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Special Operations Command
Governmental Purchases

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Acronyms

DFAS	Defense Finance and Accounting Service
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
FMR	Financial Management Regulation
GSA	General Services Administration
MIPR	Military Interdepartmental Purchase Request
MOCAS	Mechanization of Contract Administration Services
OIG	Office of Inspector General
RDT&E	Research, Development, Test, and Evaluation
SOCOM	Special Operations Command
U.S.C.	United States Code



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

July 9, 2007

MEMORANDUM FOR COMMANDER, SPECIAL OPERATIONS COMMAND
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Report on Special Operations Command Governmental Purchases (Report No. D-2007-109)

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

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Special Operations Command, Chief of Staff comments on Recommendations B.1.a and B.1.b were nonresponsive. As a result of management comments and additional information provided by the Defense Finance and Accounting Service, we revised Recommendation B.2.b and deleted Recommendation B.2.c. Therefore, we request that the Commander, Headquarters, Special Operations Command provide additional comments on Recommendations B.1.a and B.1.b and that Director, Defense Finance and Accounting Service provide additional comments on Recommendation B.2.b by September 7, 2007.

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

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Barbara Sauls at (703) 325-5782 (DSN 221-5782) or to Mr. Brian R. McNamara at (703) 325-5921 (DSN 221-5921). The team members are listed inside the back cover. See Appendix E for the report distribution.

By direction of the Deputy Inspector General for Auditing:

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

Paul J. Granetto, CPA
Assistant Inspector General and Director
Defense Financial Auditing Service

Department of Defense Office of Inspector General

Report No. D-2007-109

July 9, 2007

(Project No. D2006-D000FH-0166.000)

Special Operations Command Governmental Purchases

Executive Summary

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

Background. In accordance with Public Law 108-375, the Ronald Reagan National Defense Authorization Act of FY 2005, Section 802, "Internal Controls for Department of Defense Procurements Through [General Services Administration] GSA Client Support Centers," the DoD Office of Inspector General and the General Services Administration conducted an interagency audit of DoD purchases made by General Services Administration. In that audit, the DoD Office of Inspector General determined that guidance was unclear and that fund mismanagement and a lack of acquisition planning for the funds transferred to General Services Administration caused between \$1 billion and \$2 billion of DoD funds to either expire or otherwise be unavailable to support DoD operations. That finding prompted DoD Office of Inspector General management to conduct this series of audits on DoD use of interagency and interservice support.

This is the fourth in the series of reports discussing DoD use of interagency and interservice support. It discusses the internal controls over Headquarters, SOCOM military interdepartmental purchase requests (MIPRs). The first report in this series, DoD Office of Inspector General Report No. D-2006-102, "Marine Corps Governmental Purchases," July 31, 2006, discusses the lack of adequate internal controls over outgoing and incoming MIPRs at the Marine Corps. The second report in this series, DoD Office of Inspector General Report No. D-2007-062, "Department of the Navy Purchases for and from Governmental Sources," February 28, 2007, discusses the lack of adequate internal controls over outgoing and incoming MIPRs at the Department of Navy. The third report in this series, DoD Office of Inspector General Report No. D-2007-075, "Department of the Army Purchases from Governmental Sources," March 22, 2007 discusses the lack of adequate internal controls over outgoing and incoming MIPRs at the Department of the Army.

Results. Headquarters, SOCOM had adequate internal controls for preparation of the MIPR form for outgoing MIPRs and acceptance and administration of incoming MIPRs. However, Headquarters, SOCOM did not have adequate internal controls for initiation and approval for its outgoing MIPRs. As a result, Headquarters, SOCOM personnel could not ensure that all purchases were in the best interest of the Government; served a

bona fide need; and complied with Federal, DoD, and SOCOM regulations. The Commander, Headquarters, SOCOM should ensure that SOCOM staff follows established procedures directing that Determinations and Findings be prepared for all Economy Act orders and that Economy Act orders be properly approved. In addition, the Commander should initiate a preliminary review and possible corrective actions for MIPRs that violated or potentially violated the Bona Fide Needs Rule (finding A).

Headquarters, SOCOM and Defense Finance and Accounting Service did not have adequate internal controls over obligations for Headquarters, SOCOM's governmental purchases because Headquarters, SOCOM and Defense Finance and Accounting Service did not establish and implement procedures to ensure compliance with Federal and DoD regulations. As a result, Headquarters, SOCOM and Defense Finance and Accounting Service may have increased the risks of potential Antideficiency Act violations and understated obligations. Headquarters, SOCOM also did not ensure that reimbursable MIPR disbursements could be substantiated. As a result, disbursements may have been made for supplies or services that Headquarters, SOCOM had not received. Additionally, DFAS did not effectively coordinate audit support. As a result, DFAS could not support disbursements in a timely manner. The Commander, Headquarters, SOCOM should develop procedures that ensure obligations are recorded in a timely manner and that ensure reimbursable orders are supported with evidence of performance. The Director, Defense Finance and Accounting Service should develop procedures to ensure it records obligations in a timely manner and to ensure that audit support is effectively coordinated to provide timely access to requested documentation (finding B).

Management Comments and Audit Response. The Chief of Staff, responding for the Commander, Headquarters, SOCOM, concurred with all the recommendations. However, his comments were nonresponsive for two of the recommendations. We do not agree that reinforcing existing procedures that were not working effectively would ensure obligations are recorded in a timely manner. We also do not believe it is acceptable to expect the Office of Secretary of Defense to address the requirement for support of reimbursable order charges when the Office of Secretary of Defense indicated that it does not intend to address the issue. We request that the Commander, Headquarters, SOCOM provide comments on the final report by September 7, 2007.

The Deputy Director, Defense Finance and Accounting Service Columbus, responding for the Director, Defense Finance and Accounting Service, concurred with one of the recommendations and nonconcurred with the other recommendation. As a result of management comments and additional information provided to us, the recommendation that the Deputy Director nonconcurred with has been revised. We request that the Director, Defense Finance and Accounting Service comment on the final report by September 7, 2007.

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

Table of Contents

Executive Summary	i
Background	1
Objectives	2
Review of Internal Controls	2
Findings	
A. Adequacy of Special Operations Command Internal Controls over Governmental Purchases	3
B. Special Operations Command Controls over MIPR Funding	12
Appendixes	
A. Scope and Methodology	18
B. Prior Coverage	20
C. Glossary of Technical Terms	21
D. MIPR Deficiencies	23
E. Report Distribution	25
Management Comments	
Special Operations Command	27
Defense Finance and Accounting Service	29

Background

In accordance with Public Law 108-375, the Ronald Reagan National Defense Authorization Act of FY 2005, Section 802, “Internal Controls for Department of Defense Procurements Through [General Services Administration] GSA Client Support Centers,” DoD Office of Inspector General (OIG) and the GSA conducted an interagency audit of DoD purchases made by GSA. In DoD OIG Report No. D-2005-096, “DoD Purchases Made Through the General Services Administration,” July 29, 2005, DoD OIG determined that guidance regarding such purchases was unclear and misunderstood. The DoD OIG also determined that the mismanagement of funds and lack of acquisition planning for funds transferred to GSA caused between \$1 billion and \$2 billion of DoD funds to either expire or otherwise be unavailable to support DoD operations. The DoD OIG has issued a series of reports to discuss DoD interagency support from GSA, Department of Treasury, Department of Interior, and National Aeronautics and Space Administration.

This is the fourth in the series of reports discussing DoD use of interagency and interservice support. It discusses the internal controls over Headquarters, Special Operations Command (SOCOM) Military Interdepartmental Purchase Requests (MIPRs). The first report in the series, DoD OIG Report No. D-2006-102, “Marine Corps Governmental Purchases,” July 31, 2006, discusses the lack of adequate internal controls over outgoing and incoming MIPRs at the Marine Corps. The second report in this series, DoD Office of Inspector General Report No. D-2007-062, “Department of the Navy Purchases for and from Governmental Sources,” February 28, 2007, discusses the lack of adequate internal controls over outgoing and incoming MIPRs at the Department of Navy. The third report in this series, DoD Office of Inspector General Report No. D-2007-075, “Department of the Army Purchases from Governmental Sources,” March 22, 2007 discusses the lack of adequate internal controls over outgoing and incoming MIPRs at the Department of the Army. The fifth report will discuss the use of interagency and interservice support by the Missile Defense Agency.

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

Military Interdepartmental Purchase Requests. The MIPR, DD Form 448, is issued by one DoD Component to another to procure supplies or services. The supplying organization provides a DD Form 448-2, “Acceptance of MIPR,” agreeing to provide the requested supplies or services. The DoD Component issuing the DD Form 448 considers the form an outgoing MIPR and the DoD Component accepting the form considers it an incoming MIPR. DoD may also issue the MIPR to non-DoD agencies. DoD typically issues MIPRs as an

Economy Act order unless a more specific statutory authority applies. MIPRs may be funded on a direct citation or reimbursable basis or both.¹

Objectives

Our overall audit objective was to evaluate the internal controls over Headquarters, SOCOM's purchases for and from Governmental sources, excluding General Services Administration, Department of the Treasury, Department of Interior, and National Aeronautics and Space Administration. Specifically, we examined Headquarters, SOCOM's processes for initiating, preparing, obligating, disbursing, and accepting MIPRs. We examined whether Headquarters, SOCOM's purchase requirements were clearly defined and whether funds were properly used and tracked. We also reviewed the adequacy of the managers' internal control program as it related to our audit objectives. See Appendix A for a discussion of the scope and methodology. See Appendix B for prior coverage related to the objectives.

Review of Internal Controls

Using guidance defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, we identified internal control weaknesses for Headquarters, SOCOM and Defense Finance and Accounting Service (DFAS). Headquarters, SOCOM did not have adequate internal controls for initiation and approval of its outgoing MIPRs, for ensuring that obligations were recorded in a timely manner, and for ensuring that charges for reimbursable orders are supported. DFAS did not have adequate internal controls for ensuring that obligations were recorded in a timely manner and ensuring audit support is effectively coordinated. Implementing Recommendations A.1, A.2, A.3, A.4, B.1.a, B.1.b, and B.2.a will improve Headquarters, SOCOM and DFAS internal controls over Headquarters, SOCOM's MIPR purchases. Implementing Recommendation B.2.b will improve DFAS audit support coordination. We will provide a copy of the report to the senior Headquarters, SOCOM and DFAS officials responsible for management controls.

¹ MIPRs are considered direct-cite when the requesting organization's funds are cited directly on the contract. When the supplying organization performs the work using its own appropriation, and is then reimbursed by the requesting organization, the MIPR is considered reimbursable.

A. Adequacy of Special Operations Command Internal Controls over Governmental Purchases

Headquarters, SOCOM generally had adequate internal controls for preparation of the MIPR form for outgoing MIPRs and for acceptance and administration of incoming MIPRs. However, Headquarters, SOCOM's internal controls were not adequate for initiation and approval of outgoing MIPRs. Although Headquarters, SOCOM provided its personnel with updated and adequate guidance and training, Headquarters, SOCOM processes did not always follow MIPR guidance. As a result, Headquarters, SOCOM personnel could not ensure that all of its purchases:

- were in the best interest of the Government,
- met the Bona Fide Needs Rule, and
- complied with Federal, DoD, and SOCOM regulations.

Headquarters, SOCOM MIPRs

Headquarters, SOCOM provided a universe of outgoing and incoming MIPRs² processed between August 1, 2004, and January 31, 2006. We randomly selected and reviewed 60 outgoing MIPRs totaling \$152 million and 60 incoming MIPRs totaling \$134 million.

Outgoing MIPRs

Headquarters, SOCOM generally had adequate internal controls over preparing the MIPR form when issuing MIPRs to the supplying organization. However, Headquarters, SOCOM did not ensure that outgoing MIPRs were properly initiated and approved.

MIPR Initiation

As the requesting organization, Headquarters, SOCOM was responsible for determining that Economy Act order purchases were in the best interest of the Government and served a bona fide need. However, Headquarters, SOCOM did not ensure all Economy Act order purchases were in the best interest of the Government and served a bona fide need.

² Outgoing MIPRs were MIPRs sent by Headquarters, SOCOM to other Federal agencies. Incoming MIPRs were MIPRs sent by other Federal agencies to Headquarters, SOCOM.

Determinations and Findings. The Federal Acquisition Regulation (FAR), Subpart 17.5, and DoD Financial Management Regulation (FMR) volume 11A, chapter 3, April 2000, require that the requesting organization prepare a Determinations and Findings to support each Economy Act order that uses interagency support capabilities.³ The requesting agency should use the Determinations and Findings to ensure that Economy Act orders, which include most of the MIPRs we reviewed, are in the best interest of the Government and that the Government cannot obtain the supplies and services as conveniently or economically by contracting directly with a commercial enterprise.

SOCOM Regulation 37-4, “Military Interdepartmental Purchase Request (MIPR) Process,” August 11, 2003, authorizes use of the SOCOM Form 13, “Pre-planning Funding Sheet” to provide the required determination for Economy Act orders issued to DoD agencies. DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” August 9, 1995, states that DoD organizations may enter into agreements with DoD and non-DoD Federal organizations. For agreements with DoD organizations, DoD must ensure that the agreement is in the best interest of the Government and capabilities exist to provide the support without jeopardizing assigned missions.

Although the SOCOM Form 13 does not include the title “Determinations and Findings,” it does require the determination that the Economy Act order issued to a DoD agency is in the best interest of the Government. The SOCOM Form 13 also requires a rationale for the determination. The rationale provided on the SOCOM Forms 13 we reviewed indicated that the Government could not obtain the supplies and services as conveniently or economically by contracting with a commercial enterprise. Additionally, Headquarters, SOCOM has developed a draft Regulation 37-4, which includes a revision to the title of the SOCOM Form 13, from “Pre-planning Funding Sheet” template to “Determinations and Findings.” Therefore, we accepted the SOCOM Form 13 as adequate support of the required determinations for orders issued to DoD agencies.⁴

Of the 60 outgoing MIPRs we reviewed, 8 Economy Act orders, valued at \$15.8 million, were not properly supported. Specifically, 6 MIPRs, valued at approximately \$800,000, were issued under the Economy Act to DoD agencies and were not supported by a SOCOM Form 13. Two outgoing MIPRs, valued at \$15 million, were issued under the Economy Act to non-DoD agencies and were not supported by a SOCOM Form 13 and the additional detailed memorandum (“Economy Act Determination”) as required by SOCOM Regulation 37-4. Headquarters, SOCOM should ensure that all Economy Act orders are properly supported.

³ The DoD FMR defines interagency agreements to include support provided to non-DoD agencies. However, comments received from the Under Secretary of Defense (Comptroller) indicate that the intent of the DoD FMR is to require a Determinations and Findings for all Economy Act orders, including support provided to DoD agencies. We did not recommend that the DoD FMR be revised to clarify that a Determinations and Findings be required for all Economy Act orders, including interservice orders, because that was already recommended in DoD OIG Report No. D2006-102, “Marine Corps Governmental Purchases,” July 31, 2006.

⁴ Although the SOCOM Form 13 did not specifically state that the accepting activity could provide the support without jeopardizing assigned missions, we accepted the SOCOM Form 13 as adequate support because that determination is made by an accepting organization when a MIPR is accepted.

Bona Fide Need Purchases. The Bona Fide Needs statute, 31 U.S.C. 1502(a), requires that the balance of an appropriation or fund limited for obligation to a definite period is available only for two purposes:

- payment of expenses properly incurred during the period of availability or
- completion of contracts properly made within that period of availability.

In addition, the DoD FMR volume 11A, chapter 3, “Economy Act Orders,” April 2000, which incorporates the Bona Fide Needs Rule, requires that all Economy Act orders must serve a bona fide need arising, or existing, in the fiscal year or years for which the appropriation is available for obligation.

The 60 outgoing orders we reviewed cited an annual or multiyear appropriation and were therefore required to meet the Bona Fide Needs Rule. However, on September 22, 2004, Headquarters, SOCOM prepared an Economy Act order, MIPR No. MIPR04181119, valued at approximately \$700,000, for support that was funded by the FY 2004 Operation and Maintenance appropriation. The FY 2004 Operation and Maintenance appropriation funding the MIPR was only available for FY 2004 needs. The performing organization accepted the MIPR as direct-cite on September 24, 2004, and awarded the delivery orders to procure the support on September 28, 2004, and September 30, 2004 -- just days before the end of FY 2004. According to the Defense Federal Acquisition Regulation Supplement (DFARS), Headquarters, SOCOM may enter into a contract, exercise an option, or place an order under a contract for severable services for a period that begins in one fiscal year and ends in the next fiscal year only if the period of the contract awarded, option exercised, or order placed does not exceed 1 year. Because the delivery orders were issued at the end of the fiscal year and neither the MIPR nor the delivery orders provided the period of performance, we were unable to determine whether the MIPR served FY 2004 bona fide needs.

According to the DoD FMR volume 14, chapter 2, “Violations of the Antideficiency Act,” October 2002, failure to meet the Bona Fide Needs Rule is a potential violation of the Antideficiency Act. DoD FMR volume 14, chapter 10, “Violations—Causes, Prevention and Correction,” October 2004, states that all violations of the Antideficiency Act must be corrected with the proper funding. Headquarters, SOCOM should initiate a preliminary review and possible corrective actions for the MIPR that potentially violated the Bona Fide Needs Rule.

MIPR Preparation

As the requesting organization, Headquarters, SOCOM was responsible for properly completing the DD Form 448, “MIPR.” Guidance for preparing MIPRs is promulgated in the:

- DoD FMR volume 11A, chapter 3, “Economy Act Orders,” April 2000;
- DFARS Subpart 208.70, “Coordinated Acquisition,” December 20, 2002; and

-
- DFARS Subpart 253.208, “Required Sources of Supplies and Services,” August 31, 2000.

Generally, Headquarters, SOCOM properly completed the DD Form 448. Proper completion of the DD Form 448 is important to accurately communicate the need for specific goods and services to the accepting organization and to enable the organizations to provide an adequate record of the supplies and services that were ordered.

Description of the Supplies and Services. For the 60 MIPRs, valued at \$152 million, Headquarters, SOCOM included sufficient detail on the supplies or services requested,⁵ as required by 31 U.S.C. 1501, “Documentary Evidence Requirement for Government Obligations,” October 11, 2005; FAR Subpart 17.5; and the DoD FMR volume 11A, chapter 3. Specifically, FAR Subpart 17.5 and DoD FMR volume 11A, chapter 3 require that Economy Act orders include a firm, clear, and complete description of the requested supplies or services. It is important that the description on MIPRs be specific to ensure that:

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

Delivery Requirements. Of the 60 MIPRs, Headquarters, SOCOM ensured that 52 MIPRs, valued at \$143 million, included the time of delivery or performance⁶ as required by FAR Subpart 17.5, DFARS Subpart 253.208, and DoD FMR volume 11A, chapter 3. DFARS 253.208 requires that the agency clearly state the required period of performance in each MIPR, taking into consideration administrative lead times. Where the required period of performance was included, Headquarters, SOCOM could determine whether the supplying organization was performing the MIPR in accordance with the original agreement. However, 8 MIPRs, valued at approximately \$9 million, lacked the time of delivery or performance. Headquarters, SOCOM should ensure that all MIPRs include the delivery requirements.

DFARS Subpart 253.208 also requires that the DD Form 448 include the name and telephone number of a point of contact. For 58 of the MIPRs, valued at approximately \$151.6 million, Headquarters, SOCOM included the proper information for a point of contact. Two MIPRs, valued at approximately \$800,000, lacked a point of contact. However, we did not consider them material when compared to the 60 MIPRs, valued at \$152 million, we reviewed.

Fund Citation. FAR Subpart 17.5, DFARS 253.208, and DoD FMR volume 11A, chapter 3 require the DD Form 448 to include a funds citation. For 59 of the MIPRs, valued at approximately \$150 million, Headquarters, SOCOM

⁵ Each DD Form 448, “MIPR” provided a description of the requested supplies and services. Additionally, a statement of work was usually attached to the DD Form 448 that provided additional details.

⁶ The DD Form 448 or an attached statement of work provided the time of delivery or performance.

included the funds citation. One MIPR, valued at \$2 million, lacked a funds citation. However, we did not consider it material when compared to the 60 MIPRs, valued at \$152 million, we reviewed.

Additional Line Items. Headquarters, SOCOM prepared amendments for 28 of the 60 MIPRs. In accordance with DFARS 208.70, the organization should have submitted a new MIPR for additional line items of supplies or services not included on the original MIPR. For the 28 MIPRs, valued at \$81 million, Headquarters, SOCOM prepared amendments that only pertained to the line items of supplies or services provided for in the original MIPR documents.

MIPR Approval

As the requesting organization, Headquarters, SOCOM was responsible for ensuring that outgoing MIPRs were properly reviewed and approved. Headquarters, SOCOM uses the Automated Business Services System to prepare and transmit outgoing MIPRs, including the Determinations and Findings, to required approvers. Specifically, the requiring organization official is responsible for selecting the appropriate routing flow in the Automated Business Services System. FAR Subpart 17.5 and SOCOM Regulation 37-4 require that organizations review and approve Economy Act orders to ensure that they are in the best interest of the Government and meet required standards. Of the 60 MIPRs we reviewed, 57 were Economy Act orders. Headquarters, SOCOM did not ensure proper approval for 22 of these 57 Economy Act orders.

FAR Approval Requirement. FAR Subpart 17.5 and SOCOM Regulation 37-4 require a contracting officer to review and approve the Determinations and Findings. For 10 of the 57 Economy Act orders, valued at approximately \$20 million, a contracting officer did not review and approve the Determinations and Findings because those documents were not transmitted to the contracting office in the Automated Business Services System, as required.

SOCOM Approval Requirements. SOCOM Regulation 37-4 requires the program executive officer or director and the Staff Judge Advocate Acquisition Law Office to review and approve the MIPR package, including the Determinations and Findings, for Economy Act orders of \$100,000 or greater and for Economy Act orders that are to be sent outside of DoD. For 13 of the 57 Economy Act orders, valued at \$46 million, the program executive officer/director did not review and approve the MIPR package. Additionally, for 5 of the 57 Economy Act orders, valued at approximately \$9 million, the Staff Judge Advocate Acquisition Law Office did not review and approve the MIPR package. They did not approve these MIPRs because the MIPR packages were not transmitted to the proper offices in the Automated Business Services System.

Headquarters, SOCOM should ensure that Economy Act orders are always reviewed by the contracting office. Additionally, Headquarters, SOCOM should ensure that Economy Act orders of \$100,000 or more, and those that are to be sent outside of DoD, are reviewed by the program executive officer or director and Staff Judge Advocate Acquisition Law Office.

Incoming MIPRs

Headquarters, SOCOM generally had adequate internal controls for acceptance and administration of incoming MIPRs.

MIPR Acceptance

Headquarters, SOCOM properly performed its responsibilities for accepting incoming MIPRs most of the time. Upon receipt of a DD Form 448, Headquarters, SOCOM was responsible for preparing and returning a DD Form 448-2, "Acceptance of MIPR" to the requesting organization. The DD Form 448-2 informs the requesting organization about whether their MIPR was accepted or rejected and, if accepted, the specific terms of acceptance. That documentation assures that the parties agree on the materials or services to be provided and the payment that is required.

DFARS Subpart 208.70 requires that MIPRs be officially accepted by completion of the DD Form 448-2 within 30 days of receipt of the DD Form 448. DFARS Subpart 208.70 also requires that MIPRs be accepted before the expiration of the funds cited on the DD Form 448. Of the 60 MIPRs we reviewed, Headquarters, SOCOM prepared the basic and amended DD Forms 448-2 for 54 MIPRs, valued at \$101 million, in a timely manner upon receipt of the DD Form 448. However, 1 MIPR valued at approximately \$18 million was not accepted within 30 days of receipt of the DD Form 448. That MIPR was received on January 11, 2005, and accepted on May 12, 2005. Because only one MIPR did not meet the requirement, we did not consider the controls to be inadequate. Also, for 56 MIPRs, valued at approximately \$126 million, Headquarters, SOCOM properly prepared the basic and amended DD Forms 448-2 within the availability of the requesting organization's funds. We also did not consider it significant that 2 MIPRs, valued at approximately \$9 million, had amendments that were not accepted before the expiration of the funds cited on the DD Form 448. We did not consider the first significant because the amendment adjusted only the delivery date. We did not consider the second significant because the amendment withdrew funds of only approximately \$7,000.

DFARS Subpart 253.208 requires the DD Form 448-2 to include the specific terms of MIPR acceptance. For 57 MIPRs, valued at \$120 million, Headquarters, SOCOM properly indicated the terms of MIPR acceptance.⁷ We did not consider it significant that 1 MIPR valued at approximately \$200,000 did not include all terms of acceptance, because it was not material when compared to the 60 MIPRs, valued at \$134 million, that we reviewed.

⁷ Headquarters, SOCOM did not provide the appropriation and subhead data cited on the DD Forms 448 or the anticipated date of obligation for direct cite items as required by DFARS Subpart 253.2, "Prescription of Forms." Because these elements were not detrimental to the incoming MIPRs we reviewed, the DD Forms 448-2 were deemed to be properly completed because they indicated the specific terms under which the MIPRs were accepted.

MIPR Administration

Headquarters, SOCOM properly performed the responsibilities applicable to its incoming MIPRs. Ongoing administration of incoming MIPRs is performed by an accepting organization to monitor MIPR work and related funding. When incoming MIPRs are accepted as reimbursable, the accepting organization has extensive responsibilities because it must spend, monitor, and request reimbursement of its own funds. However, when funds are accepted as direct citation, the requesting organization's funds are cited directly on the contract, and the accepting organization does not use or monitor any of its own funds. Because Headquarters, SOCOM typically accepts incoming MIPRs by the direct citation of funds, Headquarters, SOCOM did not have to perform responsibilities related to reimbursable orders such as administering its own funds. Headquarters, SOCOM was generally not required to ensure that:

- limitations imposed on the use of the requesting organization's funds were not changed,
- obligations were recorded before the requesting organization's appropriation expired,
- unused funds were deobligated before the requesting organization's appropriation expired, or
- account balances were within amounts authorized by the MIPR documents.

DFARS Subpart 253.208 requires performing organizations to complete a MIPR amendment for an adjustment of funds or an adjustment of delivery schedule. DFARS Subpart 208.70 requires a MIPR amendment for any change in content that occurs after the basic MIPR acceptance. Of the 60 incoming MIPRs we reviewed, 52 MIPRs had the required MIPR amendments or did not have adjustments requiring a MIPR amendment. Although 8 MIPRs lacked required MIPR amendments that would have been valued at approximately \$900,000, we did not consider it significant because that amount was not material when compared to the 60 MIPRs, valued at \$134 million, we reviewed. DFARS Subpart 208.70 requires that a performing organization notify the requesting organization of any excess funds by submitting a DD Form 448-2 before the requesting organization's appropriation expires. Of the 60 incoming MIPRs we reviewed, 58 prepared the required MIPR amendment in a timely manner or did not have excess funds. We did not consider it significant that excess funds in the amount of approximately \$2,000 associated with 2 MIPRs were not withdrawn before the requesting organization's appropriation expired, because it was not material when compared to the 60 MIPRs, valued at \$134 million, we reviewed.

Headquarters, SOCOM Personnel

Generally, Headquarters, SOCOM's internal controls were adequate for preparation of the MIPR form for outgoing MIPRs and acceptance and

administration of incoming MIPRs. Headquarters, SOCOM ensured that personnel involved in the process had an adequate understanding of the requirements. The Staff Judge Advocate Acquisition Law Office at Headquarters, SOCOM conducts annual MIPR training, which covers such topics as proper completion of MIPR documentation and fulfilling MIPR requirements. Additionally, Headquarters, SOCOM issued internal MIPR guidance, such as SOCOM Regulation 37-4, "MIPR Process," August 11, 2003, which provides guidance, assigns responsibilities, and establishes procedures for sending MIPRs to servicing activities outside Headquarters, SOCOM.

Summary

Adequate internal controls are a critical element to ensuring that MIPRs are managed properly. Once Headquarters, SOCOM improves its controls over initiating and approving outgoing MIPRs, it will comply with Federal, DoD, and SOCOM regulations; reduce the risk of Antideficiency Act violations; and be assured that MIPR purchases are in the best interest of the Government.

Recommendations and Management Comments

A. We recommend that the Commander, Headquarters, Special Operations Command:

1. Enforce existing procedures to ensure that Determinations and Findings are prepared for all Economy Act orders as required by the Federal Acquisition Regulation and DoD Financial Management Regulation.

Management Comments. The Chief of Staff, responding for the Commander, concurred with the recommendation. The Chief of Staff stated that Special Operations Command Regulation 37-4 was being revised to place added responsibilities on all players involved in the MIPR process. The Chief of Staff stated the procedures would be incorporated into the existing MIPR process.

2. Direct the Comptroller Office to initiate preliminary reviews and possible corrective actions for the Military Interdepartmental Purchase Request that potentially violated the Bona Fide Needs Rule as discussed in the DoD Financial Management Regulation. (See Appendix D for the MIPR that potentially violated the Bona Fide Needs Rule.)

Management Comments. The Chief of Staff concurred with the recommendation. The Chief of Staff stated that Special Operations Command would conduct a preliminary review and draft a report in 90 days.

3. Enforce existing procedures to ensure that all Military Interdepartmental Purchase Requests include the time of delivery or performance as required by the Federal Acquisition Regulation, Defense

Federal Acquisition Regulation Supplement, and DoD Financial Management Regulation.

4. Enforce existing procedures to ensure that Economy Act orders are approved as required by the Federal Acquisition Regulation and Special Operations Command Regulation 37-4.

Management Comments. The Chief of Staff concurred with recommendations 3. and 4. The Chief of Staff stated that Special Operations Command Regulation 37-4 was being revised to place added responsibilities on all players involved in the MIPR process. The Chief of Staff stated the procedures would be incorporated into the existing MIPR process.

B. Special Operations Command Controls over MIPR Funding

Headquarters, SOCOM and DFAS did not have adequate internal controls over obligations for Headquarters, SOCOM's MIPR purchases. Additionally, Headquarters, SOCOM did not have adequate internal controls over disbursements for Headquarters, SOCOM's reimbursable MIPR purchases. The internal controls were inadequate because Headquarters, SOCOM and DFAS did not establish and implement procedures to ensure compliance with Federal and DoD regulations. Specifically, Headquarters, SOCOM and DFAS did not ensure that they recorded obligations in a timely manner. Headquarters, SOCOM also did not ensure that reimbursable MIPR disbursements could be substantiated. Additionally, DFAS did not provide effectively coordinated audit support. As a result, obligations may have been understated, disbursements may have been made for supplies and services that Headquarters, SOCOM had not received, and supporting documentation was not provided in a timely manner.

Outgoing Headquarters, SOCOM MIPRs

As the requesting organization, Headquarters, SOCOM was responsible for managing MIPR funds and documentation. However, Headquarters, SOCOM did not adequately perform these responsibilities for 52 of the 60 outgoing MIPRs we reviewed. The 52 MIPRs had the following issues.

Timely Obligations. Headquarters, SOCOM and DFAS did not timely obligate approximately \$65 million for 39 of the 60 outgoing MIPRs we reviewed. According to DoD FMR volume 3, chapter 8, "Standards for Recording and Reviewing Commitments and Obligations," November 2000, Headquarters, SOCOM and DFAS are responsible for ensuring that obligations are recorded in the official accounting records no later than 10 calendar days after an organization incurs an obligation. As the office incurring the obligation, Headquarters, SOCOM is responsible for providing a copy of the obligating document to DFAS within 6 calendar days of the date the obligation is incurred. The obligating document is the DD Form 448-2, "Acceptance of MIPR" for reimbursable MIPRs and the contract for direct cite MIPRs. As Headquarters, SOCOM's official accounting service, DFAS is responsible for recording the obligation in the official accounting records within 3 calendar days of receipt of the obligating document.

However, in one instance Headquarters, SOCOM received a DD Form 448-2, "Acceptance of MIPR," that was signed on January 13, 2005, and DFAS did not record the obligation until almost 9 months later, on September 1, 2005. Additionally, Headquarters, SOCOM received a DD Form 448-2 signed on June 20, 2005, and at the time of our site visit on April 24, 2006, DFAS had not recorded the obligation.

The following table identifies the age for the untimely obligations included in our audit sample.

Untimely Obligations				
11-30 days	31-60 days	61-90 days	> 90 days	Total
\$24,457,995	\$30,792,129	\$1,948,565	\$7,757,038	\$64,955,727

The DoD FMR volume 14, chapter 10, “Violations – Causes, Prevention and Correction,” October 2004, explains that when obligations are not recorded, the official accounting records reflect an inflated and incorrect availability of funds. Because Headquarters, SOCOM and DFAS had not recorded all the obligations in a timely manner in the General Accounting and Finance System and Headquarters, SOCOM used these records to certify funds availability, it increased its risk of authorizing obligations and incurring expenditures in excess of available funds. According to the DoD FMR volume 14, chapter 2, authorizing obligations or incurring expenditures in excess of available funds is an Antideficiency Act violation. Headquarters, SOCOM and DFAS should develop procedures to ensure that obligations are recorded in a timely manner.

Validity of Disbursements. According to the DoD FMR and FAR, disbursement transactions, with the exception of interim payments on cost-reimbursement contracts for services, require Government documentation authorizing payment. We reviewed 60 MIPRs valued at \$152 million. Of the 60 MIPRs, 40 MIPRs were reimbursable, and 34 MIPRs were direct-cite.⁸ Thirty-five of the reimbursable MIPRs and 24 of the direct-cite MIPRs had disbursement transactions recorded in the accounting system. As the ordering organization, Headquarters, SOCOM is responsible for ensuring that disbursements for reimbursable MIPRs are supported with evidence of performance. However, Headquarters, SOCOM could not provide adequate documentation to support disbursements for reimbursable MIPRs. As Headquarters, SOCOM’s official accounting service, DFAS is responsible for supporting disbursements for direct-cite MIPRs. However, DFAS did not adequately support the audit process to efficiently provide documentation needed to support Headquarters, SOCOM disbursements.

Reimbursable MIPRs. DoD FMR volume 4, chapter 3, “Receivables,” October 2003, sections 030402 and 030403, require that receivables due from DoD Components or other Federal entities, such as MIPRs accepted as reimbursable orders, must have documentation showing that the goods or services charged were actually received. Further, section 030403A requires the DoD ordering organization to “review all bills from the performing organization to ensure that amounts due are in agreement with the reimbursable orders, and are supported with a copy of the order or contract and evidence of performance.” However, Headquarters, SOCOM did not ensure that disbursements for 34 of the

⁸ Twenty-one MIPRs provided items by reimbursement only, 15 MIPRs provided items by direct-cite only, 19 MIPRs provided items by both reimbursement and direct-cite, and 5 MIPRs were rejected or subsequently canceled.

reimbursable MIPRs, totaling \$25 million, were supported with evidence of performance.

According to Headquarters, SOCOM and DFAS personnel, when Headquarters, SOCOM's outgoing MIPRs are accepted as reimbursable orders by the performing organization, payments may be requested by the performing organization using either the Standard Form 1080, "Voucher for Transfers Between Appropriations and/or Funds" or the Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits." Headquarters, SOCOM personnel stated that they do not provide evidence of receipt and acceptance of materials or services for reimbursable orders. As Headquarters, SOCOM's official accounting service, DFAS processes and records the payment requested by the Standard Form 1080 or Standard Form 1081. Headquarters, SOCOM and DFAS personnel indicated that after the transactions post to the accounting system, "Resource Advisors" at Headquarters, SOCOM identifies any invalid charges by reviewing disbursement transactions. However, that review does not include ensuring that disbursements are supported with evidence of performance, and such a review may be ineffective without the required documentation. Headquarters, SOCOM should develop procedures to ensure that charges for reimbursable orders are supported with evidence of performance, as required by the DoD Financial Management Regulation.

Direct-Cite MIPRs. DFAS acknowledged to us that its support of the audit process was not effective. DFAS computer transmission failures further hampered audit efforts. We submitted our first request for documentation to our DFAS audit liaison on May 11, 2006. Five days later he indicated that he had forwarded our request for documentation to DFAS Dayton and DFAS Omaha. We informed the liaison that we would need documentation from all the involved DFAS offices collected at Dayton in time for our visit there on June 19, 2006. However, on June 19, when we held our entrance conference, only DFAS Dayton had received our request for documentation. Consequently, we established new deadlines by which we needed to receive documentation.

DFAS apparently uploaded some documentation onto an online portal application in response to our request, but did not fully authorize about half of the files.⁹ We could not access the portion of the documentation that was not fully authorized. DFAS was unaware of this problem until after we already had performed a review of DFAS documentation. DFAS also uploaded some documentation onto the online portal application after the deadline to provide that documentation but did not inform us of the addition until after we issued our draft report. Further, DFAS had inadvertently not provided documentation for the disbursement transactions related to one of the MIPRs and did not discover the error until after we issued our draft report. DFAS also did not fully explain the direct submission authority process during the audit. DFAS did not inform us that Defense Contract Audit Agency had stopped documenting the approval for direct submission authority by memorandum and replaced it with system approvals until after we issued our draft report.

⁹ Online portal applications allow users to share information via computer access.

DFAS did not provide documentation for \$32 million on 21 of the 24 direct-cite MIPRs with disbursement transactions before we issued our draft report. (Some of that documentation was included in the late upload.) For this reason we included a recommendation in our draft report that DFAS develop procedures to ensure that invoice payments are properly supported. In the management comments, DFAS asserted that all invoice payments were supported, including the unsupported disbursement transactions totaling \$32 million. DFAS did finally provide us more documentation on those disbursement transactions.¹⁰

Our DFAS audit liaison did not properly coordinate the discussion draft of our report. Therefore, DFAS was unaware of the computer transmission issues and we were unaware of late uploads of documentation. Timely coordination is key to successful audit efforts. DFAS should develop procedures to ensure that audit support is effectively coordinated to provide immediate access to requested documentation as required by DoD Instruction 7050.3.

Summary

Adequate internal controls are critical to ensuring that MIPRs are properly managed. Headquarters, SOCOM and DFAS need to strengthen internal controls over the MIPR funding process to safeguard against potential violations of the Antideficiency Act and noncompliance with Federal and DoD regulations. Headquarters, SOCOM and DFAS must improve internal controls over the MIPR funding process by enforcing the existing Federal and DoD regulations. Additionally, DFAS must improve its coordination of audit support.

Recommendations, Management Comments, and Audit Response

Revised and Deleted Recommendations. As a result of management comments and additional information provided to us, we revised Draft Recommendation B.2.b and deleted Draft Recommendation B.2.c.

B.1. We recommend that the Commander, Headquarters, Special Operations Command:

a. Develop procedures to ensure that obligations are recorded in a timely manner as required by the DoD Financial Management Regulation.

Management Comments. The Chief of Staff concurred with the recommendation. The Chief of Staff stated that Special Operations Command

¹⁰ We did not perform an in-depth review of the additional documentation DFAS provided after we issued our draft report. A preliminary review of the additional documentation revealed that documentation supported disbursement transactions that were previously unsupported. However, the preliminary review also indicated that an in-depth review would require extensive resources. We determined that use of resources would not be justified after the fact.

would reinforce existing procedures in the revision of Special Operations Command Regulation 37-4.

Audit Response. The Chief of Staff comments were nonresponsive. The Chief of Staff concurred with the recommendation to develop procedures but explained that the Special Operations Command would only reinforce existing procedures. Reinforcing existing procedures is distinct from developing new procedures. Additionally, the existing procedures were not working effectively; therefore, reinforcing them would be an unlikely resolution. We request that the Commander, Headquarters, Special Operations Command reconsider his position to develop procedures to ensure that obligations are recorded in a timely manner as required by the DoD Financial Management Regulation.

b. Develop procedures to ensure that charges for reimbursable orders are supported with evidence of performance as required by the DoD Financial Management Regulation.

Management Comments. The Chief of Staff concurred with the recommendation stating that Special Operations Command would investigate interim steps but the issue is a larger systemic issue that needs to be addressed at the Office of the Secretary of Defense level.

Audit Response. The Chief of Staff comments were nonresponsive. Not only does investigating interim steps fall short of developing procedures, but the Office of the Secretary of Defense indicated that it does not intend to address the issue. Therefore, the Chief of Staff comments do not indicate that the deficiency will be resolved. We request that the Commander, Headquarters, Special Operations Command reconsider his position to develop procedures to ensure that charges for reimbursable orders are supported with evidence of performance as required by the DoD Financial Management Regulation.

B.2. We recommend that the Director, Defense Finance and Accounting Service:

a. Develop procedures to ensure that obligations are recorded in a timely manner as required by the DoD Financial Management Regulation.

Management Comments. The Deputy Director, Defense Finance and Accounting Service Columbus, responding for the Director, Defense Finance and Accounting Service, concurred with the recommendation. The Deputy Director stated that the Defense Finance and Accounting Service was in the process of establishing improved procedures and controls for timely posting of obligations. The Deputy Director also indicated that the Defense Finance and Accounting Service performed a review of the 39 MIPRs with untimely obligations and found that 18 of the 39 MIPRs were obligated timely. The Deputy Director also stated that the Defense Finance and Accounting Service had timely obligated another eight MIPRs within three days of the MIPR received date.

Audit Response. The Deputy Director comments were responsive. However, the Defense Finance and Accounting Service's review of the 39 MIPRs with untimely obligations was incomplete. We reviewed all the MIPRs' obligation

documents including MIPR amendments and related contract modifications. According to Defense Finance and Accounting Service personnel, their review excluded MIPR amendments and related contract modifications. Therefore, the Defense Finance and Accounting Service's review concluded some MIPRs were timely obligated even though obligations for their MIPR amendments and related contract modifications were not.

b. Develop procedures to ensure that audit support is effectively coordinated to provide timely access to requested documentation as required by DoD Instruction 7050.3.

Appendix A. Scope and Methodology

We conducted an audit research project to review the MIPR process within the Special Operations Command. As a result of the research project, we announced an audit that reviewed the Headquarters, SOCOM process for initiating, preparing, obligating, disbursing, and accepting MIPRs. We specifically performed our review at Headquarters, SOCOM in Tampa, Florida, from April 18, 2006, through May 2, 2006. We did not review Headquarters, SOCOM Component commands because they are responsible for following their respective Service guidance and not Headquarters, SOCOM guidance. At Headquarters, SOCOM, we interviewed fund administrators, comptroller office staff, accounting liaison office staff, and contracting and legal personnel to learn the process used by Headquarters, SOCOM to execute these transactions. We developed a MIPR review checklist, which we based on criteria established in public law, FMR, FAR, DFARS, Special Operations Federal Acquisition Regulations Supplement, DoD Instruction 4000.19, SOCOM Regulation 37-4, and memorandums. We compared the actual Headquarters, SOCOM process with the relevant criteria to identify weaknesses in internal controls.

We requested and Headquarters, SOCOM provided a universe of 1,415 outgoing MIPRs, valued at \$765 million, and 227 incoming MIPRs, valued at \$164 million, that were processed between August 1, 2004, and January 31, 2006, for Headquarters, SOCOM. We randomly selected a sample of 60 outgoing MIPRs valued at \$152 million and 60 incoming MIPRs valued at \$134 million. We requested and reviewed the supporting documentation for each transaction associated with the MIPRs selected. Specifically, we reviewed the DD Form 448, "Military Interdepartmental Purchase Request;" DD Form 448-2, "Acceptance of MIPR;" e-mail correspondence between Headquarters, SOCOM and other organizations identifying requirements; SOCOM Form 13, "Pre-planning Funding Sheet;" memorandums for record; statements of work; invoices; Automated Business Services System sign history screen prints; and the Commander's Resource Integration System "Summary Query on Selective Transaction History," and "Open Document Listing" accounting reports. We completed the MIPR review checklist for each MIPR selected in our random sample.

Our team traveled to DFAS Dayton to obtain information on how and when DFAS obligated and disbursed Headquarters, SOCOM funds in the execution of the selected MIPRs. We conducted teleconferences with personnel from DFAS Denver and DFAS Columbus. DFAS provided documentation for processing, recording, and supporting disbursements, including the Standard Form 1080, Standard Form 1081, Standard Form 1034, Incoming Intra-Governmental Payment and Collection System charge documents, MOCAS transaction print-outs, uncertified invoices, receiving reports, DD Form 250, and "Cost Voucher (Interim)" documentation.

This audit was performed from March 20, 2006, through January 19, 2007, in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. To achieve the audit objective, we relied on computer-processed data that Headquarters, SOCOM and DFAS personnel extracted from the General Accounting and Finance System, Commander's

Resource Integration System, Automated Business Services System, Intra-Governmental Payment and Collection System, Wide Area Workflow, and MOCAS. We did not perform a formal reliability assessment of the computer-processed data. We did not find errors between the computer-processed data and MIPR source documents that would preclude use of the computer-processed data to meet the audit objectives or that would change conclusions in this report.

Use of Technical Assistance. The Quantitative Methods Division of the DoD OIG provided assistance. The Quantitative Methods Division ran a random sample for the outgoing and incoming MIPRs.

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

Appendix B. Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) issued 14 reports discussing MIPRs. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

DoD IG Report No. D-2007-075, "Department of the Army Purchases from Governmental Sources," March 22, 2007

DoD IG Report No. D-2007-062, "Department of the Navy Purchases for and from Governmental Sources," February 28, 2007

DoD IG Report No. D-2007-057, "Use and Controls over Military Interdepartmental Purchase Requests at the National Geospatial-Intelligence Agency," February 13, 2007

DoD IG Report No. D-2007-044, "FY 2005 DoD Purchases Made Through the Department of the Interior," January 16, 2007

DoD IG Report No. D-2007-042, "Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies," January 2, 2007

DoD IG Report No. D-2007-032, "FY 2005 DoD Purchases Made Through the Department of the Treasury," December 8, 2006

DoD IG Report No. D-2007-023, "FY 2005 DoD Purchases Made Through the National Aeronautics and Space Administration," November 13, 2006

DoD IG Report No. D-2007-007, "FY 2005 DoD Purchases Made Through the General Services Administration," October 30, 2006

DoD IG Report No. D-2006-102, "Marine Corps Governmental Purchases," July 31, 2006

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

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

DoD IG Report No. D-2003-090, "Use and Control of Military Interdepartmental Purchase Requests at the Air Force Pentagon Communications Agency," May 13, 2003

DoD IG Report No. D-2002-110, "Policies and Procedures for Military Interdepartmental Purchase Requests at Washington Headquarters Services," July 19, 2002

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

Appendix C. Glossary of Technical Terms

Antideficiency Act Violation. The Antideficiency Act is codified in a number of sections of title 31 of the United States Code (such as 31 U.S.C. 1341(a), 1342, 1349, 1350, 1351, 1511(a), 1512, 1513, 1514, 1515, 1516, 1517, 1518, and 1519). The purpose of these statutory provisions, known collectively as the Antideficiency Act, is enforcing the constitutional powers of the purse residing in Congress with respect to the purpose, time, and amount of expenditures made by the Federal Government. Violations of other laws may create violations of the Antideficiency Act provisions (for example, the “Bona Fide Needs Rule,” 31 U.S.C. 1502(a)).

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

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

DD Form 448. The MIPR, DD Form 448, is issued by one DoD Component to another to procure supplies or services. DoD may also issue the DD Form 448 to non-DoD agencies.

DD Form 448-2. The supplying organization formally accepts a MIPR by means of a DD Form 448-2.

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

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

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

Expired Appropriation. An expired appropriation is budget authority whose period of availability for incurring new obligations has expired but the appropriation is not closed or canceled. During this period, the appropriation is available for adjustment to, or

payment of, existing obligations. Appropriations remain in an expired status for 5 years. At the end of the 5-year expiration period, the appropriation is closed or canceled and is no longer available for the payment of unliquidated (undisbursed) obligations.

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

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

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

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

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

SOCOM Form 13, “Pre-planning Funding Sheet.” SOCOM Form 13 is used by SOCOM as the Determinations and Findings for Economy Act orders sent to other DoD Components.

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

Appendix D. MIPR Deficiencies

Count	MIPR No.	MIPR Value	Initiation			Approvals			Execution	
			No Determinations and Findings	Potential Bona Fide Needs Rule Violation		No Delivery Requirements	No Contracting Officer Approval	No Program Executive Officer/Director Approval	No Staff Judge Advocate Acquisition Law Approval	Untimely Obligations Unsupported Disbursements for Reimbursables
1	F2VUG05105G001	\$0						X		
2	F2VUG05174G001	\$15,374,742								
3	MIPR05180449	\$15,019,000	X				X	X		X
4	F2VUF05083G001	\$14,543,000						X		X
5	F2VUF06023G001	\$9,420,126								
6	MIPR05180548	\$8,694,000								X
7	F2VUC05147G001	\$21,000								X
8	F2VUR06004G003	\$1,500,000								
9	F2VUQ05056GG02	\$3,382,391								X
10	MIPR04180313	\$2,453,970								X
11	F2VUEN5132G001	\$4,384,000								X
12	F2VUQ05187G001	\$1,349,400								X
13	MIPR05180487	\$1,139,000						X		X
14	MIPR05180662	\$2,096,312								X
15	MIPR05180715	\$4,372,000								X
16	MIPR05180455	\$2,649,500								X
17	F2VUQ05355G001	\$1,674,665								X
18	F2VUE05353G001	\$4,461,000							X	X
19	F2VUF05154G001	\$3,750,000					X	X		
20	F2VUF05298G001	\$0				X				
21	F2VUQ05112GG01	\$3,641,446								X
22	F2VUG05174G002	\$3,000,000						X		X
23	F2VUQ05056GG01	\$1,192,733								X
24	F2VUC05059GG02	\$2,449,923								X
25	F2VUC05203GG01	\$3,145,070							X	X
26	F2VUC05214G002	\$1,404,778								X
27	F2VUQ05047GG01	\$1,731,000								X
28	F2VUC05278G013	\$5,490,500								X
29	F2VUC05213G002	\$1,233,190								X
30	F2VUC05332G002	\$1,600,985								X

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

Count	MIPR No.	MIPR Value	Initiation			Approvals			Execution	
			No Determinations and Findings	Potential Bona Fide Needs Rule Violation	No Delivery Requirements	No Contracting Officer Approval	No Program Executive Officer/Director Approval	No Staff Judge Advocate Acquisition Law Approval	Untimely Obligations	Unsupported Disbursements for Reimbursables
31	F2VUF05214G001	\$0					X		X	
32	F2VUQ05053GG01	\$1,008,069								X
33	F2VUF05241G001	\$6,947,049					X			
34	F2VUQ05098GG01	\$3,060,000							X	
35	F2VUQ05046GG01	\$1,290,331							X	X
36	MIPR05180454	\$763,992							X	X
37	MIPR05180520	\$1,700,830							X	X
38	F2VUE05349G001	\$8,090,000			X				X	
39	F2VUC05300G001	\$1,994,000							X	
40	MIPR05180728	\$2,397,000							X	X
41	F2VUQ05214G001	\$471,288								X
42	F2VUG05318G001	\$187,450						X	X	X
43	MIPR05180615	\$0	X		X	X				
44	F2VULA5279GL01	\$130,114					X		X	X
45	F2VUJ06004G001	\$90,507				X			X	
46	F2VUC05278G001	\$9,932							X	
47	F2VUJ05090G002	\$8,184	X		X	X	X	X		
48	MIPR05180562	\$1,000	X			X			X	
49	MIPR05180686	\$31,861	X		X	X			X	X
50	F2VUEN5266G001	\$217,000					X			X
51	F2VUB05287G001	\$58,000	X		X	X			X	X
52	F2VUR05293G002	\$100,000								X
53	F2VUQ05269G001	\$52,000							X	
54	F2VUEN5229GQ01	\$0	X		X	X				
55	MIPR04181119	\$706,523	X	X	X	X	X	X		
56	F2VUE25353G001	\$842,000					X			X
57	MIPR05180535	\$143,400							X	
58	F2VUEN5228G008	\$50,000								X
59	MIPR05180767	\$553,105							X	
60	MIPR05180567	\$260,620								X
	Total	\$152,337,985	8	1	8	10	13	5	39	34

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

Appendix E. Report Distribution

Office of the Secretary of Defense

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

Other Defense Organizations

Commander, Special Operations Command
Inspector General, Special Operations Command
Director, Defense Finance and Accounting Service

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Oversight and Government Reform
House Subcommittee on Government Management, Organization, and Procurement,
Committee on Oversight and Government Reform
House Subcommittee on National Security and Foreign Affairs,
Committee on Oversight and Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations,
and the Census, Committee on Government Reform

Special Operations Command Comments



UNITED STATES SPECIAL OPERATIONS COMMAND
OFFICE OF THE CHIEF OF STAFF
7701 TAMPA POINT BOULEVARD
MACDILL AIR FORCE BASE, FLORIDA 33621-5323

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE, 400 ARMY NAVY DRIVE, ARLINGTON, VIRGINIA
22202-4704

SUBJECT: Report on Special Operations Command Governmental Purchases (Project
No. D2006-D000FH-0166.001)

1. We have reviewed the Draft Audit Report on Special Operations Command
Governmental Purchases and provide the following management comments in
response to the recommendations:

a. **DoDIG Recommendation A.1. That the Commander, USSOCOM, should
enforce existing procedures to ensure that Determinations and Findings are
prepared for all Economy Act Orders as required by the Federal Acquisition
Regulation and DoD Financial Management Regulation.**

USSOCOM Response: **Concur.** The United States Special Operations Command
Regulation 37-4, Military Interdepartmental Purchase Request (MIPR) Process, is
presently being revised to place added responsibilities on all players involved in the
MIPR process. We will incorporate these procedures into the existing process.
Estimated completion date: 30 Sep 07

b. **DoDIG Recommendation A.2. Direct the Comptroller Office to initiate
preliminary reviews and possible corrective actions for the Military
Interdepartmental Purchase Request that potentially violated the Bona Fide
Needs Rule as discussed in the DoD Financial Management Regulation.**

USSOCCOM Comptroller Response: **Concur.** We will conduct a preliminary review
and analysis of all the documentation associated with the funding of the MIPR
(MIPR04181119) specified in the report. This preliminary review will be conducted in
accordance with the DoDFMR Volume 14, Chapter 3 and a report will be drafted in 90
days. Estimated completion date: 2 Jun 07

c. **DoDIG Recommendation A.3. That the Commander, USSOCOM, enforce
existing procedures to ensure that all Military Interdepartmental Purchase
Requests (MIPR) include the time of delivery or performance as required by the**



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Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and DoD Financial Management Regulation.

USSOCOM Response: **Concur.** Same as Recommendation A1 above.

d. DoDIG Recommendation A.4. That the Commander, USSOCOM, Enforce existing procedures to ensure that Economy Act orders are approved as required by the Federal Acquisition Regulation and Special Operations Command Regulation 37-4.

USSOCOM Response: **Concur.** Same as Recommendation A1 above.

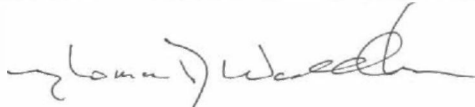
e. DoDIG Recommendation B.1.a. That the Commander, USSOCOM, develop procedures to ensure that obligations are recorded in a timely manner as required by the DoD Financial Management Regulation.

USSOCOM Response: **Concur.** We will reinforce existing procedures for reimbursable and direct cite MIPRs in the regulation rewrite. Estimated completion date: 30 Sep 07

f. DoDIG Recommendation B.1.b. That the Commander, USSOCOM, develop procedures to ensure that charges for reimbursable orders are supported with evidence of performance as required by the DoD Financial management Regulation.

USSOCOM Response: **Concur.** However, this is a larger systemic issue that needs to be addressed at the OSD level. We will investigate interim steps in the meantime. Estimated completion date: 30 Sep 07

2. Please contact Mr. Rodney Pedersen at DSN 299-3439 or Comm (813) 826-3439, if you have any questions.



THOMAS D. WALDHAUSER
Brigadier General, U.S. Marine Corps
Chief of Staff

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE

P.O. BOX 182317
COLUMBUS, OHIO 43218-2317

DFAS-JB/CO


MAR 2 2007

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

SUBJECT: Management Comments to the DoDIG Draft Audit Report "Special Operations
Command Governmental Purchases," Project No. D2006-D000FH-0166.000, dated
January 19, 2007

In accordance with subject audit, management comments are provided for
Recommendations B.2.a, B.2.b, and B.2.c. Recommendations B.2.a and B.2.c have an estimated
completion date of June, 18, 2007. Recommendation B.2.b is considered closed. Additional
supporting documentation has been provided to the auditors subsequent to the issuance of the
draft audit report.

My point of contact for additional information is Mr. Ted Robinson, DFAS-JBI/CO, at
614-693-8546 or DSN 869-8546


Carlton E. Francis
Deputy Director, DFAS Columbus

Attachments:
As stated

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**Management Comments on DoDIG Draft Audit Report, Special Operations Command
Governmental Purchases, Project No. D2006-D000FH-0166.000
Dated January 19, 2007**

Recommendation B.2.a: Develop procedures to ensure that obligations are recorded in a timely manner as required by the DoD Financial Management Regulation.

Management Comments: Concur. The DoDIG accomplished their review at DFAS Dayton and concluded 39 SOCOM Military Interdepartmental Purchase Request (MIPRs) were not obligated timely. We found that 18 of the 39 MIPRs were obligated timely based on the 10 day rule in the DOD FMR Volume 3, Chapter 8. We were also able to determine that eight were obligated within 3 days of the MIPR received date, and 5 were not obligated within 3 days of the MIPR received date. For the remaining eight MIPRs, we were unable to determine if they were obligated timely because there were missing and/or bad dates. Because existing controls were not working effectively, we are currently in the process of establishing improved procedures and controls for timely posting of obligations.

Estimated Completion Date: June 18, 2007

Recommendation B.2.b: Develop procedures to ensure that invoice payments, with the exception of interim vouchers for provisional payment from contractors with approved billing systems as determined by the contract auditor, are either supported by documentation showing receipt and acceptance of supplies delivered or services performed or approved as interim vouchers as required by the Federal Acquisition Regulation and DoD Financial Management Regulation.

Management Comments: Non-concur. Procedures are in place to ensure that invoice payments, with the exception of interim vouchers for provisional payment from contractors with approved billing systems as determined by the contract auditor, are either supported by documentation showing receipt and acceptance of supplies delivered or services performed or approved as interim vouchers as required by the Federal Acquisition Regulation and DoD Financial Management Regulation. Desk Procedure (DP) 401, Entitlement, and DP 500, Line Item Schedule, and Shipment Records (LISSR) indicate that we do not make invoice payments without the receipt and acceptance. The audit report stated that 21 out of 24 MIPRs had unsupported disbursements. Research performed subsequent to the issuance of the draft report disclosed that disbursements were supported for 73 of 76 contracts and the documentation was provided to the auditors. We validated that payments were supported by acceptance documentation, authorization to pay documentation, or documentation for authorization of direct submission vouchers. We were unable to locate the remaining three contracts and the auditors are validating the contract numbers provided.

Estimated Completion Date: This recommendation is considered closed.

Revised

Deleted

Recommendation B.2.c: Develop procedures to ensure that direct submission authority (for invoice payments of interim vouchers for provisional payment from contractors with approved billing systems) is supported by the contract auditor authorization as required by the Defense Federal Acquisition Regulation Supplement.

Management Comments: Partially concur. Procedures are in place to ensure that direct submission authority (for invoice payments of interim vouchers for provisional payment from contractors with approved billing systems) is supported by the contract auditor authorization as required by the Defense Federal Acquisition Regulation Supplement Subpart 242.8, "Disallowance of Costs," November 9, 2005. DFAS has the following procedures which address direct submission authority: DP 201, Contract Input, DP 301, Input and Control of Various types of Invoices, and DP 401 Contractor Entitlement. Although not specifically mentioned in the audit report, the auditors brought to our attention a weakness in existing procedures where a direct submission letter requires a contract to be modified. We will update our procedures. The report stated that DFAS was unable to support direct submit authority for 21 of the 24 direct-site MIPRs. However, subsequent research indicated that we had the 21 letters and provided them to the auditors.

Estimated Completion Date: June 18, 2007

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.

Paul J. Granetto
Patricia A. Marsh
Barbara A. Sauls
Alice F. Carey
Yalonda N. Blizzard
Brian R. McNamara
Calvin O. King
Lindsay B. Warner
Lusk Penn
Catherine Bird
Ellen E. Kleiman-Redden



Inspector General Department of Defense