

September 27, 2006



Financial Management

Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components (D-2006-118)

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Acronyms

ASD(HD)	Assistant Secretary of Defense for Homeland Defense
DERF	Defense Emergency Response Fund
DESC	Defense Energy Support Center
DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DRMS	Defense Reutilization and Marketing Service
DSCP	Defense Supply Center Philadelphia
FEMA	Federal Emergency Management Agency
FMR	Federal Management Regulation
FM-Katrina	Financial Manager, Katrina Task Force
GAO	Government Accountability Office
NGA	National Geospatial-Intelligence Agency
USD(C/CFO)	Under Secretary of Defense (Comptroller)/Chief Financial Officer
USNORTHCOM	United States Northern Command
USSOCOM	United States Special Operations Command
USTRANSCOM	United States Transportation Command



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September 27, 2006

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
/CHIEF FINANCIAL OFFICER
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
COMMANDER, U.S. NORTHERN COMMAND

SUBJECT: Report on Financial Management of Hurricane Katrina Relief Efforts at
Selected DoD Components (Report No. D-2006-118)

We are providing this report for your information and use. We performed this audit in support of Public Law 109-62. We considered management comments on the draft report when preparing this report.

The Under Secretary of Defense (Comptroller/Chief Financial Officer) and the Commander, U.S. Northern Command comments conformed to the requirements of DoD Directive 7650.3; therefore, additional comments are not required. As a result of management comments, we revised Recommendation 2 to clarify our intentions.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Lorin T. Pfeil at (703) 325-5568 (DSN 221-5568) or Mr. Henry Y. Adu at (703) 325-6008 (DSN 221-6008). See Appendix D for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Paul J. Granetto", is positioned above the printed name.

Paul J. Granetto
Assistant Inspector General
Defense Financial Auditing Service

Department of Defense Office of Inspector General

Report No. D2006-118

September 27, 2006

(Project No. D2006-D000FE-0010.000)

Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components

Executive Summary

Who Should Read This Report and Why? DoD financial managers and personnel responsible for the accounting and reporting of reimbursable funds to support national emergencies should read this report. The report discusses the accounting and reporting of Federal Emergency Management Agency (FEMA) reimbursable funding authority to support Hurricane Katrina relief efforts at selected DoD Components.

Background. On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing severe damage and loss of life in Alabama, Louisiana, and Mississippi. The President declared the affected locations disaster areas, making them eligible to receive Federal funding. FEMA, the primary Federal agency responsible for providing emergency relief in the United States, gave reimbursable funding authority to DoD to provide support and other humanitarian assistance to the victims of the hurricane. In a September 15, 2005, letter to the Secretary of Homeland Security, the House Government Reform Committee and its Subcommittee on Financial Management (now the Subcommittee on Government Management, Finance, and Accountability) tasked the Secretary to coordinate with the DoD Office of Inspector General to audit and provide oversight to ensure that FEMA funds were used for their intended purposes. This report is one in a series discussing the use of DoD resources to support the Hurricane Katrina relief efforts.

Results. We performed this audit to determine whether obligations and expenditures related to the Hurricane Katrina relief efforts at selected DoD Components were executed efficiently, timely, and in accordance with applicable laws and regulations. DoD Components performed their FEMA mission assignments for the Hurricane Katrina relief efforts in a timely manner. DoD accounting for the obligations and expenditures complied with applicable laws. However, the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued reimbursement guidance that was in conflict with existing DoD Directives and the DoD Financial Management Regulation. DoD Components could not readily reconcile obligations to individual FEMA mission assignments or funding documents, and DoD may have excess unobligated reimbursable funding authority related to the hurricane relief efforts that DoD needs to inform FEMA to de-obligate. Also, DoD did not bill FEMA in a timely manner, and the daily and monthly cost reports prepared by the DoD Components did not provide accurate data to DoD decision makers. (See the Finding section of the report for the detailed recommendations.)

Management Comments and Audit Response. The Acting Deputy Chief Financial Officer concurred with Recommendations 1 and 3, and partially concurred with Recommendations 2 and 4. The Commander, U.S. Northern Command concurred with

the findings and recommendations of the report. No additional comments are required. As a result of management comments, we revised Recommendation 2 to include the word “domestic” to clarify our intentions. See the Finding section of the report for the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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Background

On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing major damage and loss of life in Alabama, Louisiana, and Mississippi. The President declared the affected locations disaster areas, making them eligible to receive Federal funding. The Federal Emergency Management Agency (FEMA), the primary Federal agency responsible for providing emergency relief in the United States, gave reimbursable funding authority to DoD to perform specific mission assignments¹ to provide relief and other humanitarian assistance to the victims of the hurricane. Part of the FEMA reimbursable funding authority DoD received for Hurricane Katrina was also used to support Hurricane Rita and Hurricane Wilma relief efforts. We have used the term Hurricane Katrina relief efforts to describe the DoD relief efforts for all three hurricanes. This report is one in a series discussing the use of DoD resources to support the Hurricane Katrina relief efforts.

This audit was performed in support of Public Law 109-62, “Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising from the Consequences of Hurricane Katrina, 2005,” September 8, 2005. The law requires the Inspector General, Department of Homeland Security, to audit and investigate funds expended on Hurricane Katrina response and recovery activities. In a letter to the Secretary of Homeland Security on September 15, 2005, the House Government Reform Committee and its Subcommittee on Financial Management (now the Subcommittee on Government Management, Finance, and Accountability) tasked the Secretary to coordinate with the DoD Office of Inspector General to increase its auditing and investigative capabilities to ensure that the funds were used for their intended purposes. The following DoD offices were involved in the financial management of the DoD Hurricane Katrina relief efforts.

Under Secretary of Defense (Comptroller)/Chief Financial Officer. The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C/CFO]) issued temporary fiscal guidance for the control, reimbursement, and reporting of DoD funds expended for Hurricane Katrina relief efforts. The USD(C/CFO) also defined the roles and responsibilities of key DoD Components involved in the DoD processing and management of FEMA reimbursable funding authority and execution of mission assignments to support the hurricane relief efforts.

Assistant Secretary of Defense for Homeland Defense. On March 25, 2003, the Deputy Secretary of Defense appointed the first Assistant Secretary of Defense for Homeland Defense (ASD[HD]). Effective on that date, the Deputy Secretary of Defense terminated the assignments of the Secretary of the Army as DoD Executive Agent for Military Support to Civil Authorities as described in DoD regulations. The Deputy Secretary of Defense delegated the duties and authorities of the DoD Executive Agent to the ASD(HD). The Deputy Secretary

¹ Mission assignment is used in this report to describe funding documents that FEMA provided to DoD that described a particular assistance or tasking that DoD performed. See Appendix C for the types of funding documents reviewed.

of Defense tasked the ASD(HD), through the Under Secretary of Defense for Policy, to update DoD Directives and other related issuances on Military assistance to civil authorities to reflect the changes resulting from the establishment of the Office of the ASD(HD).

Assistant Secretary of the Air Force (Financial Management). On September 20, 2005, the USD(C/CFO) designated the Assistant Secretary of the Air Force (Financial Management and Comptroller) as the Financial Manager (FM-Katrina) for the Hurricane Katrina relief efforts. The FM-Katrina was responsible for the financial management oversight and the financial flow of the reimbursable funding process for the hurricane relief efforts. The FM-Katrina also maintained the FM-Katrina FEMA Mission Assignment Tracker² (the Tracker). According to the USD(C/CFO) “Reimbursement Guidance for Hurricane Relief Efforts,” September 20, 2005, the FM-Katrina was responsible for issuing reimbursable authority against the blanket mission assignments³ to DoD Components that executed requested FEMA mission assignments and was responsible for reporting on the relief efforts to senior DoD management.

Joint Chiefs of Staff. The Joint Chiefs of Staff coordinated FEMA mission assignments and submitted them to the Secretary of Defense for approval. The Joint Chiefs of Staff also issued Deployment Orders or Execution Orders with taskings to DoD Components.

U.S. Northern Command. The U.S. Northern Command (USNORTHCOM) began operations in 2002 to provide and control DoD homeland defense efforts and coordinate DoD support for civil authorities. The USNORTHCOM civil support mission includes disaster relief operations resulting from manmade or natural disasters such as fires, hurricanes, floods, and earthquakes. USNORTHCOM was designated as the Unified Command responsible for Joint Task Force Katrina. USNORTHCOM managed the DoD hurricane relief efforts and, based on the Deployment or Execution Orders received from the Joint Chiefs of Staff, issued task orders or directions to DoD Components directing the designated Components to perform the assistance FEMA requested. USNORTHCOM also maintained a Hurricane Katrina Website⁴ (Katrina Website), which provided a list of FEMA mission assignments to DoD.

Defense Finance and Accounting Service. The Defense Finance and Accounting Service (DFAS) received and consolidated requests for FEMA reimbursements for the DoD Components. DFAS also received and consolidated DoD Components daily and monthly reports and submitted the reports to the USD(C) (Program/Budget).

² The Tracker is the database maintained by the FM-Katrina to track the initial cost estimates, funding, obligations, and billing of FEMA reimbursable transactions that supported the relief efforts.

³ According to USD(C/CFO) reimbursement guidance dated September 20, 2005, blanket mission assignments are FEMA mission assignment documents that describe a requested tasking with reimbursable funding authority and are not directed to any one specific DoD Component.

⁴ The website is maintained by USNORTHCOM and contains FEMA mission assignments and other Hurricane Katrina information: <https://www.noradnorthcom.mil/J3/operations/severeweather/wx7/>.

Objective

Our overall audit objective was to determine whether DoD obligations and expenditures related to the Hurricane Katrina relief effort were timely and efficiently executed in accordance with applicable laws and regulations. See Appendix A for a discussion of the scope and methodology and prior coverage related to the objective.

Managers' Internal Control Program

A review of the managers' internal control program was not an announced object of the audit. Therefore, we did not review the managers' internal control program.

Accounting for Federal Emergency Management Agency Mission Assignments

DoD Components performed their FEMA mission assignments for the Hurricane Katrina relief efforts in a timely manner. DoD accounting for obligations and expenditures related to the hurricane relief efforts complied with applicable laws. However, the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued reimbursement guidance that was in conflict with existing DoD Directives and the Financial Management Regulation (FMR). DoD accounting for FEMA mission assignments was not effectively managed, reimbursable billings to FEMA were not timely, and obligations could not be readily reconciled to FEMA mission assignments. DoD also may have excess unobligated reimbursable funding authority related to the Hurricane Katrina relief efforts that DoD needs to inform FEMA to de-obligate. In addition, DoD Components did not always provide accurate and timely cost reports to decision makers as required by the reimbursement guidance.

Completion of FEMA Mission Assignments

All the DoD Components we visited performed the FEMA-requested mission assignments for the Hurricane Katrina relief efforts in a timely manner. For example, the Defense Information Systems Agency (DISA) provided communications support to law enforcement agencies in the affected areas. The Defense Logistics Agency (DLA) provided subsistence, medical supplies, and generators to the victims of the hurricane. The National Geospatial-Intelligence Agency (NGA) provided aerial surveillance of the affected areas. The U.S. Special Operations Command (USSOCOM) and the U.S. Transportation Command (USTRANSCOM) also provided services towards the hurricane relief efforts. Each of these DoD Components was able to provide documentation, such as invoices, to support the amounts billed to FEMA, which helped to ensure the accuracy of the billings. The supporting documentation also provided evidence that the Components processed obligations and expenditures related to their mission assignments in a timely manner. The Tracker and the Katrina Website provided a database of FEMA blanket and specific mission assignments to DoD and served as a source of information for the Components involved in the DoD hurricane relief efforts.

Guidance for DoD Emergency Support

Public Law 101-165. The Department of Defense Appropriations Act of 1990, Public Law 101-165, November 21, 1989, established the Defense Emergency Response Fund (DERF). DERF enables DoD to use its resources to provide assistance to Federal Departments and agencies and to State and local governments for responding to natural or manmade disasters when requested.

The Secretary of Defense may authorize the use of DERF if the Secretary determines that immediate action is necessary before DoD receives a request for assistance. DERF was initially capitalized at \$100 million.

Public Law 106-390. The “Robert T. Stafford Disaster Relief and Emergency Assistance Act,” Public Law 106-390, October 30, 2000, (the Stafford Act) as amended, provides for the use of Federal agencies’ personnel, at the request of the President, to support emergency relief efforts at designated major disaster areas. The law also authorizes reimbursement to Federal agencies for expenditures incurred in performing emergency support services.

DoD Policies. Several DoD directives, regulations, and manuals prescribe policies and procedures and assign responsibilities for DoD to assist in disaster relief and emergencies. The USD(C/CFO) issued additional guidance to DoD Components for recording and reporting DoD assistance to support the Hurricane Katrina relief efforts.

DoD Directive. DoD Directive 3025.1, “Military Support to Civil Authorities,” January 15, 1993, provides policy and assigns responsibilities by which DoD responds to major disasters and emergencies in accordance with the Stafford Act. The Directive requires DoD Components to comply with legal and accounting requirements when using DoD resources to support civil authorities to ensure cost reimbursement under the Stafford Act, Public Law 101-165, or other applicable laws. The Directive also requires the USD(C/CFO), in conjunction with the DoD Executive Agent, to provide accounting and other procedures necessary to manage DoD expenditures for the relief efforts using DERF.

DoD Manual. DoD 3025.1-M, “Manual for Civil Emergencies,” June 1994, provides additional fiscal guidance for DoD funding, accounting, and reimbursements for disaster relief efforts using DERF. According to the manual, “the DoD Office of the Deputy Comptroller (Program and Budget) controls the use of the fund.” The Deputy Comptroller (Program and Budget) is also responsible for preparing and issuing funding authorizations from DERF.

DoD Financial Management Regulation. DoD FMR, “Defense Emergency Response Fund,” volume 12, chapter 6, September 1996, establishes DoD policy and procedures that govern the use of DERF. DERF was established to provide obligational authority to DoD Components “upon a determination by the Secretary of Defense that immediate action is necessary in response to a natural or manmade disaster; and in anticipation of reimbursable orders from other Federal Departments and agencies and from State and local governments.” DERF centralizes the DoD financial accounting of support for responding to disaster assistance. The FMR requires the DoD Executive Agent to commit funds from the DERF in anticipation of reimbursement to the fund. The DoD Executive Agent then issues task orders to DoD Components who will obligate their own funds for the tasking, perform the tasking, and bill the DERF for costs incurred. The DFAS then pays the performing DoD Components from DERF and requests reimbursement from the benefiting agency. The DoD Executive Agent is required to inform the Deputy Comptroller (Program/Budget) of the need for additional appropriation, if necessary, to sustain DERF.

DoD Hurricane Katrina Reimbursement Guidance. The USD(C/CFO) memorandum “Reimbursement Guidance for Hurricane Katrina Relief Efforts,” September 20, 2005, provided guidance to DoD Components performing missions FEMA requested to “ensure an accurate accounting of costs incurred is maintained and timely reimbursement is requested from FEMA.” The USD(C/CFO) appointed the Assistant Secretary of the Air Force (Financial Management and Comptroller) as the Financial Manager (FM-Katrina) for reimbursable funding for the DoD hurricane-related relief operations. The FM-Katrina was also responsible for the financial management oversight of FEMA-funded reimbursable assignments and the reports to DoD senior management and to FEMA. The memorandum also stated that each DoD Component that accepted a mission assignment from FEMA was responsible for maintaining all the documentation necessary for requesting reimbursements. Partial or final requests for reimbursement were to be submitted to FEMA no later than 90 days after the completion or termination of an assignment.

Internal Controls. On September 20, 2005, in the memorandum “Internal Controls for Hurricane Katrina Procurement and Spending,” the USD(C/CFO) requested DoD Components involved in hurricane relief efforts to provide the office with copies of their internal control plans to ensure that financial and acquisition controls were not compromised as DoD responded to hurricane relief efforts.

Reporting Hurricane Katrina Relief Costs. On September 23, 2005, the USD(C/CFO) issued a memorandum “Reporting of Hurricane Katrina Relief Costs,” which provided guidance for each DoD Component to “track and report costs, reimbursable and non-reimbursable, on both a daily and monthly basis.” The purpose of the reports was to capture both the DoD incremental cost associated with DoD supplemental funding⁵ and total costs associated with reimbursable work. DoD Components were to submit their daily and monthly reports to the DFAS Denver office for consolidation and reporting to the USD(C/CFO).

Compliance with Public Law, DoD Directives, and Regulations

DoD accounting for the Hurricane Katrina relief efforts was in compliance with Public Law 101-165. However, the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued reimbursement guidance that was in conflict with existing DoD Directives and the DoD FMR. Specifically, the USD(C/CFO) did not delegate the financial management oversight responsibilities to the ASD(HD).

⁵ The daily and monthly cost reports included direct data on supplemental funding which DoD received under Public Law 109-61, “Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina, 2005,” September 2, 2005, and Public Law 109-62, “Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina, 2005,” September 8, 2005, and were not part of the FEMA reimbursable mission assignments.

Public Law. DoD purposely did not use DERF, the centralized account established by Public Law 101-165, to record, process, and account for DoD's Hurricane Katrina relief efforts. DERF was established by the public law to reimburse DoD appropriations for supplies and services provided "in anticipation of requests" for assistance after disasters. DERF was therefore established to be used prior to the receipt of reimbursable requests for assistance. In the Hurricane Katrina relief efforts, DoD support was provided in response to FEMA reimbursable requests and not in anticipation of requests. Not using DERF did not affect DoD's response to the hurricane relief efforts.

DoD Directives and FMR. The USD(C/CFO) Hurricane Katrina reimbursement guidance was in conflict with DoD Directives and FMR. ASD(HD), the Executive Agent for DoD Military Support to Civil Authorities, was not actively involved in the financial management of the DoD Hurricane Katrina relief efforts. This occurred because the USD(C/CFO) designated the FM-Katrina as the Financial Manager for the Hurricane Katrina relief efforts. Therefore, the FM-Katrina, rather than the ASD(HD), was responsible for the financial management oversight and the financial flow of the reimbursable funding process for the hurricane relief efforts. The U.S. Air Force is the Executive Agent for USNORTHCOM, which had the operational oversight of the hurricane relief efforts. USD(C/CFO) personnel stated that because the Air Force is the Executive Agent for USNORTHCOM, the USD(C/CFO) appointed the Assistant Secretary of the Air Force as the FM-Katrina. However, this action was not in compliance with the Deputy Secretary Defense appointment of ASD(HD) as the Executive Agent for DoD Military Support to Civil Authorities.

Management of FEMA Mission Assignments

DoD did not have effective controls to manage the FEMA mission assignments and reimbursable funding authority it received. The FM-Katrina had the financial management oversight and USNORTHCOM had operational oversight of the DoD hurricane relief efforts. However, the FM-Katrina and USNORTHCOM initially were not aware of the total reimbursable authority provided to DoD. This condition occurred because they did not receive information regarding the reimbursable funding authority that FEMA provided directly to some DoD Components. Therefore, the FM-Katrina and USNORTHCOM could not provide financial and operational oversight of the direct mission assignments to the DoD Components, and USNORTHCOM did not list these mission assignments on the Katrina Website. The Katrina Website and the FM-Katrina maintained Tracker both listed the blanket and specific mission assignments that FEMA provided to DoD.

Direct FEMA Mission Assignment and Tasking Orders. Although the FM-Katrina was responsible for the financial management oversight of the DoD hurricane relief efforts, it did not have the financial management oversight of FEMA reimbursable authority. FEMA provided reimbursable authority by means of direct mission assignments and tasking orders to DoD Components under the Economy Act of 1998. The Economy Act allows Federal agencies or units within agencies to place orders for goods and services with each other if it is in the best interest of the U.S. Government. The Components did not report their direct

mission assignments and tasking orders to the FM-Katrina. These direct mission assignments and tasking orders bypassed the DoD mission assignment approval system and were not included in either the Katrina Website or the Tracker. Specifically, FEMA provided direct mission assignment and tasking orders to DLA and NGA. Therefore, the FM-Katrina and USNORTHCOM with financial and operational responsibilities for the DoD relief efforts, respectively, were initially not aware of these direct mission assignments and tasking orders. For DoD to have full responsibility and oversight for support to FEMA, the Executive Agent for DoD Military Support to Civil Authorities, who is responsible for the use of DoD resources in major disaster assistance, should have financial and operational oversight of the total DoD assistance program. All DoD Components should inform the Executive Agent for DoD Military Support to Civil Authorities anytime the Components receive a direct funding document or a mission assignment for any DoD disaster assistance for which the Executive Agent has responsibility.

Blanket and Specific Mission Assignments. FEMA submitted blanket and specific mission assignments to the Joint Chiefs of Staff who, after approval by the Secretary of Defense, assigned the operational task to USNORTHCOM. USNORTHCOM issued tasking orders to the DoD Components directing the designated Components to perform the FEMA requested tasks. The blanket mission assignments were not addressed to specific DoD Components because the taskings on these assignments were very broad. However, the specific mission assignments were addressed to specific DoD Components. The USD(C/CFO) reimbursement guidance defined blanket mission assignment as a “broad mission statement and a dollar limit” and specific mission assignments as “requesting specific tasks and a dollar limit.” USNORTHCOM did not always provide copies of the blanket mission assignments to the DoD Components to enable the Components to accurately bill FEMA for reimbursement. Also, the FM-Katrina and USNORTHCOM did not ensure that DoD Components receiving blanket mission assignments knew the limits of their obligation authority. Components’ personnel stated that they received the USNORTHCOM blanket mission assignments without limitations on their obligation authority. We confirmed the Components’ statements with a USNORTHCOM official. The Components believed that their obligation authority was limited to the total amount on the mission assignments and not to a portion of it. For the sites we visited, we did not find examples of obligations exceeding the total FEMA reimbursable funding authority.

Mission Assignments to DoD Components. The FM-Katrina and USNORTHCOM could not tell us the exact number of mission assignments that DoD received from FEMA. Based on the information in the USD(C/CFO) reimbursement guidance and in the FM-Katrina Tracker, we considered a FEMA reimbursable funding authority on any mission assignment that the FM-Katrina and USNORTHCOM allocated to more than one DoD Component as a blanket mission assignment and not a direct mission assignment. We visited various DoD Components over the course of several months and we requested data on different dates for each site. The dates stated in this audit report correlate with the dates of our visits and reflect when we reviewed the data. The table below represents the total dollar amounts that FEMA provided to DoD by mission assignment or funding document that the Components used to bill FEMA. Multiple

Components billed FEMA against the same mission assignment or funding document. As shown in the table, only two Components have billed \$4.2 million against seven direct reimbursable authority valued at \$6.8 million that FEMA provided to DoD. DoD needs to inform FEMA to de-obligate about \$2.6 million of excess reimbursable funding authority in direct mission assignments. This is part of the reimbursable funding authority that bypassed the DoD mission assignment approval system. USD(C/CFO) officials indicated that they have requested FEMA to de-obligate several million dollars in excess reimbursable funding authority to DoD, but FEMA is yet to de-obligate the excess funding authority. We did not confirm this information with FEMA.

FEMA Mission Assignments (MAs) and Other Funding Documents Reviewed (in millions)				
Type of Reimbursable Funding Authority Reviewed	Total Number Reimbursable Funding Authority Reviewed	Total Amount of FEMA Reimbursable Funding Authority to DoD/DoD Component	Total Number of Components that Billed Against the FEMA Reimbursable Funding Authority	Total Amount Components Billed Against FEMA Reimbursable Funding Authority
Blanket MAs	13	\$1,368.5	5	\$ 28.4
Specific MAs	11	792.5 ¹	2	17.1
Direct MAs	7	6.8	2	4.2
Other Funding Documents (Tasking Orders)	11	265.8 ²	1	260.8
Total	42	\$2,433.6	10 ³	\$310.5
¹ Includes a canceled mission assignment that two Components billed against. ² Includes a \$5 million mission assignment that DLA received and allowed to expire. ³ Multiple Components billed FEMA against the same mission assignment or funding document.				

The following provides a synopsis of additional problems associated with the blanket, specific, and direct FEMA tasking and reimbursable funding authority received or processed by the DoD Components. See Appendix B for the flow and process of FEMA mission assignments and Appendix C for the FEMA reimbursable funding documents reviewed.

DISA. As of January 19, 2006, DISA had obligated about \$0.8 million against three blanket mission assignments to provide command and control structure, deploy emergency and rapid response teams, and provide communication support to law enforcement in the areas affected by the hurricane. According to DISA officials, USNORTHCOM did not give them any obligation limitations for the mission assignments. As a result, we could not determine the total amount of unused DISA reimbursable authority that needs to be returned to FEMA.

DLA. As of March 24, 2006, three DLA field activities had obligated about \$280 million against 15 FEMA mission assignments and other funding documents. The Defense Supply Center, Philadelphia (DSCP) obligated about \$274 million to supply meals-ready-to-eat, medical supplies, blankets, cots, health and comfort packs, fuel, and small generators. DSCP received nine tasking orders for \$224 million of the \$274 million through the General Services Administration. DLA did not report the tasking orders to the FM-Katrina. Therefore, the FM-Katrina did not have the financial oversight of the \$224 million. However, the amount was reported on the FM-Katrina maintained Tracker. In addition, the Defense Energy Support Center (DESC) obligated about \$4.8 million to provide bulk fuel to FEMA for evacuation, emergency repairs, personnel deployment, and other relief efforts. The Defense Reutilization and Marketing Services (DRMS) obligated about \$819,000 for transportation costs. Both obligations were also reported on the FM-Katrina maintained Tracker.

NGA. As of January 24, 2006, NGA had obligated about \$5.2 million against seven blanket and direct mission assignments to provide imagery products and contract support. NGA officials stated that USNORTHCOM did not give a dollar limitation on the blanket mission assignments. As a result, we could not determine the unused total NGA reimbursable authority that needs to be returned to FEMA.

USSOCOM. As of February 17, 2006, USSOCOM had obligated about \$1.7 million against two blanket mission assignments for Headquarters and three Subordinate Commands for travel, flying hours, supplies, and overtime pay. USSOCOM Headquarters officials stated that they did not receive any mission assignments from FEMA or from USNORTHCOM. The officials stated that they instructed the Subordinate Commands to search the Katrina Website to determine which mission assignments closely described their completed tasking. The Subordinate Commands were then instructed to seek reimbursement for obligations from the mission assignments that were selected. Because USSOCOM did not receive any mission assignment or a reimbursable authority with dollar limitation, we could not determine the unused total USSOCOM reimbursable authority that needs to be returned to FEMA.

USTRANSCOM. As of April 13, 2006, USTRANSCOM had obligated about \$23 million against 18 blanket and specific mission assignments for the Air Mobility Command. USTRANSCOM was the receiving and reporting agent and acted as the supporting activity for Air Mobility Command and the Military Sealift Command. Our review at USTRANSCOM was limited to the funding provided to the Air Mobility Command. Officials at USTRANSCOM stated that they did not receive any reimbursable authority with dollar limitation from FEMA.

or from USNORTHCOM for the Air Mobility Command. Instead, after performing FEMA taskings, they researched the Katrina Website to determine which FEMA mission assignments closely described their accomplished missions, and, with the approval of the Joint Chiefs of Staff, they billed FEMA against those mission assignments. Therefore, we could not determine the reimbursable authority on the 18 blanket and specific mission assignments that needs to be returned to FEMA.

Obligation Authority Controls. The FM-Katrina and USNORTHCOM did not have adequate controls to ensure that the Components' obligation authority did not exceed the FEMA reimbursable funding authority provided by the mission assignments. Also, the FM-Katrina and USNORTHCOM did not have adequate controls to ensure that the DoD Components were billing FEMA for reimbursements against the proper mission assignments. These conditions occurred because USNORTHCOM provided blanket mission assignments to the Components without dollar limitations. Only USSOCOM and USTRANSCOM told us that they researched the Katrina Website for a mission assignment related to the assignment they had executed prior to billing against that mission assignment. By not providing obligation authority limitations to DoD Components, the potential exists that the sum total for individual Components' obligations might exceed the DoD obligation authority on a blanket mission assignment. USNORTHCOM did not communicate the canceled mission assignments to the DoD Components, and the Components did not research the Katrina Website on the current status of the FEMA mission assignments. As a result, the Components billed against canceled mission assignments.

Duplication of Efforts. The FM-Katrina and USNORTHCOM did not have specific controls to prevent duplication of efforts or excess reimbursable funding authority because they did not have overall oversight of the FEMA blanket, specific, and direct mission assignments and tasking orders. During a major disaster assistance, when the DoD Executive Agent has responsibility for the use of DoD resources, financial responsibility, and oversight of the relief efforts, the Executive Agent should have total financial oversight of reimbursable authority provided to DoD for the relief efforts. DoD Components should inform the Executive Agent of orders they receive under the Economy Act from other Federal agencies.

Because DoD Components billed against canceled mission assignments and, because FEMA used blanket, specific, and direct tasking and other funding documents to provide reimbursable authority to DoD Components, DoD may have a charge back from FEMA for billing against canceled and duplicate mission assignments. For example,

- **Mission Assignment 1603DR-LA-DoD-27.** On September 5, 2005, FEMA issued mission assignment 1603DR-LA-DOD-27 in the amount of \$4 million. On October 18, 2005, FEMA canceled and de-obligated the funding for this mission assignment. USTRANSCOM completed a tasking on September 6, 2005, billed FEMA \$40,622 on October 17, 2005, and collected the amount from FEMA on October 21, 2005, against this mission assignment. DISA also completed assignments against this mission assignment that included travel and acquisition of high capacity

batteries. DISA completed its assignments between September 29, 2005, and January 27, 2006, billed FEMA between November 8, 2005, and March 1, 2006, and collected \$102,391 against this mission assignment. DoD should negotiate with FEMA to determine the proper mission assignment to the DISA cost.

- **Mission Assignment 1603DR-LA-DoD-23.** FEMA issued mission assignment 1603DR-LA-DOD-23 on September 5, 2005, in the amount of \$750 million; on September 6, 2005, FEMA canceled and de-obligated the funding for this mission assignment. FEMA replaced the canceled mission assignment with 24 specific mission assignments. In both October and November 2005, DSCP billed and collected a total amount of about \$3.9 million from this canceled mission assignment. DoD should negotiate with FEMA to determine the proper mission assignment to the DLA cost and excess reimbursable funding authority on the replacement mission assignment.
- **Mission Assignment 1603DR-LA-DoD-19.** On September 3, 2005, FEMA issued mission assignment 1603DR-LA-DOD-19 in the amount of \$5 million and, on September 4, 2005, FEMA canceled and de-obligated the funding for this mission assignment. In December 2005 and again in February 2006, DRMS billed and collected a total of about \$178,000 against this canceled mission assignment. DoD should negotiate with FEMA to determine the proper mission assignment to the DLA cost and excess reimbursable funding authority on the replacement mission assignment.
- **Mission Assignment 1604DR-MS-DoD-19.** USNORTHCOM provided FEMA blanket mission assignment 1604DR-MS-DOD-19, September 3, 2005, in the amount of \$1 billion to DLA to “provide planning and execution for transportation and distribution of ice, water, food and medical supplies in support of the hurricane disaster relief efforts in Louisiana and Mississippi.” Then, on September 24, 2005, FEMA provided a direct tasking order (3261EM-TX-DoD-14) valued at \$6 million to DSCP, for the supply of food and health and comfort packets in support of Hurricane Rita. One of the three DSCP directorates performing the tasking requested its own tasking order from FEMA. On December 19, 2005, FEMA amended tasking order (HSFEHQ-06-X-0102) to about \$36.9 million and provided the tasking order to this directorate to provide food, water, and health and comfort packs for Hurricane Katrina victims. FEMA did not adjust the amounts on the original blanket mission assignment and the first tasking order. The two tasking orders may have duplicated the assignment and funding on the initial blanket mission assignment and, therefore, FEMA may have unnecessarily provided excess reimbursable funding authority to DoD of about \$42.9 million.
- **FEMA Order TN00116N2005T.** On September 2, 2005, the DESC Budget Division accepted a FEMA request (TN00116N2005T) to supply \$5 million worth of bulk fuel to support the hurricane relief efforts. The DESC Budget Division did not forward this funding document to the

DESC Operations Division, the performing activity, and the funds were allowed to expire. The FEMA mission assignment for this funding also duplicated the requirements on the blanket mission assignment (1604DR-MS-D0D-19), which USNORTHCOM had already provided to DESC. Even though the tasking was completed on time under the blanket mission assignment, the duplicate tasking resulted in excess FEMA reimbursable funding authority of \$5 million to DoD.

- **General Services Administration Orders.** Between August 31, 2005, and October 26, 2005, FEMA provided reimbursable orders through the General Services Administration for meals-ready-to-eat to DSCP valued at about \$224 million. The \$1 billion blanket mission assignment (1604DR-MS-DoD-19) that USNORTHCOM provided to DLA included a request from FEMA for food for the hurricane relief efforts. However, the FM-Katrina and USNORTHCOM, who had accounting and operational oversight responsibilities for the DoD relief efforts, were not aware of these direct orders. This may have resulted in duplication of efforts and excess FEMA reimbursable funding authority to DoD.

We communicated our audit findings on the DoD billings against canceled mission assignments to USNORTHCOM in a telephone conference on March 2, 2006. Personnel from FEMA and DFAS participated in the telephone conference. All the participants acknowledged the problems existed and agreed to investigate and resolve them.

Timeliness of FEMA Billing

DoD reimbursable billings to FEMA were not always timely. DFAS received and processed requests for FEMA reimbursement for the DoD Components. The Components were required to maintain documentation to support requests for reimbursement. According to USD(C/CFO) guidelines, requests for FEMA reimbursement can be made monthly; however, partial or final billing should be submitted to FEMA within 90 days after completion or termination of a mission assignment. The billings were not timely because some of the Components did not know the mission assignments to bill against or did not receive vendor documentation that is required when billing FEMA and, therefore, did not submit the required documentation to DFAS for billing. For example,

- Although USTRANSCOM received taskings to support FEMA, officials at USTRANSCOM stated that they did not receive any mission assignments from USNORTHCOM to support the tasks performed. USTRANSCOM researched the Katrina Website to find the mission assignment that closely described their accomplished task and, with permission from the Joint Chiefs of Staff or USNORTHCOM, billed against that particular mission assignment. This process was time consuming and did not ensure timeliness of the billings. As of April 13, 2006, USTRANSCOM had not billed about \$6.5 million for assignments that were completed between August 31, 2005, and October 10, 2005, because USNORTHCOM had

yet to identify the mission assignment that USTRANSCOM should bill against.

- Although USSOCOM received taskings to support FEMA, officials at USSOCOM stated that they did not receive any mission assignments documents or reimbursable authority from USNORTHCOM. USSOCOM researched the Katrina Website to find the mission assignment that closely described their accomplished task. This process was time consuming and did not ensure timeliness of the billings. The Naval Special Warfare Command, a USSOCOM field activity, did not bill \$28,483 to FEMA for reimbursement until 129 days after the completion of the mission assignment. Also, as of March 6, 2006, USSOCOM Headquarters had yet to bill FEMA for \$19,515 for travel and telecommunications support completed in September 2005 because they have not identified the mission assignment to bill against.
- As of March 8, 2006, NGA had not billed FEMA for about \$1.1 million expended for hurricane relief efforts. NGA completed the FEMA requested assistance in September and October 2005, but had not billed for reimbursement because it had not received invoices from vendors, which are required when submitting a bill to FEMA.

Reconciliation of Obligations to FEMA Mission Assignments

DoD Components could not readily reconcile obligations to FEMA mission assignments, and DoD may have excess unobligated reimbursable funding authority related to the hurricane relief efforts that DoD needs to inform FEMA to de-obligate. These conditions occurred because USNORTHCOM provided the FEMA blanket mission assignments and reimbursable funding authority to more than one DoD Component and without dollar limitation. For example, the Components received and obligated portions of blanket mission assignments (see Appendix C). We were able to reconcile the amounts billed to supporting documentation and to the blanket mission assignments. However, we were unable to determine the DoD Components' portions of the blanket mission assignments that needed to be returned to FEMA because the FM-Katrina and USNORTHCOM did not provide each Component with dollar limitations on the blanket mission assignments. Without reconciliation of obligations to mission assignments, DoD may be unintentionally maintaining reimbursable funding authority that needs to be communicated to FEMA for de-obligation.

USD(C/CFO) should require all DoD Components and DFAS to reconcile obligations and collections to all FEMA mission assignments and other funding documents to ensure that the Components have completed all FEMA-requested missions and to determine the excess reimbursable authority to be returned to FEMA. USD(C/CFO) officials indicated that they have requested FEMA to de-obligate several million dollars of excess reimbursable funding authority to DoD but FEMA has yet to de-obligate the excess funding authority. We did not confirm this information with FEMA.

Reporting of FEMA Cost

The FM-Katrina Tracker and the Katrina Website did not provide complete or accurate data on FEMA mission assignments to DoD. The September 23, 2005, memorandum required DoD Components to submit daily and monthly cost reports to DFAS, Denver, which would consolidate and submit the reports to the USD(C) (Program/Budget). However, the DoD monthly Hurricane Katrina cost reports did not provide accurate data to DoD decision makers.

Tracking Mission Assignments. The Tracker and Katrina Website maintained a listing of FEMA blanket and specific mission assignments to DoD. The Tracker also tracked the initial estimates, obligations, expenditures, and reimbursements of the blanket and specific mission assignments. However, neither the Tracker nor the Website included the direct mission assignments, even though DoD cost reports did include data from the direct mission assignments FEMA provided to DLA and NGA. Therefore, we were unable to reconcile the total cost report to the reimbursable authority FEMA provided to DoD. The Tracker also contained inaccurate information. For example, the Tracker reported that the Defense Health Program estimated a need for \$383,722 and obligated \$133,722. Personnel from the Defense Health Program stated that they did not receive or obligate any Hurricane Katrina relief funds. Personnel also told us that they did not perform any FEMA requested tasking related to the hurricane relief efforts.

Cost Reports. The USD(C/CFO) guidance on reporting costs related to the hurricane relief efforts required DoD Components to submit daily and monthly reports to DFAS Denver, which consolidated the data and submitted the reports to the USD(C/CFO) (Program/Budget). The guidance required each Component to report “all costs associated with Hurricane Katrina support effort and validate that the reported costs are accurate, supportable and provide a fair representation of ongoing activities.” The Components’ monthly reports submitted to DFAS were often inaccurate and untimely, or in some cases, not provided at all. Consequently, the DFAS Denver reports also were either inaccurate or untimely. For example,

- In September 2005, DSCP received a tasking for \$100,000 from First U.S. Army Headquarters for hurricane relief efforts. First U.S. Army gave DSCP a military interdepartmental purchase request with its own fund cite for billing purposes. DSCP billed First U.S. Army, but not FEMA, for the amount but reported the amount as FEMA cost on its September monthly report because the tasking was related to the hurricane relief efforts. As a result, DSCP’s September report was overstated.
- In its September 2005, monthly report, DLA reported \$3.7 million as a FEMA reimbursable Second Destination Transportation cost and another \$16,000 as Other Services and Miscellaneous Contracts. The amounts were reported by two DLA Subordinate Commands that were reimbursed by DSCP and not FEMA. At the same time, DSCP, which received the reimbursable authority from FEMA, had also reported the \$3.7 million in its September 2005 monthly report. As a result, DLA’s September 2005 monthly report included a duplicate amount of over \$3.7 million.

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- On January 19, 2006, DISA officials stated they did not submit the required October or November monthly reports to DFAS Denver. Also, the amount on the DISA daily report and the DFAS daily report for December 16, 2005, did not match. DISA reported a total cost of \$23,000, but the DFAS report showed DISA did not report any costs.
 - The DFAS Consolidated DoD Hurricane Katrina FY 2005 Cost Report, October 31, 2005, reported the Defense Health Program incurred FEMA reimbursable costs of \$58,000. However, an official from the Defense Health Program office stated that they did not incur or receive any FEMA reimbursable funds. The personnel also told us that they did not perform any FEMA requested tasking related to the hurricane relief efforts.
 - DFAS Denver did not submit the October 2005 monthly report to USD(C/CFO) until February 4, 2006. The November 2005 monthly report was not submitted until April 7, 2006. Also, the December 2005 monthly report was not submitted until April 17, 2006.

The September, October, and November 2005 monthly cost reports were inaccurate because the reports included duplicate amounts. In addition, DFAS Denver did not provide the October, November, and December reports to DoD decision makers in a timely manner. However, we could not determine the impact that the untimely and inaccurate reports had on decision makers.

Internal Control for Hurricane Katrina Spending

Four of the five Components we visited did not prepare an internal control plan as required by the USD(C/CFO) memo of September 20, 2005. The USD(C/CFO) required the internal controls to ensure that financial and acquisition controls were not compromised as DOD responded to hurricane relief efforts and to ensure that transactions were valid and authorized and that DoD personnel followed acquisition requirements. The internal controls also required “the communication of relevant, reliable, and timely information to internal and external individuals.” One of the five Components stated that they did not receive the USD(C/CFO) instructions to prepare an internal control plan. Two of the five Components stated that they followed their own existing internal controls when obligating FEMA funds. Even though not all the Components we visited prepared the internal control plan or submitted inaccurate and untimely reports of Hurricane Katrina costs, financial and acquisition controls were not compromised.

Lessons Learned

We are providing the following synopsis as lessons learned from our audit as they relate to the financial management of the Hurricane Katrina relief efforts. The implementation of our recommendations and DoD responses to the lessons learned will ensure the proper accounting of DoD obligations and expenditures in future DoD disaster assistance.

Outdated and Conflicting DoD Regulations. DoD financial management directives and regulations have not been updated to include current policies on DoD assistance to civil authorities. For example, the DoD Directive “Military Support to Civil Authorities,” DoD 3025.1, January 15, 1993, and DoD “Manual for Civil Emergencies,” DoD 3025.1-M, June 1994, both designate the Secretary of the Army as the DoD Executive Agent for Military Assistance to Civil Authorities. However, on March 25, 2003, the Deputy Secretary of Defense established and appointed the first ASD(HD), and terminated the DoD Executive Agent’s assignments. The duties and authorities associated with the DoD Executive Agent were delegated to the ASD(HD). The Deputy Secretary of Defense requested that the DoD directives, the FMR, and other related issuances be updated to incorporate the changes; however, these have not been updated. The DoD directives have also not been updated to incorporate the role and mission of the USNORTHCOM as the coordinator of DoD support for civil authorities. USD(C/CFO) issued guidance to establish the FM-Katrina office and appointed this office as the financial manager of the DoD relief efforts. However, DoD directives assign that responsibility to the DoD Executive Agent for Military Assistance to Civil Authorities who was not actively involved in the hurricane relief efforts.

Operational and Financial Management Oversight. Although USNORTHCOM had the operational responsibilities for the relief efforts, it did not have the financial management oversight of the operations. The USD(C/CFO) assigned the financial management oversight of the reimbursable funding process for the relief efforts to the FM-Katrina. The USD(C/CFO) also instructed DoD Components engaged in the relief efforts to submit daily and monthly cost reports to DFAS Denver, which consolidated and submitted the reports to the office of the USD(C/CFO). Because operations, financial management, and financial reporting functions of the relief efforts were separated from each other, they did not ensure proper controls and accountability. The financial management oversight should not be fragmented and should be in compliance with applicable DoD regulations. DoD Directive 3025.1 and DoD Manual 3025.1-M assign DoD financial management responsibilities for disaster relief operations and oversight to the DoD Executive Agent, whose mission includes managing DoD support to civil authorities. We also believe that in order to provide both operational and financial management oversight during future natural disasters, the DoD Executive Agent should ensure that USNORTHCOM staff is augmented by DFAS personnel to ensure both operational and financial management of the total relief efforts.

Mission Assignment Closeout Procedures. FEMA provided reimbursable authority to DoD by issuing blanket and specific mission assignments and dollar limitations. USNORTHCOM provided the blanket mission assignments to DoD Components without obligation limitation and each Component separately billed FEMA against these mission assignments. The USD(C/CFO) guidelines required DoD Components to submit final billings to FEMA for reimbursement within 90 days after completion or termination of a mission assignment. Because the blanket mission assignments were provided to several DoD Components without dollar limitation and each component billed FEMA separately, it will be difficult to determine when FEMA mission assignments were completed. It will also be time consuming to perform closeout procedures by FEMA mission assignment to

ensure that FEMA was billed within 90 days after the completion of the FEMA mission. DFAS and the DoD Components should provide accounting support to USNORTHCOM to execute closeout procedures by mission assignment to ensure that the mission assignments that are completed are billed in a timely manner, and that close out procedures are performed to identify FEMA excess reimbursable funding authority to DoD and inform FEMA to de-obligate the excess funding.

Volume of FEMA Mission Assignments. As of March 3, 2006, there were about 105 mission assignments listed in the Tracker. The Tracker lists only FEMA blanket and specific mission assignments provided to DoD and does not include the direct mission assignments and other funding documents that FEMA provided to DLA and NGA. The FEMA requests on some of these blanket mission assignments were very specific and others were broad or vague. As a result, it was difficult to determine if the taskings the Components were billing for matched the taskings on the FEMA mission assignments. For future natural disasters, if DoD coordinates with FEMA on mission assignments with specific tasking, it will enable USD(C/CFO) and the DoD Executive Agent for Military Assistance to Civil Authorities, in cooperation with USNORTHCOM, to effectively manage and ensure proper controls of the mission assignments. The DoD Executive Agent for Military Assistance to Civil Authorities should require all DoD Components to inform his office anytime the Component receives a funding document or a mission assignment for any DoD disaster assistance for which the Executive Agent is responsible.

Communications and Reporting. Communication of financial information among the various DoD Components involved in the hurricane relief efforts was not timely or effective to ensure accurate processing of the information. The Components could not provide an audit trail of sufficient and convincing evidence to support the decisions they made. Also, even though the FM-Katrina and USNORTHCOM had the overall responsibility for the DoD relief efforts, other DoD Components communicated directly with FEMA. For example, one DLA Subordinate Command directly requested its own funding document from FEMA after a blanket funding document had been provided to DoD.

For the financial management of major DoD assistance to civil authorities, such as, Hurricane Katrina relief efforts, individual DoD Components should not bypass the ASD(HD) or USNORTHCOM in dealing with non-DoD activities. When ordering supplies and services are allowed under the Economy Act, the Components should inform the DoD Executive Agent and USNORTHCOM because they have the overall financial and operational oversight, respectively, of the DoD relief efforts.

The DoD Executive Agent and USNORTHCOM should ensure effective means of communicating financial information among DoD Components involved in disaster relief efforts. The means of communication should provide an audit trail to ensure uniform compliance and verification of results among the Components. For example, oral instructions should be followed by written documentation to provide verifiable evidence. USD(C/CFO) should streamline the reporting process to make the reported data more meaningful to its users. Also, the cost of preparing the reports should not exceed the benefits of the reports. The

USD(C/CFO) should compare the costs and benefits of daily and monthly reporting, especially when previous reports were inaccurate and untimely.

Action Taken

On June 1, 2006, the USD(C/CFO) established a Financial Management Augmentation Team consisting of members from each Component that provided hurricane relief support. The team is to assist USNORTHCOM in testing and validating financial management processes and controls developed by USNORTHCOM for reimbursable operations for Defense Support for Civil Authorities. The team is to train and exercise with USNORTHCOM and, if activated, be ready to deploy to execute the financial management procedures. The USD(C/CFO) actions occurred after the end of our field work and prior to the release of our draft report. We commend the USD(C/CFO) for the actions taken.

Recommendations, Management Comments, and Audit Response

Revised Recommendation. As a result of management comments, we revised Recommendation 2 to include the word “domestic” to clarify our intentions.

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer:

1. Comply with DoD policies and regulations when issuing guidance for DoD reimbursable support for assistance provided to Federal Departments and agencies, and to State and local governments when DoD Components are responding to natural or manmade disasters and, in cooperation with the Assistant Secretary of Defense for Homeland Defense and the Commander, U.S. Northern Command, allocate reimbursable authority to DoD Components performing DoD disaster assistance.

Management Comments: The Acting Deputy Chief Financial Officer concurred with the recommendation and stated that when establishing guidance, the Office of the Secretary of Defense (Comptroller/Chief Financial Officer) will ensure that superseded directives or sections are clearly stated. The Commander, U.S. Northern Command concurred in principle with the recommendation, stating that policies and regulations should be reviewed and revised in light of the Deputy Secretary of Defense memorandum on the implementation of guidance regarding the establishment of the Office of the Assistant Secretary of Defense for Homeland Security.

Audit Response. Comments from the Acting Deputy Chief Financial Officer and from the Commander, U.S. Northern Command are responsive and no additional comments are required.

2. Assign financial management responsibilities for future DoD domestic disaster assistance to the Assistant Secretary of Defense for

Homeland Defense and the Commander, U.S. Northern Command, and update applicable sections of the DoD Financial Management Regulation to reflect the changes in the responsibilities.

Management Comments: The Acting Deputy Chief Financial Officer partially concurred with the recommendation stating that the U.S. Northern Command is only responsible for assistance provided within the United States. The Commander, U.S. Northern Command concurred in principle with the recommendation, stating that during May 2006, USNORTHCOM developed a concept of operations of financial management process to support civil authorities. The Commander also stated that the process was approved by the Under Secretary of Defense (Comptroller/Chief Financial Officer) on May 23, 2006, and will be tested during the 2006 hurricane season and revised, as required, in the 2006 hurricane season.

Audit Response. Although the Acting Deputy Chief Financial Officer only partially concurred with the recommendation, we consider the comments responsive. No additional comments are required. Comments from the Commander, U.S. Northern Command are responsive and no additional comments are required.

3. Require the Defense Finance and Accounting Service, U.S. Northern Command, and DoD Components executing Federal Emergency Management Agency mission assignments to perform mission assignment closeout procedures and, if the closeout procedures discover excess reimbursable funding authority, advise the Federal Emergency Management Agency to de-obligate any excess funding authority to DoD.

Management Comments: The Acting Deputy Chief Financial Officer concurred with the recommendation stating that the Under Secretary of Defense (Comptroller/Chief Financial Officer) will issue policy to DoD Components directing the Components to perform closeout of Hurricane Katrina mission assignments. The Commander, U.S. Northern Command concurred with the recommendation, stating that since the beginning of March 2006, FEMA has de-obligated \$692.5 million from approximately 15 selected DoD mission assignments initially worth \$929.0 millions dollars.

Audit Response. We consider the Acting Deputy Chief Financial Officer and the Commander, U.S. Northern Command comments responsive and no additional comments are required. We did not, however, verify the amounts de-obligated by FEMA as stated in the comments of the Commander, U.S. Northern Command.

4. Require all DoD Components to inform and provide financial information on the use of DoD resources to the DoD Executive Agent for Military Assistance to Civil Authorities when the Executive Agent has the responsibility and oversight of the use of DoD resources for DoD disaster assistance.

Management Comments: The Acting Deputy Chief Financial Officer partially concurred with the recommendation stating that Defense Support to Civil Authorities is provided under the Stafford Act. Orders for goods and services for

Defense Support to Civil Authorities submitted directly to DoD Components under the Economy Act are part of normal business operations and do not require approval of the Secretary of Defense. Therefore, orders received outside the Stafford Act should not be categorized or tracked as Defense Support to Civil Authorities. The Commander, U.S. Northern Command concurred with the recommendation, stating USNORTHCOM will amend the funding paragraph in its Standing Execute Order on Defense Support of Civil Authorities to ensure that the Assistant Secretary of Defense for Homeland Security retains complete fiscal oversight of all reimbursable authority. The new procedures will require DoD Components to notify the Assistant Secretary of Defense for Homeland Security and USNORTHCOM anytime they accept and execute reimbursable orders for disaster assistance which have not been tasked by USNORTHCOM.

Audit Response. Although the Acting Deputy Chief Financial Officer only partially concurred with the recommendation, we consider the comments responsive and no additional comments are required. The Acting Deputy Chief Financial Officer comments stated that orders received outside the scope of the Stafford Act should not be categorized or tracked as Defense Support to Civil Authorities. During the Hurricane Katrina relief efforts, DoD tracked orders received outside the Stafford Act. The Tracker maintained by the FM-Katrina and the Defense Logistics Agency daily and monthly cost reports to the FM-Katrina included data on orders received under the Economy Act. Comments from the Commander, U.S. Northern Command are responsive and no additional comments are required.

Appendix A. Scope and Methodology

We performed this audit to determine whether DoD obligations and expenditures related to the Hurricane Katrina reconstruction effort were timely and efficiently executed and in accordance with applicable laws and regulations. This audit was required by Public Law 109-062.

We performed our audit at five DoD Components and their respective field activities from October 2005 through April 2006 in accordance with generally accepted government auditing standards. We visited and conducted interviews at the office of the USD(C/CFO), the Joint Chiefs of Staff, and the Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller). We performed the audit using a combination of preliminary analytical testing, site visits, telephone calls, and data calls.

We participated in joint meetings with the Government Accountability Office, Army Audit Agency, Naval Audit Service, and the Air Force Audit Agency to determine the scope of their audits and reviews. Based on decisions at these meetings and to avoid duplication of efforts, we limited the scope of our audit to those DoD organizations that were not already being audited by these agencies for the same purpose. We conducted interviews with officials and operating personnel. We reviewed FEMA blanket, specific, and direct mission assignments and other documentation to determine the obligation authority of the five DoD Components we visited for this audit. We examined their obligations to determine if their completed missions were authorized by the FEMA mission assignments and were related to the hurricane relief efforts. We reviewed DFAS billing documents to determine if the Components were billing FEMA reimbursables in a timely manner. We reviewed the Components' December 16, 2005, daily report; the September 30 and November 30, 2005, monthly reports; and the DFAS FY 2005 Cost Report to ensure that the reports were accurate and timely. We also reviewed the Components' compliance with USD(C/CFO) reimbursable billing and internal control instructions. See Appendix C for the details of the mission assignments we reviewed. The details of our reviews are provided in the paragraphs below.

Defense Information Systems Agency. DISA provided command and control structure to deploy emergency and rapid response teams and provided communication support to law enforcement in the areas affected by the hurricane. We performed a 100 percent review of DISA obligations and expenditures related to hurricane relief efforts. We reviewed funding documents, invoices, delivery receipts, travel vouchers, and billing documents that supported each obligation associated with FEMA funding authority. We compared the amounts reported in the daily and monthly reports to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation. To verify amounts and dates of billings and collections by DISA and to determine the timeliness of the billings, we compared the supporting documentation for billings and collections provided by the DFAS service center to the supporting documentation provided by DISA.

Defense Logistics Agency. Three DLA activities, the Defense Supply Center, Philadelphia (DSCP), the Defense Energy Support Center (DESC), and the Defense Reutilization and Marketing Service (DRMS), supported the DoD hurricane relief efforts. We compared the DLA amounts reported in the daily and monthly reports to DFAS to the field activities' supporting documentation such as funding documents, invoices, and billing documents to ensure that the amounts reported were accurate. We compared the supporting documentation for billings and collections provided to us by DFAS to the amounts and dates of billings and collections provided to us by the DLA field activities to determine the accuracy of the billings. We conducted interviews with operating personnel at DLA, DESC, and DSCP. We did not visit DRMS because DLA did not tell us about the FEMA reimbursable funding authority to DRMS until after the end of our field work. However, we performed other procedures, including a data call from DRMS and DFAS, to substantiate DRMS funding and reporting.

Defense Supply Center, Philadelphia. We performed a 100 percent review of all obligations and expenditures related to the hurricane relief efforts at DSCP. We requested and reviewed supporting documentation for each of the obligations related to FEMA requests. We compared the amounts reported in the daily and monthly reports to DLA to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation. To verify amounts and dates of billings and collections by DSCP, we compared the supporting documentation for billings and collections provided by the DFAS service center to the supporting documentation provided by DSCP.

Defense Energy Support Center. We judgmentally selected 10 items from a spreadsheet provided by DESC that included a total of 521 fuel purchases by FEMA. We also selected 10 items from the universe of delivery receipts for those 521 fuel purchases for testing. We traced the 10 selected items from the spreadsheet to the delivery receipts. We then traced the 10 selected items from the delivery receipts to the spreadsheet containing the 521 fuel purchases. We compared the amounts in the DESC daily and monthly reports to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation. To verify amounts and dates of billings and collections by DESC, we compared the supporting documentation provided by DFAS to the supporting documentation provided by DESC.

Defense Reutilization and Marketing Services. We requested and received funding documents from DRMS and compared the data to similar information we received from DFAS. Because of time constraints, we were unable to verify DRMS billings to invoices, delivery receipts, and other supporting documentation.

National Geospatial-Intelligence Agency. NGA provided geospatial surveillance support in response to the DoD hurricane relief efforts. We performed 100 percent review of all obligations and expenditures related to the relief efforts. We requested and reviewed supporting documentation including funding documents, invoices, travel vouchers, receipts, and billing documents for each of the obligations. We compared the amounts reported in the daily and monthly reports to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation. To verify

amounts and dates of billings and collections by NGA we compared the supporting documentation for billings and collections provided by the DFAS service center to the supporting documentation provided by NGA. We also conducted interviews with operating personnel.

United States Special Operations Command. USSOCOM was the reporting agent for USSOCOM Headquarters and three Component Commands: Air Force Special Operations Command, United States Army Special Operations Command, and Naval Special Warfare Command. We requested and reviewed supporting documentation for each of the obligations and expenditures related to FEMA mission assignments. To ensure the costs that USSOCOM reported in its daily and monthly reports and submitted to DFAS were accurate, we compared the costs to the supporting documentation provided by USSOCOM Headquarters and the Component Commands. We also conducted interviews with personnel at USSOCOM Headquarters and the Component Commands.

USSOCOM Headquarters. We were unable to determine the exact amount that was obligated and billed against a FEMA mission assignment because Headquarters has yet to bill FEMA for costs associated with the hurricane relief efforts. However, we review supporting documentation for the hurricane relief costs Headquarters reported to DFAS Denver in its daily and monthly reports. Documents reviewed included travel authorizations and a telecommunications charge order. We compared the amounts reported in the daily and monthly reports to DFAS Denver to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation.

Air Force Special Operations Command. We performed a 100 percent review of all obligations and expenditures related to the Hurricane Katrina reconstruction effort at Air Force Special Operations Command. We requested and reviewed supporting documentation including a travel summary, flight logs, overtime records, and billing documents. We compared the amounts reported in the daily and monthly reports submitted to USSOCOM Headquarters to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation.

United States Army Special Operations Command. We performed a 100 percent review of all obligations and expenditures related to the Hurricane Katrina reconstruction effort at United States Army Special Operations Command. We requested and reviewed supporting documentation including a purchase request, travel orders, evacuation orders and billings for reimbursement. We compared the amounts reported in the daily and monthly reports submitted to USSOCOM Headquarters to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation.

Naval Special Warfare Command. We performed a 100 percent review of all obligations and expenditures related to the Hurricane Katrina reconstruction effort at the Naval Special Warfare Command. We requested and reviewed supporting documentation including travel documents invoices and billings. We compared the amounts reported in the daily and monthly reports submitted to

USSOCOM Headquarters to the supporting documentation to ensure that the amounts reported were accurate based on the supporting documentation.

United States Transportation Command. USTRANSCOM was the receiving and reporting agent for Air Mobility Command and the Military Sealift Command. Our review at USTRANSCOM was limited to the funding provided to the Air Mobility Command. We performed a 100 percent review of obligations and expenditures related to the DoD hurricane relief efforts and we reviewed funding and billing documents. We compared the amounts reported in the daily and monthly reports prepared by USTRANSCOM and submitted to DFAS Denver to the supporting documentation provided by Air Mobility Command to ensure that the amounts reported were accurate based on the supporting documentation. We also compared the supporting documentation for billings and collections provided by the Air Mobility Command to documents we received from DFAS Denver to ensure the accuracy of the amounts billed and collected. We interviewed personnel at USTRANSCOM and the Air Mobility Command.

Use of Computer-Processed Data. We relied on computer processed data such as spreadsheets provided to us by the Components to determine the universe of the items we reviewed. We did not evaluate the general and application controls for the systems. We compared the data we received to the data in the Tracker and other hard copy mission assignments to determine the accuracy and reliability of the computer-processed data. Not performing the general and application controls of the systems did not affect the results and conclusions of our review.

Use of Technical Assistance. We did not use any technical assistance in conducting our audit.

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

Prior Coverage

During the past 5 years, the GAO has published testimonies and reports and the Naval Audit Services has issued a report relating to the Hurricane Katrina relief efforts. Unrestricted GAO reports and testimonies can be accessed over the Internet at <http://www.gao.gov>. Unrestricted Navy reports can be accessed at <http://www.hq.navy.mil/NavalAudit>.

GAO

GAO Report No. GAO-06-643, "Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters," May 2006

GAO Report No. GAO-06-454, "Army Corps of Engineers Contract for Mississippi Classrooms," May 2006

DoDIG

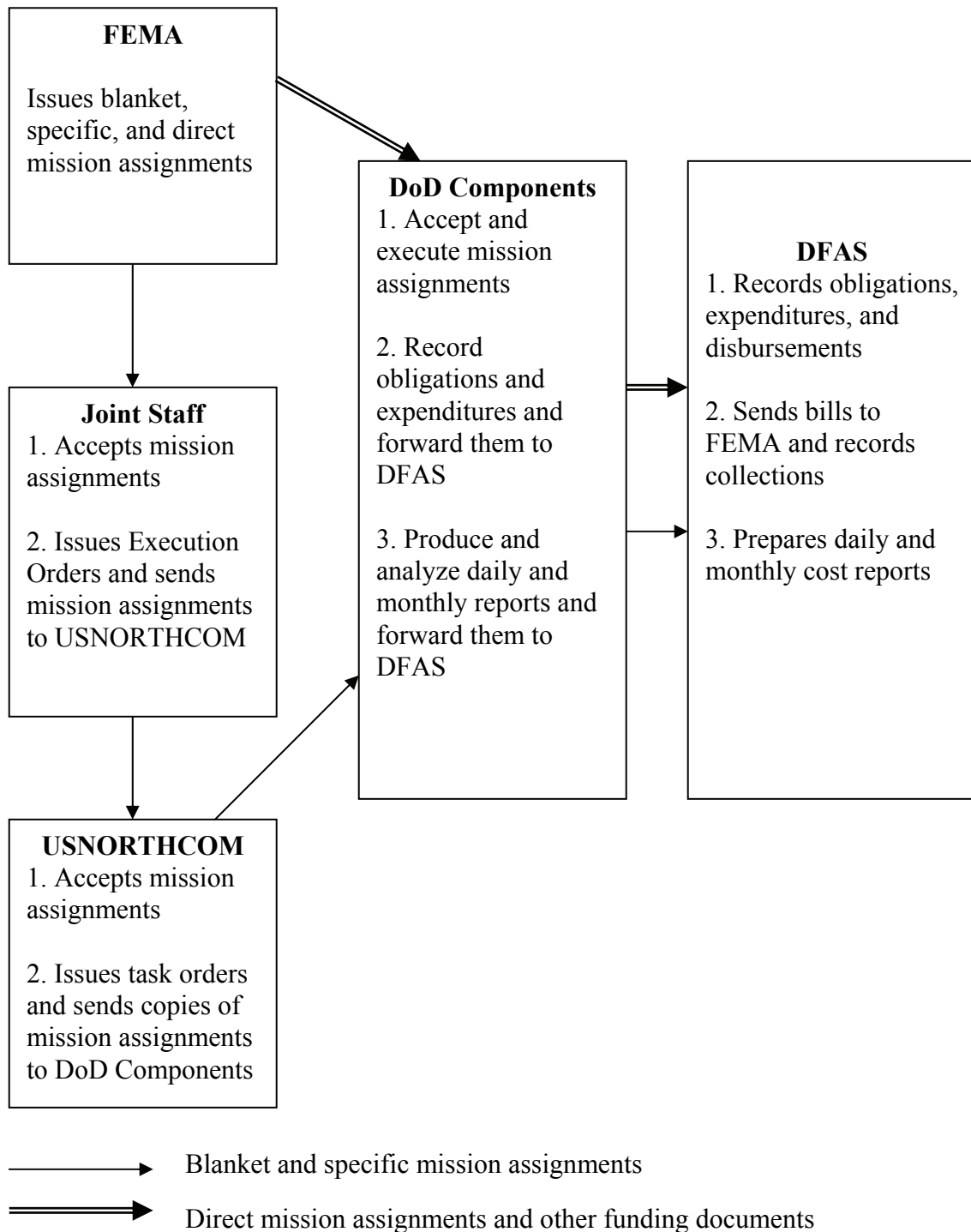
DoD IG Report No. D-2006-109, "Response to Congressional Request on the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers," August 29, 2006

Naval Audit Services

Naval Audit Service Report No. N2006-0015, "Chartered Cruise Ships," February 16, 2006

Naval Audit Service Report No. N2006-0047, "Cash Accountability of Department of the Navy Disbursing Officers for Hurricane Katrina Relief Funds," September 22, 2006

Appendix B. Flow and Process of FEMA Mission Assignments



Appendix C. FEMA Mission Assignments* and Other Funding Documents Reviewed

Document Number	DISA	DLA	NGA	USSOCOM	USTRANSCOM
1609DR-FL-DoD-12					S
1603DR-LA-NGA-01			D		
1603DR-LA-DoD-01					S
1603DR-LA-DoD-06					S
1603DR-LA-DoD-07					B
1603DR-LA-DoD-11	B			B	
1603DR-LA-DoD-14					B
1603DR-LA-DoD-19		S			
1603DR-LA-DoD-23		S			
1603DR-LA-DoD-27	B				B
1603DR-LA-DoD-29				B	B
1603DR-LA-DoD-31					B
1603DR-LA-DoD-32			B		
1603DR-LA-DoD-33					S
1603DR-LA-DoD-34	B				

*Mission Assignment is used here to identify funding documents that described a FEMA requested mission or tasking to DoD with reimbursable authority.

B – Blanket Mission Assignment: a broad mission statement tasked to more than one DoD Component by the Joint Staff and USNORTHCOM and processed under the DoD mission assignment approval process.

D – Direct Mission Assignment: a mission assignment provided by FEMA directly to DoD components.

I – Interagency Agreement and Other Funding Documents

S – Specific Mission Assignment: an assignment tasked to a single DoD Component and processed under the DoD mission assignment process.

Document Number	DISA	DLA	NGA	USSOCOM	USTRANSCOM
7220SU-TX-DoD-22					S
1604DR-MS-NGA-01			D		
1604DR-MS-DoD-07					B
1604DR-MS-DoD-16		S			
1604DR-MS-DoD-19		B			B
1604DR-MS-DoD-24					S
1604DR-MS-DoD-27					B
1606DR-TX-NGA-01			D		
3261EM-TX-DoD-14		D			
3261EM-TX-DoD-18					S
7220SU-AL-NGA-01			D		
7220SU-FL-NGA-01			D		
7220SU-FL-NGA-02			D		
AN00400N2006T		I			
AN01948N2005T		I			
AN01957YN2005T		I			
HSFEHQ-06-X0102		I			
1603DR-LA-DoD-35					B
1603DR-LA-DoD-36					B

B – Blanket Mission Assignment: a broad mission statement tasked to more than one DoD Component by the Joint Staff and USNORTHCOM and processed under the DoD mission assignment approval process.

D – Direct Mission Assignment: a mission assignment provided by FEMA directly to DoD components.

I – Interagency Agreement and Other Funding Documents

S – Specific Mission Assignment: an assignment tasked to a single DoD Component and processed under the DoD mission assignment process.

Document Number	DISA	DLA	NGA	USSOCOM	USTRANSCOM
1603DR-LA-DoD-40					S
WN00250N2006T		I			
WN01341N2005T		I			
WN01545N2005T		I			
WN01546N2005T		I			
WN01594N2005T		I			
WN01595N2005T		I			
TN00116N2005T		I			

- B – Blanket Mission Assignment: a broad mission statement tasked to more than one DoD Component by the Joint Staff and USNORTHCOM and processed under the DoD mission assignment approval process.
- D – Direct Mission Assignment: a mission assignment provided by FEMA directly to DoD components.
- I – Interagency Agreement and Other Funding Documents
- S – Specific Mission Assignment: an assignment tasked to a single DoD Component and processed under the DoD mission assignment process.

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Under Secretary of Defense (Comptroller)/Chief Financial Officer
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense for Homeland Defense
Director, Program Analysis and Evaluation

Joint Staff

Director, Joint Staff

Department of the Army

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

Department of the Navy

Assistant Secretary of the Navy (Manpower and Reserve Affairs)
Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

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

Combatant Commands

Commander, U.S. Northern Command
Commander, U.S. Transportation Command
Commander, U.S. Special Operations Command

Other Defense Organizations

Director, Defense Finance and Accounting Service
Director, Defense Information Systems Agency
Director, Defense Logistics Agency
Director, National Geospatial-Intelligence Agency

Non-Defense Federal Organization

Office of Management and Budget
Director, Federal Emergency Management Agency

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 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

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



COMPTROLLER

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

SEP 08 2006

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

SUBJECT: Draft Report entitled "Financial Management of Hurricane Katrina Relief
Efforts at Selected DoD Components," (Project No. D2006-D000FE-
0010.000)

This is in response to subject draft report of July 24, 2006, provided to this office for review and comment. Upon review of the draft report, we concur with the Office of Inspector General (OIG), Department of Defense (DoD) Recommendations 1 and 3; and partially concur with Recommendation 2 and 4. Our detailed response to the report findings and recommendations is outlined in Attachment 1.

The Department appreciates the opportunity to comment on the subject report. My staff point of contact on this matter is Ms. Joy Marcou. She can be contacted by telephone at 703-697-3135 or e-mail at joy.marcou@osd.mil.

Robert P. McNamara
Acting Deputy Chief Financial Officer

Attachments:
As stated

**Draft Report on Financial Management of Hurricane Katrina
Relief Efforts at Selected DoD Components
(Project No. D2006-D000FE-0010.000)**

The Department of Defense Office of the Inspector General recommended that the Under Secretary of Defense (Comptroller)/Chief Financial Officer:

RECOMMENDATION 1: Comply with the Department of Defense (DoD) policies and regulations when issuing guidance for DoD reimbursable support for assistance provided to Federal Departments and agencies, and to State and local governments when DoD Components are responding to natural or manmade disasters and, in cooperation with the Assistant Secretary of Defense for Homeland Defense (ASD(HD)) and the Commander, U.S. Northern Command (USNORTHCOM), allocate reimbursable authority to DoD Components performing DoD disaster assistance.

DoD RESPONSE: Concur. The Office of the Secretary of Defense (Comptroller) (OUSD(C)) will comply with DoD policies and regulations when establishing guidance or, when it is necessary to issue guidance that overrides current policies or regulations, will ensure that the superseded directives or sections are clearly stated.

RECOMMENDATION 2: Assign financial management responsibilities for future DoD disaster assistance to the ASD(HD) and the Commander, USNORTHCOM, and update applicable sections of the DoD Financial Management Regulation (DoDFMR) to reflect the changes in the responsibilities.

DoD RESPONSE: Partially Concur. The DoD provides both domestic and international disaster assistance. The USNORTHCOM is only responsible for assistance provided within the continental United States.

RECOMMENDATION 3: Require the Defense Finance and Accounting Service (DFAS), USNORTHCOM, and DoD Components executing Federal Emergency Management Agency (FEMA) mission assignments to perform mission assignment closeout procedures and, if the closeout procedures discover excess reimbursable funding authority, advise the FEMA to de-obligate any excess funding authority to DoD.

DoD RESPONSE: Concur. The OUSD(C) will issue policy guidance to USNORTHCOM, DFAS, and applicable DoD Components directing the closeout of Hurricane Katrina mission assignments and return of reimbursable funding authority to FEMA. Procedures for fiscal closure of future Defense Support to Civil Authorities (DSCA) relief operations are addressed in the "Defense Support to Civil Authorities

Revised

Financial Management (FM) Process” concept document developed by
USNORTHCOM. Estimated completion date: December 30, 2006

RECOMMENDATION 4. Require all DoD Components to inform and provide financial information on the use of DoD resources to the DoD Executive Agent for Military Assistance to Civil Authorities when the Executive Agent has the responsibility and oversight of the use of DoD resources for DoD disaster assistance.

DoD RESPONSE: Partially concur. The DoD provides goods and services for DSCA, such as hurricane relief, based on the authority of the Stafford Act. DoD policy requires that all requests for DSCA goods or services are reviewed and approved by the Secretary of Defense. Orders for goods and services submitted directly to DoD business operations, based on contractual arrangements such the Economy Act, are part of the DoD seller’s normal business operation. These orders are accepted outside the scope of the Stafford Act and do not require Secretary of Defense approval. Good and services provided through Economy Act orders are often purchased in anticipation of a possible event and are pre-positioned or stockpiled. Only the purchasing organization, such as FEMA, would be able to track and identify whether these goods and services were actually used for disaster relief. Therefore, orders received outside the scope of the Stafford Act should not be categorized or tracked as DSCA assistance.

U.S. Northern Command Comments



**NORTH AMERICAN AEROSPACE DEFENSE COMMAND
AND
UNITED STATES NORTHERN COMMAND**



MEMORANDUM FOR THE DOD INSPECTOR GENERAL

FROM: Commander, NORAD and USNORTHCOM
250 Vandenberg St., Ste B016
Peterson AFB CO 80914-3801

AUG 23 2006

SUBJECT: Report on Financial Management of Hurricane Katrina Relief Efforts at
Selected DoD Components (Project No. D2006-D000FE-0010.000)
(Your Memo, 24 Jul 06)

1. Concur with your findings and recommendations. Detailed management comments are attached.
2. NORAD-USNORTHCOM point of contact is Mr. Charles G. Carpenter, SES, NORAD-USNORTHCOM/J8, DSN 692-5595.

A handwritten signature in black ink, reading "T. J. Keating".

TIMOTHY J. KEATING
Admiral, USN

cc:
CJCS/J8
Under Secretary of Defense (Comptroller)/Chief Financial Officer

Attachment:
USNORTHCOM Management Comments on DoD IG Report of Audit

**USNORTHCOM MANAGEMENT COMMENTS ON DOD IG REPORT OF AUDIT
"REPORT ON FINANCIAL MANAGEMENT OF HURRICANE KATRINA
RELIEF EFFORTS AT SELECTED DOD COMPONENTS
(PROJECT NO. D2006-D00FE-0010.000)"**

Recommendation 1

The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) should comply with DoD policies and regulations when issuing guidance for reimbursable support when DoD components respond to natural or manmade disasters and, in cooperation with the Assistant Secretary of Defense for Homeland Defense (ASD(HD)) and the Commander, United States Northern Command (CDRUSNORTHCOM), USD(C)/CFO should allocate reimbursable authority to DoD components performing disaster assistance.

Management Comment

Concur in principle. Policies and regulations should be reviewed and revised in light of the Deputy Secretary of Defense memorandum (subject: Implementation Guidance Regarding the Office of the Assistant Secretary of Defense for Homeland Defense, 25 March 2003) that appointed ASD(HD) as the representative of the Department for all Homeland Defense and Defense Support of Civil Authorities matters. To date, the Under Secretary of Defense for Policy has not revised the DoD Executive Agent assignments nor updated affected processes described in DoD Directives 3025.1 and 3025.12. Policy and doctrinal issues remain related to whether or not ASD(HD) and USNORTHCOM are the best choices for the financial oversight and execution associated with Defense Support of Civil Authorities.

Recommendation 2

The USD(C)/CFO should assign financial management responsibility for future DoD disaster assistance to ASD(HD) and CDRUSNORTHCOM, and update applicable sections of DoD Financial Management Regulation to reflect the changes in the responsibilities.

Management Comment

Concur in principle. NORAD-USNORTHCOM/J8 developed a concept of operations of financial management process for the Defense Support of Civil Authorities on behalf of the USD(C)/CFO and it will be tested at USNORTHCOM during the 2006 hurricane season. The USD(C)/CFO approved the USNORTHCOM-proposed process on 23 May 2006, which addresses the allocation of reimbursable budget authority to DoD components that are performing disaster assistance. USNORTHCOM will revise the process as required during the 2006 hurricane season. A Financial Management Augmentation Team (FMAT) composed of Service and Agency representatives forms the core of the concept. Templates, forms and control devices to allocate, track, and close-out reimbursable budget authority have been designed. The processes were developed during the May 2006 Exercise Ardent Sentry and recognized shortfalls were addressed prior to USD(C)/CFO approval. The concept of fiscal operations will form the basis for future revisions to the DoD Financial Management Regulation and other related guidance.

Revised

Recommendation 3

The USD(C)/CFO should require the Defense Finance and Accounting Service (DFAS), USNORTHCOM, and DoD components executing FEMA mission assignments to perform close-out procedures and advise FEMA to deobligate any discovered excess funding.

Management Comment

Concur. Since the beginning of March 2006, FEMA has deobligated \$692.5M from approximately 15 selected DoD mission assignments initially worth \$929M, leaving a balance of \$236.5M for billing purposes. The reductions were facilitated by USNORTHCOM and accomplished in collaboration with representatives from FEMA's Joint Field Office in Baton Rouge, the Louisiana Defense Coordinating Element, DFAS-Indianapolis, and components. Most recently, a tentative close-out approach, agreed upon by analysts from FEMA, USD(C)/CFO, and DFAS-Indianapolis, with assistance from USNORTHCOM, focuses on stratifying the mission assignments based on complexity and setting closure dates accordingly.

Recommendation 4

USD(C)/CFO should require DoD components to provide financial information on use of DoD resources to ASD (HD) when ASD (HD) has responsibility and oversight of DoD resources for disaster assistance.

Management Comment

Concur. USNORTHCOM will amend the funding paragraph in its Standing Execute Order on Defense Support to Civil Authorities to ensure ASD (HD) retains complete fiscal oversight of all reimbursable authority. This includes funding issued directly to components via direct mission assignments and Economy Act orders. The new provisions will require DoD components to notify ASD (HD) and USNORTHCOM anytime they have accepted and are executing reimbursable orders for disaster assistance which have not been tasked by USNORTHCOM. Specifically, the components will notify the USNORTHCOM/J3 of the operational aspects and the Financial Management Augmentation Team of the fiscal aspects of mission execution. The Execute Order amendment will be incorporated with the funding language on the revised financial management processes by 31 Aug 06.

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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