
July 31, 2006



Financial Management

Marine Corps Governmental Purchases (D2006-102)

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Acronyms

DFAS	Defense Finance and Accounting Service
DFARS	Defense Federal Acquisition Regulation Supplement
FMR	Financial Management Regulation
GSA	General Services Administration
IMEF	First Marine Expeditionary Force
MIPR	Military Interdepartmental Purchase Request,
O&M	Operation and Maintenance
OIG	Office of Inspector General
RDT&E	Research, Development, Test, and Evaluation
SABRS	Standard Accounting, Budgeting and Reporting System
U.S.C.	United States Code



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-4704

July 31, 2006

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CHIEF FINANCIAL OFFICER
NAVAL INSPECTOR GENERAL

SUBJECT: Report on Marine Corps Governmental Purchases (Report No. D-2006-102)

We are providing this report for review and comment. We considered management comments on the draft report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. As a result of management comments from the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Commandant of the Marine Corps, we deleted and revised recommendations. Specifically, we deleted Recommendations A.1.b. and B.2. and revised Recommendation A.1.a. and B.1. to clarify our intentions. We renumbered the Draft Recommendation A.1.a as Recommendation A.1 and Draft Recommendation B.1 as Recommendation B. The Under Secretary of Defense (Comptroller)/Chief Financial Officer comments on Recommendation A.1. were nonresponsive. The Commandant of the Marine Corps comments on Recommendations A.2.b., A.2.c., A.2.d., A.2.e., and B were partially responsive. Therefore, we request that the Under Secretary of Defense (Comptroller)/Chief Financial Officer provide additional comments on Recommendation A.1. and the Commandant of the Marine Corps provide additional comments on Recommendations A.2.b., A.2.c., A.2.d., A.2.e., and B by August 31, 2006.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to AudDFS@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Barbara Sauls at (703) 325-5782 (DSN 221-5782) or to Ms. Alice F. Carey at (703) 325-6839 (DSN 221-6839). The team members are listed inside the back cover. See Appendix F for the report distribution.

By direction of the Deputy Inspector General for Auditing:

Patricia A. Marsh
for Paul J. Granetto, CPA
Assistant Inspector General
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Department of Defense Office of Inspector General

Report No. D-2006-102

(Project No. D2005-D000FH-0288.000)

July 31, 2006

Marine Corps Governmental Purchases

Executive Summary

Who Should Read This Report and Why? Congress; the Under Secretary of Defense (Comptroller)/Chief Financial Officer; the Commandant of the Marine Corps; the Deputy Commandant, Programs and Resources; and Defense Finance and Accounting Service should read this report. The users of this audit report will benefit from the review of controls over the Marine Corps purchases from and sales to other governmental agencies and gain information that can improve public accountability and decision making.

Background. This is the first in a series of reports discussing DoD use of interagency and interservice support. This report discusses Marine Corps interagency and interservice support. Section 1535, United States Code, title 31, "Agency Agreements," allows the head of an agency to place an order with another agency for goods or services if funds are available, it is in the best interest of the U.S. Government, the other agency can fill the order, and the order cannot be provided as conveniently by contract with a commercial enterprise. In accordance with Public Law 108-375, the Ronald Reagan National Defense Authorization Act of FY 2005, Section 802, "Internal Controls for Department of Defense Procurements Through [General Services Administration] GSA Client Support Centers," the DoD Office of Inspector General and the General Services Administration conducted an interagency audit of DoD purchases made by General Services Administration. In that audit, the DoD Office of Inspector General determined that guidance was unclear and that fund mismanagement and lack of acquisition planning for the funds transferred to General Services Administration caused between \$1 billion and \$2 billion of DoD funds to either expire or otherwise be unavailable to support DoD operations. That finding prompted DoD Office of Inspector General management to conduct this series of audits on the subject.

Results. The Marine Corps did not have adequate internal controls over governmental purchases. Specifically, the Marine Corps internal controls did not ensure that it properly managed outgoing and incoming military interdepartmental purchase requests (MIPRs). The internal controls were inadequate because the existing guidance from the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Marine Corps was unclear. Additionally, the Marine Corps had not provided Marine Corps Comptroller's office personnel with updated guidance and implementing procedures, to include training. As a result, Marine Corps MIPRs violated public law and did not comply with Federal, DoD, and Marine Corps regulations.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer should revise the DoD Financial Management Regulations, volume 11A, chapter 3 to clarify that a DoD organization requesting interservice support must prepare a Determinations and Findings unless it has completed a Support Agreement in accordance with DoD Instruction 4000.19. The Commandant of the Marine Corps should direct the Comptroller Offices to review MIPRs to ensure they do not violate the Bona Fide Needs Rule and

Antideficiency Act and initiate required corrective actions; develop procedures and controls that ensure required data and supporting documents are developed and reviewed before a MIPR is certified; develop roles and responsibilities for offices involved in the MIPR process; develop procedures and controls to ensure that all required MIPR documents and source documentation are properly maintained; clarify the guidance on the requirement for a Determinations and Findings, Support Agreement, or Memorandum for Record; and direct the Marine Corps Comptroller Offices to develop or update internal guidance on processing MIPRs, and establish training courses on MIPR policies and procedures. (finding A)

The Marine Corps management control program was ineffective and did not identify material weaknesses related to reporting MIPRs. As a result, controls were not adequate to ensure that funds were properly obligated, expensed, and disbursed. The Commandant of the Marine Corps should perform periodic assessments of the effectiveness and reliability of the internal controls over MIPRs identified by the major commands' management control programs. (finding B) See the Findings section of the report for the detailed recommendations.

Management Comments and Audit Response. The Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer nonconcurred with the recommendations. The Deputy Chief Financial Officer comments were nonresponsive. We do not agree with management's determination that current guidance adequately discusses the requirements for a Determinations and Findings or Support Agreement. As a result of management comments, we revised Recommendation A.1.a to clarify our intentions and deleted Recommendation A.1.b. We request that the Under Secretary of Defense (Comptroller)/Chief Financial Officer provide comments on the final report by August 31, 2006.

The Assistant Deputy Commandant for Programs and Resources responding for the Commandant of the Marine Corps concurred with all recommendations. The Assistant Deputy Commandant for Programs and Resources comments were partially responsive. Although the Marine Corps concurred, we do not agree with management's determination that current guidance adequately discusses developing procedures and controls, outlining roles and responsibilities, clarifying guidance, and assessing internal controls. We request that the Commandant of the Marine Corps provide comments on the final report by August 31, 2006.

See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

Table of Contents

Executive Summary	i
Background	1
Objectives	3
Managers' Internal Control Program	3
Findings	
A. Adequacy of Marine Corps Internal Controls over Governmental Purchases	4
B. Marine Corps Management Control Program for Military Interdepartmental Purchase Requests	21
Appendixes	
A. Scope and Methodology	24
Prior Coverage	25
B. Glossary of Technical Terms	27
C. MIPRs Reviewed	29
D. Issues with MIPRs Reviewed	35
E. Availability of Funds	37
F. Report Distribution	39
Management Comments	
Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer	41
United States Marine Corps	44

Background

This is the first in a series of reports discussing DoD use of interagency and interservice support. This report discusses Marine Corps interagency and interservice support issues. The remaining reports will discuss Army, Navy, Missile Defense Agency, and Special Operations Command use of interagency and interservice support. DoD Office of Inspector General (OIG) will issue a separate series of reports to discuss DoD interagency support from the General Services Administration (GSA), Department of Treasury, Department of Interior, and National Aeronautics & Space Administration.

Federal Guidance. Section 1535, United States Code, title 31, (31 U.S.C 1535), “Agency Agreements,” January 7, 2003, allows the head of an agency to place an order with another agency for goods or services if those goods or services are available, it is in the best interest of the U.S. Government, the other agency can fill the order, and the order cannot be provided as conveniently by contract with a commercial enterprise.

Section 2410a, United States Code, title 10, “Severable Service Contracts for Periods Crossing Fiscal Years,” January 26, 1998, allows a contracting officer to enter into a contract, exercise an option, or place an order under a contract for severable¹ services for a period that begins in one fiscal year and ends in the next fiscal year if the period of the contract awarded, option exercised, or order placed does not exceed one year.

The Federal Acquisition Regulation, Subpart 17.5, “Interagency Acquisitions Under the Economy Act,” August 25, 2003 defines an interagency acquisition as one agency obtaining supplies and services from another agency. The regulation states that the procedures for Economy Act orders between major organizational units within an agency are to be addressed in agency regulations.

DoD Guidance. DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” August 9, 1995, implements policies, procedures, and responsibilities for interservice and intragovernmental support. The Instruction states that DoD organizations may provide services to other DoD organizations when the head of the requesting organization determines it is in the best interest of the Government, and the head of the supplying organization determines that providing support will not jeopardize its own mission. Specifically, DoD organizations can provide support with their own personnel or add the requesting organization’s requirements to an existing contract.

The Instruction states that Support Agreements for supplies and services that will be provided under contracts administered by non-DoD Federal organizations must meet one of the following requirements:

¹ A task is severable if it can be separated into components that independently meet a separate and ongoing need of the Government.

-
- The supplying agency made the purchase under a contract that it entered into, before the agreement, to meet its own requirements for the same or similar services;
 - The supplying agency is better qualified to enter into or administer the contract for specified support by reason of capabilities or expertise not available within the Department; or
 - The supplying agency is specifically authorized by law or regulations to purchase such services on behalf of other agencies, or the purchase is authorized by an Executive Order or by specific circumstances identified in the Federal Acquisition Regulation.

DoD Financial Management Regulation (FMR), volume 11A, chapter 3, “Economy Act Orders and Other Interagency Orders,” March 2003, prescribes policies and procedures applicable to transactions where goods or services are procured from other Federal agencies under the Economy Act, Title 31, United States Code, section 1535. An organization within a DoD Component may place an order for goods or services with another organization within the same DoD Component, another DoD Component, or with another Federal agency.

The Office of the Under Secretary of Defense (Comptroller) provided DoD policy in a memorandum, “Fiscal Principles and Interagency Agreements,” September 25, 2003. The memorandum states that every order under an interagency agreement must have a legitimate, specific, and adequately documented requirement representing a bona fide need of the year in which the agency made the order. It also states that DoD may not use an interagency agreement in the last days of the fiscal year solely to prevent funds from expiring or to keep them available for a requirement arising in the following fiscal year.

DoD Military Interdepartmental Purchase Requests. The military interdepartmental purchase request (MIPR), DD Form 448, is issued by one military Service to another to procure supplies or services. The supplying Service provides a DD Form 448-2, “MIPR Acceptance,” agreeing to provide the requested supplies or services. DoD may also issue the MIPR to non-DoD agencies. DoD typically issues MIPRs as an Economy Act Order but may issue them under a more specific statutory authority. MIPRs are funded on a direct citation or reimbursable basis. The MIPR amount should be reduced when the obligated appropriation is no longer available for obligation.

Non-Defense Purchases. In accordance with Public Law 108-375, the Ronald Reagan National Defense Authorization Act of FY 2005, Section 802, “Internal Controls for Department of Defense Procurements Through GSA Client Support Centers,” DoD OIG and the GSA conducted an interagency audit of DoD purchases made by GSA. The DoD OIG determined that guidance was unclear and misunderstood. The DoD OIG determined the mismanagement of funds and lack of acquisition planning for the funds transferred to GSA caused between \$1 billion and \$2 billion of DoD funds to either expire or otherwise be unavailable to support DoD operations. As a result of this finding, OIG management decided to conduct additional audits on this subject.

Objectives

Our overall objective was to evaluate the internal controls over Marine Corps purchases from governmental sources. Specifically, we examined the Marine Corps' process for initiating MIPRs and obligating and disbursing funds for MIPRs, interagency purchases, and their equivalents. We examined whether the Marine Corps clearly defined its requirements and whether it properly used and tracked funds. We also evaluated the management control program as it relates to our audit objective. Finding B further discusses the management control program. See Appendix A for a discussion of the scope and methodology and prior coverage related to the objectives. Appendix B is a glossary of technical terms used in this report.

Managers' Internal Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require 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.²

Scope of the Review of the Management Control Program. We reviewed the adequacy of Marine Corps management controls over MIPRs, interagency purchases, and their equivalents. Specifically, we reviewed Marine Corps management controls over the process of initiating MIPRs and obligating and disbursing funds for MIPRs. We also reviewed the adequacy of management's self-evaluation of those controls.

Adequacy of Management Controls. The Marine Corps had material management control weaknesses as defined by DoD Instruction 5010.40. The Marine Corps management controls for processing MIPRs were not adequate to ensure that funds were properly obligated, expensed, and disbursed. Recommendations A.1 and A.2, if implemented, will correct the identified weaknesses and could result in potential monetary benefits. The amount of monetary benefits is undeterminable at this time because DoD could not provide a complete universe of MIPRs and we were unable to project on the dollar amounts identified in our audit sample. We will provide a copy of the report to the senior official responsible for management controls in the Marine Corps.

Adequacy of Management's Self-Evaluation. Marine Corps officials did not identify the MIPR process as an assessable unit and, therefore, did not identify or report the material management control weaknesses identified by the audit.

² As of January 2006, DoD Directive 5010.38 "Management Control Program," August 26, 1996 has been canceled and DoD Instruction 5010.40 "Management Control (MC) Program Procedures," August 28, 1996, was revised and renamed "Managers' Internal Control (MIC) Program Procedures. However, these criteria were applicable at the time of the OIG's audit. Further, the cancellation and revision had no impact on the audit findings.

A. Adequacy of Marine Corps Internal Controls over Governmental Purchases

The Marine Corps did not have adequate internal controls over governmental purchases. Specifically, the Marine Corps internal controls did not ensure that it properly managed outgoing and incoming MIPRs. The internal controls were inadequate because the existing guidance from the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Marine Corps was unclear. Additionally, the Marine Corps had not provided Marine Corps Comptroller's office personnel with updated guidance and implementing procedures, to include training. Without providing or following guidance on the process, the Marine Corps personnel, in their use of MIPRs, could not ensure that purchases:

- were in the best interest of the Federal Government,
- complied with Federal, DoD, and Marine Corps regulations, and
- conformed to Federal appropriations laws.

Marine Corps MIPRs

The Marine Corps was unable to provide a universe that included all incoming and outgoing MIPRs. Although the Marine Corps Headquarters did maintain a database of outgoing MIPRs, that database was incomplete because the Marine Corps Comptrollers did not ensure that the standard document numbers³ assigned to MIPRs included all required information. The database did not include incoming MIPRs at all. Because the Marine Corps Headquarters could not provide a complete universe, we judgmentally selected a sample of MIPRs for each location we visited for a total of 114 MIPRs. Specifically, we reviewed 54 outgoing MIPRs and 60 incoming MIPRs. See Appendix C for tables of those MIPRs and Appendix D for the issues identified during our audit.

Outgoing Marine Corps MIPRs

The Marine Corps did not have adequate internal controls over its outgoing MIPRs. We reviewed 54 MIPRs, valued at about \$14 million, that the

³ The standard document number is a 15-position number used for requisitions. Positions 9 and 10 consist of the document type code, which for MIPRs is "MP."

Marine Corps Base, Quantico (Quantico); Marine Corps Base, Camp Pendleton (Camp Pendleton); and First Marine Expeditionary Force, Camp Pendleton (IMEF) had issued to other Government sources. The Marine Corps had not followed existing guidance for properly initiating, preparing, and executing those MIPRs.

MIPR Initiation

Marine Corps requesting organizations were responsible for determining that MIPR purchases were in the best interest of the Government and served a bona fide need.

Determinations and Findings and Support Agreements. The Federal Acquisition Regulation, Subpart 17.5, “Interagency Acquisitions Under the Economy Act,” August 25, 2003, and DoD Financial Management Regulation (FMR), volume 11A, chapter 3, “Economy Act Orders and Other Interagency Orders,” March 2003, require a Determinations and Findings document to support each Economy Act order that uses interagency support capabilities.⁴ According to the FAR 17.5 the Economy Act applies when more specific statutory authority does not exist. Further, DoD FMR volume 11A, chapter 3 explains the importance of identifying the source of the authority for the provision of goods and services. If no statutory authority can be identified, the authority will be deemed to be the Economy Act. All 54 outgoing MIPRs we reviewed failed to cite a specific statute of authority; therefore, we interpreted them to be Economy Act transactions. The requesting agency should use the Determinations and Findings to ensure that orders, such as the MIPRs we reviewed, are in the best interest of the U.S. Government, and that the Government cannot obtain the supplies and services as conveniently or economically by contracting directly with a commercial enterprise. Further, DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” August 9, 1995, states that DoD organizations may enter into agreements with DoD and non-DoD Federal organizations. For agreements with non-DoD Federal organizations, DoD must ensure that:

- funding is available to pay for the support,
- the agreement is in the best interest of the Government,
- the supplying organization is able to provide the support,
- the support cannot be provided more conveniently or economically by a commercial enterprise, and
- the agreement does not conflict with any other agency’s authority.

⁴ FAR 17.5 defines interagency acquisition to mean a procedure by which an agency needing supplies or services obtains them from another agency. DoD FMR defines interagency agreements to include support provided to non-DoD agencies.

It further states that for interservice support,⁵ a signed DD Form 1144, “Support Agreement,” documents the required determination by both the requesting and supplying organization.

For the 54 outgoing MIPRs we reviewed, the Marine Corps did not provide Determinations and Findings to support 16 MIPRs to non-DoD organizations or Support Agreements to support the 37 MIPRs to other DoD organizations.⁶ Because the Marine Corps did not prepare Determinations and Findings for the non-DoD MIPRs, the respective contracting offices, which are required to approve Determinations and Findings, were not properly involved with the MIPR purchases. In addition, for MIPRs to other DoD organizations (under an assisted acquisition) the Marine Corps should have completed blocks 8 and 9 of the Support Agreements.⁷

When using assisted acquisitions, the supplying organization may charge the requesting agency a fee for administering the contract. Without its own contracting offices’ involvement, the Marine Corps could not ensure that it had not paid unnecessary fees to external commands for Marine Corps supplies and services. For 18 of the 54 outgoing MIPRs reviewed, valued at \$2.3 million, the Marine Corps paid agency fees totaling approximately \$64,000. For those MIPRs, the Marine Corps paid fees to U.S. Army Medical Research Activity Center, U.S. Army Research Development and Engineering Command Acquisition Center, Army Corps of Engineers, and the Department of Veteran Affairs. For example, the supporting documentation for one Quantico MIPR, valued at approximately \$330,000, included a proposal that cited a \$6,469 fee to the Department of Veteran Affairs - Cooperative Administrative Support Unit (CASU).⁸

The Department of Veteran Affairs, a host agency for the CASU, generates and issues contracts on behalf of the Marine Corps for temporary employees and environmental services. The Marine Corps issued 12 of the 54 outgoing MIPRs we reviewed, valued at about \$1.6 million, to the Department of Veteran Affairs. Fees for those MIPRs totaled approximately \$29,000. Although the regulations do not prohibit transactions between the Marine Corps and the Department of Veteran Affairs, the Marine Corps did not prepare a Determinations and Findings or Support Agreement for those MIPRs. Further, the Marine Corps could not explain why it was more appropriate to use the MIPR process for issuing contracts for temporary employees and environmental services than to use the Marine Corps contracting process, which might have excluded service fees. We plan to conduct a thorough review of DoD MIPRs issued to the Department of Veteran Affairs in a future audit.

⁵ DoD Instruction 4000.19 defines interservice support as DoD organizations providing support to other DoD organizations.

⁶ One outgoing MIPR file did not include enough information to identify whether the supplying organization was DoD or non-DoD.

⁷ Support Agreements between DoD organizations are used when the supplying activity can provide the support with their personnel or add the requiring activity requirements to an existing contract.

⁸ Cooperative Administrative Support Unit is a network of Federal entrepreneurial organizations that provide a full range of support services on a cost reimbursable basis.

Bona Fide Needs. The Bona Fide Needs statute, 31 U.S.C. 1502a, “Balances Available,” January 19, 2004, requires that the balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability. The DoD FMR volume 11A, chapter 3, which incorporates the Bona Fide Needs Rule, requires that Economy Act Orders citing an annual or multiyear appropriation serve a need existing in the fiscal year for which the appropriation is available. Because the Marine Corps issued all 54 outgoing MIPRs under the Economy Act and cited an annual appropriation, all 54 outgoing MIPRs were required to meet the Bona Fide Needs Rule.

However, we were unable to determine whether 20 of the 54 outgoing MIPRs, valued at approximately \$8.7 million, met the Bona Fide Needs Rule because the Marine Corps did not provide contracts, the periods of performance, or other supporting documentation for the 20 outgoing MIPRs. According to Camp Pendleton and IMEF Comptroller and Accounting personnel, those MIPRs met the bona fide needs rule based on the Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 237.106, which states that “service contracts may cross fiscal years regardless of when the preponderance of work is performed.” Because files for the 20 outgoing MIPRs did not have available documentation that indicated they were severable service contracts, we could not determine whether they met the bona fide needs rule. Marine Corps should review the MIPRs in question and determine whether they met the bona fide needs rule.

Additionally, the Marine Corps should ensure that the MIPR file contains proper documentation to show how the determination was made. For example, the DD Form 448 should include an adequate description of goods and services expected to be delivered along with the estimated time of delivery or period of performance.

Of the 34 outgoing MIPRs that included sufficient documentation to support a Bona Fide Needs determination, one MIPR, valued at approximately \$150,000, did not meet the rule. Camp Pendleton issued a MIPR to the U.S. Army Engineering Support Center on September 9, 2005, that used FY 05 Operation and Maintenance (O&M) funds to provide technical support needed to implement management systems through a central mission support portal. The related contract modification was signed on September 30, 2005, and extended the period of performance from December 31, 2005, to October 31, 2006. According to DFARS, the Marine Corps is authorized to enter into a contract, exercise an option, or place an order under a contract for severable services for a period that begins in one fiscal year and ends in the next fiscal year if the period of the contract awarded, option exercised, or order placed does not exceed 1 year. The extension of the period of performance on this contract caused the contract to exceed the 1-year authorization for severable services and therefore resulted in a violation of the bona fide needs rule.

MIPR Preparation

As the requesting organization, the Marine Corps was responsible for preparing proper documentation when issuing MIPRs to the supplying organization. Guidance for preparing MIPRs is promulgated in the:

- DoD FMR;
- DFARS Subpart 208.70, “Coordinated Acquisition,” December 20, 2002
- DFARS Subpart 253.208, “Required Sources of Supplies and Services,” August 31, 2000; and
- Marine Corps Order P7300.21, “Marine Corps Financial Execution Standard Operating Procedure Manual,” March 29, 2001.

As a Component of DoD, the Marine Corps should have used and properly completed DD Form 448. However, the Marine Corps did not properly complete the DD Forms 448 for 39 of the 54 outgoing MIPRs we reviewed. The 39 MIPRs had the following issues.

Description of the Supplies and Services. For 10 of the 54 MIPRs, valued at \$3.6 million, the Marine Corps did not provide sufficient detail on the supplies or services requested, as required by 31 U.S.C. 1501, “Documentary Evidence Requirement for Government Obligations,” January 19, 2004, and the DoD FMR. Specifically, the DoD FMR volume 11A, chapter 3, requires that Economy Act orders be specific and definite as to the work requested and the terms contained in the order. It is important that the description on MIPRs be specific to ensure that:

- amendments are in line with the scope of the work to be performed,
- the appropriate funds are being used, and
- verification can be made that the supplies and services ordered were received and adequate.

However, Camp Pendleton issued a MIPR to the U.S. Army Research, Development & Engineering Command, valued at \$3 million, that indicated “general support” as supplies or services requested. General support is so vague that it could encompass a wide variety of supplies and services.

Delivery Requirements. For 36 of the 54 MIPRs, valued at \$12.4 million, the Marine Corps did not complete the DD Form 448 in accordance with 31 U.S.C. 1501 and DFARS 253.208. DFARS 253.208 requires that the agency clearly state the required period of performance in each MIPR, taking into consideration administrative lead times. However, the 36 MIPRs did not specify the required period of performance. Without the required period of performance, the Marine Corps would have difficulty determining whether the supplying organization was performing the MIPR in accordance with the original

agreement. Further, lack of the required period of performance may have limited the Marine Corps ability to make determinations concerning the Bona Fide Needs Rule.

Additional Line Items. The Marine Corps created amendments to two MIPRs, valued at \$1 million that added line items not included in the basic DD Form 448. In accordance with DFARS 208.70, the Marine Corps should have submitted a new MIPR to address requirements for additional line items of supplies or services not included on the original MIPR. One of the two MIPRs originally provided funds for construction on an Air Force base. The Marine Corps amended that MIPR three times and increased the MIPR value by approximately \$17,000. Amendment number two provided additional funds for use of dining facilities on the Air Force base. Amendment number three, which was not accepted, attempted to provide funds for repairs to a fire hydrant on the base. Because amendments two and three were not part of the original request, the Marine Corps should have prepared a new MIPR for those services. During discussions, IMEF personnel informed us that they were not aware of this DFARS requirement.

Standard Document Number. Two MIPRs valued at \$12,000 did not contain the required “MP”⁹ in the standard document number as required by Marine Corps Order P7300.21.¹⁰ Properly completing the standard document number should ensure a more complete database of outgoing MIPRs and allow Marine Corps Headquarters to monitor those MIPRs.

MIPR Execution

As the requesting organization, the Marine Corps is responsible for managing MIPR funds and documentation and for monitoring progress by the supplying organization. However, the Marine Corps did not adequately perform these responsibilities for 51 of the 54 outgoing MIPRs we reviewed. The 51 MIPRs had the following issues.

Authorized Balances. The IMEF issued one outgoing MIPR to the Marine Corps Systems Command¹¹ authorizing funds in the amount of \$6,000 on the MIPR and MIPR Acceptance Forms. However, the commitment, obligation, expense, and disbursement balances in the accounting system totaled \$12,000. According to guidance established in DFARS 253.208, an amendment must be prepared to adjust MIPR funds. However, the Marine Corps did not prepare an amendment to increase the funds on the original MIPR from \$6,000 to \$12,000. As a result, the account balances included an unauthorized amount of \$6,000.

⁹ The letters “MP” in the standard document number indicates that the document is a MIPR.

¹⁰ The audit team identified three Department of Treasury MIPRs that did not contain the required standard document number. Because the audit did not include the review of Department of Treasury MIPRs, those MIPRs were excluded from the overall results.

¹¹ In accordance with Marine Corps Order P7300.21, a Navy Comptroller form should have been used instead a MIPR.

The IMEF fund manager's file did not include documentation that described what was purchased with the additional \$6,000 even though all \$12,000 of the funds had been expensed and disbursed.

Support Documentation. For 45 of the 54 MIPRs we reviewed, the Marine Corps had not maintained documentation to verify the validity of its obligations and disbursements. These 45 MIPRs were valued at approximately \$13 million.

Validity of Obligations. Five of the 54 MIPR files reviewed did not include the required DD Forms 448 "Military Interdepartmental Purchase Request" or 448-2 "MIPR Acceptance." For example, one of the 54 outgoing MIPR files selected for review at IMEF contained only an e-mail stating the standard document number and line of accounting to be charged. IMEF comptroller staff provided Standard Accounting, Budgeting and Reporting System (SABRS)¹² history screens in an effort to support transactions recording the commitment, obligations, expenses, and disbursements related to the standard document number. However, there was no way of validating the information without the DD Forms 448 and 448-2 and other supporting documentation, such as receiving reports and invoices.

According to 31 U.S.C. 1501, an amount should be recorded as an obligation when supported with evidence of a written binding agreement. According to Marine Corps Order P7300.21, receipt of the DD 448-2 serves as notice to obligate funds from the requesting unit's accounts. When an official document describing a financial transaction exists, the Government is legally and contractually liable for the amount shown on the source document. The absence of obligating documentation because it was not prepared or was lost prevents the Marine Corps comptroller offices from effectively monitoring their obligations and disbursements. As a result, Marine Corps increased its risks of Antideficiency Act violations.

Validity of Disbursements. The requesting fund managers' file did not include a copy of the shipping reports or invoices to support disbursement transactions for 45 of the MIPRs, as required by Marine Corps Order P7300.21. The Camp Pendleton and IMEF Comptroller/Accounting Office stated that they do not receive an itemized billing to certify receipt and acceptance of goods and services. They explained that Defense Finance and Accounting Service (DFAS) maintained the required source documents to substantiate the receipt and acceptance of supplies and services. The payment vouchers that we obtained from DFAS Kansas City did include a disbursing officer certification indicating that the Marine Corps had received and accepted the requested supplies or services. However, based on the disbursement process that DFAS Kansas City explained, disbursing officers could not possibly know whether the Marine Corps had accepted the supplies or received the services. According to DFAS Kansas City personnel, DFAS Kansas City performs its disbursement responsibilities without obtaining documents that substantiate receipt and acceptance of supplies and services. Instead, DFAS Kansas City processes payments and posts

¹²The Standard Accounting, Budgeting and Reporting System is the official accounting system for the Marine Corps.

disbursements if the outgoing MIPR has an unliquidated (undisbursed) obligation balance to cover the payment request. According to DFAS Kansas City personnel, Marine Corps should have maintained the required source documents to substantiate the receipt and acceptance of supplies and services. The Commandant of the Marine Corps should implement policies and procedures to specifically discuss record retention to verify the receipt of ordered goods and the validity of related disbursements.

Timely Obligations. The Marine Corps did not timely obligate funds in the total amount of \$3 million upon receipt of 27 of the MIPR Acceptances, the obligating documents. In accordance with Marine Corps Order P7300.21, an agency must record an obligation in the accounting system within 3 working days of receipt of the MIPR Acceptance. However, Camp Pendleton, received one DD 448-2 on April 26, 2004, almost a month after it recorded the obligation. The requesting office's receipt of the DD 448-2 establishes an obligation and the Marine Corps should not have recorded an obligation until the DD 448-2 was completed. Because the Marine Corps obligated funds before receiving the obligating document, the Marine Corps accounting records incorrectly indicated that funds were not available for other mission needs.

Camp Pendleton, received another MIPR Acceptance on February 24, 2005, and did not record an obligation in the accounting system until more than 5 months later, on July 27, 2005. The Marine Corps also disbursed approximately \$30,500 for that MIPR 3 days before it recorded the corresponding obligation in the accounting system. The DoD FMR volume 14, chapter 10, "Violations – Causes, Prevention and Correction," October 2004, explains that the official accounting records reflect an inflated and incorrect availability of funds when obligations are not recorded. Marine Corps comptroller personnel use these records to certify funds availability for other obligations. Because the Marine Corps did not record the obligation in the accounting system, it increased its risk of potential Antideficiency Act violations. Further, the Marine Corps might not have discovered the potential violation until it recorded an unmatched disbursement in the accounting system.

Disbursements. The Marine Corps recorded \$7.8 million in disbursements before it recorded corresponding expenses for 36 MIPRs. On one MIPR dated October 4, 2004, IMEF had disbursements in the accounting system totaling approximately \$13,000. However, IMEF did not record the expense until almost 5 months later. The IMEF personnel stated that the DD Form 448 instructed vendors to send all invoices to DFAS Kansas City. DFAS personnel stated that they do not maintain invoices from the vendor. Receipt of a copy of the invoices should prompt the Marine Corps to post the expense and notify DFAS that disbursement is required. However, 45 of 54 MIPRs files we reviewed did not contain vendor invoices. Our review of SABRS print screens showed that the Marine Corps posted expenses without the vendor invoice after DFAS posted the disbursements in the accounting system. In some cases, the accounting system automatically posted the expenses once DFAS made the disbursement.

Incoming Marine Corps MIPRs

The Marine Corps did not have adequate internal controls over its incoming MIPRs. We reviewed 60 incoming MIPRs, valued at about \$8 million that the Quantico, Camp Pendleton, and IMEF had received from other Government sources. The Marine Corps accepted improper MIPR requests, did not properly administer MIPRs, and inappropriately altered appropriation classifications for those MIPRs.

MIPR Acceptance

As the supplying organization for incoming MIPRs, the Marine Corps was responsible for ensuring that only MIPRs that complied with Marine Corps Order P7300.21 were accepted. However, the Marine Corps accepted 12 of the 60 incoming MIPRs we reviewed, even though the requesting organization did not use the correct form or the Marine Corps could not perform 51 percent of the requested work.

Required Forms. In accordance with Marine Corps Order P7300.21, the Marine Corps was responsible for ensuring that any requests for reimbursable work or services from another Component within the Department of the Navy were made using a Navy Comptroller 2275, "Order for Work and Services," form. However, the Marine Corps accepted four MIPRs, valued at about \$34,000, from other Department of Navy Components, that used DD Form 448, "Military Interdepartmental Purchase Request."

Performance Requirements. As the supplying organization, the Marine Corps was responsible for ensuring that it properly accepted MIPRs under direct citation of funds or reimbursements. Marine Corps Order P7300.21 states that the Marine Corps must perform at least 51 percent of the work or services in-house if it accepts a MIPR as reimbursable. However, the Marine Corps accepted 8 of the 60 incoming MIPRs under the reimbursable funding category, valued at \$3.3 million, when 51 percent of the work or services would not be performed in-house. For example, Quantico accepted an incoming MIPR from the Joint Program Office, LW155 Towed Howitzer on November 4, 2003, to provide support for Marine Corps operational test and evaluation activity testing. The MIPR and amendments totaled approximately \$2.2 million. To service the MIPR, the Marine Corps issued five outgoing MIPRs and five Navy Comptroller 2275, "Order for Work and Services," forms to other DoD organizations, which accounted for more than 75 percent of the services performed. Because the Marine Corps could not provide most of the services in-house, the MIPR should have been accepted under the direct citation of funds or the LW155 Towed Howitzer Program Office should have sent MIPRs directly to the appropriate supplying organizations.

MIPR Administration

As the supplying organization, the Marine Corps was responsible for properly administering incoming MIPR work and related funds. However, the Marine Corps did not properly administer 38 of the 60 incoming MIPRs we reviewed. The 38 MIPRs had the following issues.

Authorized Balances. The Marine Corps recorded approximately \$5,000 in unauthorized account balances for four incoming MIPRs. For example, Camp Pendleton accepted a MIPR from the Naval Special Warfare Center that provided funds to support FY 2004 Camp Pendleton Servmart privileges. On May 31, 2004, the total authorized balance was approximately \$9,000; however, the obligated and expensed balances totaled more than \$10,000. On June 1, 2004, Camp Pendleton personnel sent an e-mail requesting additional funds. The Naval Special Warfare Center issued an amendment to cover the unauthorized amount and provide additional funds on June 24, 2004. DFARS 208.70 states that the supplying organization is authorized to create obligations against the funds cited in a DD 448; however, changes that affect the contents of the MIPR must be processed as a DD 448-2. The requesting organization may initially transmit changes by any expedited means, but must confirm changes by a MIPR amendment. Camp Pendleton exceeded the amount of funds available for obligation without the prior authorization from the Naval Special Warfare Center. This practice increases the risk of Antideficiency Act violations.

Support Documentation. The fund managers' files did not have the source documents, as required by Marine Corps Order P7300.21, to support all reimbursable spending transactions for 32 of the incoming MIPRs totaling \$6.0 million.

Deobligations. For 11 incoming MIPRs, the Marine Corps had not timely deobligated approximately \$110,000 in excess funds as required by Marine Corps Order P7300.21. For example, on September 20, 2004, Camp Pendleton accepted a MIPR from the Defense Commissary Agency that provided approximately \$172,000 for the San Onofre Commissary utilities during the period October 2003 through September 2004. Camp Pendleton only incurred approximately \$116,000 in reimbursable spending transactions; however, approximately \$56,000 in excess funds was not returned to the requesting organization until May 2005. Camp Pendleton used O&M funds for the MIPR; therefore, it should have deobligated the funds by September 30, 2004, to comply with Federal appropriation law.

Appropriation Classifications

As the supplying organization, the Marine Corps was responsible for ensuring that limitations imposed on the use of funds were not changed. However, the Marine Corps altered the appropriation classification to accept and perform 31 incoming MIPRs, valued at \$4 million, as reimbursable orders. The Marine Corps received MIPRs from governmental organizations that cited various appropriation classifications including O&M; Research, Development, Test and Evaluation; Procurement; and Working Capital Fund. However, the

Marine Corps accepted the MIPRs and classified all MIPR work under the O&M appropriation. Camp Pendleton and IMEF Comptroller personnel stated that they had to perform all work, including incoming MIPR work, under the O&M appropriation because they are provided with only O&M funds. However, each appropriation classification has its own restrictions and authorized uses. (See Appendix E for more information on availability of funds.)

Some of the items and services provided through MIPRs clearly fall within appropriation classifications other than O&M. Otherwise, the requesting organizations would not have transferred the particular funding noted on the MIPRs to the Marine Corps. According to 31 U.S.C. 1301, transfers of an amount from one appropriation account to another appropriation account are prohibited unless the transfers are specifically authorized by law. The Marine Corps does not have the specific authority to transfer money from the appropriation noted on the MIPR to another appropriation. The Economy Act, 31 U.S.C. 1535, does not allow a MIPR recipient to transfer the requesting organization's funds to another appropriation. Further, 31 U.S.C. 1532 states that an amount authorized to be withdrawn or credited is available for the same purpose and subject to the same limitations provided by the law appropriating the amount. Therefore, the appropriations supporting the MIPRs are those of the requesting organization not the Marine Corps.

Because the Marine Corps violated the statutory limitation on the purposes for which the O&M appropriation may be used, the Marine Corps may also have violated the Antideficiency Act as set forth in DoD FMR, volume 14, chapter 2, "Violations of the Antideficiency Act," October 2002. The Marine Corps should determine if an Antideficiency Act violation occurred. If a violation occurred, the Marine Corps is required to perform corrective actions as provided in DoD FMR, volume 14, chapter 10, "Violations—Causes, Prevention and Correction," October 2004.

Marine Corps Implementing Procedures on the MIPR Process

Quantico, Camp Pendleton, and IMEF based their MIPR processes on their interpretations of Federal, DoD, and Marine Corps guidance that was either unclear or outdated. The lack of clear, updated guidance prevented and discouraged implementation of adequate controls over outgoing and incoming MIPRs for the Marine Corps.

Federal and DoD Guidance on Determinations and Findings

To support an interagency Economy Act order, the Federal Acquisition Regulation, Subpart 17.5, and the DoD FMR, volume 11A, chapter 3, require the agency to prepare a Determinations and Findings. For interservice support, DoD Instruction 4000.19 and DoD FMR, volume 11A, chapter 3, state that a signed Support Agreement documents the required determination. However, Federal and DoD guidance does not address interservice acquisitions that require the supplying organization to award a new contract. Because the guidance was

unclear, we contacted the Office of the Secretary of Defense (Comptroller) to get clarification. The Comptroller's office stated that agencies must use either a Determination and Finding or Support Agreement stating that the purchase is in the best interest of the Government to support the Economy Act Order. The Comptroller's Office should clarify this requirement in the DoD FMR.

Guidance Updates and Implementation

Marine Corps issued conflicting guidance for transferring funds outside of the Marine Corps. Additionally, internal Marine Corps command guidance was outdated and did not clearly state its true intentions. Finally, the Marine Corps did not implement Federal, DoD, and Marine Corps guidance throughout the outgoing and incoming MIPR processes.

Review Requirement. Commandant of the Marine Corps memorandum, "Proper Use of Non-DoD Contracts and Other Matters," April 6, 2005, requires that the supporting contracting officer and the requiring office's comptroller provide a documented review supporting all funds transferred outside of the Marine Corps. The memorandum references the Marine Corps Acquisition Procedures Supplement (the Supplement) for steps that will ensure that users conduct reviews before transferring funds outside the Marine Corps.

Command-Level Guidance. In July 2005, Camp Pendleton issued Financial Policy Memorandum 05-03 stating that all requests for the transfer of funds using the Navy Comptroller 2275, "Order for Work and Services," forms or MIPRs, must be accompanied by a Determinations and Findings or Memorandums for Record. However, the Camp Pendleton Contracting Office representative's interpretation of the memorandum is not consistent with the apparent intent of the memorandum. Specifically, the Contracting Office representative stated that:

- only MIPRs requiring a contracting action require a Determinations and Findings or Memorandum for Record, and
- Determinations and Findings and Memorandums for Record were waived for MIPRs applied to ongoing contracts.

Quantico has not updated internal guidance to reflect DoD and Marine Corps procedures for processing MIPRs. Specifically, Marine Corps Base Order P7000.1, "Financial Management Manual," May 20, 1986, does not provide guidance on processing and executing MIPRs and developing required Determinations and Findings and Memorandums for Record. Quantico stated that it had plans to update the order; however, it had delayed those plans because of continuous changes in the policies and in personnel. Additionally, the Quantico Contracting Office representative stated she had plans to draft guidance on the Determinations and Findings, but did not provide any draft or updated guidance.

Marine Corps Compliance. The layers of DoD and Marine Corps criteria have led to various interpretations and applications of MIPR guidance, which resulted in the Marine Corps not preparing and maintaining the required MIPR documentation. The Marine Corps MIPRs we reviewed were prepared on or after

September 20, 2003, and should reasonably be expected to comply with the statutory, Federal, DoD, and Marine Corps guidance issued before that date. However, the Marine Corps had not enforced and, therefore, had not complied with portions of the established applicable guidance.

Marine Corps personnel did not accurately prepare supporting documents, MIPR forms, and financial transaction records. This occurred in some instances because the Marine Corps had not adequately trained its personnel on the established policies and procedures. DoD managers responsible for the control and use of DoD funds also have a responsibility to ensure that their personnel receive proper oversight, support, and training to help prevent Antideficiency Act violations. It is management's responsibility to identify the required knowledge and skills and to provide training necessary to perform the job. Further, supervisory oversight can help to ensure that established internal controls and standard operating procedures are adequate and consistently followed. The Marine Corps can reduce common Antideficiency Act violations through proper education and effective training of personnel and by ensuring that adequate internal controls and standard operating procedures are in place and followed.

The Commandant of the Marine Corps should revisit guidance and clarify the requirement that a Determinations and Findings, Support Agreement, or Memorandum for Record accompany every MIPR. The Commandant should also require that the Marine Corps Comptroller Offices provide updated internal guidance and training on developing, processing, and executing MIPRs.

Conclusion

Adequate internal controls are a critical element to ensuring that MIPRs are managed properly. The Marine Corps' lack of adequate internal controls over the MIPR process resulted in potential violations of the Antideficiency Act, violations of public law, and noncompliance with Federal, DoD, and Marine Corps regulations. By violating the statutory authority limitations on the purpose for which the O&M appropriation may be used, the Marine Corps may have violated the Antideficiency Act. The Marine Corps must improve internal controls over the MIPR process by clarifying Marine Corp guidance that is unclear or confusing; ensuring that existing Federal, DoD, and Marine Corps regulations are enforced; and providing training to Marine Corps personnel that emphasizes proper MIPR procedures.

Management Actions

The comptroller personnel at the IMEF, Camp Pendleton, stated that the files for MIPRs selected in our sample would not include the required Determinations and Findings documents. However, they stated that the IMEF had begun implementing the requirements over the last 6 to 8 months. They provided MIPR files for MIPRs initiated between July and September 2005. These MIPRs were not a part of our sample. We reviewed these files only for content and found that

the IMEF had prepared the required Determinations and Findings or Memorandums for Record for these MIPRs.

Recommendations, Management Comments, and Audit Response

Revised, Deleted, and Renumbered Recommendations. As a result of management comments, we deleted Draft Recommendation A.1.b and revised and renumbered Draft Recommendation A.1.a. as Recommendation A.1.

A.1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer revise the DoD Financial Management Regulation, volume 11A, chapter 3 to clarify that a DoD organization requesting interservice support must prepare a Determinations and Findings unless it has completed a Support Agreement in accordance with DoD Instruction 4000.19.

Management Comments: The Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer nonconcurred with the recommendation. The Deputy Chief Financial Officer stated that the DoD Financial Management Regulation currently requires that all Economy Act orders be supported by a Determinations and Findings. The Deputy Chief Financial Officer stated that this policy reflects the requirements in the Federal Acquisition Regulation, Subpart 17.5, which mandates that Economy Act orders be supported by a Determinations and Findings. The Deputy Chief Financial Officer further cited Sections 030202.A and 030202.B of the DoD Financial Management Regulation, volume 11A, chapter 3, April 2000, to support the requirement that Economy Act orders be supported with Determinations and Findings.

Audit Response: The Deputy Chief Financial Officer comments were nonresponsive. We do not agree with the Deputy Chief Financial Officer's comment that the DoD Financial Management Regulation currently requires that all Economy Act orders be supported by a Determinations and Findings. Instead, the Regulation states, "In general, all Economy Act orders must be supported by a Determinations and Findings that the use of interagency support capabilities is in the best interest of the government." Not all Economy Act orders provide interagency support. Therefore, the regulation also states that for an interservice Economy Act order, a signed Support Agreement documents the required determination. Because a Support Agreement is used for DoD organizations only when the supplying organization provides support with their personnel or adds the requesting organization's requirements to an existing contract, the regulation does not address all types of Economy Act orders issued within DoD. Specifically, the regulation does not address Economy Act orders that require the supplying organization to award a new contract. We request that the Under Secretary of Defense (Comptroller)/Chief Financial Officer reconsider her position on providing clarification in the DoD FMR that a DoD organization requesting interservice support must prepare a Determinations and Findings unless it has completed a Support Agreement in accordance with DoD Instruction 4000.19.

A.2. We recommend that the Commandant of the Marine Corps:

a. Direct the Comptroller Offices to initiate preliminary reviews and possible corrective actions for military interdepartmental purchase requests in Appendix C that violated or potentially violated the Antideficiency Act as defined by the DoD Financial Management Regulation. (See Appendix C for MIPRs that violated or potentially violated the Bona Fide Needs Rule and MIPRs that violated statutory limitations imposed on appropriations.)

Management Comments. The Assistant Deputy Commandant for Programs and Resources, responding for the Commandant of the Marine Corps concurred with the recommendation. In coordination with the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller), a formal Preliminary Review will be initiated and necessary corrective actions taken. The estimated date of completion is August 1, 2006.

b. Develop procedures and controls, such as a checklist, that ensure all required data and supporting documents are developed and appropriately reviewed before a military interdepartmental purchase request is certified.

Management Comments. The Assistant Deputy Commandant for Programs and Resources concurred, stating that procedures had been developed and published in the Commandant of the Marine Corps policy letter, "Proper Use of Non-DoD Contracts and Other Matters," dated April 6, 2005. Specifically, the policy letter included a checklist and the requirement for Determinations and Findings.

Audit Response. The Assistant Deputy Commandant for Programs and Resources comments were partially responsive. The Commandant of the Marine Corps policy letter references the Marine Corps Acquisition Procedure Supplement, which discusses only procedures for Determinations and Findings and Memorandums for Record. The policy letter lacks procedures and controls, such as a checklist, to ensure the certifying official does not certify military interdepartmental purchase requests unless they are properly prepared and the Determinations and Findings, Support Agreements, and Memorandums for Record are developed and appropriately reviewed. Development of procedures, such as a checklist, to ensure that military interdepartmental purchase requests contain a sufficiently detailed description of the supplies and services and the period of performance will improve the accuracy of military interdepartmental purchase request documentation. We request that the Commandant of the Marine Corps reconsider his position on developing additional detailed guidance to ensure military interdepartmental purchase requests are completed properly.

c. Develop roles and responsibilities of offices involved in the military interdepartmental purchase request process to ensure proper enforcement of Federal, DoD, and Marine Corps guidance.

Management Comments. The Assistant Deputy Commandant for Programs and Resources concurred, stating that roles and responsibilities have been outlined in the Commandant of the Marine Corps policy letter.

Audit Response. The Assistant Deputy Commandant for Programs and Resources comments were partially responsive. The Commandant of the Marine Corps policy letter references the Marine Corps Acquisition Procedure Supplement that discusses only the roles and responsibilities for completing and reviewing Determinations and Findings and Memorandums for Record for military interdepartmental purchase requests. The policy letter does not discuss the roles and responsibilities for Fund Holders and the Comptroller Office to process other military interdepartmental purchase request documentation (i.e. DD Form 448). Outlining the roles and responsibilities for the parties involved in the military interdepartmental purchase request process will aid in the proper enforcement of Federal, DoD, and Marine Corps guidance. We request that the Commandant of the Marine Corps reconsider his position on developing the roles and responsibilities of offices like the Fund Holder and Comptroller in preparing and reviewing military interdepartmental purchase requests.

d. Develop procedures and controls that ensure all required military interdepartmental purchase request documents and source documentation, including support for the receipt of ordered goods and services and the validity of related disbursements, are properly maintained in a single file location.

Management Comments. The Assistant Deputy Commandant for Programs and Resources concurred, stating that the responsibilities for military interdepartmental purchase request documentation are outlined in the standard process flows. Additionally, the update of the Marine Corps Order P7300.21 will also contain detailed requirements for all MIPR documents and source documentation, by October 31, 2006.

Audit Response. The Assistant Deputy Commandant for Programs and Resources comments were partially responsive. The Marine Corps standard process flow documents the existing functional area business processes, but it does not provide procedures and controls to ensure that MIPR documentation is properly maintained. The MIPRs we reviewed did not always include copies of the shipping reports or invoices to support disbursement transactions. We request that the Commandant of the Marine Corps ensure that the updated P7300.21 establishes procedures and controls so that MIPR documents and source documents are properly maintained in a single file location.

e. Clarify the Marine Corps guidance requiring that military interdepartmental purchase requests be accompanied with a Determinations and Findings, Support Agreement, or Memorandum for Record.

Management Comments. The Assistant Deputy Commandant for Programs and Resources concurred, stating that the Commandant of the Marine Corps policy letter clarifies the Marine Corps guidance on Determinations and Findings, Support Agreements, or Memorandums for Record. Further, he stated that the Marine Corps Order P7300.21 would be updated to clarify the Marine Corps requirement on Determinations and Findings, Support Agreements, or Memorandums for Record by October 31, 2006.

Audit Response. The Assistant Deputy Commandant for Programs and Resources comments were partially responsive. The Commandant of the Marine Corps policy letter references the Marine Corps Acquisition Procedure Supplement, which discusses only Determinations and Findings and Memorandums of Record. The policy letter does not discuss Support Agreements. Further, the Marine Corps had not enforced and, therefore, had not complied with portions of the established guidance. As a result, Marine Corps personnel did not always accurately prepare supporting documents. We request that the Commandant of the Marine Corps ensure that the updated P7300.21 clearly identifies the requirement for developing a Determinations and Findings, Support Agreements, or Memorandum for Record for all military interdepartmental purchase requests.

f. Direct the Marine Corps Comptroller Offices to develop or update internal guidance and training on developing, processing, and executing military interdepartmental purchase requests.

Management Comments. The Assistant Deputy Commandant for Programs and Resources concurred, stating that correspondence would be provided to the Marine Corps Comptrollers by June 30, 2006. On June 15, 2006, the Marine Corps issued Marine Administrative Message number 276/06, "Guidance on Issuing Requests for Reimbursable Work."

Audit Response. The Assistant Deputy Commandant for Programs and Resources comments were partially responsive. The Marine Administrative Message provides detailed guidance on issuing reimbursable orders; however, it does not discuss training. We request that the Commandant of the Marine Corps direct the Marine Corps Comptroller Offices to develop training on developing, processing, and executing military interdepartmental purchase requests.

B. Marine Corps Management Control Program for Military Interdepartmental Purchase Requests

The Marine Corps management control program was ineffective and did not identify material weaknesses related to reporting MIPRs. This occurred because the Marine Corps did not perform a general assessment of the internal controls for processing MIPRs. As a result, controls were not adequate to ensure that funds were properly obligated, expensed and disbursed.

Criteria for Management Control Programs

Government Accountability Office. GAO/AIMD-00-21.3.1, “Standards for Internal Control in Federal Government,” November 1999, states,

The Federal Managers’ Financial Integrity Act of 1982 requires the General Accounting Office [Government Accountability Office] to issue standards for internal control in government. The standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement.

The five standards for internal control are: control environment, risk assessment, control activities, information and communications, and monitoring. These standards define the minimum level of quality acceptable for internal control in Government and provide the basis against which internal control is to be evaluated.

Office of Management and Budget. Office of Management and Budget Circular A-123, “Management Accountability and Control,” revised June 21, 1995, provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls. Office of Management and Budget Circular A-123 states,

Management controls are the organization, policies, and procedures used by agencies to reasonably ensure that programs achieve their intended results; resources are used consistent with agency mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and reliable and timely information is obtained, maintained, reported and used for decision making.

DoD Directive. DoD Directive 5010.38, “Management Control Program,” August 26, 1996, implements the Government Accountability Office and Office of Management and Budget guidance that is required by the Federal Managers’ Financial Integrity Act of 1982. The DoD Directive requires DoD Components to

implement a comprehensive strategy for management controls that provides reasonable assurance that "... programs and administrative and operating functions are efficiently and effectively carried out in accordance with applicable law and management policy." The management control process should be integrated into the daily management practices of all DoD managers. When developing the Management Control Program, DoD managers should rely on all contributing information sources, including external audits.

DoD Instruction. DoD Instruction 5010.40, "Management Control Program Procedures," August 28, 1996, requires DoD Components to develop a Management Control Program. The Management Control Program, through its self assessment process, assists managers in identifying material management control weaknesses. The DoD Instruction states that to be a material weakness, two conditions must be satisfied:

- management controls are not in place, not used, or not adequate, and
- the weakness is material enough to require the attention of the next level of management.

Each DoD Component should submit an annual statement of assurance based on a general assessment of the effectiveness of the management controls.

Assessment of Internal Controls

The Marine Corps management controls for processing MIPRs were not adequate to ensure that funds were properly obligated, expensed and disbursed. The Marine Corps could have assessed the internal controls over MIPRs by reviewing MIPR files to validate that:

- it had properly initiated, prepared, and executed outgoing MIPRs and
- it had accepted only proper incoming MIPR requests, properly administered those MIPRs, and not inappropriately altered appropriation classifications for those MIPRs.

Had the Marine Corps performed periodic assessment of the internal controls for processing MIPRs, it might have identified inadequate and ineffective control practices that resulted in improper use of MIPRs, and potential Antideficiency Act violations. Marine Corps officials did not identify the MIPR process as an assessable unit and, therefore, did not report it in the annual statement of assurance.

Recommendations, Management Comments, and Audit Response

Revised and Deleted Recommendations. As a result of management comments, we revised Recommendation B.1, to clarify our intention that periodic assessment

be performed for the internal controls over processing military interdepartmental purchase requests. Also, as a result of management comments, we deleted Draft Recommendation B.2. We have renumbered Draft Recommendation B.1 as Recommendation B.

B. We recommend that the Commandant of the Marine Corps evaluate and test the internal controls identified by the major commands' management control programs to determine effectiveness and reliability of internal controls for processing military interdepartmental purchase requests.

Management Comments. The Assistant Deputy Commandant for Programs and Resources concurred, stating that the Marine Corps Order 5200.24C requires that Marine Corps managers annually perform internal control assessments over assessable units. The assessment is incorporated in the support command's annual statement of assurance, which is used to develop the Commandant of the Marine Corps' statement of internal controls for the Secretary of the Navy.

Audit Response. The Assistant Deputy Commandant for Programs and Resources comments were partially responsive. The Marine Corps annual assessments of internal controls failed to identify the military interdepartmental purchase request process as an assessable unit. As a result, the MIPR process was not reported in the Marine Corps annual statement of assurance. We request that the Commandant of the Marine Corps reconsider his position on whether the current annual assessments ensure the effectiveness and reliability of internal controls, specifically, controls over the MIPR process.

Appendix A. Scope and Methodology

We conducted an audit research project to review the MIPR process within the Marine Corps. As a result of the research project, we announced an audit that reviewed the Marine Corps process for initiating MIPRs and obligating and disbursing funds for MIPRs, interagency purchases, and their equivalents. Specifically, we selected three Marine Corps sites to visit: Marine Corps Base, Quantico, Virginia and the Marine Corps Base and IMEF at Camp Pendleton, California. We performed site visits to those locations from October 17, 2005, through November 10, 2005. At each location we interviewed fund administrators, comptroller office staff, and contracting and legal personnel to learn the process used by the Marine Corps to execute these transactions. We developed a MIPR review checklist, which we based on criteria established in the DFARS, FMR, and Marine Corps Order P7300.21 and memorandums. We compared the actual Marine Corps process with the relevant criteria to assist in identifying weaknesses in internal controls.

We selected a judgmental sample of MIPRs processed between September 20, 2003, and September 30, 2005, for each location visited. We reviewed 54 outgoing MIPRs, valued at about \$14 million that Quantico, Camp Pendleton, and IMEF had issued to other Government sources. We also reviewed 60 incoming MIPRs, valued at about \$8 million that the Quantico, Camp Pendleton, and IMEF, had received from other Government sources. We requested and reviewed the supporting documentation for each transaction associated with the MIPRs selected. Specifically, we reviewed the available DD Form 448, "Military Interdepartmental Purchase Request;" DD Form 448-2, "Acceptance of MIPR;" e-mail correspondence identifying requirements; travel authorizations and vouchers; Memorandums for Record; Determinations and Findings; Support Agreements; invoices; SABRS¹³ "Active File Inquiry" print screen; and SABRS "Multi History Transaction File Selection" print screen. We completed the MIPR review checklist for each MIPR¹⁴ selected in our judgmental sample. We also requested and reviewed standard operating procedures relating to the initiation and execution of MIPRs, if available at the location visited.

Our team traveled to DFAS, Kansas City to obtain information on how and when DFAS, Kansas City disbursed Marine Corps funds in the execution of the selected MIPRs. We interviewed personnel from the Field Accounting Office and the Intra-Governmental Payment and Collection System. DFAS, Kansas City provided some supporting documentation for payments and collections associated with incoming MIPRs received by the Marine Corps. Specifically, DFAS, Kansas City provided the Standard Form 1080, "Voucher for Transfers Between Appropriations and/or Funds;" Customer Analysis Report; and RBD file record for the incoming MIPRs at Quantico and Camp Pendleton.

¹³SABRS is the official accounting system for the U.S. Marine Corps, which has been certified through DoD Information Technology Security Certification and Accreditation in June 2003.

¹⁴A universal order format was also included in our sample.

We performed this audit from September 1, 2005, through February 2006 in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. To achieve the audit objective, we relied on computer-processed data provided directly from Marine Corps and DFAS Kansas City personnel that was extracted from the SABRS, SABRS Management Analysis Retrieval System, and Intra-Governmental Payment and Collection system. We did not perform a formal reliability assessment of the computer-processed data. We did not find errors between the computer-processed data and MIPR source documents that would preclude use of the computer-processed data to meet the audit objective or that would change conclusions in this report.

Use of Technical Assistance. The Quantitative Methods Division and the Technical Assessment Division of the DoD OIG provided assistance. The Quantitative Methods Division ran a statistical sample for each Marine Corps Command based on the data provided in the universe. However, the universe was incomplete. Therefore, we used a judgmental sample for this audit.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the Management of Interagency Contracts high-risk area.

Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) issued three reports and the Naval Audit Service issued one report discussing MIPRs. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Naval Audit Service reports can be accessed at <http://www.hq.navy.mil/NavalAudit>.

DoD IG

DoD OIG Report No. D-2006-029, "Report on Potential Antideficiency Act Violations Identified During the Audit of the Acquisition of the Pacific Mobile Emergency Radio System" November 23, 2005

DoD OIG Report No. D-2005-096, "DoD Purchases Made Through the General Services Administration," July 29, 2005

DoD OIG Report No. D-2002-109, "Army Claims Service Military Interdepartmental Purchase Requests", June 19, 2002

Navy

Naval Audit Service Report No. N2004-0039, "Unliquidated Obligations for the Research, Development, Test, and Evaluation, Navy Appropriation," April 13, 2004

Appendix B. Glossary of Technical Terms

Antideficiency Act Violation. A violation of the Antideficiency Act occurs when an obligation or expenditure exceeds the amounts available in an apportionment, a reapportionment, a revolving fund, or an administrative subdivision of funds. To ensure that all obligations are reconciled properly against available funds and authorized before they are incurred, it is essential that organizations establish a funds control system. The process should include recording a reservation of available funds (such as a commitment) for authorized obligations that are not immediately obligated or recorded.

Appropriations. An appropriation is a provision of legal authority by an act of Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority. Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent limitations.

Budget Authority. Budget authority is the authority becoming available during the year to enter into obligations that result in immediate or future outlays of Government funds.

Direct Citation Procurement. Direct citation procurement refers to procurement accomplished by combining the requirements of one or more DoD Components with those of a DoD Component making a procurement. The procuring Component may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each requiring Component. The direct citation order is recorded as an obligation by the DoD Component included in the procurement when the Component is notified in writing that the procuring Component's contract or project order has been executed, or when a copy of the contract or project order is received.

Economy Act. The Economy Act authorizes agencies to enter into mutual agreements to obtain supplies or services by interagency or intra-agency acquisition. The Economy Act applies when more specific statutory authority does not exist.

Expired Appropriation. An expired appropriation is budget authority whose period of availability for incurring new obligations has expired but the appropriation is not closed or canceled. During this period, the appropriation is available for adjustment to, or payment of, existing obligations. Appropriations remain in an expired status for 5 years. At the end of the 5-year expiration period, the appropriation is closed or canceled and is no longer available for the payment of unliquidated (undisbursed) obligations.

Interservice Support. Interservice support is support provided by one DoD organization to a DoD Component of another military Service, Defense agency, Unified Combatant Command, Army Reserves, Navy Reserves, Air Force Reserves, Marine Corps Reserves, Air National Guard, or Field Activity.

Intragovernmental Support. Intragovernmental Support is support provided by a DoD organization to a non-DoD Federal organization and vice versa. It does not include support provided to or received from foreign governments.

Military Interdepartmental Purchase Request (MIPR). A MIPR is an order issued by one military Service to another to procure services, supplies, or equipment for the requiring Service. The MIPR (DD Form 448) may be accepted on a direct citation or reimbursable basis.

Obligations. Obligations are amounts of orders placed, contracts awarded, services received, or similar transactions made by Federal agencies during a given period, which will result in outlays during the same or some future period.

Reimbursable Procurement. Reimbursable procurement refers to an order for supplies, material, or equipment placed by a requiring DoD Component (a) for procurement by another DoD Component or Federal agency on a contract funded by the procuring DoD Component or Federal agency, without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and (b) with subsequent delivery to and reimbursement by the requiring DoD Component. The reimbursable order is recorded as an obligation by the requiring DoD Component when the procuring DoD Component accepts the reimbursable order in writing.

Support Agreement. A Support Agreement is an agreement to provide recurring support to another DoD or non-DoD Federal organization. Support Agreements between DoD organizations are used when the supplying organization can provide the support with their personnel or add the requiring organization's requirements to an existing contract. Support Agreements are recorded on a DD Form 1144, "Support Agreement," or similar format. It defines the support to be provided by one supplier to one or more receivers and specifies the basis for calculating reimbursement charges (if any) for each service, establishes the billing and reimbursement process, and specifies other terms and conditions of the agreement.

Appendix C. MIPRs Reviewed

Camp Pendleton Outgoing											
MIPR No.	MIPR Value	Initiation		Preparation				Execution			
		No Determinations & Findings, Memorandum for the Record, or Support Agreement	Bona Fide Needs Rule Violation	Description of Supplies and Services	Delivery Requirements	Additional Line Items	Standard Document Number	Authorized Balances	Support Documentation	Untimely Obligations	Premature Disbursements
M0068104MP24801	\$976,000	X	*		X				X		
M3300504MDPLINE	\$8,000	X					X		X	X	
M336104MPA0013	\$7,000	X							X	X	
M3320004MP00037	\$243,000	X			X				X	X	X
M3320004MP00038	\$171,000	X			X				X	X	X
M0068104MD00002	\$67,000	X			X				X	X	
M0068105MPENV13	\$20,000	X	*	X	X				X	X	X
M0068105MPENVIR	\$140,000	X	*		X				X	X	
M0068105MPFE004	\$106,000	X							X	X	X
M0068105MPFE015	\$130,000	X			X				X	X	X
M0068105MPFE030	\$350,000	X	*		X				X	X	X
M0068105MPFW801	\$935,000	X	*		X				X	X	X
M3300505MDPLINE	\$4,000	X					X		X	X	X
M3320004MP00032	\$158,000	X	*		X				X	X	X
M0068105MPFE003	\$106,000	X							X	X	X
M0068105MPFE101	\$200,000	X			X				X	X	
M0068105MPFE104	\$60,000	X	*		X				X	X	X
M0068105MPFE096	\$150,000	X	X		X				X	X	
18	\$3,831,000	18	1	1	13	0	2	0	18	17	11

*Potential Bona Fide Needs Rule Violations (7)

”X” indicates that the MIPR was deficient in the stated area.

First Marine Expeditionary Force Outgoing

MIPR No.	MIPR Value	Initiation		Preparation				Execution			
		No Determinations & Findings, Memorandum for the Record, or Support Agreement	Bona Fide Needs Rule Violation	Description of Supplies and Services	Delivery Requirements	Additional Line Items	Standard Document Number	Authorized Balances	Support Documentation	Untimely Obligations	Premature Disbursements
M2031004MP00004	\$9,000	X	*	X	X				X	X	X
M2037105MP00016	\$5,000	X		X	X				X	X	
M5708105MP00003	\$200	X			X				X		
M6744805MP00005	\$10,000	X							X	X	
M2014604MPCE052	\$2,476,000	X			X				X		X
M2014604MPCE055	\$8,000	X			X				X		X
M2014604MPCE051	\$118,000	X									X
M2031005MP00003	\$1,000	X		X	X				X	X	
M2014604MPCE053	\$3,182,000	X	*	X	X	X			X		X
M2014604MPCE054	\$5,000	X		X	X				X		X
M2014604MPCE059	\$2,589,000	X	*		X				X		
M2014604MPCE061	\$42,000	X	*	X	X	X			X		X
M2014604MPCE069	\$230,000	X			X				X		X
M2014605MPCE507	\$7,000	X			X				X		X
M2031004MP00002	\$32,000	X	*		X				X		X
M2031005MP00001	Unknown	X	*						X		X
M5708104MP00009	\$900	X							X		X
M6744604MP00102	\$6,000	X	*	X	X			X	X	X	X
M6744804MP0040	\$20,000	X	*		X				X	X	
19	\$8,741,100 +/-	19	0	7	15	2	0	1	18	6	13

*Potential Bona Fide Needs Rule Violations (8)

"X" indicates that the MIPR was deficient in the stated area.

Quantico Outgoing											
MIPR No.	MIPR Value	Initiation		Preparation				Execution			
		No Determinations & Findings, Memorandum for the Record, or Support Agreement	Bona Fide Needs Rule Violation	Description of Supplies and Services	Delivery Requirements	Additional Line Items	Standard Document Number	Authorized Balances	Support Documentation	Untimely Obligations	Premature Disbursements
M9303805MPZ1003	\$87,000	X								X	
M9303805MPZ1001	\$330,000	X		X							X
M9303804MPZ1002	\$144,000	X							X		X
MMFAH704MP62002	\$15,000	X	*		X				X		X
M9301504MP34002	\$4,000	X			X				X	X	X
M9301505MP34002	\$200	X								X	
M9301504MP34004	\$74,000	X	*		X				X		X
M9303804MPZ9001	\$64,000	X									
M9303804MPZ1004	\$132,000	X									X
M9303804MPZ1001	\$55,000	X							X		X
MMFAH705MP62001	\$28,000	X			X				X	X	X
M9301505MP34003	\$5,000	X									
M9300403MPM2009	\$96,000	X	*		X				X		X
M9300403MPA5001	\$5,000	X	*		X				X		X
M9303804MPZ1003	\$106,000	X							X		X
M9301005MP53005	\$500	X		X	X						
M9303105MP55001	\$13,000	X	*		X						X
17	\$1,158,700	17	0	2	8	0	0	0	9	4	12
Marine Corps Total	\$13,730,800	54	1	10	36	2	2	1	45	27	36

*Potential Bona Fide Needs Rule Violations (5)

"X" indicates that the MIPR was deficient in the stated area.

Camp Pendleton Incoming

MIPR No.	MIPR Value	Acceptance		Administration			Appropriation Use
		Required Forms	Performance Requirements (51%)	Authorized Balances	Support Documentation	Deobligations	
DERM50109A339T	\$616,000						
MIPROWBFY05109	\$2,000				X		X
N6886905MP00012	\$14,000	X					
MIPR5DCMPEN045	\$6,000						
MIPR5HPEN4C186	\$400						
DERM50084A337N	\$127,000				X		
DERM50084A337P	\$127,000				X		
MIPR5JMPEN4C217	\$1,000						X
MIPR4KCPPDH1250	\$28,000				X		
N6886904MP00014	\$19,000	X		X	X		
MIPR4FGM4S855	\$322,000		X		X		
MIPR4008FCP001	\$700				X		X
MGLTWCY4275211	\$1,000						X
MIPLTWCY327531	\$6,000				X	X	X
MGLTWCY3275108	\$116,000					X	X
MIPLTWCR327631	\$10,000				X	X	X
SA705705MPAD003	\$600			X			X
MIPLTWCR327531	\$18,000			X	X	X	X
DESCMR042538	\$41,000		X		X		X
DESCMR043501	\$67,000		X				X
20	\$1,522,700	2	3	3	11	4	11

"X" indicates that the MIPR was deficient in the stated area.

First Marine Expeditionary Force Incoming

MIPR No.	MIPR Value	Acceptance		Administration			Appropriation Use
		Required Forms	Performance Requirements (51%)	Authorized Balances	Support Documentation	Deobligations	
MIPR5BW1003101	\$23,000				X	X	X
MIPR4GT1RDT022	\$1,000						X
MIPR5GNDLTN40	\$10,000				X		
N0006905MPP2721	\$0						
N0003804MP4CM42	\$64,000		X				
MIPR5EW10003699	\$0						X
MIPR04180728	\$0						X
MIPR5JMEF00Q92	\$25,000					X	
MIPR4BMARIN162	\$38,000						
MIPR04180577	\$300,000		X		X		X
NMIPR044600212	\$121,000	X			X		
MIPR5JBRMT016	\$65,000						X
N0001905MP04112	\$700						
NMIPR054600381	\$46,000						
MIPR5GW1004024	\$0						X
MIPR04180578	\$287,000		X				X
MIPR4JMFP4M015	\$13,000						X
MIPR4T1RDT020	\$2,000					X	X
NMIPR054600283	\$91,000	X			X		
19	\$1,086,700	2	3	0	5	3	10

"X" indicates that the MIPR was deficient in the stated area.

Quantico Incoming

MIPR No.	MIPR Value	Acceptance		Administration			
		Required Forms	Performance Requirements (51%)	Authorized Balances	Support Documentation	Deobligations	
MIPR4APIC01645	\$2,199,000		X		X		X
HEVANY05MPR0001	\$961,000				X		
HEVAQD04MPR0001	\$915,000				X	X	
MIPR4GASAMS14	\$8,000			X			
MIPR4JDNGRPY01	\$2,000				X	X	
MIPR5MCCW70034	\$12,000				X		
MIPR4CMCOTM010	\$130,000				X		X
DSSLTDDTBQMFCB0401	\$88,000				X		X
MIPR5BMARIXA02	\$113,000						
T188	\$10,000				X		X
SA702104MP1D025	\$41,000				X		X
MIPLPNDH427501	\$291,000				X	X	X
MIPR04FDIVMR103	\$3,000				X		
ATEC05130	\$10,000						X
MIPR4A0MM00050	\$100					X	
MIPR5AOTCRM008	\$15,000				X		
MIPLPNDH327401	\$247,000				X		X
MIPR5EASAMS01	\$10,000						
MIPR4M4IPAD013	\$2,000				X		X
MIPR4DMCOTW018	\$50,000		X		X		X
MIPR4B13QATICO	\$2,000				X		
21	\$5,109,100	0	2	1	16	4	10
Marine Corps Total	\$7,718,500	4	8	4	32	11	31

"X" indicates that the MIPR was deficient in the stated area.

Appendix D. Issues with MIPRs Reviewed

Outgoing MIPRs

	Camp Pendleton	IMEF	Quantico	Total
Total Number of MIPRs Reviewed	18	19	17	54
MIPRs did not have Determinations and Findings or Support Agreement	18	19	17	54 of 54
MIPRs did not meet the Bona Fide Needs Rule*	1	0	0	1 of 54
MIPRs lack sufficient detail on supplies and services.	1	7	2	10 of 54
MIPRs did not have the required time of delivery or performance.	13	15	8	36 of 54
MIPRs added additional line items.	0	2	0	2 of 54
MIPRs did not have the required standard document number.	2	0	0	2 of 54
MIPRs had balances in excess of the funds authorized by the MIPR documents.	0	1	0	1 of 54
MIPR file did not include source documents (MIPR or MIPR Acceptance).	0	4	1	5 of 54
MIPR file did not include source documents (shipping reports or invoices).	18	18	9	45 of 54
Failed to timely obligate funds on receipt of the obligating document.	17	6	4	27 of 54
Defense Finance and Accounting Service disbursed funds before the Fund Manager expensed.	11	13	12	36 of 54

*We were also unable to determine whether 20 MIPRs met the Bona Fide Needs Rule

Incoming MIPRs

	Camp Pendleton	IMEF	Quantico	Total
Total Number of MIPRs Reviewed	20	19	21	60
Incorrectly accepted MIPR forms from a Department of Navy Organization.	2	2	0	4 of 60
MIPRs accepted as reimbursable but 51 percent not performed in-house.	3	3	2	8 of 60
MIPRs had balances in excess of the funds authorized by the MIPR documents.	3	0	1	4 of 60
MIPR files did not have source documents to support the reimbursable spending transactions.	11	5	16	32 of 60
Funds not timely deobligated.	4	3	4	11 of 60
Altered appropriation classification	11	10	10	31 of 60

Appendix E. Availability of Funds

Research, Development, Test, and Evaluation (RDT&E)

DoD organizations use RDT&E funds to develop, test, and evaluate requirements, including designing prototypes and processes, with RDT&E appropriations. DoD organizations use RDT&E funds to develop major system upgrades, to purchase test articles, and to conduct developmental testing and initial operational testing and evaluation before they accept systems and have them produced. In general, RDT&E funds should be used for all developmental activities involved with new systems or major upgrades. RDT&E funds are available for obligation for 2 years.

Operation and Maintenance

Expenses incurred in continuing operations and current services are funded with O&M appropriations. The DoD Comptroller considers all modernization costs under \$250,000 to be expenses, as are one-time projects such as developing planning documents and conducting studies. O&M funds are available for obligation for 1 year.

Procurement

The acquisition and deployment of a complete system or the modification of a system with a cost of \$250,000 or more is an investment and should be funded with a procurement appropriation. Complete system cost is the aggregate cost of all Components (for example, equipment, integration, engineering support, and software) that are part of, and function together, as a system to meet an approved documented requirement. For modification efforts, count only the cost of the upgrade (for example, new software, hardware, and technical assistance) towards the investment threshold. Procurement funds are available for obligation for 3 years.

Defense Working Capital Fund

The Defense Working Capital Fund is a revolving fund, which means that it relies on sales revenue instead of direct appropriations to finance its operations. A DoD organization that has a Defense Working Capital Fund receives reimbursements from another organization for the goods purchased or the services rendered. The revolving fund operates on a break-even basis over time, that is, the DoD organization operating the Defense Working Capital Fund neither makes a profit nor incurs a loss. Rates are adjusted annually to keep the fund in balance. Defense Working Capital Funds do not have a restriction on the time they are available for obligation.

Military Construction

A military construction project includes the cost of all military construction work to produce a complete and usable facility or a complete and usable improvement to an existing facility. According to 10 U.S.C. 2802, the Secretary of Defense and the Secretaries of the Military Departments may carry out such military construction projects as are authorized by law. According to 10 U.S.C. 2805, the Secretary of Defense and the Secretaries of the Military Departments may carry out unspecified minor construction projects equal to or less than \$1.5 million. If the project is to correct a deficiency that is life, health, or safety threatening, then the Secretary may approve the project to cost up to \$3 million. Military construction funds are available for obligation for 5 years.

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Director, Program Analysis and Evaluation

Department of the Navy

Commandant of the Marine Corps
Assistant Secretary of the Navy (Manpower and Reserve Affairs)
Naval Inspector General
Auditor General, Department of the Navy
Commander, Marine Corps Base Camp Pendleton Comptroller
Commander, Marine Corps Base Quantico Comptroller
Commander, First Marine Expeditionary Force Comptroller

Other Defense Organizations

Director, Defense Finance and Accounting Service

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments



COMPTROLLER

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

JUN 15 2006

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING
SERVICE, OFFICE OF INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE

SUBJECT: Response to Draft Audit Report, "Marine Corps Governmental Purchases,"
Project No. D2005-D000FH-0288.000

Our response to the subject draft audit report recommendations, directed to the
Under Secretary of Defense (Comptroller)/Chief Financial Officer is attached.

We appreciate the opportunity to respond to your draft audit report. My point of
contact is Mrs. Carol Phillips, she can be reached by telephone at 703-693-6503 or by
e-mail at carol.phillips@osd.mil.

A handwritten signature in black ink, appearing to read "T. McKay", is positioned above the printed name and title.

Teresa McKay
Deputy Chief Financial Officer

Attachment:
As stated

cc:
ODGC(F)
OUSD(AT&L)/DPAP

Response to Draft Audit Report
“Marine Corps Governmental Purchases”
Issued by the Office of the Inspector General (OIG), Department of Defense (DoD)

OIG Recommendation A.1.a. *We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO)) revise the DoD Financial Management Regulations (“DODFMR”), volume 11A, Chapter 3 to clarify the requirements that MIPRs, interagency purchases, and their equivalents must be supported by Determinations and Findings (D&F) or a Support Agreement.*

Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Response.
Nonconcur. The “DoDFMR” Volume 11A, Chapter 3, “Economy Act Orders” (April 2000), currently requires that all Economy Act orders be supported by a D&F. This policy reflects the requirements in the Federal Acquisition Regulations (FAR), Part 17.5, which mandates that Economy Act orders shall be supported by a D&F. Specifically, the “DoDFMR” Volume 11A, Chapter 3, Section 030202.A states:

A. In general, all Economy Act orders must be supported by a Determinations and Findings (D&F) that the use of interagency support capabilities is in the best interest of the government and that the required goods, supplies, or services cannot be obtained as conveniently or economically by contracting directly with a private source.

Further, Section 030202, paragraph B, requires the following:

B. Economy Act orders that require a contract action by a non-DoD servicing agency also will include a statement on the Determinations and Findings (D&F) that supplies and services provided comply with one or more of the following provisions:

1. The acquisition appropriately will be made under an existing contract of the servicing agency, entered into before placement of the order, to meet the requirements of the servicing agency for the same or similar goods, supplies, or services;
2. The servicing agency has the capabilities or expertise to enter into a contract for such goods, supplies, or services which are not available within the requesting agency; or
3. The servicing agency specifically is authorized by law or regulation to purchase such goods, supplies, or services on behalf of other agencies.

Deleted

OIG Recommendation A.1.b. *Revise the DoD Financial Management Regulations, volume 11A, chapter 3 to define the term interagency to clarify whether DoD organizations (Army, Navy, Air Force, etc.) are considered separate agencies or the entire DoD is considered one agency.*

OUSD(C) Response. Nonconcur. The “DoDFMR” Volume 11A, Chapter 3 (April 2000), currently states that Economy Act transactions include “interservice and intergovernmental support, where an activity needing supplies or services (requesting agency/customer) obtains them from another activity (servicing agency/performer).” Further, Section 030102 of Chapter 3 states:

The Economy Act provides authority for federal agencies to order goods and services from other federal agencies (including other Military Departments and Defense Agencies) and to pay the actual costs of those goods and services. Within the Department, an activity within a DoD Component may place an order with another activity within the same DoD Component, another DoD Component or with another federal agency for goods or services.

United States Marine Corps Comments



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
D2005-0288

RFR-50

11 May 2006

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING
SERVICE

SUBJ: DRAFT AUDIT REPORT ON MARINE CORPS GOVERNMENTAL
PURCHASES (PROJECT No. D2005-D000FH-0288.000)

Ref: (a) DODIG Memo of March 13, 2006

Encl: (1) Marine Corps comments

- (2) CMC letter of 6 Apr 05, PROPER USE OF NON-DOD CONTRACTS AND OTHER
MATTERS
- (3) MARADMIN 447/05, IMPLEMENTATION OF STANDARD FINANCIAL
MANAGEMENT BUSINESS PRACTICES (SFMBP)
- (4) MSGID 050018Z, IMPLEMENTATION OF SFMBP

1. In accordance with the reference, the Marine Corps has reviewed the subject draft report and
provides the comments at the enclosure.

A handwritten signature in cursive script, reading "Charles E. Cook, III".

Charles E. Cook, III

By Direction

MARINE CORPS COMMENTS
ON
DODIG DRAFT AUDIT REPORT
ON
MARINE CORPS GOVERNMENTAL PURCHASES
PROJECT # D2005-D000FH-0288.000

1. The Marine Corps has reviewed the draft audit, and the following comments are provided:

a. Recommendation A.2.a. "We recommend that the Commandant of the Marine Corps direct Comptroller offices to initiate preliminary reviews and possible corrective actions for MIPRs in Appendix C that violated or potentially violated the Antideficiency Act as defined by the DODFMR."

(1) The Marine Corps concurs in the recommendation.

(2) The Marine Corps, in coordination with the office of the ASN(FM&C), will initiate a formal Preliminary Review, and take corrective actions where necessary. Estimated completion date for record purposes is 1 August 2006.

b. Recommendation A.2.b. "We recommend that the Commandant of the Marine Corps develop procedures and controls, such as a checklist, that ensure all data and supporting documents are developed and appropriately reviewed, before a MIPR is certified."

(1) The Marine Corps concurs in the recommendation.

(2) Procedures have been developed and published in a CMC policy letter on the requirements of MIPRs, to include a checklist and the requirement for Determinations and Findings (Encl 2).

c. Recommendation A.2.c. "We recommend that the Commandant of the Marine Corps develop roles and responsibilities of offices involved in the MIPR process to ensure proper enforcement of Federal, DOD, and Marine Corps guidance."

(1) The Marine Corps concurs in the recommendation.

(2) Roles and responsibilities have been outlined in the CMC policy letter (Encl 2).

d. Recommendation A.2.d. "We recommend that the Commandant of the Marine Corps develop procedures and controls that ensure all required MIPR documents and source documentation, including support for the receipt of ordered goods and services and the validity of related disbursements, are properly maintained in a single file location."

Encl (1)

- (1) The Marine Corps concurs in the recommendation.
- (2) These responsibilities are contained in the requirements for standard process flows (Encl 3 & 4). The update of MCO P7300.21 (currently being drafted with anticipated publication by 31 October 2006) will also contain these detailed requirements.
- e. Recommendation A.2.e. "We recommend that the Commandant of the Marine Corps clarify the Marine Corps guidance requiring that military interdepartmental purchase requests be accompanied with a D&F, support agreement, or Memo for Record."
- (1) The Marine Corps concurs in the recommendation.
- (2) Clarification is provided in the CMC letter (Encl 2) and will be included in the update to MCO P7300.21. Estimated completion date is 31 October 2006.
- f. Recommendation A.2.f. "We recommend that the Commandant of the Marine Corps direct the Marine Corps Comptroller offices to develop or update internal guidance and training on developing, processing, and executing military interdepartmental purchase requests."
- (1) The Marine Corps concurs in the recommendation.
- (2) In fulfillment of the recommendation, correspondence will be sent to Marine Corps comptrollers. Estimated completion date is 30 June 2006.
- g. Recommendation B.1. "We recommend that the Commandant of the Marine Corps perform periodic assessments of internal controls identified by commands' management control programs to determine effectiveness and reliability of internal controls."
- (1) The Marine Corps concurs in the recommendation.
- (2) Marine Corps managers annually perform internal control assessments over assessable units. The results of these command assessments are part of the support commands use in their annual statement of assurance to CMC in support of his statement of assurance on internal controls to the Secretary of the Navy. This requirement for the Marine Corps evaluation of internal controls is contained in MCO 5200.24C
- h. Recommendation B.2. "We recommend that the Commandant of the Marine Corps report the material weaknesses identified in finding A of this report and other material weaknesses identified through assessments in its annual statement of assurance until corrected."
- (1) The Marine Corps concurs in the recommendation.
- (2) The weaknesses contained in the subject audit will be presented to the Marine Corps Internal Control Senior Assessment Team (SAT) for consideration for inclusion in the CMC Internal Control Certification Statement.

(3) The determination of reportable material weaknesses to be included in the Internal Control Certification Statement is a management decision, not an auditor decision. The SAT is a flag level committee established to review internal control weaknesses and decide which weaknesses will be reported in the CMC Internal Control Certification Statement.



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
2 NAVY ANNEX
WASHINGTON, DC 20380-1775

IN REPLY REFER TO:
LB/PR
4200

APR 6 2005

From: Commandant of the Marine Corps

Subj: PROPER USE OF NON-DOD CONTRACTS AND OTHER MATTERS

Ref: (a) National Defense Authorization Act, FY 2005, Section 854
(b) OSN memo of 20 Dec 04, same subject
(c) OSD memo of 29 Oct 04, same subject

Encl: (1) Revised MAPS Subpart 17.5, Appendix L and Appendix M

1. As indicated in references (a), (b) and (c) recent Department of Defense (DoD) and other non-DoD Inspector General audits found that DoD has encountered a variety of problems using contracts awarded by non-DoD agencies. Congress and the Offices of the Secretary of Defense (OSD) and the Secretary of the Navy (OSN) reacted to these findings of abuse by requiring specific approvals for use of non-DoD contracts.

2. To address the problems identified, we must work as a team to stop any improper "off-load" of dollars to other agencies for contracting on our behalf. This requires collaboration among the requirements, program management, financial management, legal, and contracting communities. Fortunately, we already have in place procedures that accomplish most of what we have been tasked to repair in the form of the Marine Corps Acquisition Procedures Supplement (MAPS), Subpart 17.5 (Dec 2004). These procedures were further revised to address references (a), (b) and (c) and are provided as an enclosure for implementation within the Marine Corps. The thrust of the enclosure is to ensure that no funds are transferred outside of the Marine Corps without a specific documented review by the Marine Corps supporting contracting officer and the requiring office comptroller.

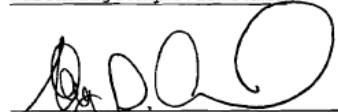
3. In order to ensure the implementation of this oversight process Marine Corps-wide, in consonance with this guidance, MARCORSYSCOM will issue separate procedures applicable to its command.

4. We are confident that with the personal involvement and oversight of personnel within your organizations, we can fix any problems that may exist within the Marine Corps when using non-DoD contacts to satisfy our requirements. In addition, there is a potential for savings in the fees that would otherwise be paid to those external offices that contract on our behalf.

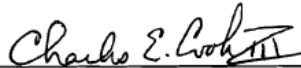
Encl (2)

Subj: PROPER USE OF NON-DOD CONTRACTS AND OTHER MATTERS

5. Please ensure widest dissemination of this guidance. The Headquarters Marine Corps point of contact in this matter is Mr. John Marshall. He can be reached at (703) 695-6225 x2548 or via e-mail at marshalljc@hqmc.usmc.mil.



SHAY D. ASSAD
Assistant Deputy Commandant
Installations and Logistics
(Contracts)



CHARLES E. COOK III
Assistant Deputy Commandant
Programs and Resources
(Fiscal)

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Subj: PROPER USE OF NON-DOD CONTRACTS AND OTHER MATTERS

Copy to:

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CG 1st FSSG (CCO,COMPT)
COMMARCORSSYSCOM (CT,COMPT)
CG MAGTFTC Twentynine Palms (CCO,COMPT)
CG MCB Hawaii (LSCP,COMPT)
CG MCB Camp Butler (RCO,COMPT)
CG MCAS Miramar (5KB,COMPT)
CG 2d FSSG (CCO,COMPT)
CG MCRD ERR Parris Island (RCO,COMPT)
CG 3d FSSG (CCO,COMPT)
CG MCAS Cherry Point (SUL,COMPT)
CG MCLC Albany (89,COMPT)
CO MCB Quantico (RCO,COMPT)
CO MCLB Barstow (B340,COMPT)
CO BIC Jacksonville (910,COMPT)
CO MCAS Beaufort (SUPO,COMPT)
CO MCAF Quantico (SUPO,COMPT)
CO MCAS Yuma (CCO,COMPT)
CO MCAS Iwakuni (4CTL,COMPT)
CO MCMC Kansas City (MFCO,COMPT)
CO MCMWTC Bridgeport (SUP,COMPT)
DIR MCCS (MRB-4,COMPT)

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Part 17—Special Contracting Methods

SUBPART 17.5—INTERAGENCY ACQUISITIONS UNDER THE ECONOMY ACT

17.501 Definitions

As used in this subpart—

"Assisting Activity" means the department/agency/activity outside of the Marine Corps with contracting responsibility for a Marine Corps requirement.

"Assisted Acquisition" means a contract awarded or a task or delivery order placed on behalf of the Marine Corps by an official of the United States outside of the Marine Corps.

"Direct Acquisition" means a task or delivery order placed by a Marine Corps Contracting Officer/Ordering Officer against a contract vehicle established outside of the Marine Corps.

"Non-Marine Corps contracts" means contracts awarded by an official outside the Marine Corps. These include optional use Federal Supply Schedules, Blanket Purchase Agreements issued against Federal Supply Schedules, and other contracts/schedules awarded outside the Marine Corps.

"Requiring Individual" means the individual in the organization responsible for identifying and fulfilling the requirement.

"Requiring Activity Supporting Contracting Office" means the Marine Corps contracting activity normally providing contracting support to the requiring organization.

17.502-100 General

(a) The Economy Act, 31 United States Code 1535, provides tremendous flexibility in the execution of our mission by allowing the Marine Corps to legally transfer funds outside the Marine Corps to other federal agencies. The Act authorizes federal agencies to obtain supplies or services via interagency acquisitions that are determined to be in the best interest of the Government when the supplies or services cannot be obtained as conveniently or economically by contracting directly with a private source.

(b) FAR 17.5, DFARS 217.5, and NMCARS 5217.5 provide overarching guidance on the implementation of the Economy Act at the federal, Department of Defense, and Department of the Navy level. Within the Marine Corps, the ADC, I&L (Contracts) and COMMARCORSYSCOM have been delegated the authority to approve the D&Fs required under this section.

(c) Section 854 of the National Defense Authorization Act (NDAA) FY 2005, as implemented by OSD and OSN memorandums of 29 October 2004 and 20 December 2004, respectively, require additional reviews, approvals, and reporting for all interagency acquisitions using non-DoD contracts. This applies to acquisitions using the authority of the Economy Act or other specific statutory authority federal civilian agencies have to contract for other agencies (e.g., Franchise Funds). MAPS Subpart 17.5 implements these additional requirements Marine Corps wide.

December 2004 Change 1

17-1

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Part 17—Special Contracting Methods

17.503 Determinations and findings requirements

The following policy applies to all activities that use non-Marine Corps contracts to satisfy their requirements.

(a) Assisted acquisitions regardless of dollar amount made through non-DoD agencies (e.g., federal civilian agencies to include their franchise funds), and assisted acquisitions greater than \$1M made through DoD agencies (e.g., Army, Navy, Air Force, DLA, DAPS). To comply with the Economy Act and Section 854, NDAA, the CCO, with the assistance of the Requiring Individual, will prepare the Economy Act D&F and will forward it to ADC, I&L (Contracts) for approval before any funds are transferred outside the Marine Corps. Appendix L provides the outline, the information required to comply with the law, and approvals required in the D&F.

(b) Assisted acquisitions less than \$1M made through DoD agencies (e.g., Army, Navy, Air Force, DLA, DAPS). The Marine Corps must make an affirmative declaration that the proposed action meets the requirements of the Economy Act. Prior to the transfer of any Marine Corps funds to another Military Service or DoD agency, the CCO will document the file with a Memorandum for the Record (MFR) articulating why such action complies with all of the requirements of the Economy Act. Appendix M provides the outline, information, and approvals required in the MFR.

(c) These procedures do not apply to:

(1) Supplies and services procured under mandatory supply sources as defined in FAR Part 8 (e.g., purchases on the Procurement List maintained by the Committee for Purchase From People Who Are Blind or Severely Disabled—JWOD).

(2) Micro-purchases of supplies or services using the GCPC.

(3) Mobile (cellular) phone services and mobile data (i.e., BlackBerry® and like devices) services (ASN RD&A policy memo of 7 March 2005).

(4) Architect-engineer, construction and facilities support contracts performed by NAVFACENGCOM per NMCARS 5201.601-90(a)(1).

(5) Construction procured from the Army in Japan and Okinawa per DoDD 4270.5.

(d) The Requiring Individual who generates requirements for execution under the Economy Act or other interagency vehicles is responsible for providing the needed information to the contracting office so that the requisite documentation can be completed. In addition, the cognizant Comptrollers will not release funds for interagency procurements until the required documentation has been completed. Comptrollers will also take necessary actions to ensure appropriate tracking of funding transferred outside the Marine Corps to ensure a proper audit trail.

(e) The Requiring Activity Supporting Contracting Office that normally provides contracting support to the requiring organization shall record data using the "Requiring Organization Report Format" specified in attachment (1) to DoN Guidelines for Proper Use of Non-DoD Contracts.

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Part 17—Special Contracting Methods

These reports are required for actions to non-DoD agencies that require D&Fs or documentation under MAPS 17.503(a) or (f). The reports shall be retained in electronic format for at least two years following completion of the resultant contract/order, and be available for transmission to higher authority upon request.

(f) Direct Acquisitions

(1) Direct acquisitions of supplies and services greater than \$100,000 and less than \$1M. Pursuant to paragraph 5 of the DoN Guidelines for Proper Use of Non-DoD Contracts (14 December 2004), a direct acquisition includes a task or delivery order placed by a Marine Corps Contracting Officer/Ordering Officer against a contract vehicle established outside of the DoD (e.g., federal civilian agencies to include their franchise funds). Direct acquisitions include optional use Federal Supply Schedules, Blanket Purchase Agreements issued against Federal Supply Schedules, and other contracts/schedules awarded outside the Marine Corps. Approvals for direct acquisitions may be documented using the outline and information in Appendix M or be documented directly in a Business Clearance Memorandum (BCM). If the BCM is utilized, all required information in paragraph 5 of the DoN Guidelines for Proper Use of Non-DoD Contracts (14 December 2004) must be included. Approval authority for direct acquisitions is the business clearance approval official.

(2) Direct acquisitions of supplies and services greater than \$1M. Approvals for direct acquisitions shall be documented using the outline and information in Appendix L. Approval authority for direct acquisitions greater than \$1M is ADC, I&L (Contracts).

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Appendix L—Determination and Findings - Economy Act

Sample D&F for Assisted Acquisitions Made Through Non-DoD Agencies (e.g., Federal Civilian Agencies to include their Franchise Funds - GSA, Agriculture, Commerce, Energy, Treasury)

OR

Assisted Acquisitions Greater Than \$1M Made Through DoD Agencies (e.g., Army, Navy, Air Force, DLA, DAPS)

OR

All Direct Acquisitions Greater Than \$1M

Control No. In Right Header (e.g., MCLBA 10001)

(Use Contracting Office Letterhead)

Economy Act Order

Determination and Findings

(31 U.S.C. 1535; FAR 17.5; DFARS 217.5; MAPS 17.503)

FINDINGS

1. **Requiring Office.** Identify the requiring office, including the Requiring Individual for the requirement.
2. **Assisting Activity.** Identify the office that will be sent the funds and asked to provide or procure the required goods or services.
3. **Procurement Description.** Identify the type of goods or services to be provided or procured. Identify the amount and type (appropriation and year) of funds that will be provided.
4. **Competition.** Identify the nature and extent of competition that the assisting activity will use to satisfy the requirement. Explain any noncompetitive actions.
5. **Small Business.** Explain the extent to which the small business, small disadvantaged business, woman-owned small business, Historically-Underutilized Business Zone small business, and/or service-disabled veteran-owned small business programs could be utilized.

Explain the acquisition history of the requirement, including contract number(s) of any small businesses, which have performed on the requirement during the previous 24 months. Identify if the requirement involves bundling or consolidation and provide information for incumbent contractors and the contracts affected by the bundling (See FAR 7.107) or consolidation (see DFARS 207.170).

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Appendix L—Determination and Findings - Economy Act

6. Performance-based statements of work. Describe the extent to which a performance-based statement of work is used to identify the requirement. Attach a copy of the statement of work to the D&F.

7. Services. If the requirement is for services, document that the approvals required by the Navy-Marine Corps Acquisition Regulation Supplement 5237.170-3(b) have been obtained.

8. Personal vs. non-personal services. Include a statement that the requirement is for non-personal services only. If for "personal services" provide the statutory authority permitting the transaction.

9. Advisory and Assistance Services. Identify if the requirement includes any advisory and assistance services. If they are required, obtain appropriate high-level endorsement.

10. Rationale. Explain why use of an interagency acquisition is in the best interest of the DoD in terms of satisfying customer requirements, cost effectiveness, delivery schedule, non-availability of suitable contracts within DoD, contract administration and any other applicable considerations. If the assisting activity will be providing the supplies or services in-house, discuss why the requirement cannot be obtained as conveniently or economically by contracting directly with a private source. If the assisting activity will contract for the requirement, address whether: (a) The acquisition will be made under an existing contract the assisting activity has in place to meet its own requirements; (b) The assisting activity has capabilities or expertise to enter into a contract for the requirement the Marine Corps does not have; or (c) If the assisting activity is specifically authorized by law or regulation to purchase the requirement on behalf of other agencies.

11. Cost/Fees Charged. Identify fees, if any, charged by assisting activity to process/administer order. Include fee percentage and estimated dollars.

DETERMINATION

A. The use of an interagency acquisition is in the best interest of the Government.

B. This requirement cannot be obtained as conveniently or economically by contracting directly with a private source.

C. DoD/DoN unique terms and conditions were provided to the assisting activity and will be included in the contract award.

D. Funding is available and appropriate for the acquisition.

If the assisting activity will be contracting for the goods and services, choose at least one of the following and insert as paragraph E in the determinations section of the D&F:

E. The acquisition will appropriately be made under an existing contract of the assisting activity, entered into before placement of this Economy Act/Franchise Fund Order, to meet its own requirements for the same or similar services. Goods or services being ordered are within the scope of the basic contract.

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Appendix L—Determination and Findings - Economy Act

F. The assisting activity has capabilities or expertise to enter into a contract for this requirement that is not available within the Marine Corps.

G. The assisting activity is specifically authorized by law or regulation to purchase this requirement on behalf of other agencies.

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Appendix L—Determination and Findings - Economy Act

APPROVALS

(Typed Name and Title to be included below all signatures)

Approved: (Signature) _____
Requirements/Program Management Official Date

Approved: (Signature) _____
Marine Corps Regional Chief of the Contracting Office Date

Approved: (Signature) _____
Requiring Office Comptroller Date

Legally Sufficient: (Signature) _____
CL field Counsel Date

Approved: (Signature) _____
Assistant Deputy Commandant, I&L (Contracts) Date

The authorities below will not be involved in the approval process unless the dollar value exceeds \$50M/\$500M.

Approved: _____
Deputy Assistant Secretary of the Navy for Acquisition
Management
(actions >\$50M) Date

Approved: _____
Assistant Secretary of the Navy (Research, Development
and Acquisition)
(actions >\$500M) Date

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Appendix M—Memorandum For The Record - Economy Act

**Sample MFR for Assisted Acquisitions Less Than \$1M Made Through DoD Agencies
(e.g., Army, Navy, Air Force, DLA, DAPS)**

OR

Direct Acquisitions Greater Than \$100,000 and Less Than \$1M

Control No. In Right Header (e.g., MCLBA 10001)

(Use Contracting Office Letterhead)

Economy Act Order

Contracting Officer's Memorandum For The Record

(31 U.S.C. 1535; FAR 17.5; DFARS 217.5; MAPS 17.503)

FINDINGS

1. Requiring Office. Identify the requiring office, including the Requiring Individual for the requirement.
2. Assisting Activity. Identify the office that will be sent the funds and asked to provide or procure the required goods or services.
3. Procurement Description. Identify the type of goods or services to be provided or procured. Identify the amount and type (appropriation and year) of funds that will be provided.
4. Competition. Identify the nature and extent of competition that the assisting activity will use to satisfy the requirement. Explain any noncompetitive actions.
5. Determination.

A. The use of an interagency acquisition is in the best interests of the Government.

B. This requirement cannot be obtained as conveniently or economically by contracting directly with a private source.

If the assisting activity will be contracting for the goods and services, choose at least one of the following and insert as paragraph 5.C. of the MFR:

C. The acquisition will appropriately be made under an existing contract of the assisting activity, entered into before placement of this Economy Act Order, to meet its own requirements for the same or similar services.

D. The assisting activity has capabilities or expertise to enter into a contract for this requirement that is not available within the Marine Corps.

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Appendix M—Memorandum For The Record - Economy Act

E. The assisting activity is specifically authorized by law or regulation to purchase this requirement on behalf of other agencies.

5. (Alternate Paragraph) Determination for Direct Acquisitions.

A. The use of an interagency acquisition is in the best interests of the DoD in terms of satisfying customer requirements, cost effectiveness, delivery schedule, non-availability of a suitable contract(s) within DoD, contract administration and any other applicable considerations.

B. This requirement cannot be obtained as conveniently or economically by contracting directly with a private source.

C. Funding is available and appropriate for the acquisition.

D. Terms, conditions and/or requirements unique to DoD or DoN are incorporated into the action to comply with applicable statutes, regulations and directives.

E. Supplies/Services being ordered are within the scope of the basic contract(s).

F. Compliance with the approval requirements at NMCARS 5237.170-3 (if for direct acquisition of services).

If the assisting activity will be contracting for the goods and services, choose at least one of the following and insert as paragraph 5.G. of the MFR:

G. The acquisition will appropriately be made under an existing contract of the assisting activity to meet its own requirements for the same or similar services.

H. The assisting activity has capabilities or expertise to enter into a contract for this requirement that is not available within the Marine Corps.

I. The assisting activity is specifically authorized by law or regulation to purchase this requirement on behalf of other agencies.

6. Small Business. Explain the extent to which the small business, small disadvantaged business, woman-owned small business, Historically-Underutilized Business Zone small business, and/or service-disabled veteran-owned small business programs could be utilized.

Explain the acquisition history of the requirement, including contract number(s) of any small businesses, which have performed on the requirement during the previous 24 months. Identify if the requirement involves bundling or consolidation and provide information for incumbent contractors and the contracts affected by the bundling (See FAR 7.107) or consolidation (see DFARS 207.170).

7. Performance-based statements of work. Describe the extent to which a performance-based statement of work is used to identify the requirement. Attach a copy of the statement of work to the MFR.

MARINE CORPS ACQUISITION PROCEDURES SUPPLEMENT

Appendix M—Memorandum For The Record - Economy Act

8. Personal vs. non-personal services. Include a statement that the requirement is for non-personal services only. If for "personal services" provide the statutory authority permitting the transaction.

APPROVALS

Approved: _____
Requiring Individual Date

Approved: _____
Marine Corps Regional Chief of the Contracting Office Date

Approved: _____
Requiring Office Comptroller Date

Legally Sufficient: _____
CL field Counsel Date



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MARADMIN 447/05

Date signed: 09/28/2005 **MARADMIN Number:** 447/05
Subject: IMPLEMENTATION OF STANDARD FINANCIAL MANAGEMENT BUSINESS PRACTICES (SFMBP)

R 291937Z SEP 05
FM CMC WASHINGTON DC(UC)
TO AL MARADMIN(UC)
MARADMIN 447/05
MSGID/GENADMIN/CMC WASHINGTON DC PR RFA//
SUBJ/IMPLEMENTATION OF STANDARD FINANCIAL MANAGEMENT BUSINESS PRACTICES (SFMBP) //

GENTEXT/REMARKS/1. BACKGROUND. THE MARINE CORPS' FINANCIAL MANAGEMENT GOAL IS TO IMPROVE ACCOUNTABILITY AND PERFORMANCE BY PRODUCING RELIABLE, CONSISTENT AND TIMELY FINANCIAL INFORMATION FROM WHICH COMMANDERS MAY DEVISE PLANS AND BASE DECISIONS. A KEY COMPONENT FOR ACHIEVING THIS GOAL IS TO IDENTIFY BEST BUSINESS PRACTICES AND TO STANDARDIZE MARINE CORPS PROCESSES BY IMPLEMENTING THOSE PRACTICES. DURING FY 2005, HQMC FACILITATED WORKSHOPS TO ANALYZE, DOCUMENT AND STANDARDIZE FINANCIAL MANAGEMENT BUSINESS PRACTICES THROUGHOUT THE MARINE CORPS. MAJOR COMMANDS PROVIDED SUBJECT MATTER EXPERTS THAT IDENTIFIED, REVIEWED, AND RECOMMENDED STANDARD BUSINESS PRACTICES. FROM THESE WORKSHOPS AND SUBJECT MATTER EXPERTS, SFMBP WERE DEVELOPED AND APPROVED FOR IMPLEMENTATION. THE APPROVED SFMBP ARE AVAILABLE ON THE FINANCIAL IMPROVEMENT INITIATIVE (FII) WEBSITE WHICH MAY BE ACCESSED VIA THE HQMC FRONT PAGE [HTTP://WWW.HQMC.USMC.MIL/HQMCMAIN.NSF/FRONTPAGE](http://www.hqmc.usmc.mil/hqmcmain.nsf/frontpage)

2. IMPLEMENTATION. BY 1 OCT 2005, FUND HOLDERS ARE DIRECTED TO BEGIN IMPLEMENTATION OF THE SFMBP. FULL IMPLEMENTATION OF SFMBP MUST BE COMPLETED NLT 1 APR 2006.

3. ACTIONS.

A. ASSISTANT CHIEF OF STAFF, COMPTROLLER, TAKE THE FOLLOWING ACTIONS: 1) ENSURE FULL IMPLEMENTATION THE SFMBP. 2) ENSURE FUND HOLDERS INCORPORATE SFMBP INTO LOCAL FINANCIAL MANAGEMENT STANDARD OPERATING AND DESKTOP PROCEDURES.

B. DIRECTOR, MARINE CORPS FINANCIAL EVALUATION AND ANALYSIS TEAM (MCFEAT). DEVELOP PLAN AND SCHEDULE TO VISIT COMMANDS TO ASSESS THE EFFECTIVE IMPLEMENTATION OF THE SFMBP.

C. COMMANDING OFFICER, FINANCIAL MANAGEMENT SCHOOL. REVIEW AND MODIFY PROGRAM OF INSTRUCTION TO PROVIDE FORMAL EDUCATION OF THE SFMBP.

4. POC FOR THE SFMBP IS MR. JOEL NANKIVEL, HQMC-RFA, CMCL
703-614-9301/9302, DSN 224, JOELN@HQMC.USMC.MIL //

<http://www.usmc.mil/maradmins/maradmin2000.nsf/0872a7ac9a4c08a6852569b9000bc3f...> Encl (3) 9/30/2005

UNCLAS 050018Z JAN 06 CMC WASHINGTON DC PR RFA

UNCLAS 050018Z JAN 06 CMC WASHINGTON DC PR RFA

TO COMMARFORLANT COMPT(uc)
CC COMMARFORPAC(uc)
CMC WASHINGTON DC PR RFA(uc)
COMMARFORRES(uc)

MSGID/GENADMIN/CMC WASHINGTON DC PR RFA//
**SUBJ/IMPLEMENTATION OF STANDARD FINANCIAL MANAGEMENT
BUSINESS PRACTICES (SFMBP)//**
REF/A/OMB CIRCULAR A-123 /APPENDIX A/-/-/-//
REF/B/CMC R291937Z SEP 05/(MARADMIN 447-05/-/-/-/-//
REF/C/COMMARFORCOM COMPT/COMPT 201940Z DEC 05/-/-/-/-//
REF/D/MCO 7300.21/-/-/-/-/-//
POC/NANKIVEL JOEL GS14/CMC DC PR RFA/DSN 224-9301/-/-/-//
GENTEXT/REMARKS///RMKS/

1. REF A REQUIRES THAT ALL OPERATIONAL EVENTS THAT BECOME A FINANCIAL TRANSACTION MUST HAVE ASSOCIATED AND DOCUMENTED PROCESS FLOWCHARTS. THESE FLOW CHARTS MUST REFLECT THE PROCESS FROM POINT OF ORIGIN THRU SERVICE PROVIDERS AND SYSTEMS AND INTO THE FINANCIAL STATEMENTS. TO MEET THE REQUIREMENTS OF REF A, THE MARINE CORPS CONDUCTED SEVERAL WORKING GROUPS WITH PARTICIPATION AND INPUT FROM SUBJECT MATTER EXPERTS SELECTED BY ALL MAJOR MARINE CORPS COMMANDS, BOTH INSTALLATIONS AND OPERATING FORCES, TO ANALYZE AND DOCUMENT THE PROCESSES REQUIRED TO OBTAIN GOODS AND SERVICES AND RECORD THESE EVENTS IN THE ACCOUNTING SYSTEM. THE RESULTS OF THESE EFFORTS WAS THE CREATION OF THE MARINE CORPS STANDARD PROCESS FLOW DOCUMENT PUBLISHED JULY 2005. THE PROCESS FLOW DOCUMENT WAS STAFFED TO ALL MAJOR COMMANDS FOR REVIEW AND CONCURRENCE, WITH APPROPRIATE CHANGES MADE, PRIOR TO PUBLICATION.

2. REF B PROVIDED IMPLEMENTATION INSTRUCTIONS OF THE STANDARD PROCESS FLOWS AND REQUIRED COMPTROLLERS TO INCORPORATE THESE PROCESSES INTO THEIR LOCAL STANDARD AND DESK TOP OPERATING PROCEDURES. THE REQUIRED IMPLEMENTATION DATE IS 1 APR 2006. THIS IMPLEMENTATION DATE IS REQUIRED TO MEET ESTABLISHED MILESTONES IN SUPPORT OF THE MARINE CORPS FINANCIAL IMPROVEMENT INITIATIVE AND TO SUPPORT FINANCIAL STATEMENT AUDIT ASSURANCE OF COMPLIANCE WITH THE REQUIREMENTS OF REF A.

UNCLAS 050018Z JAN 06 CMC WASHINGTON DC PR RFA

3. REF C REQUESTS SUSPENSION OF CURRENT IMPLEMENTATION DATE AND REQUESTS A REVIEW AND UPDATE OF REF D, THE MARINE CORPS FINANCIAL EXECUTION STANDARD OPERATING PROCEDURE MANUAL, PRIOR TO IMPLEMENTING THE SFMBP.

4. DC PR (RFA) IS IN THE PROCESS OF REVIEWING AND UPDATING REF D. HOWEVER, THE IMPLEMENTATION OF THE SFMBP IS NOT DEPENDENT UPON THIS ACTION. THE MARINE CORPS STANDARD PROCESS FLOW DOCUMENT CONTAINS SUFFICIENT DETAIL AS TO PURPOSE AND USE TO MEET THE IMPLEMENTATION REQUIREMENTS OF REF B.

5. WAIVER FOR SUSPENSION OF CURRENT SFMBP IMPLEMENTATION DATE REQUIRED BY REF B IS NOT GRANTED. IF COMMANDS ARE EXPERIENCING DIFFICULTY IN UNDERSTANDING THE PUBLISHED PROCESS WORK FLOWS PLS CONTACT MSG POC WHO WILL ANSWER QUESTIONS OR COORDINATE SITE VISIT IF REQUIRED.//

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