U.S.C. 2390 provide authority for reimbursement for U.S. troops deployed to the UN. The statutes allow the UN to reimburse DoD for U.S. troop contributions to peacekeeping operations and for the appropriate DoD accounts and appropriations to be reimbursed. Those statutes state that reimbursements shall be credited to the appropriation, fund, or account used for paying such compensation, travel expenses, and benefits or allowances or applied as a credit against U.S. peacekeeping assessments. Thus, reimbursable funds may be applied to the Department of State UN account for U.S. peacekeeping assessments.

**Presidential Decision Directive.** The Presidential Decision Directive 25, "The Clinton Administration's Policy on Reforming Multilateral Peace Operations (Presidential Directive 25)," May 1994, provides policy on how the U.S. Government should be reimbursed for DoD contributions to UN peacekeeping operations. Presidential Directive 25 states that when DoD military personnel, goods, or services are used for UN peace operations, DoD will receive direct and full reimbursement from the UN, unless waived by the President. The directive also states:

Under the shared responsibility policy, [the policy was implemented by DoD, but the funding requirements were not approved by Congress] and the proposed accompanying legal authorities, DoD would receive and retain direct reimbursement for its contribution of troops, goods and services to the UN. An important advantage will

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<sup>1</sup>The United States portion of the UN annual operating budget for UN peacekeeping operations.

## Finding A. United Nations Reimbursement for U.S. Troops

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be to limit any adverse impact on DoD operation and maintenance funds [costs associated with equipment, supplies, and services required to train, operate, and maintain forces] which are essential to U.S. military readiness. As our draft legislation stipulates, the U.S. will seek full reimbursement from the UN for U.S. contributions of troops, goods, and services. The U.S. will first apply reimbursements against DoD incremental costs.

**DoD Policy.** An Assistant Secretary of Defense (International Security Policy) memorandum, "DoD Policy on Reimbursement for DoD Contributions to Assessed UN Peacekeeping Operations (DoD Policy Memorandum)," April 19, 1993, also provides policy on how the U.S. Government should be reimbursed for DoD contributions to assessed UN peacekeeping operations. That policy states that when DoD details forces to UN peacekeeping operations, the United States shall seek the normal reimbursement of \$988 per service member, per month,<sup>2</sup> that all troop contributor nations are entitled to. It further states that the UN reimbursement amount, in excess of DoD Military Departments incremental troop costs, could be used to offset the Department of State UN account for U.S. peacekeeping assessments.

**Incremental Costs Incurred for UN Peacekeeping Operations.** Incremental costs are those additional costs to the appropriation of the Military Departments that would not have been incurred if the contingency operation had not been supported. DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 12, chapter 23, "Contingency Operations," February 28, 1995 (DoD Financial Regulation volume 12), provides examples of costs that should be reported as incremental, to include military entitlements, increases in basic allowance for quarters, travel and per diem of active duty military and DoD civilians, and costs of material, equipment, and supplies from regular stocks.

**Unfunded UN Peacekeeping Operations.** Financial resources to support UN contingency operations are not included in budgets of Military Departments. When financial resources are not programmed and made available in a budget request to support a contingency operation, Military Departments must use available military personnel funds and operation and maintenance funds or both to accomplish the contingency operation. DoD can also reprogram funds and seek additional reprogramming and supplemental funding from Congress to cover those additional costs. For FY 1995, a supplemental appropriation covered DoD incremental costs. See Appendix B for a summary of the General Accounting Office review of DoD FY 1995 supplemental funding received. Congress had not appropriated any supplemental funding to DoD for FY 1996 UN peacekeeping operations.

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<sup>2</sup>The DoD Policy Memorandum did not include \$65 for equipment and \$5 for ammunition per service member, per month, that all troop contributor nations are entitled to.

## **Incremental Costs Exceed UN Reimbursements**

The DoD portion of UN reimbursement for U.S. troop contributions, as costed out by DoD at the time of the audit, would not have been sufficient to cover DoD support to UN peacekeeping operations in the Former Yugoslavia and Haiti. During the first 8 months of FY 1996, DoD incurred incremental costs of \$143.3 million for U.S. troop contributions in excess of expected UN reimbursements. DoD incurred total incremental costs of \$148.4 million during the first 8 months of FY 1996 to support UN peacekeeping operations in the Former Yugoslavia and Haiti. Under existing procedures, DoD would receive \$5.1 million in UN reimbursement. Table 2 summarizes those factors that comprise the incremental costs and the excess of those costs over the estimated UN reimbursement for the first 8 months of FY 1996.

**Table 2. FY 1996 Incremental Costs\* Exceed  
Estimated UN Reimbursements  
(as of May 31, 1996)**

	<u>Former Yugoslavia (millions)</u>	<u>Haiti (millions)</u>	<u>Total (millions)</u>
Military Personnel Costs	\$ 7.6	\$16.1	\$23.7
Operations and Maintenance Costs	<u>92.1</u>	<u>32.6</u>	<u>124.7</u>
<b>Total Incremental Costs</b>	<b>\$99.7</b>	<b>\$48.7</b>	<b>\$148.4</b>
Total Expected UN Reimbursements to DoD	(1.6)	(3.5)	(5.1)
<b>Difference</b>	<b>\$98.1</b>	<b>\$45.2</b>	<b>\$143.3</b>

\*Incremental costs provided by Military Departments.

Actual UN reimbursement for FY 1996 U.S. troop contributions was expected to be \$16.9 million and, in accordance with Presidential Directive 25, should be applied toward the unreimbursed incremental costs. However, in accordance with existing procedures, \$11.8 million (\$16.9 million minus \$5.1 million) was to be provided to the Department of State UN account for U.S. peacekeeping assessments. Appendix D provides a breakout of the estimated UN reimbursements that DoD was to receive for the first 8 months of FY 1996.

## **Informal Agreement to Split UN Reimbursement**

**DoD Policy Memorandum As Agreement Between DoD and Department of State.** The DoD and Department of State informally agreed to split UN reimbursements for U.S. troop contributions to UN peacekeeping operations. DoD and the Department of State officials were aware of the negotiations of a formal agreement for the split of UN reimbursements, however, when asked to provide us a copy they were unable to do so. The Office of the DASD(PK/HA) referred us to the April 1993 DoD Policy Memorandum as the agreement. The policy memorandum states, ". . . there is interagency agreement that the U.S. shall be reimbursed by the United Nations when it contributes troops, supplies, or services to assessed UN Peacekeeping Operations." The DoD Policy Memorandum does not address the split of UN reimbursement, nor is it a formal written agreement signed by representatives of the two Departments.

**Joint Staff Memorandum as an Informal Agreement.** On January 7, 1994, the Joint Staff sent a memorandum to the then Deputy Assistant Secretary of Defense for Peacekeeping and Peace Enforcement (presently the DASD(PK/HA)) which was forwarded by DoD personnel to the Department of State and became the informal agreement between DoD and the Department of State. That memorandum states:

. . . that the USUN [United States Mission to the United Nations is staffed by the Department of State and performs the liaison functions between the UN and U.S. Government agencies.], be instructed to determine any future breakdown of funds by multiplying the number of personnel each month by \$318. The \$318 represents the \$248 incremental for personnel as well as the \$65 per month for personal equipment and the \$5 a month for ammunition.

Additionally, on January 7, 1994, the offices of the Joint Staff, the then Deputy Assistant Secretary of Defense for Peacekeeping and Peace Enforcement, and the Under Secretary of Defense (Comptroller), coordinated on a telegram sent by the Department of State to the United States Mission to the United Nations (USUN) instructing the USUN that DoD would receive \$318 per service member, per month, and from \$740 to \$1,031<sup>3</sup> would be credited to the Department of State UN account for U.S. peacekeeping assessments. In February 1994, the USUN requested that the UN notify the USUN of any future UN reimbursements so that it could provide disposition instructions on the split of the reimbursement. From February 1994 through May 31, 1996, the USUN provided all disposition instructions to the UN for splitting the reimbursement. Since July 1994, the UN reimbursed the United States \$24.9 million for U.S. troop contributions in the Former Yugoslavia (April 1993 through July 1995) and Haiti (March 1995 through April 1995). DoD received \$7.2 million of those reimbursements to cover DoD incremental costs for those operations. The remaining UN reimbursements of \$17.7 million was credited to the Department of State UN account for U.S. peacekeeping

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<sup>3</sup>The \$291 variance is dependent on the UN determination of speciality pay.

## Finding A. United Nations Reimbursement for U.S. Troops

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assessments. However, the informal agreement, which DoD and the Department of State used for splitting the reimbursement, understated DoD incremental costs eligible for UN reimbursement.

### DoD Determination of Incremental Costs

The Office of the Under Secretary of Defense (Comptroller) did not consider all incremental costs when determining what costs were eligible for UN reimbursements. Additionally, the Office of the Under Secretary of Defense (Comptroller) believed that incremental costs did not vary by UN peacekeeping operation for U.S. troop participation.

**Cost Elements Eligible for UN Reimbursement.** The Office of the Under Secretary of Defense (Comptroller) determined that \$248 per month, per service member covered the incremental costs incurred for U.S. troops participating in UN peacekeeping operations. In the January 1994 memorandum from the Joint Staff to the DASD(PK/HA), the Joint Staff requested that the \$248 be increased to \$318 to include an additional \$70 for personnel equipment and ammunition. As of May 30, 1996, those cost elements were determined as the only costs eligible for UN reimbursement. Table 3 shows how the \$318 payment was derived.

<b>Table 3. DoD Determination of Incremental Costs, Per Service member, Per Month</b>	
Pay and Allowances (Military Personnel):	
Imminent danger pay	\$150
Family separation allowance	75
Foreign duty pay	<u>23</u>
<b>Total</b>	<b>\$248</b>
Amount Joint Staff Memorandum of January 1994 added:	
Equipment (Operations and Maintenance):	
Clothing/gear/equipment	65
Personal weaponry/ammunition	<u>5</u>
<b>Total</b>	<b>\$70</b>
<b>Grand Total</b>	<b>\$318</b>

**Determination of Incremental Cost Elements.** The Office of the Under Secretary of Defense (Comptroller) had not determined all of the cost elements needed to be included as incremental costs eligible for UN reimbursement. The 22 U.S.C. 287d-1 and 22 U.S.C. 2390 provide authority for reimbursement and generally identifies reimbursable costs as compensation, travel expenses, and benefits or allowances. Presidential Directive 25 states that the United States will seek full reimbursement from the UN and apply that

## **Finding A. United Nations Reimbursement for U.S. Troops**

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reimbursement against DoD incremental costs, but does not identify the cost elements to be included as incremental costs. The DoD Policy Memorandum on reimbursement of DoD incremental troop costs also does not define the incremental troop costs or cost elements to be included as incremental troop costs. DoD Financial Regulation volume 12 defines incremental costs, but the regulation does not specifically identify the cost elements to be reported as incremental troop costs.

**Incremental Costs Reported for UN Peacekeeping Operations.** The DoD incurred incremental costs of \$148.4 million during the first 8 months of FY 1996 to support UN peacekeeping operations in the former Yugoslavia and Haiti. Those costs included the elements shown in Table 3, as well as other costs to include maintenance; reservist pay; services; subsistence allowance; and temporary duty travel. Although the Military Departments reported the costs as incremental, the other costs were not included in the \$318 total eligible for UN reimbursement. Without clearly defining what cost elements should be included in the incremental costs reported for UN reimbursement of U.S. troop contributions, DoD had no assurance that incremental costs were covered.

**Variation of Incremental Costs Based on Operation.** When deriving the \$318 payment, the Office of the Under Secretary of Defense (Comptroller) believed that incremental costs did not vary by UN peacekeeping operation for U.S. troop participation. However, incremental costs for UN peacekeeping operations were not a flat \$318 per month because the pay and allowances varied depending on the specific UN operation and the family status and rank of the service member. Additionally, the pay and allowances were not applicable to all U.S. troops participating in UN peacekeeping operations. For example, only those personnel deployed to, traveling into, or flying over Bosnia, Croatia, Macedonia, Montenegro, and Serbia were eligible to receive imminent danger pay. Additionally, servicemembers without dependents did not receive family separation allowance. Further, foreign duty pay was paid only to enlisted members.

The Office of the Under Secretary of Defense (Comptroller) did not include all military personnel cost elements when deriving the \$318 payment that DoD should receive as payment for U.S. troop contributions. The basic allowance for subsistence of \$215 per month that was paid to some U.S. troops solely for participating in UN peacekeeping operations was not included in the \$318 payment. Additionally, the Office of the Under Secretary of Defense (Comptroller) did not include the incremental costs for reservists who were activated as a result of U.S. troops participating in UN peacekeeping operations. DoD activated reservists to support UN operations in the Former Yugoslavia and Haiti. Monthly incremental costs for reservists on active duty were estimated at \$6,693 for officers and \$3,263 for enlisted members. During the first 8 months of FY 1996, DoD incurred \$16.7 million in incremental costs for reservists on active duty to support UN peacekeeping operations in the Former Yugoslavia and Haiti. Because the incremental costs varied based on the operation, DoD should determine the split necessary to reimburse all incremental costs that DoD incurred for that particular peacekeeping operation.



## **Finding A. United Nations Reimbursement for U.S. Troops**

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**Deriving the Split Between DoD and the Department of State.** The DoD can determine the split necessary to reimburse all incremental costs by using available incremental cost data. The Military Departments determine total incremental costs to support each UN peacekeeping operation. DoD can determine unreimbursed incremental costs by subtracting the UN reimbursements received from the total incremental costs of that peacekeeping operation. If a pending UN reimbursement is less than the DoD unreimbursed incremental costs, the UN should be instructed to pay DoD the entire reimbursement. If the pending reimbursement is greater than the DoD unreimbursed incremental costs, the UN should be instructed to pay DoD an amount equal to the unreimbursed incremental costs and to credit the remainder to the Department of State account for UN account for U.S. peacekeeping assessments.

### **Management Comments on Finding and Audit Response**

**Management Comments.** The Under Secretary of Defense (Comptroller) nonconcurred with the finding, stating that because the UN has not yet completed its reimbursement to DoD for FY 1996 troop contributions for the Former Yugoslavia and Haiti, it was inaccurate to claim that the DoD portion of the split reimbursement with the Department of State was not sufficient to cover the Department's support to those missions. Additionally, the Under Secretary stated that the finding was misleading because it implied that the costs for the two peacekeeping operations continued for the remainder of FY 1996. That would be correct for the operation in the Former Yugoslavia; however, for the Haiti operation, DoD will be paid for only 6 months. Also, the Under Secretary stated that for the first 8 months of FY 1996, it was the auditor's view that DoD received \$11.8 million less than was required to defray DoD incremental costs for U.S. troop contributions and that the \$11.8 million that was deposited in the Department of State UN account for U.S. peacekeeping assessments should have been retained by DoD to cover incremental costs. An analysis, based on actual data provided by DFAS, indicated that the amount owed DoD for supporting the UN peacekeeping operations in the Former Yugoslavia was consistent with the incremental military personnel costs DoD incurred. Likewise, an analysis for United States support to UN peacekeeping operations in Haiti found that UN reimbursements to DoD would be nearly sufficient to cover DoD incremental costs.

**Audit Response.** Based on management comments, the wording of this report has been revised to clarify that the reimbursement had not yet been received at the time of the audit, which covered an 8-month period from October 1995 through May 1996. We acknowledge in the background section that the Haiti operation ended in March 1996. The total estimated UN reimbursement of \$16.9 million is adequately reflected in the period in which the services were performed in the Former Yugoslavia and Haiti. The \$11.8 million of UN reimbursements reflects the current share ratio that would be deposited into the UN account for U.S. peacekeeping assessments for the first 8 months of FY 1996 troop contributions in the Former Yugoslavia and Haiti if the

## **Finding A. United Nations Reimbursement for U.S. Troops**

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previously agreed-upon split between the Department of State and DoD were maintained. During the first 8 months of FY 1996, DoD incurred incremental costs of \$148.4 million for U.S. troop contributions in the Former Yugoslavia and Haiti and under the existing share ratio between the Department of State and DoD, DoD would receive only \$5.1 million in reimbursement.

### **Recommendations, Management Comments, and Audit Response**

**A.1. We recommend that the Assistant Secretary of Defense (Strategy and Requirements) negotiate a written agreement between DoD and the Department of State that stipulates that DoD incremental costs will be reimbursed before any United Nations reimbursement is credited to the Department of State United Nations account for U.S. peacekeeping assessments.**

**Management Comments.** The Assistant Secretary of Defense (Strategy and Requirements) nonconcurred with the recommendation. The Assistant Secretary stated that there is no need for the recommended agreement as the guidance regarding distribution of UN reimbursement for troop contribution, namely the Clinton Administration's policy on reforming multilateral peace operations, states unequivocally that DoD incremental costs will be reimbursed before any UN reimbursement is credited to the Department of State for the purpose of paying the U.S. Government's UN peacekeeping assessments. However, the Assistant Secretary also stated that his office would reiterate that guidance in the memorandum of understanding it is negotiating with the Department of State, which is expected to be completed by January 31, 1997.

**Audit Response.** Although the Assistant Secretary of Defense (Strategy and Requirements) nonconcurred with the recommendation, the planned action to negotiate a memorandum with the Department of State meets the intent of the recommendation. No further comments are required.

**A.2. We recommend that the Under Secretary of Defense (Comptroller) determine all cost elements that should be included in incremental costs eligible for United Nations standard reimbursement rates for participating countries troop contributions.**

**Management Comments.** The Under Secretary of Defense (Comptroller) partially concurred with the recommendation. The Under Secretary stated that the Office of the Under Secretary of Defense (Comptroller), in conjunction with the Assistant Secretary of Defense (Strategy and Requirements) and DFAS, will review current policies and procedures related to capturing incremental cost data to ensure that DoD receives the appropriate amount of UN reimbursements. To the extent the review determines that existing policies and procedures need to be revised, amended guidance will be developed and issued by June 30, 1997.

## Finding A. United Nations Reimbursement for U.S. Troops

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**Audit Response.** Although the Under Secretary of Defense (Comptroller) concurred only partially with the recommendation, we consider the Under Secretary's action to review existing policies and procedures as responsive to its intent. No further comments are required.

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## **Finding B. DoD Processing of United Nations Reimbursements**

The DoD processing of UN reimbursements for U.S. troop contributions to UN peacekeeping operations was not timely. Specifically, the USUN took an average of 156 days, after the UN notification, to provide reimbursement disposition instructions to the UN. Additionally, delays ranging from 40 to 265 days occurred from the date of the UN reimbursement check to distribution to the Military Departments. The Assistant Secretary of Defense (Strategy and Requirements) had not negotiated a written agreement with the Department of State to establish policies and procedures to ensure that the USUN provided timely disposition instructions to the UN. Additionally, the Under Secretary of Defense (Comptroller) had not established policies and procedures for the management of UN reimbursement for U.S. troop contributions. As a result of the USUN delays in providing disposition instructions to the UN, the United States had incurred an estimated \$96,000 for the cost to borrow capital. Unless policies and procedures are implemented for the management of UN reimbursement, the United States will incur an additional \$652,000 for the cost to borrow capital. Additionally, there were no assurances that the Military Departments would receive the \$16.9 million the UN owed for FY 1996 U.S. troop contributions.

### **Responsibilities for Processing United Nations Reimbursements**

The DoD Financial Regulation volume 12 provides financial policy and procedures for DoD contingency operations. It states that the UN will notify the Department of State<sup>4</sup> of a pending reimbursement for U.S. troop contributions. The Department of State will then provide that information to the Under Secretary of Defense for Policy, who in turn is responsible for validating the UN notice of pending reimbursement for U.S. troop contributions.<sup>5</sup> After the UN notice of pending reimbursement is validated, the Department of State provides instructions to the UN regarding the disposition of the reimbursement.<sup>6</sup>

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<sup>4</sup>The UN actually notifies the USUN, which is the Department of State liaison to the UN, of a pending reimbursement.

<sup>5</sup>The DASD(PK/HA) is actually responsible for validating UN notices of pending reimbursement.

<sup>6</sup>The Department of State provides instruction to the UN through the USUN.

## **Processing of UN Reimbursements for U.S. Troop Contributions.**

The processing of UN reimbursements from initial UN notification to distribution of the proceeds to the Military Departments was not timely. During the initial notification to the disposition phase, the USUN took an average of 156 days, while additional delays ranging from 40 to 265 days occurred from UN issuance of the reimbursement check to distribution by DFAS-DE to the Military Departments.

**Providing Disposition Instructions to the UN.** The USUN took an average of 156 days, after the UN notified the USUN that it was able to make payment, to provide disposition instructions to the UN for U.S. troop contribution reimbursements. Any delay in the USUN providing distribution instructions delayed DoD receipt of the reimbursement. Under the current informal procedures, the USUN was to assume that the DASD(PK/HA) had validated the UN notice of pending reimbursement unless the DASD(PK/HA) informed the USUN that a UN notice of pending reimbursement could not be validated. Table 4 shows the timeliness of disposition instructions provided to the UN for reimbursements for U.S. troop contributions to the Former Yugoslavia and Haiti.

## Finding B. DoD Controls for United Nations Reimbursements

**Table 4. Timeliness of Disposition Directions Provided to the UN**

<u>Peacekeeping Operation</u>	<u>Month(s) of Operation</u>	<u>Date of UN Notice of Pending Reimbursement</u>	<u>Date of U.S. Disposition Instruction to UN</u>	<u>Days of Delay</u>
Yugoslavia <sup>1</sup>	Apr. - June 1993	Nov. 2, 1993 <sup>2</sup>	June 21, 1994	231
Yugoslavia	July - Sep. 1993	Dec. 10, 1993 <sup>2</sup>	June 21, 1994	193
Yugoslavia	Oct. 1993	Dec. 30, 1993 <sup>2</sup>	June 21, 1994	173
Yugoslavia	Nov. 1993	Jan. 24, 1994 <sup>2</sup>	June 21, 1994	148
Yugoslavia	Dec. 1993	Mar. 8, 1994 <sup>3</sup>	June 21, 1994	105
Yugoslavia	Jan. 1994	Mar. 8, 1994	June 21, 1994	105
Yugoslavia	Feb. 1994	Apr. 8, 1994	June 21, 1994	74
Yugoslavia	Mar.-Dec. 1994	Jan. 31, 1995 <sup>3</sup>	Mar. 21, 1995	49
Yugoslavia	Jan. 1995	Apr. 3, 1995	July 21, 1995	109
Yugoslavia	Feb. 1995	Apr. 25, 1995	July 21, 1995	87
Yugoslavia	Mar. 1995	Oct. 23, 1995	May 9, 1996	199
Yugoslavia	Apr. 1995	Oct. 23, 1995	May 9, 1996	199
Yugoslavia	May 1995	Oct. 23, 1995	May 9, 1996	199
Yugoslavia	June 1995	Nov. 8, 1995	May 9, 1996	183
Yugoslavia	July 1995	Nov. 8, 1995	May 9, 1996	<u>183</u>
<b>Yugoslavia Average</b>				<b>149</b>
Haiti	Mar. 1995	Oct. 24, 1995	May 9, 1996	198
Haiti	Apr. 1995	Oct. 24, 1995	May 9, 1996	198
Haiti	Apr. 1995	Nov. 10, 1995	May 9, 1996	<u>181</u>
<b>Haiti Average</b>				<b>192</b>
<b>Average</b>				<b>156</b>

<sup>1</sup>Former Yugoslavia.

<sup>2</sup>Prior to February 2, 1994, the UN did not provide notices of pending reimbursement. Therefore, the dates shown above are the date of the UN check, which was returned to the UN on June 14, 1994. As of February 1994, USUN provided disposition instructions on the split of the reimbursement between DoD and the Department of State.

<sup>3</sup>Date of UN notice of pending reimbursement estimated based on subsequent dates of UN notices of pending reimbursements.

## Finding B. DoD Controls for United Nations Reimbursements

**Distribution of UN Reimbursement Proceeds.** The DFAS-DE had not received and distributed the DoD portion of UN reimbursements for U.S. troop contributions in an efficient and effective manner since DFAS-DE assumed accounting for contingency operations on October 1, 1994.<sup>7</sup> From October 1994 until May 1996, the UN sent reimbursement checks to the USUN, which forwarded those checks to DFAS-DE. Starting in May 1996, the UN electronically transferred the reimbursement, coded for DFAS-DE, to the U.S. Treasury. The U.S. Treasury then notified DFAS-DE of their receipt. For the four UN payments DoD received for the Former Yugoslavia and Haiti UN peacekeeping operations, DoD had problems receiving and distributing those payments. For two UN payments, delays ranging from 40 to 265 days occurred before distribution to the Military Departments. Table 5 shows the timeliness of receiving and distributing the four UN reimbursements for U.S. troop contributions.

**Table 5. Receiving and Distributing UN Reimbursements**

Peacekeeping Operation	Date of UN Check or EFT <sup>1</sup> (A)	Date DFAS-DE Received UN Check (B)	Date DFAS-DE Distributed Funds to Army (C)	Days of Delay for Receipt (A-B)	Days of Delay for Distribution (B-C)	Total Days of Delay (A-C)
Yugoslavia <sup>2</sup>						
Mar.-Dec. 1994	Mar. 29, 1995	Apr. 7, 1995	May 8, 1995	9	31	40
Jan. -Feb. 1995	July 28, 1995	Nov. 15, 1995	Apr. 18, 1996	110	155	265
Mar.-July 1995	May 28, 1996 <sup>1</sup>	May 29, 1996	N/A <sup>3</sup>	1	N/A <sup>3</sup>	1
Haiti						
Mar.-Apr. 1995	May 28, 1996 <sup>1</sup>	May 29, 1996	N/A <sup>3</sup>	1	N/A <sup>3</sup>	1

<sup>1</sup>Electronic funds transfer.

<sup>2</sup>Former Yugoslavia.

<sup>3</sup>Deposited into the Miscellaneous Receipts account of the U.S. Treasury.

**UN Reimbursements Paid to the Department of the Army.** For the first payment of \$2.6 million for U.S. troop contributions to the Former Yugoslavia from March through December 1994, DFAS-DE took 31 days after receipt of the UN check to distribute the funds to the Department of the Army.<sup>8</sup> The second payment was a UN check for \$560,000, dated July 28, 1995, for U.S. troop contributions to the Former Yugoslavia from January through February 1995. DFAS-DE did not receive that check until November 15, 1995,

<sup>7</sup>Before October 1, 1994, the Army Tank-Automotive Command received UN reimbursements. We did not review the processing of those reimbursements because the accounting function had transferred to DFAS-DE.

<sup>8</sup>For the four payments we reviewed, the Department of the Army received the DoD portion of the UN reimbursement for two payments. The other two payments were deposited into the Miscellaneous Receipts account of the U.S. Treasury.

## **Finding B. DoD Controls for United Nations Reimbursements**

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a 110-day delay from the date the check was written. We were unable to determine who had possession of the check between July and November. DFAS-DE requested disposition instructions from the Department of the Army on April 11, 1996, after we requested information on UN reimbursements from DFAS-DE on April 1, 1996. DFAS-DE distributed the funds to the Department of the Army on April 18, 1996. The delay between receipt of the check and the distribution of funds was 155 days, a total delay of 265 days.

**UN Reimbursements Paid to Miscellaneous Receipts Account.** The third and fourth payments were received as electronic funds transfers on May 29, 1996. Those payments were \$1.4 million for U.S. troop contributions to the Former Yugoslavia from March through July 1995 and \$760,000 for U.S. troop contributions to Haiti from March through April 1995. The total payment of \$2.2 million, was deposited immediately into the Miscellaneous Receipts account of the U.S. Treasury. DFAS-DE followed the DoD Financial Regulation volume 12, which states that if the reimbursement is received more than 180 days after the end of the fiscal year in which the costs were incurred, payments revert to the U.S. Treasury. The DoD Financial Regulation volume 12 does not distinguish between UN reimbursements received under 22 U.S.C. 2357 and 22 U.S.C. 2390 (sections 607 and 630 of the Assistance Act, as amended) and 22 U.S.C. 287d-1 (section 7 of the UN Participation Act, as added and amended).

The 180-day rule in the DoD Financial Regulation volume 12 was not applicable to all UN reimbursements. The 180-day provision applies to some but not all UN reimbursements for goods and services provided to the UN under 22 U.S.C. 2357. The services under 22 U.S.C. 2357 do not include U.S. troop contributions. No 180-day provision applies to 22 U.S.C. 2390 or 22 U.S.C. 287d-1. Because reimbursements for U.S. troops are received under 22 U.S.C. 2390 or 22 U.S.C. 287d-1, the 180-day rule does not apply to UN reimbursements for U.S. troop contributions. Therefore, DFAS-DE should have contacted the Military Departments for disposition instructions.

Because the Military Departments received a supplemental appropriation for FY 1995 incremental costs that the UN reimbursed, the Military Departments would have instructed DFAS-DE to deposit the \$2.2 million in the Miscellaneous Receipts account of the U.S. Treasury. Although DFAS-DE deposited the reimbursement to the right account, the provision in the DoD Financial Regulation volume 12 as applied to UN reimbursement for U.S. troop contributions was incorrect.

## **DoD Policies and Procedures for UN Reimbursements**

The Assistant Secretary of Defense (Strategy and Requirements) and the Under Secretary of Defense (Comptroller) had not established policies and procedures for the management of UN reimbursement for U.S. troop contributions.



## Finding B. DoD Controls for United Nations Reimbursements

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The need for policies and procedures was addressed in a February 1994, Joint Staff memorandum to the Under Secretary of Defense for Policy. The memorandum states:

The impact of UN operations upon the readiness of the Services makes it imperative that any reimbursements received from the UN be processed as soon as possible and that the Services receive all reimbursements to which they are entitled. The inordinate amount of time taken to process these reimbursement checks [including four checks from April 1993 through November 1993 for U.S. troop contributions to the Former Yugoslavia, totaling \$4.5 million] is not satisfactory, and we need to develop a system, in conjunction with Department of State, that allows for the receipt of the funds by the Department for Defense within 30 days of the receipt of the check by the USUN. We stand ready to assist you in developing and implementing such a process.

As of June 30, 1996, DoD had not implemented policies and procedures that addressed the Joint Staff concerns or developed a system, in coordination with the USUN, for UN reimbursement for U.S. troop contributions.

**Policies and Procedures Between DoD and USUN.** The Assistant Secretary of Defense (Strategy and Requirements) had not negotiated a written agreement with the Department of State to establish policies and procedures to ensure that the USUN provided timely disposition instructions to the UN. As a result, the USUN took an average of 156 days to provide disposition instruction to the UN. Although DoD Financial Regulation volume 12 provides that the Under Secretary of Defense (Comptroller) is responsible for pursuing prompt reimbursement from the UN, the Under Secretary of Defense (Comptroller) is not authorized to independently negotiate with the Department of State. However, the Under Secretary of Defense (Comptroller) is authorized to serve on committees concerned with assigned functions outside DoD. The Assistant Secretary of Defense (Strategy and Requirements) is authorized to represent the Under Secretary of Defense for Policy and DoD in interagency deliberations for DoD participation in UN peacekeeping operations. Therefore, the Assistant Secretary of Defense (Strategy and Requirements), should negotiate a written agreement with the Department of State to establish policies and procedures to ensure that the USUN provides disposition instructions to the UN in a timely manner. The Office of the Under Secretary of Defense (Comptroller) should participate in those negotiations.

**Policies and Procedures of the Under Secretary of Defense (Comptroller).** The Under Secretary of Defense (Comptroller) issued DoD Financial Regulation volume 12 on February 28, 1995. The DoD Financial Regulation volume 12 provides overall responsibilities for contingency operations, but is silent on policies and procedures for processing UN reimbursements for U.S. troop contributions. Additionally, the DoD Financial Regulation volume 12 provides that the 180-day rule applies to all UN reimbursements. As a result, DFAS-DE was unaware of its responsibilities concerning UN reimbursements for U.S. troop contributions.

## DoD Receipt of Amounts Owed

**Receipt of UN Reimbursement.** The USUN delays in providing disposition instructions caused the United States to incur an estimated \$96,000 for the cost to borrow capital due to delays in receiving UN reimbursement for the Former Yugoslavia and Haiti (see Appendix E). It took the USUN an average of 156 days<sup>9</sup> to provide disposition instructions to the UN for the Former Yugoslavia and Haiti peacekeeping operations. Assuming a 30-day grace period to provide disposition instructions, the United States did not have the use of the \$7.1 million UN reimbursement for an average of 126 days. The delay in the receipt of the reimbursement caused the United States to borrow funds to finance the deficit and pay interest on those borrowed funds.

**Receipt of Future UN Reimbursements.** Unless policies and procedures are implemented for the management of UN reimbursement, the United States will incur an additional \$652,000 for the cost to borrow capital because of delays in disposition instructions for the \$31 million that the UN owes as of May 30, 1996. Of the \$652,000, \$122,000 is attributable to the Former Yugoslavia peacekeeping operations and \$530,000 is attributable to Haiti peacekeeping operations.

**Former Yugoslavia Reimbursement.** For U.S. troop contributions to the Former Yugoslavia, it took an average of 149 days for USUN to provide disposition instructions to the UN. Therefore, if the trend continues, and assuming a 30-day grace period to provide disposition instructions, the United States will not have the use of the \$7.4 million reimbursement that the UN owes for an average of 119 days. The delay in the receipt of the reimbursement will cause the United States to borrow funds to finance the deficit and pay interest on those borrowed funds. The cost to borrow capital would be approximately \$122,000 for future UN reimbursements for the Former Yugoslavia troop contributions (see Appendix F).

**Haiti Reimbursement.** For U.S. troop contributions to Haiti, it took the USUN an average of 192 days to provide disposition instructions to the UN. Therefore, if the trend continues and assuming a 30-day grace period to provide disposition instructions, the United States would not have the use of the \$23.6 million reimbursement that the UN owes for an average of 162 days. The delay in the receipt of the reimbursement will cause the United States to borrow funds to finance the deficit and pay interest on those borrowed funds. The cost to borrow capital would be approximately \$530,000 for future UN reimbursement for Haiti troop contributions (see Appendix F).

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<sup>9</sup>The 156 days is the weighted average of the days of delay for the Former Yugoslavia (149 days) and Haiti (192 days).

## Finding B. DoD Controls for United Nations Reimbursements

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**Military Department Reimbursements.** Unless policies and procedures are implemented for the management of UN reimbursement, there are no assurances that the Military Departments will receive the \$16.9 million<sup>10</sup> that the UN owes for FY 1996 U.S. troop contributions. Under the DoD Financial Regulation volume 12, the 180-day rule applies to all UN reimbursements. If DFAS-DE receives the UN reimbursements more than 180 days after the end of FY 1996 it will deposit the \$16.9 million into the Miscellaneous Receipts account. DoD did not receive a supplemental appropriation to cover peacekeeping for FY 1996; therefore, there is no statutory provision requiring those funds to revert to the Miscellaneous Receipts account. However, under DoD guidance, those funds will be deposited into the Miscellaneous Receipts account of the U.S. Treasury and DoD will lose the use of the funds.

### Recommendations, Management Comments, and Audit Response

**B.1. We recommend that the Assistant Secretary of Defense (Strategy and Requirements) negotiate a written agreement with the Department of State to establish policy and procedures to ensure that the United States Mission to the United Nations provides timely disposition instructions to the United Nations.**

**Management Comments.** The Assistant Secretary of Defense (Strategy and Requirements) concurred with the recommendation. The Assistant Secretary stated that the Office of the Assistant Secretary of Defense (Strategy and Requirements) has entered into negotiations with the Department of State to establish a memorandum of understanding, which is to be concluded by January 31, 1997.

**B.2. We recommend that the Under Secretary of Defense (Comptroller):**

**a. Participate with the Assistant Secretary of Defense (Strategy and Requirements) in negotiating a written agreement with the Department of State to establish policy and procedures to ensure that the United States Mission to the United Nations provides timely disposition instructions to the United Nations.**

**Management Comments.** The Under Secretary of Defense (Comptroller) partially concurred with the recommendation. The Under Secretary stated that, to the extent DoD determines a written agreement is needed, the Office of the Under Secretary of Defense (Comptroller) will work with the Assistant Secretary of Defense (Strategy and Requirements) to negotiate a written agreement with the Department of State.

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<sup>10</sup>The \$16.9 million is the amount that the UN owes for U.S. troop contributions during FY 1996 (see Appendix C).

## **Finding B. DoD Controls for United Nations Reimbursements**

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**Audit Response.** Although the Under Secretary of Defense (Comptroller) concurred only partially with the recommendation, the ongoing actions of the Office of the Under Secretary of Defense (Comptroller) meet the intent of the recommendation. The Assistant Secretary of Defense (Strategy and Requirements) is in the process of negotiating a memorandum of understanding with the Department of State for the distribution and disposition of UN reimbursements. It is our understanding that the Office of the Under Secretary of Defense (Comptroller) is a participant in those negotiations. No further comments are required.

**b. Revise the DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 12, chapter 23, "Contingency Operations," to establish policies and procedures for United Nations reimbursements for U.S. troop contributions. Specifically:**

**1. Define responsibilities of DoD Components for processing United Nations reimbursements received and**

**Management Comments.** The Under Secretary of Defense (Comptroller) partially concurred with the recommendation, stating that chapter 23 does require DFAS to administer centralized cost consolidation, billing, and reimbursement distribution functions. Additionally, that chapter requires that the DFAS-DE distribute funds to appropriate recipients. However, detailed procedures or the operational practice, may not necessarily reflect nor fully implement DoD policy. Therefore, the Under Secretary agreed to review DFAS operating procedures to determine whether additional guidance is required. If required, the operating procedures will be incorporated in chapter 23, or alternatively as DFAS local procedural guidance by June 30, 1997.

**Audit Response.** Although the Under Secretary of Defense (Comptroller) concurred only partially with the recommendation, proposed actions are responsive and no further action is required.

**2. Apply rules for U.S. troop reimbursements under United States Code, title 22, section 2390 (section 630 of the Foreign Assistance Act of 1961, as amended), and under United States Code, title 22, section 287d-1 (section 7 of the United Nations Participation Act) clarifying that the 180-day rule should not apply to reimbursements received from the United Nations for U.S. troop contributions under those authorities unless Congress provides otherwise.**

**Management Comments.** The Under Secretary of Defense (Comptroller) concurred with the recommendation, stating that chapter 23 will be revised to clarify the 180-day rule by June 30, 1997.

## **Part II - Additional Information**

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# Appendix A. Audit Process

## Scope and Methodology

**Scope.** We reviewed financial documentation related to the UN peacekeeping operations in the Former Yugoslavia and Haiti, dated from April 1993 through June 1996. We also reviewed policies and procedures for the tracking and processing of \$24.9 million in UN reimbursements. Additionally, we reviewed \$429.4 million in incremental costs incurred from October 1994 through May 1996 to support UN peacekeeping operations for the Former Yugoslavia and Haiti. We also reviewed the UN Monthly Summary of Troop Contributions to Peacekeeping Operations dated from April 1995 through May 1996.

We interviewed personnel within the offices of the Under Secretary of Defense (Comptroller); Assistant Secretary of Defense (Strategy and Requirements); Deputy Assistant Secretary for Peacekeeping and Humanitarian Assistance, Assistant Secretaries of the Army, the Navy, and the Air Force (Financial Management and Comptroller); the Joint Staff; the U.S. European Command and its subordinate commands; the U.S. Forces Command; USUN; and the Department of State.

**Methodology.** To determine the cost elements included in incremental costs reported for the Former Yugoslavia and Haiti, we examined the Military Departments and DFAS-DE financial reporting records. To determine the processing of UN reimbursements, we examined Department of Defense Form 1131, "Cash Collection Voucher," DFAS-DE and USUN processing procedures, financial management regulations, Standard Form 1080, "Voucher for Transfers Between Appropriations and/or Funds," UN notices of pending reimbursements, UN checks and electronic fund transfers, and U.S. disposition instructions to the UN. To estimate the UN reimbursement owed for FY 1996 U.S. troop contributions, we examined UN monthly summaries of troop contributions to peacekeeping operations to determine the monthly total of U.S. servicemembers placed under operational control of the UN.

**Computer-Processed Data.** We did not evaluate the general and application controls of the Army, the Navy, the Air Force, and DFAS-DE general accounting and finance systems that process obligations and expenditure data used to determine incremental costs for UN peacekeeping operations. We did rely on data produced by those systems to conduct the audit. Not evaluating the controls did not affect the results of the audit.

**Technical Assistance.** The Quantitative Methods Division provided technical assistance with calculating the time value of monetary benefits identified in Finding B. The projections were not statistical. See Appendix D for the calculations.

**Audit Period and Standards.** We performed this program audit from April through July 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We included tests of management controls considered necessary.

### Organizations and Individuals Visited or Contacted

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD and the Department of State, the General Accounting Office, and the United Nations. Further details are available on request.

### 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 management controls related to the incremental costs incurred by DoD and the DoD structure for processing UN reimbursements for U.S. troops in support of UN peacekeeping missions. Additionally, we reviewed the timeliness of providing disposition instructions to the UN for UN reimbursements for U.S. troop contributions. We also reviewed the results of any self-evaluations of those controls.

**Adequacy of Management Controls.** We identified material management control weaknesses, as defined by DoD Directive 5010.38, in that DoD had not developed policies and procedures for the processing of UN reimbursements for U.S. troop contributions in a timely manner. If management implements Recommendations B.1. and B.2., the management control weaknesses will be corrected, resulting in a more effective and efficient management of UN reimbursement for U.S. troop contributions. See Appendix G for details on the potential benefits realized from correcting the material weaknesses. A copy of the report will be provided to the senior official responsible for management controls in the Office of the Secretary of Defense.

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\*DoD Directive 5010.38 has been revised as "Management Control Program," August 26, 1996. The audit was performed under the April 1987 version of the directive.

## Appendix A. Scope and Methodology

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**Adequacy of Management's Self-Evaluation.** The Assistant Secretary of Defense (Strategy and Requirements) identified the DASD(PK/HA) as an assessable unit and assigned a low level of risk to that assessable unit. The Assistant Secretary of Defense (Strategy and Requirements) considered the area to be low risk and did no evaluation. Because the Assistant Secretary of Defense (Strategy and Requirements) did not perform the evaluation, it did not identify the material management control weaknesses identified by the audit. The Under Secretary of Defense (Comptroller) did not identify peacekeeping operations as an assessable unit and, therefore, did not identify the material management control weaknesses identified by the audit.



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## Appendix B. Prior Audits and Other Reviews

**General Accounting Office (GAO), Report No. NSIAD-96-115 (OSD Case No. 1114), "DoD's Reported Costs Contain Significant Inaccuracies," May 17, 1996.** The report states that there were inaccuracies in the DoD reported costs for contingency operations in FYs 1994 and 1995. The report identified \$104 million in overstated incremental costs and \$171 million in understated incremental costs. It states that the accuracy of some reported costs could not be determined and DoD guidance for reporting incremental costs was vague and incomplete. The report recommended that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to clarify existing guidance to specify what costs to include in contingency operations cost reporting and to direct the Service Secretaries to develop comprehensive implementing instructions from the Comptroller's guidance. DoD generally concurred with the report because the report represented a reasonable portrayal of the problems inherent in accounting and reporting for contingency operations. Further, DoD concurred with the recommendations to clarify guidance for cost reporting and incorporating offsets. DoD Financial Regulation volume 12, chapter 23, was revised.

**The GAO Report No. NSIAD-96-121BR, (OSD Case No. 11108), "Defense Cost and Funding Issues," March 15, 1996.** The report states that DoD collectively ended the FY 1995 with supplemental funding of \$12 million above its reported incremental costs. The Air Force, the Marine Corps, the Defense Intelligence Agency, and the U.S. Special Operations Command collectively received supplemental funding of \$133 million in excess of their reported incremental costs. The Army, the Navy, the Defense Health Program, and the Defense Mapping Agency collectively reported costs that exceeded supplemental funding by \$120 million. The report contained no recommendations.

**The GAO Report No. NSIAD-96-38, (OSD Case No. 1069), "U.S. Costs in Support of Haiti, the Former Yugoslavia, Somalia, and Rwanda," March 6, 1996.** The report concluded that from FY 1992 through FY 1995, the incremental costs the United States reported was over \$6.6 billion for support of peacekeeping operations in Haiti, the Former Yugoslavia, Rwanda, and Somalia and the UN had reimbursed the United States for only \$79.4 million for those costs. The report also states that the DoD incremental costs to support the four operations were about \$3.4 billion and the costs for Department of State were about \$1.8 billion. The report contained no recommendations.

**The GAO Report No. NSIAD-95-138BR, (OSD Case No. 9904), "Estimated Fiscal Year 1995 Costs to the United States," May 3, 1995.** The report concluded that the participation of Federal agencies and departments in peacekeeping operations was estimated to cost \$3.7 billion during FY 1995, and \$672 million of that estimated cost was not funded. About \$1.8 billion of the estimated cost was the DoD estimated incremental costs for its involvement in

## Appendix B. Prior Audits and Other Reviews

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peacekeeping operations, and several Non-Defense agencies and departments will fund the remaining \$1.9 billion. The report contained no recommendations.

**The GAO Report No. NSIAD-95-119BR, (OSD Case No. 9888), "DoD's Incremental Costs and Funding for Fiscal Year 1994," April 18, 1995.** The report identified DoD receiving supplemental appropriations of \$1.7 billion for \$1.9 billion in incremental costs reported. The report also concluded that DoD absorbed the shortfall of \$176.9 million primarily by reducing Operation and Maintenance funding for such activities as military training, equipment maintenance, and replenishment of supplies. The report contained no recommendations.

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## **Appendix C. Other Matter of Interest**

### **Better Financial Accountability**

The Military Departments did not utilize the existing DoD structure for establishing and reconciling an accounts receivable for UN reimbursements for U.S. troop contributions. The DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 4, "Financial Control of Assets," January 1995, states that DoD Components are required to establish an accounts receivable when a Federal agency is entitled to collect an amount for goods and services provided. An accounts receivable should be established in the accounting period that the goods or services are provided. If the exact amount is unknown, a reasonable estimate should be made. Periodically, but at least monthly, the balances in the accounts receivable should be reconciled to the supporting documentation to ensure the propriety of the accounts receivable balances. However, DoD Financial Regulation volume 12, which establishes accounting procedures for contingency operations, did not require that the Military Departments establish an accounts receivable or refer to the requirement to establish an accounts receivable in DoD Financial Regulation volume 4. As a result, the Military Departments did not establish an accounts receivable because they were unaware of the DoD Financial Regulation volume 4 requirement.

## Appendix D. Estimate of United Nations Reimbursement Owed to the United States

<u>Peacekeeping Operation</u>	<u>Troop Strength<sup>1</sup></u>	<u>Total<sup>2</sup> (millions)</u>	<u>DoD<sup>3</sup> (millions)</u>	<u>State<sup>2</sup> (millions)</u>
Former Yugoslavia				
October 1995	858	0.908	0.273	0.635
November 1995	927	0.981	0.295	0.686
December 1995	566	0.599	0.180	0.419
January 1996	569	0.602	0.181	0.421
February 1996	563	0.596	0.179	0.417
March 1996	543	0.574	0.173	0.402
April 1996	556	0.588	0.177	0.411
May 1996	<u>585</u>	<u>0.619</u>	<u>0.186</u>	<u>0.433</u>
<b>Former Yugoslavia Total</b>	<b>5,167</b>	<b>5.467<sup>4</sup></b>	<b>1.644</b>	<b>3.824</b>
Haiti				
October 1995	2,267	2.398	0.721	1.678
November 1995	2,267	2.398	0.721	1.678
December 1995	2,226	2.355	0.708	1.647
January 1996	1,820	1.926	0.579	1.347
February 1996	1,778	1.881	0.565	1.316
March 1996	<u>476</u>	<u>0.504</u>	<u>0.151</u>	<u>0.352</u>
<b>Haiti Total</b>	<b>10,834</b>	<b>11.462<sup>4</sup></b>	<b>3.445</b>	<b>8.018</b>
<b>FY 1996 Total</b>	<b>16,001</b>	<b>\$16.929</b>	<b>\$5.089</b>	<b>\$11.842</b>

<sup>1</sup>U.S. troop strengths as certified by the UN.

<sup>2</sup>Troop strength multiplied by \$1,058. Total does not include an additional \$291 per troop per month based on the number of specialists determined by the UN.

<sup>3</sup>Based on current monetary split.

<sup>4</sup>Total does not equal sum of DoD and State due to rounding.

## Appendix E. Calculation of Cost to Borrow Capital Attributed to Days of Delay

<u>Peacekeeping Operation</u>	<u>Month(s) of Operation</u>	<u>DoD Split of UN Reimbursement (millions)</u>	<u>Days of Delay<sup>1</sup></u>	<u>Rate of Interest<sup>2</sup> (percent)</u>	<u>Cost to Borrow Capital</u>
Yugoslavia <sup>3</sup>	Apr.-June 1993	\$0.32	201	5.02	\$ 9,020
Yugoslavia	July-Sept. 1993	0.57	163	5.02	12,890
Yugoslavia	Oct. 1993	0.19	143	5.02	3,846
Yugoslavia	Nov. 1993	0.20	118	5.02	3,272
Yugoslavia	Dec. 1993	0.19	75 <sup>4</sup>	5.02	2,018
Yugoslavia	Jan. 1994	0.20	75	5.02	2,061
Yugoslavia	Feb. 1994	0.20	44	5.02	1,195
Yugoslavia	Mar.-Dec. 1994	2.58	19 <sup>4</sup>	5.69	7,642
Yugoslavia	Jan. 1995	0.28	79	5.69	3,471
Yugoslavia	Feb. 1995	0.28	57	5.69	2,495
Yugoslavia	Mar. 1995	0.28 <sup>5</sup>	169	5.00	6,650
Yugoslavia	Apr. 1995	0.28	169	5.00	6,442
Yugoslavia	May 1995	0.27	169	5.00	6,397
Yugoslavia	June 1995	0.28	153	5.00	5,933
Yugoslavia	July 1995	0.28	153	5.00	5,981
<b>Subtotal or Average</b>		<b>\$6.40</b>	<b>119</b>		<b>\$79,312<sup>6</sup></b>
Haiti	Mar. 1995	\$0.02	168	5.00	\$ 429
Haiti	Apr. 1995	0.23	168	5.00	5,329
Haiti	Apr. 1995	0.51	151	5.00	10,648
<b>Subtotal or Average</b>		<b>\$0.76</b>	<b>162</b>		<b>\$16,406</b>
<b>Total or Average</b>		<b>\$7.16</b>	<b>126</b>		<b>\$95,718</b>

<sup>1</sup>Actual days of delay less 30 days.

<sup>2</sup>The rate of interest was applied based on the year in which disposition instructions were provided to the UN. The 1 year U.S. Treasury Bill rate was 5.02 percent for 1994 and 5.69 percent for 1995. For 1996, the U.S. Treasury Bill rate was estimated at 5.00 percent.

<sup>3</sup>Former Yugoslavia.

<sup>4</sup>Days of delay estimated.

<sup>5</sup>Includes prior period adjustments for April and May 1993 and April 1994.

<sup>6</sup>Total does not equal sum due to rounding.

## Appendix F. Projection of Cost to Borrow Capital Attributed to Days of Future Delay

Peacekeeping Operation	Month(s) of Operation	DoD 100 Percent Split of UN Reimbursement (millions)	Days of Delay <sup>1</sup>	Rate of Interest <sup>2</sup> (percent)	Cost to Borrow Capital
Yugoslavia	Aug. 1995	\$ 0.98	119	5.00	\$ 16,170
Yugoslavia	Sept. 1995	0.97	119	5.00	15,961
Yugoslavia	Oct. 1995	0.91	119	5.00	14,918
Yugoslavia	Nov. 1995	0.98	119	5.00	16,118
Yugoslavia	Dec. 1995	0.60	119	5.00	9,841
Yugoslavia	Jan. 1996	0.60	119	5.00	9,893
Yugoslavia	Feb. 1996	0.60	119	5.00	9,789
Yugoslavia	Mar. 1996	0.57	119	5.00	9,441
Yugoslavia	Apr. 1996	0.59	119	5.00	9,667
Yugoslavia	May 1996	0.62	119	5.00	10,171
<b>Subtotal</b>		<b>\$ 7.42</b>			<b>\$121,970<sup>3</sup></b>
Haiti	May 1995	\$ 2.54	162	5.00	\$ 56,975
Haiti	June 1995	2.49	162	5.00	55,788
Haiti	July 1995	2.33	162	5.00	52,227
Haiti	Aug. 1995	2.39	162	5.00	53,676
Haiti	Sept. 1995	2.39	162	5.00	53,676
Haiti	Oct. 1995	2.40	162	5.00	53,818
Haiti	Nov. 1995	2.40	162	5.00	53,818
Haiti	Dec. 1995	2.36	162	5.00	52,845
Haiti	Jan. 1996	1.93	162	5.00	43,206
Haiti	Feb. 1996	1.88	162	5.00	42,209
Haiti	Mar. 1996	0.50	162	5.00	11,300
<b>Subtotal</b>		<b>\$23.61</b>			<b>\$529,538</b>
<b>Total</b>		<b>\$31.03</b>			<b>\$651,508</b>

<sup>1</sup>Based on historical average of actual days of delay per peacekeeping operation less 30 days.

<sup>2</sup>The U.S. Treasury Bill rate was estimated at 5.00 percent.

<sup>3</sup>Total does not equal sum due to rounding.

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## Appendix G. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
A.1. and A.2.	Economy and Efficiency. Increases the amount that DoD will receive from UN reimbursements.	Funds Put to Better Use. Increasing the UN reimbursements received by DoD will result in an additional \$11.8 million available to offset military personnel and operations and maintenance appropriations used to support UN peacekeeping operations during the first 8 months of FY 1996. The monetary benefit for U.S. troop contributions after May 1996 is dependent on the number of troops under UN operational control.
B.1. and B.2.a.	Management Controls. Establishes policies and procedures between DoD and the Department of State to ensure that the USUN provides timely disposition instructions to the UN.	Undeterminable. The monetary benefits cannot be determined because they are dependent on how quickly reimbursements are processed in the future.

## Appendix G. Summary of Potential Benefits Resulting From Audit

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Recommendation Reference	Description of Benefit	Amount and Type of Benefit
B.2.b.	Management Controls. Establishes policies and procedures for processing and distributing UN reimbursements.	Funds Put to Better Use. Establishing policies and procedures for processing and distributing UN reimbursements will result in up to \$16.9 million (the \$16.9 million includes the \$11.8 million if Recommendations A.1. and A.2. are implemented) available to offset military personnel and operations and maintenance appropriations used to support UN peacekeeping operations during the first 8 months of FY 1996.



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## **Appendix H. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)  
    Deputy Chief Financial Officer  
    Deputy Comptroller (Program/Budget)  
Under Secretary of Defense (Policy)  
Assistant Secretary of Defense (Strategy and Requirements)  
    Deputy Assistant Secretary of Defense for Peacekeeping and Humanitarian Assistance  
Assistant to the Secretary of Defense (Public Affairs)  
Director, Administration and Management  
Director, Defense Logistics Studies Information Exchange

### **Joint Staff**

Director, Joint Staff

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Commander, U.S. Forces Command  
Commander, U.S. Army Europe and Seventh Army  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Commander, U.S. Air Forces Europe  
Auditor General, Department of the Air Force

### **Unified Command**

Commander in Chief, U.S. European Command

## **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Finance and Accounting Service  
Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, National Security Agency  
Director, Defense Security Assistance Agency  
Inspector General, Defense Intelligence Agency

## **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
Inspector General, Department of State  
U.S. Mission to the United Nations  
Office of Military Advisor  
General Accounting Office  
National Security and International Affairs Division  
Technical Information Center

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**

# Under Secretary of Defense (Comptroller) Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100



DEC 23 1996

MEMORANDUM FOR DIRECTOR, LOGISTICS SUPPORT DIRECTORATE, ODODIG

SUBJECT: Audit Report on United Nations Reimbursement for DoD Troop Contributions  
(Project No. 6LG-0022)

Thank you for the opportunity to respond to the subject draft report.

This office has reviewed the draft report and is providing comments on Findings A and B, as well as Recommendations A.2 and B.2 addressed to the Under Secretary of Defense (Comptroller).

Specifically, this office nonconcurs with Finding A and partially concurs with Recommendation A.2; thus, the accuracy of the potential savings associated with this Finding is questionable. Additionally, this office generally concurs with Finding B and recommendation B.2. Attached are this office's specific comments on the draft report.

This office did not address recommendations A.1. or B.1.; those recommendations are the responsibility of the Assistant Secretary of Defense (Strategy and Requirements) (ASD(S&R)). This office will continue to work with both the ASD(S&R) and the Defense Finance and Accounting Service to improve United Nations reimbursement policy, procedures and operational practices for troop contributions.

Questions regarding this matter may be directed to Mr. De W. Ritchie, Jr. He may be reached on (703) 697-3135 or email: [ritchied@ousdc.osd.mil](mailto:ritchied@ousdc.osd.mil).

Alvin Tucker  
Deputy Chief Financial Officer

Attachment

**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
FORMAL COMMENTS ON THE  
INSPECTOR GENERAL, DEPARTMENT OF DEFENSE  
DRAFT AUDIT REPORT ON UNITED NATIONS REIMBURSEMENT FOR DOD  
TROOP CONTRIBUTIONS (PROJECT NO. 6LG-0022)**

**OUSDC(C) Comments on Finding A.** Finding A states that the DoD portion of the UN reimbursement for U.S. troop contributions was inadequate to cover DoD support to UN peacekeeping in the former Yugoslavia and Haiti. A review of the DoDIG assertions indicates that Finding A appears inaccurate in three respects:

- Since the UN has not yet completed its reimbursement to DoD for FY 1996 troop contributions (the UN paid the United States Government (USG) for Haiti through July 1995 and paid for Yugoslavia through October 1995), it is inaccurate to claim that the DoD portion of the split reimbursement with the Department of State was not sufficient to cover the Department's support to these missions. The Finding should indicate that if the current share ratio (DoD's portion has been \$318 per troop per month historically) is used for these operations, the DoD portion would be inadequate to cover DoD incremental costs. The DoDIG draft report faults the Department for an action that has not occurred. The Department can still make changes to the distribution share and ensure that its incremental costs are covered.
- Finding A states that for the eight months of FY 1996, DoD will have contributed \$11.8 million of UN reimbursements to the Department of State UN account for U.S. peacekeeping assessments. The draft report continues by stating that these contributions could have been used to defray DoD incremental costs. The language in the Finding is misleading since it implies that these costs continued for the remainder of FY 1996. This would be correct for the operation in the former Yugoslavia. However, for the Haiti operation, DoD will be paid for only six months because that is the length of time U.S. forces were in Haiti as part of the UN mission.
- Appendix D of the draft report, in particular, asserts that, for the first eight months of FY 1996, DoD received \$11.8 million less than was required to defray DoD incremental costs for U.S. troop contributions to UN peace operations. Thus, in the DoDIG's view, the \$11.8 million of UN reimbursements for U.S. troop contributions that was deposited in the Department of State United Nations account for U.S. peacekeeping assessments should have been retained by DoD to cover incremental costs. Actual data provided by the Defense Finance and Accounting Service show that the dollar amount that the DoDIG draft report suggests would be transferred to the State Department to cover the USG's UN peacekeeping assessment is misleading. An analysis indicates that the amount owed DoD for supporting the UN peacekeeping operations in the former Yugoslavia is consistent with the incremental military personnel costs DoD incurred. Therefore, for this operation, DoD received sufficient reimbursement from the UN to defray its incremental costs and transferred the surplus funds to State to apply to the U.S. peacekeeping assessments. The \$3.8 million that the DoDIG contends should have been held by the DoD to cover its incremental costs is overstated by that amount.

## Under Secretary of Defense (Comptroller) Comments

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Likewise, an analysis for U.S. support to the UN mission in Haiti found that UN reimbursements to DoD would be nearly sufficient to cover DoD incremental costs (estimated at \$318 per troop per month) if the cost incurred for activation of DoD reserve forces was excluded. Whether the costs incurred to bring reserve personnel on active duty and other military personnel costs should have been considered a legitimate incremental cost in UN peace operations and, therefore, increase the DoD share of the UN reimbursement for troop contributions is a matter of debate. It may be that the cost to bring reserve personnel on active duty was offset by cost reductions in the DoD reserve personnel accounts that normally cover these reserve personnel.

**DoDIG Recommendation A.2.** We recommend that the Office of the Under Secretary of Defense (Comptroller) determine all cost elements that should be included in incremental costs eligible for United Nations standard reimbursement rates for participating countries troop contributions.

**QUSD(C) Comments on Recommendation A.2.** Partially concur. This office, in conjunction with the ASD(S&R) and the DFAS, will review the current policies and procedures related to the capturing of incremental cost data so that the Department receives the appropriate amount of United Nations reimbursement, via the State Department, for its troop contributions to the United Nations. To the extent a review determines that existing policies and procedures need to be revised, such amended guidance is planned to be developed and issued by June 30, 1997.

**DoDIG Recommendation B.2.** We recommend that the Under Secretary of Defense (Comptroller):

- a. Participate with the Assistant Secretary of Defense (Strategy and Requirements) in negotiating a written agreement with the Department of State to establish policy and procedures to ensure that the United States Mission to the United Nations provides timely disposition instructions to the United Nations.
- b. Revise DoD Regulation 7000.14-R, DoD Financial Management Regulation," volume 12, chapter 23, "Contingency Operations," to establish policies and procedures for United Nations reimbursements for U.S. troop contributions. Specifically,
  1. Define responsibilities of DoD Components for processing United Nations reimbursements received, and
  2. Apply rules for U.S. troop reimbursements under United States Code, title 22, section 2390 (section 630 of the Foreign Assistance Act of 1961, as amended), and under United States Code, title 22, section 287d-1 (section 7 of the United States Participation Act) clarifying that the 180-day rule should not apply to reimbursements received from the United Nations for U.S. troop contributions under those authorities unless Congress provides otherwise.

**OUSD(C) Comments on Recommendation B.2**

B.2.a. Partially concur. To the extent the Department determines that a written agreement is needed, this office will work with the Assistant Secretary of Defense (Strategy and Requirements) in a collective effort to negotiate a written agreement with the Department of the State.

B.2.b.1. Partially concur. The policy guidance contained in chapter 23 states that the Defense Finance and Accounting Service (DFAS) is responsible for administering centralized cost consolidation, billing, and reimbursement distribution functions. Additionally, chapter 23 states that the DFAS-Denver Center will distribute funds to appropriate recipients. Thus, it appears that current policy already defines the responsibilities for processing United Nations reimbursements received. However, detailed procedures, or the operational practice, may not necessarily reflect, nor fully implement, the Department's policy. If additional operating procedures are required, this office will work with the DFAS to better ensure that adequate procedural operating guidance is implemented. Additionally, this office will explore, with the DFAS, whether such detailed procedures should be incorporated in chapter 23 or, alternatively, whether such operational guidance should be issued separately. If additional procedural guidance is required, such guidance is planned to be issued by June 30, 1997.

B.2.b.2. Concur. This office will revise chapter 23 to clarify the 180-day rule by June 30, 1997.

# Assistant Secretary of Defense (Strategy and Requirements) Comments



STRATEGY  
AND  
REQUIREMENTS

ASSISTANT SECRETARY OF DEFENSE  
2900 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-2900



30 DEC 1996  
In response reply to:  
I-96/50394

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit Report on United Nations Reimbursement for DoD Troop Contributions (Project No. 6LG-0022)

We have reviewed the draft report that you provided and are responding to the two findings that relate to the Office of the Assistant Secretary of Defense for Strategy and Requirements, i.e., findings A.1. and B.1.

We non-concur with finding A.1. There is no need for the recommended agreement as the guidance document regarding distribution of UN reimbursement for troop contribution, namely the Clinton Administration's policy on reforming multilateral peace operations, states unequivocally that DoD incremental costs will be reimbursed before any United Nations reimbursement is credited to the Department of State (DoS) for the purpose of paying the U.S. Government's UN peacekeeping assessments. Nonetheless, we are reiterating this principle in the memorandum of understanding that we are negotiating with the DoS as recommended in finding B.1.

We concur with finding B.1. We agree that DoD and DoS management control would be improved if formal procedures were established to ensure that the United States Mission to the United Nations provides timely disposition instructions to the UN. We have entered into negotiations with the DoS to establish a memorandum of understanding that will respond to this finding. We expect to conclude the memorandum of understanding no later than 31 January 1997. We will also work with the Office of the Under Secretary of Defense (Comptroller) to improve intra-departmental communication since OUSD(C) is currently responsible by regulation for pursuing prompt reimbursement to the Department from the United Nations for support that the Department rendered.

We defer to OUSD(C) regarding the potential monetary benefit that would accrue from the recommendations as it has responsibility for cost issues.

As regards the issue of a material control weakness discussed in Appendix A, the procedures we plan to implement in response to finding B.1. should result in better communication and management controls between DoD and DoS. The memorandum of understanding contains stringent guidelines and milestones. The memorandum will also provide our office and the Office of the Under Secretary of Defense (Comptroller) with a greater ability to verify the accuracy of reimbursement



amounts due to DoD and ensure timely distribution of reimbursements to the Military Departments that incurred costs once payment is made by the United Nations. A recent reimbursement for the U.S. troop contribution to the United Nations Mission in Haiti (UNMIH) has shown this to be the case although the memorandum has not been concluded at this time.



Edward L. Warner, III

## **Audit Team Members**

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

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