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### **Acronyms**

DAO	Defense Accounting Office
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance and Accounting Service
DFAS-IN	Defense Finance and Accounting Service Indianapolis
FAR	Federal Acquisition Regulation
FMR	Financial Management Regulation
GSA	General Services Administration
IG	Inspector General
MIPR	Military Interdepartmental Purchase Request
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
NULO	Negative Unliquidated Obligation
PEO	Program Executive Office



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

March 22, 2007

**MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY**

**SUBJECT: Report on Department of the Army Purchases from Governmental Sources  
(Report No. D-2007-075)**

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

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Deputy Assistant Secretary of the Army (Financial Operations) comments on Recommendation A.3. were partially responsive. We request additional comments on Recommendations A.3.e. through A.3.h. The Army did not provide comments on the other recommendations in the report. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide comments on Recommendations A.1., A.2., B.1., B.2., and B.3. by April 22, 2007.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to [Auddfs@dodig.mil](mailto: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 Mr. Carmelo G. Ventimiglia at (317) 510-4801 ext. 275 (DSN 699-4801) or Mr. Stephen C. Borushko at (317) 510-4801 ext. 221 (DSN 699-4801). The team members are listed inside the back cover. See Appendix F for the report distribution.

By direction of the Deputy Inspector General for Auditing:

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-2007-075

March 22, 2007

(Project No. D2006-D000FI-0088.000)

### Department of the Army Purchases from Governmental Sources

#### Executive Summary

**Who Should Read This Report and Why?** This report should be of interest to Congress; the Under Secretary of Defense (Comptroller)/Chief Financial Officer; the Secretary of the Army; the Assistant Secretary of the Army (Financial Management and Comptroller); and the Director, Defense Finance and Accounting Service. The users of this audit report will benefit from the review of the controls over Army purchases from other governmental agencies and will gain information that can improve public accountability and decision-making.

**Background.** This is the third in a series of reports discussing DoD use of interagency and interservice support. 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," October 28, 2004, the DoD Office of Inspector General and the General Services Administration conducted an interagency audit of DoD purchases made through the 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 the General Services Administration caused between \$1 billion and \$2 billion of DoD funds to either expire or otherwise be unavailable to support other DoD operations. That finding prompted the DoD Office of Inspector General to conduct this series of audits on DoD use of interagency and interservice support. The first report in this series, DoD 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 military interdepartmental purchase requests (MIPRs) at the Marine Corps. The second report in this series addresses internal controls over Department of the Navy MIPRs. This report addresses internal controls over Department of the Army MIPRs.

**Results.** The Army did not have adequate internal controls over purchases from governmental sources. Specifically, Army internal controls did not ensure that outgoing MIPRs were properly initiated, prepared, executed, and monitored and that incoming MIPRs were properly accepted. The Army could not ensure that the purchases were in the best interest of the Government and properly monitored and tracked. In addition, the Army had limited assurance that Army organizations complied with Federal laws and DoD regulations and conformed to Federal appropriations law. The Assistant Secretary of the Army (Financial Management and Comptroller), in coordination with the Assistant Secretary of the Army (Acquisition, Logistics, and Technology), should direct the

appropriate Army organizations to initiate preliminary reviews and corrective actions for MIPRs that potentially violated the Antideficiency Act. In addition, the Assistant Secretaries should direct the Program Executive Officer Soldier to initiate an investigation of the MIPR that was signed by a contractor to determine the extent to which Federal Acquisition Regulation 1.601 and sections 1501 and 1502(a), title 31, United States Code were violated. The Assistant Secretaries should also develop, issue, and enforce standard operating procedures to ensure that Army organizations properly enforce Federal laws and DoD regulations when initiating, preparing, executing, monitoring, and accepting MIPRs (finding A).

The Army Management Control Program was ineffective and did not identify internal control weaknesses related to outgoing and incoming MIPRs. As a result, internal controls were not adequate to ensure that MIPRs were properly initiated, prepared, executed, and monitored by the requesting organization, and accepted by the performing organization. The Assistant Secretary of the Army (Financial Management and Comptroller) should direct Army organizations that use MIPRs for purchasing goods and services to determine whether MIPRs should be either an assessable unit or part of another assessable unit. Additionally, the Assistant Secretary should direct Army organizations that use MIPRs to perform a general assessment of internal controls over processing MIPRs to determine their effectiveness and reliability. Further, the Assistant Secretary should determine whether the internal control weaknesses identified in this report meet the criteria for a material weakness (finding B). See the Findings section of the report for the detailed recommendations.

**Management Comments and Audit Response.** The Deputy Assistant Secretary of the Army (Financial Operations) agreed to work with others in the DoD financial and acquisition communities to develop procedures that will ensure adequate controls over MIPRs. However, the Deputy Assistant Secretary's comments were only partially responsive because he did not state whether the procedures would specifically address all deficient areas. Neither did he say whether he directed the appropriate Army organizations to initiate preliminary reviews and corrective actions for MIPRs that potentially violated the Antideficiency Act or that were signed by a contractor. In addition, he did not state whether recommended actions would be taken to address deficiencies in the Army Management Control Program. We request that the Army provide additional comments on the final report by April 22, 2007.

Although not required to comment, the Program Executive Officer Soldier stated that his office amended the original MIPR that was signed by a contractor to reflect the signature of an authorized individual. In addition, the Army Space Program Office provided information related to our concerns with its MIPRs and the status of actions taken to improve budget execution tracking and the posting of obligations. See the Findings 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.

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## 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 GSA Client Support Centers,” October 28, 2004, the DoD Office of Inspector General (IG) and General Services Administration (GSA) conducted an interagency audit of DoD purchases made through GSA. In DoD IG Report No. D-2005-096, “DoD Purchases Made Through the General Services Administration,” July 29, 2005, DoD IG determined that guidance regarding such purchases was unclear and misunderstood by the requesting organizations. DoD IG 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 other DoD operations. The DoD IG has issued a series of reports to discuss DoD interagency support from GSA, Department of the Treasury, Department of the Interior, and the National Aeronautics and Space Administration.

The first audit of DoD purchases made through GSA prompted a separate series of audits discussing DoD use of interagency and interservice support. This is the third report in that series, and it addresses the internal controls over the Department of the Army military interdepartmental purchase requests (MIPRs). The first report in the series, DoD IG Report No. D-2006-102, “Marine Corps Governmental Purchases,” July 31, 2006, discusses a lack of adequate internal controls over outgoing and incoming MIPRs at the Marine Corps. The second report in the series addresses the internal controls over Department of the Navy MIPRs. Future reports will discuss the use of interagency and interservice support by the Missile Defense Agency and Special Operations Command.

**Military Interdepartmental Purchase Requests.** DoD Components use “interservice” MIPRs to order goods or services from other DoD Components and “interagency” MIPRs to order from non-DoD Government organizations. The requesting organization initiates a MIPR by preparing a DD Form 448, “Military Interdepartmental Purchase Request.” The performing organization prepares a DD Form 448-2, “Acceptance of MIPR,” agreeing to provide the requested goods or services. A MIPR is considered “outgoing” to the organization that requests the goods or services and “incoming” to the organization that provides the requested goods or services. MIPRs are funded on a direct citation basis, a reimbursable basis, or both. See Appendix C for a glossary of technical terms used in this report.

Both the Assistant Secretary of the Army (Financial Management and Comptroller) and the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) have responsibilities related to Army MIPRs. The Assistant Secretary of the Army (Financial Management and Comptroller) is responsible for policies, procedures, programs, and systems that pertain to finance and accounting activities and operations; Army financial management systems and data integration activities; and Army programs for management control. The Assistant

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Secretary of the Army (Acquisition, Logistics, and Technology) is responsible for executing the acquisition function of the Department of the Army.

**Federal Laws and DoD Regulations.** MIPRs are regulated by Federal laws and DoD regulations. See Appendix D for a detailed description of applicable MIPR laws and regulations.

## Objectives

The audit objective was to evaluate the internal controls over the Department of the Army's purchases from governmental sources, excluding GSA, Department of the Treasury, Department of the Interior, and the National Aeronautics and Space Administration. Specifically, we examined the Department of the Army's processes for initiating, preparing, executing, monitoring, and accepting MIPRs. We determined whether the Department of the Army clearly defined its requirements and whether it properly used and tracked funds. We also evaluated the managers' internal control program as it related to our audit objective, which is further discussed at finding B. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objectives.

## Review of Internal Controls

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.<sup>1</sup>

**Scope of the Review of the Management Control Program.** We reviewed the adequacy of the Army's internal controls over MIPRs. Specifically, we reviewed Army internal controls over the process of initiating, preparing, executing, monitoring, and accepting MIPRs. We also reviewed the adequacy of management's self-evaluation of those controls.

**Adequacy of Management Controls.** The Army had internal control weaknesses as defined by DoD Instruction 5010.40. The Army's internal controls for processing MIPRs were not adequate to ensure that MIPRs were properly initiated, prepared, executed, monitored, and accepted. Recommendation A.3., when implemented, will correct the identified internal control weaknesses. Recommendations B.1., B.2., and B.3. should provide for a more accurate assessment and reporting of internal controls. We will provide a copy of the final report to the senior Army officials responsible for management controls.

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<sup>1</sup> Our review of internal controls was done under the auspices of DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996. DoD Directive 5010.38 was canceled on April 3, 2006. DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," was reissued on January 4, 2006.



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**Adequacy of Management's Self-Evaluation.** Most Army organizations did not identify the MIPR process as an assessable unit or part of an assessable unit within the management control program and, therefore, did not identify or report the management control weaknesses identified by the audit.

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## **A. Adequacy of Army Internal Controls over Governmental Purchases**

Army internal controls did not ensure that outgoing MIPRs were properly initiated, prepared, executed, and monitored and that incoming MIPRs were properly accepted. Internal controls over MIPRs were inadequate because the Army did not develop, issue, and enforce standard MIPR procedures throughout its organizations. Army organizations did not comply with existing Federal laws and DoD regulations. Furthermore, existing guidance from the Under Secretary of Defense (Comptroller)/Chief Financial Officer was unclear. Without enforcing existing laws and regulations and providing specific procedures on the MIPR process, the Army could not ensure that purchases were in the best interest of the Government and properly monitored and tracked.

### **Army MIPRs**

The Army was unable to provide a universe that included all outgoing and incoming MIPRs. Although Army financial systems contained outgoing and incoming MIPR transactions,<sup>2</sup> the information was incomplete because the Army could not ensure that a standard document number (SDN), which allows transactions to be tracked, was correctly assigned to each MIPR. As a result, Army financial systems only identified transactions for MIPRs that included “MIPR” in the SDN.

We examined a sample of 160 MIPRs (valued at approximately \$853 million) from a universe obtained from Defense Finance and Accounting Service Indianapolis (DFAS-IN). We reviewed 118 outgoing MIPRs (valued at approximately \$731 million) and 42 incoming MIPRs (valued at approximately \$122 million) that were issued under the authority of the Economy Act. The following table provides a breakdown of the interagency and interservice MIPRs we reviewed at four fiscal stations.

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<sup>2</sup> MIPR transactions included commitments, obligations, expenses, and disbursements for outgoing MIPRs and orders received, earned, billed, and collected for incoming MIPRs.

<b>MIPRs Reviewed</b>				
<b><u>Fiscal Station</u></b>	<b>Outgoing</b>		<b>Incoming</b>	
	<b><u>Interagency</u></b>	<b><u>Interservice</u></b>	<b><u>Interagency</u></b>	<b><u>Interservice</u></b>
DAO Aberdeen*	0	20	0	20
Soldier, Biological, and Chemical Command (PEO Soldier)	0	20	0	20
DAO Secretary of the Army Financial Operations	3	36	0	1
Fort Belvoir	<u>1</u>	<u>38</u>	<u>0</u>	<u>1</u>
<b>Subtotal</b>	<b>4</b>	<b>114</b>	<b>0</b>	<b>42</b>
<b>Total</b>		<b>118</b>		<b>42</b>

\*Defense Accounting Office.

See Appendix A for a detailed explanation of how we chose the audit sites and sampled MIPRs and for a list of organizations we reviewed.

## Outgoing Army MIPRs

The Army did not adequately control the initiation, preparation, execution, or monitoring of 110 of the 118 outgoing MIPRs we reviewed. The 118 outgoing MIPRs were issued to other governmental organizations by Defense Accounting Office (DAO) Aberdeen, Program Executive Office (PEO) Soldier (formerly known as “Soldier, Biological, and Chemical Command”),<sup>3</sup> DAO Secretary of the Army Financial Operations, and Fort Belvoir. See Tables E-1 through E-7 (Appendix E) for problems with outgoing Army MIPRs.

### MIPR Initiation

Before initiating a MIPR, Army requesting organizations are responsible for determining whether the purchase of goods or services is in the best interest of the Government and serves a bona fide need. They are required to document these determinations on a Determination and Finding for interagency MIPRs; or on a DD Form 1144, “Support Agreement,” Memorandum of Agreement (MOA), or Memorandum of Understanding (MOU), for interservice MIPRs. We found that the Army organizations requesting goods or services did not provide sufficient documentation for 102 of the 118 outgoing interagency and interservice MIPRs. These 102 MIPRs were valued at approximately \$682 million.

**Interagency Support.** The Army did not provide a Determination and Finding to support any of the four outgoing interagency MIPRs we reviewed from DAO Secretary of the Army Financial Operations and Fort Belvoir. According to Federal Acquisition Regulation (FAR) Subpart 17.5, “Interagency Acquisitions

<sup>3</sup> The Soldier, Biological, and Chemical Command was renamed “PEO Soldier.” However, DFAS-IN Regulation 37-100-06 states that the official name of the fiscal station is “Soldier, Biological, and Chemical Command.” We performed all audit work for this fiscal station at PEO Soldier.

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Under the Economy Act,” March 2005, and DoD Financial Management Regulation (FMR), volume 11A, chapter 3, “Economy Act Orders,” April 2000, each interagency Economy Act order must be supported by a Determination and Finding. The Determination and Finding should state that the order being made under the Economy Act, such as a MIPR, is in the best interest of the Government and that goods and services cannot be obtained as conveniently or economically by contracting directly with a commercial enterprise. According to the FAR and DoD FMR, the Economy Act applies when more specific statutory authority does not exist.

Because the Army did not comply with the FAR Subpart 17.5 and DoD FMR, volume 11A, chapter 3, Army organizations made purchases, valued at approximately \$1 million, that may not have been in the best interest of the Government and might have been completed more conveniently or economically by contracting with a commercial enterprise. The Army should ensure that a Determination and Finding is properly analyzed and prepared for all outgoing interagency MIPRs.

Other services have also had problems with not justifying MIPRs. DoD IG Report No. D-2006-102, “Marine Corps Governmental Purchases,” July 31, 2006, discusses inadequate internal controls over outgoing and incoming MIPRs at the Marine Corps. The report includes a recommendation that the Under Secretary of Defense (Comptroller)/Chief Financial Officer revise the DoD FMR, volume 11A, chapter 3, “Economy Act Orders,” April 2000, to clarify whether a Determination and Finding is required for interservice support when the requesting organization already has a completed Support Agreement in place.

**Interservice Support.** Of the 114 outgoing interservice MIPRs, the Army did not provide an adequate Support Agreement, MOA, or MOU to support 98 (valued at approximately \$681 million). Of these 98 outgoing interservice MIPRs, 82 (valued at approximately \$650 million) had no supporting documentation at all. The other 16 (valued at approximately \$31 million) of these 98 MIPRs had the required Support Agreement, MOA, or MOU, but the documentation file did not include a statement that the acquisitions were in the best interest of the Government.

DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” August 9, 1995, and DoD FMR, volume 11A, chapter 3 state that interservice orders must be in the best interest of the Government. The Army did not routinely document that it complied with either directive when purchasing goods and services from other DoD Components. The Army organizations purchased goods or services valued at approximately \$681 million that may not have been in the best interest of the Government. Those purchases might have been completed more conveniently or economically by contracting with a commercial enterprise. A Support Agreement, MOA, or MOU that states that the acquisition is in the best interest of the government should be prepared for all outgoing interservice MIPRs.

**Standard Operating Procedures.** Many of the other problems we identified with MIPR preparation, execution, and monitoring related to the lack of standard operating procedures and enforcement of Federal laws and DoD regulations. The

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Army did not implement standard MIPR procedures throughout its organizations. The Assistant Secretary of the Army (Financial Management and Comptroller) had not developed standard operating procedures to ensure that Army organizations complied with Federal laws and DoD regulations governing the use of outgoing interagency and interservice MIPRs. The Army should develop, issue, and enforce standard operating procedures for initiating, preparing, executing, and monitoring outgoing MIPRs.

## **MIPR Preparation**

For 75 of the 118 outgoing MIPRs, Army requesting organizations did not properly prepare DD Forms 448. These 75 MIPRs were valued at approximately \$429 million. For each outgoing MIPR, Army requesting organizations were responsible for accurately preparing a DD Form 448 and ensuring that it was approved by an authorized individual. Each DD Form 448 should have included the correct appropriation; proper certification of fund availability; a specific, definite, and certain description of supplies and services; and a clearly defined period of performance. The DD Forms 448 for 40 of the 75 MIPRs had multiple deficiencies. The 40 MIPRs were valued at approximately \$173 million.

**MIPR Approval.** Signature authority was not documented for 37 of the 118 outgoing MIPRs. Specifically, the Army did not provide documented signature authority (a DD Form 577, "Appointment/Termination Record-Authorized Signature") for signatures on 36 MIPRs. The Army provided us with a DD Form 577 to document signature authority for 81 outgoing MIPRs. For the remaining one outgoing MIPR, the DAO Secretary of the Army Financial Operations provided a DD Form 577 that was missing the signature of the organization's commander or appointing authority.

Existing DoD regulations do not clearly state how signature authority for DD Form 448 should be documented. Although DoD FMR, volume 5, chapter 11, "Disbursements," February 2006, states that the DD Form 577 designates authority to sign specific types of documents, it does not specifically address the DD Form 448. The Army also did not provide specific procedures for documenting signature authority. As a result, purchases valued at approximately \$168 million were made through MIPRs for which the Army could not provide documented approval authority. The Army should ensure that signature authority is documented and all MIPRs are signed by an authorized individual.

**Certification of Funds.** The Army did not properly certify fund availability before issuing those same 37 MIPRs that lacked authorized signatures. DoD FMR, volume 11A, chapter 3, states that the head of an organization may place an order for goods or services if funds are available. The availability of funds can be determined by a certifying officer (whose appointment should be authorized). Because the Army did not ensure compliance with the DoD FMR by certifying fund availability, it increased the potential of an Antideficiency Act violation. A violation of the Antideficiency Act occurs when an obligation or expenditure exceeds the amount available in its apportionment. The Army should comply with the DoD FMR, volume 11A, chapter 3, by properly certifying fund availability before a MIPR is issued.

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**Appropriation Classification.** The Army cited incorrect appropriations for 4 of the 118 outgoing MIPRs. These four MIPRs, valued at approximately \$251,000, were initiated by Fort Belvoir. One MIPR cited Research, Development, Test, and Evaluation funds (Basic Symbol 2040) for the replacement of a flooring system and installation of air conditioning units. Those services did not meet the criteria to be considered research, development, test, and evaluation actions.

DFAS-IN Regulation 37-100-06, “Financial Management, The Army Management Structure Fiscal Year 2006,” December 2005, provides specific guidelines for determining the correct use of appropriations. Research, Development, Test, and Evaluation funds should be used for products or services related to research and development activities. Operation and Maintenance funds (Basic Symbol 2020) should be used for the purchase of equipment, which would include the replacement of a flooring system and installation of air conditioning units. Section 1301, title 31, United States Code, (31 U.S.C. 1301), “Application,” January 19, 2004, states that appropriations must be applied only to the objects for which the appropriations were made, except as otherwise provided by law.

Because the Army used funds for other than the stated purpose, it potentially violated the Antideficiency Act (i.e., 31 U.S.C. 1341). For each of the four MIPRs, the Army should determine if a violation of the Antideficiency Act occurred. If a violation occurred, the Army is required to perform corrective actions as provided in DoD FMR, volume 14, chapter 10, “Violations – Causes, Prevention, and Correction,” October 2004. Additionally, the Army should ensure that all MIPRs cite correct appropriations as required by 31 U.S.C. 1301 and DFAS-IN Regulation 37-100-06.

**Description of the Supplies and Services.** For 18 of the 118 outgoing MIPRs, valued at approximately \$181 million, the Army did not provide a sufficient description of the supplies and services requested. For example, one MIPR from PEO Soldier, valued at approximately \$3.8 million, indicated “Corporate Support” as the supplies or services requested.

“Corporate Support” is a vague description that could refer to a variety of supplies and services. The DoD FMR, volume 11A, chapter 3, requires that Economy Act orders be specific, definite, and certain as to the work encompassed by the order and the terms of the order itself. Because the Army did not comply with the DoD FMR when describing the scope and terms of orders, it faced potential difficulties ensuring that:

- only appropriate projects were approved,
- amendments were in line with the scope of the work to be performed,
- appropriate funds were being used, and
- the supplies and services ordered were received and adequate.

All MIPRs should contain a specific, definite, and certain description of the supplies or services requested by the MIPR.

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**Period of Performance.** The Army did not specify the required period of performance for 52 of the 118 outgoing MIPRs. These 52 MIPRs were valued at approximately \$109 million. Defense Federal Acquisition Regulation Supplement (DFARS) 253.208, “Required Sources of Supplies and Services,” August 31, 2000, requires the requesting agency to clearly state the required period of performance for each MIPR. Because the Army did not comply with DFARS 253.208, it faced potential difficulties determining whether the performing organization performed in accordance with the terms stated in the MIPR. Furthermore, Economy Act orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal years for which the appropriation is available for obligation. The lack of a documented period of performance limited the Army’s ability to determine if a bona fide need existed. The Army should ensure that all MIPRs contain a clearly stated period of performance.

### **MIPR Execution and Monitoring**

The Army did not adequately execute MIPRs and monitor account balances for 54 (valued at approximately \$455 million) of the 118 outgoing MIPRs. Requesting organizations are responsible for ensuring that fiscal limits of appropriations are followed, obligations are valid and timely, and authorized balances are not exceeded. Of the 54 MIPRs, 16 (valued at approximately \$10 million) had multiple execution and monitoring issues.

**Fiscal Limits of Appropriations.** Two of the 118 outgoing Army MIPRs were not executed within their applicable fiscal limitations. Fort Belvoir obligated funds for these two MIPRs, which were valued at approximately \$4 million, after the period of availability for making original obligations from the appropriation. For example, all funds should have been obligated by September 30, 2000, for MIPR Number MIPR0ACLS26006. Fort Belvoir obligated FY 2000 Operation and Maintenance, National Guard funds, a one-year appropriation, on June 26, 2003; July 13, 2005; and September 15, 2005.

Economy Act orders are subject to the same fiscal limitations applicable to the funding appropriation. DFAS-IN Regulation 37-100-06 details the timeframes that funds are available for obligation. Furthermore, 31 U.S.C. 1502(a), “Balances Available,” January 2004, states that an appropriation is not available for expenditure for a period beyond the period authorized by law. Because the Army did not record obligations for MIPR Number MIPR0ACLS26006 in compliance with 31 U.S.C. 1502(a), it potentially violated the Antideficiency Act. 31 U.S.C. 1341, “Limitations on Expending and Obligating Amounts,” January 1998, further states that a violation of the Antideficiency Act occurs when the Government authorizes an obligation exceeding an amount available in an appropriation. The Army should determine if a violation of the Antideficiency Act occurred. If a violation occurred, the Army is required to perform corrective actions as provided in DoD FMR, volume 14, chapter 10. Additionally, the Army should ensure that fiscal limitations outlined in DFAS-IN Regulation 37-100-06 are followed.

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**Validity of Obligations.** Of the 118 outgoing MIPRs, the Army did not provide all obligating documents for 10, which were valued at approximately \$4 million. For example, Fort Belvoir incurred obligations totaling \$805,893 that were not supported by obligating documents.

DoD FMR, volume 11A, chapter 3, states that an obligation is incurred by the requesting organization upon acceptance of the order by the performing organization. DFARS Subpart 208.70, “Coordinated Acquisition,” June 21, 2005, states that DD Form 448-2 is the authority for the requesting organization to record the obligation for reimbursable orders. For direct citation orders, the contract is the authority to record the obligation. National Archives and Records Administration General Records Schedule 3, “Procurement, Supply, and Grant Records,” March 2006, details specific guidelines for retention of procurement, supply, and grant records. Because the Army did not comply with General Records Schedule 3 in retaining the required obligating documents, obligations could not be validated. The Army needs to ensure compliance with the General Records Schedule when retaining Government financial records.

**Recording Obligations.** For 43 of the 118 outgoing MIPRs, the Army did not record all the obligations in the accounting systems in a timely manner. These 43 MIPRs were valued at approximately \$449 million. Some of the obligations were recorded from 11 days to 231 days after the signing of the obligating document. For example, an obligation of approximately \$7 million was recorded by DAO Aberdeen 20 days after the obligating document was signed.

DoD FMR, volume 3, chapter 8, “Standards for Recording and Reviewing Commitments and Obligations,” June 2005, states that obligations should be recorded within 10 calendar days of when the obligation is incurred. Failure to comply with the DoD FMR when processing obligations increased the potential for negative unliquidated obligations (NULOs). A NULO exists when cumulative disbursements exceed cumulative obligations. A NULO increases the risk of an Antideficiency Act violation. The Army must ensure compliance with DoD FMR, volume 3, chapter 8, when processing MIPR obligations to ensure proper accounting of funds.

**Authorized Balances.** NULOs occurred during the execution of 18 of the 118 outgoing MIPRs. For example, the accounting records for one MIPR initiated by DAO Aberdeen identified three instances (lasting 6, 12, and 18 days) of cumulative disbursements exceeding cumulative obligations.

The DoD FMR, volume 3, chapter 11, “Unmatched Disbursements, Negative Unliquidated Obligations, In-Transit Disbursements, and Suspense Accounts,” January 2001, states that DoD Components must work with Defense Finance and Accounting Service (DFAS) to prevent overexpenditures, which include NULOs. Because the Army did not record obligations and sufficiently monitor disbursements, it increased the risk of Antideficiency Act violation for these 18 MIPRs, valued at approximately \$10 million. Account balances should be monitored to help prevent overexpenditures.

**Deobligations.** Funds were not deobligated in a timely manner for one outgoing MIPR, valued at approximately \$4 million, initiated by Fort Belvoir. DoD FMR,



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volume 11A, chapter 3, states that funds must be deobligated before the end of the appropriation's period of availability. It also states that funds should be deobligated commensurately with goods or services not provided or anticipated from an authorized contract with another organization.

The Fort Belvoir MIPR, initiated on October 6, 1999, cited a single-year appropriation (Basic Symbol 2065 - Operation and Maintenance, Army National Guard). Fort Belvoir received notice that approximately \$400,000 needed to be deobligated by September 30, 2005, which was the end of the appropriation's period of availability. However, Fort Belvoir did not prepare a DD Form 448 to request the deobligation until March 7, 2006. As of August 15, 2006, the deobligation remained unrecorded in the accounting records.

Because the Army did not comply with the DoD FMR, volume 11A, chapter 3, funds were not deobligated in a timely manner, and subsequently were not available to satisfy other missions and needs. The Army should ensure that all unneeded funds are deobligated and recorded promptly in the accounting records.

## **Incoming Army MIPRs**

PEO Soldier and Fort Belvoir did not adequately perform their responsibilities for accepting 16 incoming MIPRs from other governmental organizations. These 16 MIPRs were valued at approximately \$70 million. Tables E-8 through E-11 specify problems with incoming Army MIPRs.

### **MIPR Acceptance**

**Legal Issues.** PEO Soldier accepted a DD Form 448-2 for MIPR Number MIPR5C1BR00404 that was signed by a contractor, instead of a Government official. FAR 1.601, "General," January 12, 2004, states that contracts may be entered into and signed on behalf of the Government only by contracting officers.

There was no binding agreement between PEO Soldier and the contractor; therefore, this is a serious violation of law and constitutes an unauthorized obligation and violation of 31 U.S.C. 1501, "Documentary Evidence Requirement for Government Obligations," January 26, 1998. Furthermore, because a Government official did not accept the MIPR, the obligation was not properly incurred by PEO Soldier, which constitutes a violation of 31 U.S.C. 1502(a). The Army needs to initiate an investigation of MIPR Number MIPR5C1BR00404, valued at approximately \$6 million, to determine the extent to which the FAR 1.601 and 31 U.S.C. 1501 and 1502(a) were violated and perform corrective actions as necessary.

**Use of Economy Act Orders.** Sixteen incoming MIPRs that were accepted by PEO Soldier and Fort Belvoir were between organizational units that had the same commander. The commander was in a position to use direct funds to obtain the required goods or services, which were valued at approximately \$70 million across the 16 MIPRs. The DD Forms 448-2 for 7 of the 16 MIPRs were signed by the same individual who signed the DD Forms 448. DoD FMR, volume 11A, chapter 3, states that Economy Act orders cannot be used by one organizational

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unit to order work or services from another organizational unit under the same organization commander if the commander is in a position to fund the required goods or services through the use of direct funds.

Because the Army did not comply with DoD FMR, volume 11A, chapter 3, it inappropriately used MIPRs to obligate approximately \$70 million. Furthermore, an individual signing both an order and the related acceptance indicates an improper segregation of duties. The Army should ensure that organizations enforce Federal laws and DoD regulations so that Economy Act orders are not inappropriately issued between organizational units and individuals are not permitted to request and accept the same MIPR.

## Conclusion

Adequate internal controls are critical elements to ensure that MIPRs are properly managed. The lack of Army standard operating procedures and enforcement of internal controls over the MIPR process resulted in:

- potential violations of the Antideficiency Act and other statutes,
- inadequate monitoring of funds,
- noncompliance with Federal laws and DoD regulations, and
- purchases that were potentially not in the best interest of the Government.

The Army should improve internal controls over the MIPR process by issuing MIPR guidance and ensuring that existing Federal laws and DoD regulations are enforced.

## Management Comments on the Finding and Audit Response

Although not required to comment, the Director of the Army Space Program Office provided comments on selected portions of the finding. For the full text of the Army Space Program Office comments, see the Management Comments section of the report.

**Army Space Program Office Comments.** The Director of the Army Space Program Office stated that the office had instituted a new standard operating procedure for budget execution tracking and taken steps to help prevent late obligation posting. Regarding the lack of adequate agreements for outgoing interservice MIPRs, the Director stated that MOAs existed for MIPR Numbers MIPR3AGYR33109 and MIPR5JGYR50552 and that the Army Space Program Office is in the process of preparing a MOA for MIPR Number MIPR5FGYR50116. The Director also stated that the Army Space Program Office did not have time to create a MOU before the event leading to MIPR Number MIPR5FGYR50545. In addition, the Director stated that MIPR Numbers MIPR3AGYR33109 and MIPR5FGYR50545 were not in a NULO status.

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**Audit Response.** We commend the Army Space Program Office for taking steps to track the status of budget execution data for each of its MIPRs. Continuous tracking of budget execution data should allow the Army Space Program Office to identify potential problems and correct them in a timely manner. We requested the MOA for MIPR Number MIPR5JGYR50552 at least twice, but it was never provided to us. The MOA for MIPR Number MIPR3AGYR33109 did not properly state that the purchase was in the best interest of the Government. On May 31, 2006, we spoke with the Army Space Program Office Budget Officer regarding the detailed accounting transaction history for the two MIPRs that we reported as being in a NULO status. We agree that both MIPRs were not in a NULO status at the time of the review. However, these MIPRs were in a NULO status at various times during their period of execution.

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

**A. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller), in coordination with the Assistant Secretary of the Army (Acquisition, Logistics, and Technology):**

**1. Direct the appropriate Army organizations to initiate preliminary reviews and corrective actions for the five military interdepartmental purchase requests that potentially violated the Antideficiency Act as defined by the DoD Financial Management Regulation. (See Appendix E, Tables E-6 and E-7 for military interdepartmental purchase requests that violated or potentially violated the statutory and fiscal limitations imposed on appropriations.)**

**Management Comments.** The Assistant Secretary of the Army (Financial Management and Comptroller) did not comment. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) coordinate with the Assistant Secretary of the Army (Acquisition, Logistics, and Technology) and provide comments on the final report.

**2. Direct the Program Executive Officer Soldier to initiate an investigation of military interdepartmental purchase request number MIPR5C1BR00404, which was signed by a contractor, and determine the extent to which the Federal Acquisition Regulation 1.601 and sections 1501 and 1502(a), title 31, United States Code were violated. Based on the results of the investigation, the Program Executive Officer Soldier should perform corrective actions as necessary.**

**Management Comments.** The Assistant Secretary of the Army (Financial Management and Comptroller) did not comment. Although not required to comment, the Program Executive Officer Soldier stated that PEO Soldier amended the original MIPR to reflect the signature of an authorized individual with a DD Form 577 on file. The MIPR was resubmitted and processed on November 15, 2006.

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**Audit Response.** The actions taken by PEO Soldier were not responsive. PEO Soldier allowed a contractor to make unauthorized obligations on behalf of the Government. Without an investigation, it is not possible to determine if appropriate corrective actions were taken. Amending the original MIPR to reflect the signature of an authorized individual and re-executing the MIPR does not ensure that appropriate determinations were made, such as whether proper funds were available at the time of the authorized execution and whether the control procedures that permitted this situation to occur were reviewed and strengthened. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide comments on the final report.

**3. Develop, issue, and enforce standard operating procedures regarding how Army organizations initiate, prepare, execute, monitor, and accept military interdepartmental purchase requests to ensure that:**

- a. all supporting documents, including Determinations and Findings, Support Agreements, Memorandums of Agreement, and Memorandums of Understanding, are appropriately prepared before a military interdepartmental purchase request is issued or accepted;**
- b. all supporting documents are approved by an authorized individual with documented signature authority;**
- c. all DD Form 448s are appropriately prepared with the correct appropriation; a specific, definite, and certain description of the supplies or services requested; and a clearly stated period of performance;**
- d. funds are certified for availability prior to issuing a military interdepartmental purchase request;**
- e. organizations record valid and timely obligations within the fiscal limits of appropriations, and monitor account balances to prevent overexpenditures;**
- f. organizations record deobligations within the appropriation's period of availability;**
- g. all military interdepartmental purchase requests and required documentation are properly retained in accordance with the General Records Schedule; and**
- h. organizations enforce Federal laws so that Economy Act orders are not inappropriately issued between organizational units and individuals are not permitted to request and accept the same military interdepartmental purchase request.**

**Management Comments.** The Deputy Assistant Secretary of the Army (Financial Operations) concurred and stated that the Army will work with the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics), and the Office of the Assistant Secretary of the Army (Acquisition,

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Logistics, and Technology) to develop procedures that will ensure adequate controls are in place. He also stated that the Army will take appropriate actions to: ensure that MIPRs are supported by a solid determination of requirements with the appropriate approvals, include a description of supplies and services, identify a specific period of performance, and cite the proper appropriation and fund certification in support of the agreement.

**Audit Response.** The Deputy Secretary of the Army (Financial Operations) comments were partially responsive. Although he agreed to develop procedures that will ensure adequate controls are in place, the Deputy Assistant Secretary of the Army (Financial Operations) did not specifically address whether the procedures would cover Recommendations A.3.e. through A.3.h. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide additional comments in response to the final report.

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## **B. Army Management Control Program for Military Interdepartmental Purchase Requests**

The Army Management Control Program was ineffective and did not identify internal control weaknesses related to outgoing and incoming MIPRs. This occurred because the Army did not perform a general assessment of the internal controls for processing MIPRs. As a result, internal controls were not adequate to ensure that outgoing MIPRs were properly initiated, prepared, executed, and monitored, and incoming MIPRs were properly accepted.

### **Criteria for Management Control Programs**

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

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

The five standards for internal control are: control environment, risk assessment, control activities, information and communications, and monitoring. The standards define the minimum level of quality acceptable for internal control in the Government and provide the basis for evaluating internal control.

**Office of Management and Budget.** Office of Management and Budget Circular No. A-123, “Management’s Responsibility for Internal Control,” revised December 21, 2004, provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls. Office of Management and Budget Circular No. A-123 states:

Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. Agencies and individual Federal managers must take systematic and proactive measures to develop and implement appropriate, cost-effective internal control for results-oriented management; assess the adequacy of internal control in Federal programs and operations; separately assess and document internal control over financial reporting; identify needed improvements; take corresponding corrective action; and report annually on internal control through management assurance statements.

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**DoD Directive.** DoD Directive 5010.38 implemented the Government Accountability Office and Office of Management and Budget guidance required by the Federal Managers' Financial Integrity Act of 1982. The DoD Directive required DoD Components to implement a comprehensive strategy for management (internal) controls that provides reasonable assurance that "... programs and administrative and operating functions are efficiently and effectively carried out in accordance with applicable law and management policy." The management control process should be integrated into the daily management practices of all DoD managers. When developing the Management Control Program, DoD managers should rely on all contributing information sources, including external audits.

**DoD Instruction.** DoD Instruction 5010.40 requires DoD Components to develop a Management Control Program to review, evaluate, and report on the effectiveness of management (internal) controls in the DoD, and to take appropriate corrective action to identify and correct ineffective internal controls and establish internal controls when warranted. The Management Control Program, through its self-evaluation process, assists managers in identifying material internal control weaknesses. The DoD Instruction states that to be a material weakness, two conditions must be satisfied:

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

Each DoD Component is required to submit an annual statement of assurance based on a general assessment of the effectiveness of the internal controls.

## **Assessment of Internal Controls**

Army internal controls for processing MIPRs were not adequate to ensure that MIPRs were properly initiated, prepared, executed, monitored, and accepted. Army officials did not identify MIPRs as part of their Management Control Program for 15 of the 16 organizations we reviewed and, therefore, did not perform a general assessment of the internal controls for MIPRs. (See Appendix A for the list of organizations visited.) One organization, Logistics Transformation Agency, identified MIPRs as part of its Management Control Program and assessed internal controls over MIPRs by reviewing MIPR files to validate that it had properly initiated, prepared, executed, and monitored MIPRs.

Had the Army performed a general assessment of the internal controls for processing MIPRs, it might have identified inadequate and ineffective controls, noncompliance with Federal laws and DoD regulations, and potential violations of the Antideficiency Act and other statutes. The Army needs to determine whether MIPRs should be either an assessable unit or part of another assessable unit. The Army should also assess the status of the internal control weaknesses identified in finding A and determine whether they meet the criteria for a material weakness.

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## Recommendations and Management Comments

**B. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller):**

**1. Direct Army organizations that use military interdepartmental purchase requests to purchase goods and services to determine whether military interdepartmental purchase requests should be either an assessable unit or part of another assessable unit.**

**2. Direct Army organizations that use military interdepartmental purchase requests to purchase goods and services to perform a general assessment of internal controls for processing military interdepartmental purchase requests to determine their effectiveness and reliability.**

**3. Determine whether the internal control weaknesses identified in finding A meet the criteria for a material weakness as stated in DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006.**

**Management Comments.** The Assistant Secretary of the Army (Financial Management and Comptroller) did not comment. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) provide comments on the final report.



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## Appendix A. Scope and Methodology

**Scope of Review.** We reviewed purchases between DoD Components (interservice) and purchases between the Army and non-DoD governmental organizations (interagency). The interagency purchases were with the Department of Energy, Department of Veterans Affairs, and Department of Agriculture. We did not review MIPRs with agencies specifically excluded in the audit announcement (GSA, Department of the Treasury, Department of the Interior, and the National Aeronautics and Space Administration). We reviewed only MIPRs citing Treasury Index 21 (Army) funds.

We performed the audit from January through October 2006, in accordance with generally accepted government auditing standards.

**Site Selection.** We selected the audit sites using analytical procedures. The Army was unable to provide a universe that included all outgoing and incoming MIPRs. Although the Army financial systems contained outgoing and incoming MIPR transactions,<sup>4</sup> the information was incomplete. This occurred because the Army financial systems only identified MIPR transactions for MIPRs that included “MIPR” in the standard document number (SDN) which allows transactions to be tracked throughout the process. However, the Army could not ensure that the SDN was correctly assigned to each MIPR. In order to obtain all identifiable MIPR transactions, we requested DFAS-IN personnel to query the Operational Data Store (ODS) for first quarter FY 2006 transactions with “MIPR” in the SDN field. The ODS is an automated data storage system comprised of daily downloads of transactional data submitted by the Army Standard Finance System (STANFINS) and the Army Standard Operations and Maintenance Research and Development System (SOMARDS). DFAS-IN ODS personnel provided a summary of first quarter FY 2006 MIPR activity at each fiscal station number (FSN). MIPR activity was defined both in terms of the dollar amount of the MIPR transactions and the number of MIPR transactions.

Based on the first quarter FY 2006 summary MIPR transaction data provided by DFAS-IN ODS personnel, the DoD IG Quantitative Methods Directorate (QMD) determined the top nine FSNs by MIPR dollar amount and number of MIPR transactions. In order to maximize resources and minimize travel costs, we selected the geographical area with the most FSNs in the top nine in terms of the dollar amount and number of MIPR transactions. We chose to review organizations in the Washington, D.C. area because it had four FSNs in the top nine: 18001 - DAO Aberdeen; 19130 - PEO Soldier; 23185 - DAO Secretary of the Army Financial Operations; and 44008 - Fort Belvoir, Virginia. Because MIPR files were physically located at several organizations for each FSN, and not at one central location, we further refined the selection by allotment serial number, which enabled us to determine where MIPRs were physically located. The table below identifies the 16 organizations whose MIPRs we reviewed.

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<sup>4</sup> MIPR transactions included commitments, obligations, expenses, and disbursements for outgoing MIPRs and orders received, earned, billed, and collected for incoming MIPRs.

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### Organizations Reviewed

<u>FSN</u>	<u>Organization</u>
18001	Army Space Program Office
19130	PEO Soldier
23185	Army Center for Substance Abuse Programs Army Community and Family Support Center Army Management Staff College Army Services and Operations Agency Assistant Chief of Staff, Installation Management Chief Information Officer, G6 Deputy Chief of Staff for Civilian Personnel Headquarters Department of the Army, Resource Management Directorate Joint Improvised Explosive Device Defeat Organization Logistics Transformation Agency Rapid Equipping Force
44008	Acquisition Support Center Operational Support Airlift Agency PEO Enterprise Information Systems

**Sample Selection.** After the audit sites were chosen, we requested detailed accounting records for all MIPRs that had activity during calendar year 2005, because it was the most current year for which we could get an entire 12 months of MIPR data. Outgoing MIPRs were identified with “MIPR” in the SDN. However, because the Army could not ensure that incoming MIPRs included “MIPR” in the SDN, we obtained detailed accounting records for SOMARDS MIPRs using the reimbursable order number field obtained from DFAS Rock Island, the DFAS site that maintains SOMARDS data. By definition, any transaction with an amount in the reimbursable order number field should be a MIPR. There was no alternate way to identify an incoming MIPR in STANFINS without using “MIPR” in the SDN. Consequently, we obtained the STANFINS accounting records from ODS.

Once we obtained the detailed accounting records for both STANFINS (using ODS) and SOMARDS, we queried the data to determine the dollar amount of MIPR transactions and the total number of MIPR transactions for each FSN by operating activity and allotment serial number. We queried the detailed accounting records from SOMARDS and ODS by allotment serial number and provided the data pertaining to selected audit sites to QMD. QMD then provided us with a sample of MIPR transactions to review at each FSN. For each FSN, QMD selected the top five outgoing and top five incoming transactions based on the dollar amount of the transaction. QMD also provided a random sample of 15 outgoing and 15 incoming transactions to review for each FSN. In total, QMD provided a sample of 20 outgoing and 20 incoming MIPR transactions to review for each FSN. Additionally, because the sample was derived from MIPR

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transactions rather than individual MIPRs, QMD provided approximately 20 outgoing and 20 incoming sample replacements for each FSN. We used sample replacements when the sample contained:

- multiple transactions from the same MIPR,
- a transaction from a MIPR that was specifically excluded from the scope of the review, or
- a MIPR that was not physically located at the audit site.

During our audit, we discovered that 19 of the 20 MIPR transactions identified as incoming MIPRs for FSNs 23185 and 44008 were actually outgoing MIPRs. This occurred because QMD selected samples based on fiscal action codes DFAS used to designate outgoing and incoming MIPRs. However, we subsequently found that fiscal action code “8” was used for both outgoing and incoming MIPRs. In order to maintain sample integrity, we reviewed those MIPRs as outgoing MIPRs. Therefore, we reviewed 39 outgoing MIPRs and 1 incoming MIPR for both FSN 23185 and 44008. That resulted in a revised sample total of 118 outgoing and 42 incoming MIPRs for all four FSNs.

**MIPR Review.** Based on the sample of MIPR transactions provided by QMD, we examined each MIPR and the management control process within each organization during our site visits from March to June 2006. Specifically, we:

- requested all supporting documentation for each MIPR,
- interviewed budget execution and resource management personnel,
- completed a review checklist for each MIPR, and
- reviewed standard operating procedures related to the processing of MIPRs.

Supporting documentation included DD Forms 448 and 448-2, Determinations and Findings, Support Agreements, contracts, local accounting records, signature appointment records, and any other relevant information.

Upon completion of the review checklist for each sampled MIPR, we performed extensive analyses of the data captured in the MIPR checklists. We also performed an extensive analysis of the detailed accounting records that we obtained from DFAS Rock Island (FSNs 18001 and 19130) and DFAS-IN ODS (FSNs 23185 and 44008). For the audit sites visited, we examined:

- procedures for initiating, preparing, executing, and monitoring outgoing MIPRs;
- procedures for accepting incoming MIPRs; and
- internal control processes and procedures for both outgoing and incoming MIPRs.

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We did not examine the controls over MIPR disbursements. The disbursement process was performed entirely within DFAS. We used the results of our analyses and reviews to document the internal control weaknesses discussed in finding A.

**Use of Computer-Processed Data.** We used first quarter FY 2006 data from ODS to select the audit sites and calendar year 2005 data from SOMARDS and ODS to determine the MIPRs we reviewed at each FSN. We used SOMARDS accounting records to identify the commitment, obligation, expense, and disbursement transaction data for FSNs 18001 and 19130. We used STANFINS accounting records stored within DFAS-IN ODS to provide the obligation and disbursement transaction data for FSNs 23185 and 44008.

DoD has acknowledged the unreliability of its financial management systems, including SOMARDS and STANFINS. Therefore, we did not perform a formal reliability assessment of the computer-processed data. An examination would have required extensive reconciling of submitted accounting data to detail records available only at submitting field sites and their supporting accounting offices. Although we used SOMARDS and STANFINS data to perform some of the audit tests, we did not rely on the accuracy and completeness of the accounting data used for those tests. Not assessing reliability of the systems did not prevent us from concluding on the internal controls for the management and processing of Army MIPRs.

**Use of Technical Assistance.** QMD provided technical assistance throughout the site and MIPR selection processes. QMD first determined the top nine FSNs based on the total dollar amount and number of MIPR transactions at each FSN. We selected four of the top nine FSNs to audit based on geographical location. For each selected FSN, QMD provided a sample of 20 outgoing and 20 incoming MIPRs to review. In addition, QMD provided approximately 20 outgoing and 20 incoming sample replacements.

**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, DoD Financial Management, and DoD Contract Management high-risk areas.

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## Appendix B. Prior Coverage

During the past 5 years, the DoD IG issued 13 reports discussing MIPRs. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

### DoD IG

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

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

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

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## Appendix C. Glossary of Technical Terms

**Allotment Serial Number.** The allotment serial number is a four-digit code assigned by an operating activity to identify a fund target/subdivision within an appropriation or fund. The allotment serial number is used to identify funds for distribution and accounting purposes.

**Antideficiency Act Violation.** Congress passed the Antideficiency Act to curb the fiscal abuses that frequently created so-called “coercive deficiencies” that required supplemental appropriations. The Antideficiency Act consists of several statutes that mandate administrative and criminal sanctions for the unlawful use of appropriated funds (31 U.S.C. 1341, 1342, 1350, 1351, and 1511-1519). Violations of other laws may trigger violations of Antideficiency Act provisions, such as the “bona fide needs rule,” 31 U.S.C. 1502(a).

**Appropriation.** 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. An appropriation does not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; it represents spending limitations.

**Basic Symbol.** The basic symbol is a four-digit code indicating the type of funds or major purpose of the appropriation. The Treasury has assigned all basic symbols into two broad categories: receipts and expenditures.

**DD Form 448, “Military Interdepartmental Purchase Request.”** The DD Form 448 is used to request supplies or services from another governmental organization.

**DD Form 448-2, “Acceptance of MIPR.”** The DD Form 448-2 is used to formally accept a DD Form 448.

**DD Form 1144, “Support Agreement.”** A Support Agreement is an agreement to provide recurring support between DoD Components. Support Agreements between DoD Components are used when the performing organization can provide the support with their personnel or add the requiring organization’s requirements to an existing contract. Support Agreements are recorded on a DD Form 1144, “Support Agreement,” or similar format.

**Determination and Finding.** The Determination and Finding is a special form of written approval by an authorized official required by statute or regulation as a prerequisite to taking certain contract actions. The determination is a conclusion or decision supported by the findings. The finding is a statement of fact or rationale that is essential to supporting the determination and must address each requirement of the statute or regulation.

**Deobligation.** A deobligation is a formal rescission of funds previously obligated. Funds must be deobligated by the requesting organization to the extent that the

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performing organization has not, before the end of the period of availability of the appropriation, provided the goods or services, or entered into an authorized contract with another entity to provide the requested goods or services.

**Direct Citation Order.** A direct citation order is an order accomplished by combining the requirements of one or more DoD organizations with those of a DoD organization making a procurement. The performing organization may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each requesting organization. The direct citation order is recorded as an obligation by the DoD organization included in the order when the organization is notified in writing that the performing organization's contract or project order has been executed, or when a copy of the contract or project order is received.

**Fiscal Station Number (FSN).** An FSN may be assigned to an integrated finance and accounting office, a non-integrated finance office, a fully-supported organization, or a decentralized accounting office. FSNs are used by the Department of the Army in appropriation and fund accounting and to account for Disbursing Officer transactions.

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

**Interservice Support.** Interservice support is provided by one DoD Component to another DoD Component.

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

**Negative Unliquidated Obligation (NULO).** NULOs are transactions posted to the accounting database that result in disbursements greater than obligations, stand-alone disbursements, or credit obligations.

**Obligation.** An obligation is the result of an order placed, contract awarded, service received, or similar transaction during a given period that will require payments during the same or a future period.

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

**Standard Document Number (SDN).** SDN is required for all obligations, disbursement, and collection documents and will contain no more than 14 characters. All documents processed through DFAS-IN managed accounting systems require a SDN.



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**Standard Finance System (STANFINS).** STANFINS is a fully automated Army-wide, standard accounting system designed to provide accounting support and general ledger control at Army installations.

**Standard Operations and Maintenance Army Research and Development System (SOMARDS).** SOMARDS is the standard financial accounting and reporting system that provides both Army and DFAS users an interactive mainframe system that stores all types of financial data in hierarchical databases.

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## Appendix D. Federal Laws and DoD Regulations

### Federal Laws

**Federal Acquisition Regulation.** FAR 1.601, “General,” January 12, 2004, states that, unless specifically prohibited by another provision of law, authority and responsibility to contract for authorized supplies and services are vested in the agency head. The agency head may establish contracting activities and delegate broad authority to manage the agency’s contracting functions to heads of such contracting activities. Contracts may be entered into and signed on behalf of the Government only by contracting officers. In some agencies, a relatively small number of high level officials are designated contracting officers solely by virtue of their positions. Contracting officers below the level of a head of a contracting activity shall be selected and appointed under FAR 1.603, “Selection, Appointment, and Termination of Appointment,” January 12, 2004.

FAR Subpart 17.5, “Interagency Acquisitions Under the Economy Act,” March 2005, states that the Economy Act authorizes agencies to enter into mutual agreements to obtain supplies or services by interagency acquisitions as well as interservice acquisitions. Interagency acquisitions require a Determination and Finding to support each Economy Act order. However, there are limits to how Economy Act orders may be used.

- Economy Act orders may not be used to circumvent conditions and limitations imposed on the use of funds.
- Economy Act orders may not be used to make acquisitions conflicting with any other agency’s authority or responsibility.
- Acquisitions under the Economy Act are subject to the requirements of FAR Subpart 7.3.

**United States Code.** 31 U.S.C. 1301, “Application,” January 19, 2004, states that appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.

31 U.S.C. 1341, “Limitations on Expending and Obligating Amounts,” January 19, 2004, states that an officer or employee of the Government may not:

- make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation, or
- involve the Government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law.

31 U.S.C. 1501, “Documentary Evidence Requirement for Government Obligations,” January 19, 2004, states that an amount shall be recorded as an

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obligation of the Government only when supported by documentary evidence of a binding agreement between an agency and another person (including an agency) that is:

- in writing;
- in a way and form, and for a purpose authorized by law; and
- executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.

31 U.S.C. 1502(a), “Balances Available,” January 19, 2004, states that the balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with Section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

31 U.S.C. 1535, “Agency Agreements,” January 19, 2004, sets forth the requirements regarding the use of agency agreements. It also states that an order or agreement obligates an appropriation of the ordering agency or unit. Furthermore, it allows the head of an agency to place an order within the same agency or another agency for goods or services if:

- amounts are available,
- it is in the best interest of the Government,
- the other agency can fill the order, and
- the order cannot be provided as conveniently or economically by contract with a commercial enterprise.

**National Archives and Records Administration.** General Records Schedule 3, “Procurement, Supply, and Grant Records,” March 2006, details specific guidelines for retention of Federal procurement, supply, and grant records. It states that contract, requisition, and purchase order files exceeding \$2,000 and dated on or after July 3, 1995, should be destroyed 6 years and 3 months after final payment. Other guidelines are listed for various types of documents with different dates and dollar values.

## **DoD Regulations**

**Defense Federal Acquisition Regulation Supplement.** DFARS Subpart 208.70, “Coordinated Acquisition,” June 21, 2005, prescribes the policy and procedures for acquisition of items for which contracting responsibility is assigned to one or more departments, agencies, or GSA. It also states that the DD Form 448-2 is the

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authority for a requesting organization to record an obligation for reimbursable orders. For direct citation orders, the contract is the authority to record the obligation.

DFARS 253.208, "Required Sources of Supplies and Services," August 31, 2000, prescribes the instructions for preparing DD Form 448, "Military Interdepartmental Purchase Request," and DD Form 448-2, "Acceptance of MIPR." It says that the requesting agency must clearly state the required period of performance for each MIPR.

**DoD Financial Management Regulation.** DoD FMR, volume 3, chapter 8, "Standards for Recording and Reviewing Commitments and Obligations," June 2005, provides policy regarding the management of and control over commitments and obligations. It defines responsibilities of the accounting office and fund holder regarding commitments and obligations and requires a tri-annual review of commitments and obligations. Specifically, it states that in no instance shall obligations be recorded any later than 10 calendar days following the day that an obligation is incurred.

DoD FMR, volume 3, chapter 11, "Unmatched Disbursements, Negative Unliquidated Obligations, In-Transit Disbursements, and Suspense Accounts," January 2001, states that DoD Components will work with DFAS to prevent overexpenditures, which include NULOs.

DoD FMR, volume 5, chapter 11, "Disbursements," February 2006, states that the DD Form 577 shall be used to appoint and terminate all certifying officers. A copy of a DD Form 577 must accompany the request for payment of a voucher on behalf of another DoD Component disbursing office.

DoD FMR, volume 11A, chapter 3, "Economy Act Orders," April 2000, prescribes policies and procedures applicable to transactions where goods or services are procured from other Federal agencies under the Economy Act. The head of an organization may place an order for goods or services if funds are available. The DoD typically executes Economy Act orders by issuing MIPRs. However, there are limits to how Economy Act orders may be used.

- Economy Act orders may not be used to circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds.
- Economy Act orders may not be used to make acquisitions conflicting with any other agency's authority or responsibility.
- Acquisitions under the Economy Act are subject to the requirements of FAR Subpart 7.3.
- Economy Act orders cannot be used by one organizational unit to order work or services from another organizational unit under the same organization commander if the commander is in a position to fund the required goods or services through the use of direct funds.

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The DoD FMR, volume 11A, chapter 3 also requires that all interagency Economy Act orders must be supported by a Determination and Finding stating that the use of interagency support 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 commercial enterprise. Organizations may enter into interservice agreements when it is in the best interest of the Government and the performing organization can render the support without jeopardizing its own assigned missions. Economy Act orders should be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself. An obligation is incurred by the requesting organization upon acceptance of the order by the performing organization. Funds should be deobligated by the end of the appropriation's period of availability to the extent that the performing organization has not provided the goods or services or entered into an authorized contract with another organization to provide the requested goods or services.

DoD FMR, volume 14, chapter 10, "Violations – Causes, Prevention, and Correction," October 2004, states the common causes of Antideficiency Act violations, corrective procedures for occurrences, and preventive measures.

**DoD Instruction.** DoD Instruction 4000.19, "Interservice and Intragovernmental Support," August 9, 1995, implements policies, procedures, and responsibilities for interagency and interservice support. Furthermore, DoD Instruction 4000.19 states that DoD organizations may enter into agreements with non-DoD federal organizations when:

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

DoD Instruction 4000.19 also states that DoD organizations shall provide requested support to other DoD organizations when the agreement is in the best interest of the Government, and the performing organization determines that capabilities exist to provide the support without jeopardizing assigned missions. The DoD Instruction also states that recurring interservice support that requires reimbursement should be documented on DD Form 1144, "Support Agreement," or a similar form that contains all the information required on DD Form 1144. Broad areas of recurring interservice support and cooperation that do not require reimbursement should be documented with a Memorandum of Agreement or a Memorandum of Understanding.

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**Defense Finance and Accounting Service Regulation.** DFAS-IN Regulation 37-100-06, "Financial Management, The Army Management Structure Fiscal Year 2006," December 2005, provides specific guidelines for determining the correct use of appropriations, the fiscal limitations of appropriations, and the requirements for MIPR SDNs.

## Appendix E. MIPR Issues

The following tables summarize issues we identified during our review of MIPRs located at DAO Aberdeen; PEO Soldier; DAO Secretary of the Army Financial Operations; and Fort Belvoir. An “X” indicates the MIPR was deficient in the stated area. An “A” indicates a potential Antideficiency Act violation.

FSN	MIPRs Reviewed	MIPR Value	Initiation		Preparation					Execution and Monitoring				
			Interagency-Missing D&F	Interservice-Missing Required Document	Unauthorized MIPR Approval	Funds Not Certified	Incorrect Appropriation	No Clear Description of Supplies or Services	No Clear Period of Performance	Followed	Fiscal Limits Not	Validity of Obligations-Missing Documents	Timely Obligations-Not Recorded Within 10 Days	Authorized Balance Exceeded
FSN 18001 - DAO Aberdeen	20	\$ 47,178,952	0	5	0	0	0	0	0	0	1	9	2	0
FSN 19130 - PEO Soldier	20	88,679,348	0	20	0	0	0	1	20	0	0	0	0	0
FSN 23185 - DAO Secretary of the Army Financial Operations	39	467,896,389	3	36	12	12	0	10	16	0	3	18	10	0
FSN 44008 - Fort Belvoir	39	127,486,634	1	37	25	25	4	7	16	2	6	16	6	1
<b>Total</b>	<b>118</b>	<b>\$731,241,323</b>	<b>4</b>	<b>98</b>	<b>37</b>	<b>37</b>	<b>4</b>	<b>18</b>	<b>52</b>	<b>2</b>	<b>10</b>	<b>43</b>	<b>18</b>	<b>1</b>

**Table E-2. DAO Aberdeen Outgoing MIPRs (FSN 18001)**

MIPR Number	MIPR Value	Initiation		Preparation						Execution and Monitoring				
		Interagency-Missing D&F	Inter-service-Missing Required Document	Unauthorized MIPR Approval	Funds Not Certified	Incorrect Appropriation	Supplies or Services	No Clear Description of	No Clear Period of Performance	Fiscal Limits Not Followed	Missing Documents	Validity of Obligations-Recorded Within 10 Days	Timely Obligations-Not Exceeded	Authorized Balance
MIPR5KGYR51806	\$ 7,931,234											X		
MIPR5DEGYR52803	7,200,000											X		
MIPR5EGYR51801	4,300,000													
MIPR5JGYR51101	3,000,000													
MIPR5BGYR50202	18,416,000											X		
MIPR3AGYR33109	89,058		X									X	X	
MIPR5FGYR50116	200,900		X											
MIPR3FGYR33140	72,000		X											
MIPR5EGYR50537	340,225													
MIPR5DGYR50531	50,833											X		
MIPR5AGYR50511	222,905													
MIPR5AGYR50509	1,734,484											X		
MIPR5AGYR50101	1,000,000											X		
MIPR5HGYR50124	200,000													
MIPR5JGYR50552	50,000		X											
MIPR0GGYR00761	799,816											X		
MIPR9GGYR90123	15,190											X		
MIPR5FGYR50545	42,000		X							X			X	
MIPR5JGYR50556	80,000													
MIPR5DGYR52804	1,434,306													
<b>20</b>	<b>\$47,178,951</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>2</b>	<b>0</b>



**Table E-3. PEO Soldier Outgoing MIPRs (FSN 19130)**

MIPR Number	MIPR Value	Initiation	Preparation					Execution and Monitoring						
			Interagency-Missing D&F Required Document	Interagency-Missing Required Document	Unauthorized MIPR Approval	Funds Not Certified	Incorrect Appropriation	No Clear Description of Supplies or Services	No Clear Period of Performance	Fiscal Limits Not Followed	Missing Documents-Validity of Obligations-	Timely Obligations-Not Recorded Within 10 Days	Authorized Balance Exceeded	Untimely Deobligations
MIPR5E1BRHOAKS	\$ 8,334,212		X					X						
MIPR5K1BRHCONV	10,081,600		X					X						
MIPR5E1BRHSLPS	36,684,000		X					X						
MIPR5A1BRHMICH	20,857,500		X					X						
MIPR5D1BR00670	2,099,212		X					X						
MIPR5E1BROPAXX	3,800,000		X				X	X						
MIPR5K1BR01472	350		X					X						
MIPR5C1BATAPS3	5,782,669		X					X						
MIPR5A1BRBBAG2	20,283		X					X						
MIPR5L1BATCACU	37,138		X					X						
MIPR5BOTCD5612	128,955		X					X						
MIPR5H1BR01160	43,000		X					X						
MIPR5BNVLD5610	300,000		X					X						
MIPR5FCHPT5223	3,194		X					X						
MIPR5A1BRHOVHD	865		X					X						
MIPR4M1BR02000	50,000		X					X						
MIPR4A1BR01906	298,000		X					X						
MIPR4G1BR00938	68,400		X					X						
MIPR5A1BR00045	74,970		X					X						
MIPR4FBRBARRYH	15,000		X					X						
<b>20</b>	<b>\$88,679,348</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table E-4. DAO Secretary of the Army Financial Operations Outgoing MIPRs (FSN 23185)**

MIPR Number	MIPR Value	Initiation		Preparation					Execution and Monitoring				
		Interagency-Missing D&F	Interservice-Missing Required Document	Unauthorized MIPR Approval	Funds Not Certified	Incorrect Appropriation	No Clear Description of Supplies or Services	No Clear Period of Performance	Followed	Missing Documents-Validity of Obligations-Fiscal Limits Not	Timely Obligations-Not Recorded Within 10 Days	Authorized Balance Exceeded	Untimely Deobligations
MIPR6AAXA4BA01	\$142,677,958		X	X	X					X			
MIPR6AMCBJ9006	145,000,000		X							X			
MIPR5FASCE7080	2,862,834		X	X	X						X		
MIPR2EAXA4WN13	20,795		X	X	X					X			
MIPR3FR1HE0065	435,000	X								X			
MIPR5DHDPW0002	9,399		X	X	X								
MIPR4GAMSCLB13	1,053,942		X	X	X								
MIPR5CIEDJ8018	118,000		X										
MIPR3FRNLG4058	98,400	X		X	X					X			
MIPR4CLTDL6001	1,892,693		X	X	X					X			
MIPR4BAXA4BG07	146,681		X	X	X		X	X					
MIPR5GNP5B3013	546,221		X						X				
MIPR3HBELG4090	233,903		X	X	X		X	X			X		
MIPR5EAXA4BN13	399,547		X	X	X		X	X		X	X		
MIPR4KR1AL0158	159,992		X				X						
MIPR3DR1JS0042	2,452		X							X			
MIPR6BARBJ9058	105,000,000		X				X						
MIPR6BSWBJ9032	61,000,000		X				X			X			
MIPR5AACPN8A01	596,959		X	X	X						X		
MIPR4FR1JS0084	850,000	X					X	X					
<b>20</b>	<b>\$463,104,776</b>	<b>3</b>	<b>17</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>9</b>	<b>4</b>	<b>0</b>

**Table E-5. DAO Secretary of the Army Financial Operations Outgoing MIPRs (FSN 23185)**

(MIPRs originally classified as incoming, later determined to be outgoing)

MIPR Number	MIPR Value	Initiation	Preparation					Execution and Monitoring					
			Interagency-Missing D&F	Interservice-Missing Required Document	Unauthorized MIPR Approval	Funds Not Certified	Incorrect Appropriation	No Clear Description of Supplies or Services	No Clear Period of Performance	Fiscal Limits Not Followed	Validity of Obligations-Missing Documents	Timely Obligations-Not Recorded Within 10 Days	Authorized Balance Exceeded
MIPR3MAMSCLB20	\$ 12,070	X					X						
MIPR5FDLS00007	1,612,171	X					X			X	X		
MIPR5FDLS00008	48,516	X					X			X			
MIPR5FDLS00009	306,821	X					X			X	X		
MIPR1MDPWDL127	7,376	X				X	X						
MIPR2HDISDL039	10,074	X				X				X			
MIPR6FDLS00008	21,858	X					X						
MIPR2LASGDL085	1,500	X								X			
MIPR1MDOSDL117	1,471	X				X							
MIPR4MDLSC0001	162,153	X					X			X	X		
MIPR2LTCEDL096	1,000	X											
MIPR5FDLS00010	574,981	X					X				X		
MIPR1MAITDL133	712	X					X						
MIPR2LMIADL086	1,500	X											
MIPR5MDLSC0003	32,567	X					X		X	X			
MIPR5MDLSC0001	165,314	X					X			X	X		
MIPR3LAETDL080	120,958	X	X	X									
MIPR4FDLS00007	1,637,045	X					X		X	X	X		
MIPR1MDISDL116	73,527	X											
<b>19</b>	<b>\$4,791,614</b>	<b>0</b>	<b>19</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>12</b>	<b>0</b>	<b>2</b>	<b>9</b>	<b>6</b>	<b>0</b>

**Table E-6. Fort Belvoir Outgoing MIPRs (FSN 44008)**

An "A" indicates a potential Antideficiency Act violation.

MIPR Number	MIPR Value	Initiation		Preparation					Execution and Monitoring				
		Interagency-Missing D&F	Interservice-Missing Required Document	Unauthorized MIPR Approval	Funds Not Certified	Incorrect Appropriation	No Clear Description of Supplies or Services	No Clear Period of Performance	Fiscal Limits Not Followed	Validity of Obligations-Missing Documents	Timely Obligations-Not Recorded Within 10 Days	Authorized Balance Exceeded	Untimely Deobligations
MIPR5ACLS12351	\$ 30,064,765		X										
MIPR5ACLS23004	18,841,379		X										
MIPR5CQYTP0006	7,999,996		X	X	X		X	X					
MIPR5MALTRB062	1,750		X										
MIPR5HQYTP0027	440,000		X	X	X		X	X					
MIPR5FAEDRB045	1,500		X							X			
MIPR5HITCQM809	502,775		X	X	X				X				
MIPR5ATNGRB004	800		X							X			
MIPR5AQUMA0001	991,847		X	X	X			X			X		
MIPR4HATRBR025	100,000		X										
MIPR0ACLS26006	3,775,364		X						A		X		X
MIPR5GFEBQ3502	214,300		X	X	X		X	X			X	X	
MIPR5EAIARB028	66,000		X										
MIPR5MQ8AA0003	2,284,749		X	X	X			X					
MIPR5AQ8AA0006	1,607,160		X	X	X								
MIPR4ACLS23003	26,374,161		X								X		
MIPR4ACLS20003	2,339,096												
MIPR2ACLS23005	22,048,910		X								X		
MIPR5AFMOQ3102	7,419		X	X	X	A		X		X	X	X	
MIPR1ACLS20003	4,471,458		X										
<b>20</b>	<b>\$122,133,429</b>	<b>0</b>	<b>19</b>	<b>8</b>	<b>8</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>1</b>

**Table E-7. Fort Belvoir Outgoing MIPRs (FSN 44008)**  
(MIPRs originally classified as incoming, later determined to be outgoing)  
An "A" indicates a potential Antideficiency Act violation.

MIPR Number	MIPR Value	Initiation		Preparation					Execution and Monitoring				
		Interagency--Missing D&F	Inter-service--Missing Required Document	Unauthorized MIPR Approval	Funds Not Certified	Incorrect Appropriation	No Clear Description of Supplies or Services	No Clear Period of Performance	Fiscal Limits Not Followed	Validity of Obligations--Missing Documents	Timely Obligations--Not Recorded Within 10 Days	Authorized Balance Exceeded	Untimely Deobligations
MIPR05OSAAAR001	\$ 230,415		X										
MIPR5CCECQM800	360,276		X	X	X		X	X					
MIPR5DQPTK0004	985,455		X	X	X								
MIPR5HCLS26DJ1	964,481		X										
MIPR2CAISQM502	223,877		X	X	X			X					
MIPR5HASCP0004	124,892		X	X	X								
MIPR4FFMOQ3809	63,500		X	X	X	A		X				X	
MIPRLOGPMSSFY5	723,748		X	X	X			X		X	X		
MIPR5ASPS00002	5,040		X	X	X								
MIPR3LQYTA0015	147,536		X	X	X			X				X	
MIPR5HASAQM126	76,654		X	X	X		X	X					
MIPR5BITCQ3103	120,446		X	X	X	A	X	X		X			
MIPR5ASPS00001	27,587		X	X	X						X	X	
MIPR3JISCQM826	82,432		X	X	X			X					
MIPR5ASPSR0003	374,298		X	X	X					X	X		
MIPR4LODAQ3024	60,000		X	X	X	A	X	X					
MIPR2CAISQM507	22,112		X	X	X				X	X	X		
MIPR3JNTHQM021	40,707	X		X	X			X			X		
MIPR5ASPSR0004	719,750		X	X	X						X		
<b>19</b>	<b>\$5,353,206</b>	<b>1</b>	<b>18</b>	<b>17</b>	<b>17</b>	<b>3</b>	<b>4</b>	<b>10</b>	<b>1</b>	<b>4</b>	<b>9</b>	<b>3</b>	<b>0</b>

<b>Table E-8. DAO Aberdeen Incoming MIPRs (FSN 18001)</b>		
<b>MIPR Number</b>	<b>MIPR Value</b>	<b>Unauthorized Acceptance</b>
MIPR5KSAPO5324	\$ 7,931,234	
MIPR5BASPCQ342	7,200,000	
MIPR5DASPCQ353	5,300,000	
W25D215691RW	3,900,000	
FX23990000318	2,291,015	
N3497B04MPNT701	120,800	
MIPRA804F89R254	39,448	
MIPR5BUSATA007	217,000	
MIPRST00F89R410	79,000	
DD44809N400376	672,504	
MIPR4EASPCQ249	7,000,000	
DD44809N400325	1,565,019	
MIPROFSPACE059	600,000	
NMIPR8650205	770,000	
MIPR5AASPCQ326	1,875,000	
0000000N0406389	20,740	
NMIPR05250073	100,000	
MIPR5KASPAPA41	140,729	
MIPR5JASP00043	15,595	
NMIP8640175	742,000	
<b>20</b>	<b>\$40,580,084</b>	<b>0</b>

<b>Table E-9. PEO Soldier Incoming MIPRs (FSN 19130)</b>		
<b>MIPR Number</b>	<b>MIPR Value</b>	<b>Unauthorized Acceptance</b>
MIPR4E1BR00002	\$ 6,104,000	X
MIPR4JMNSTC094	2,388,510	
MIPR5C1BR00404	5,906,000	X*
MIPR6B1BR00233	5,870,396	X
PI49L793JZ	36,657,057	X
MIPR5A1BR00124	2,029,038	X
MIPR4A1BR00001	2,254,495	X
FD20600480608M	986,187	
X15GX034X1X1	3,537,502	X
MIPR3CPIC01846	400,000	X
FD20600480587M	2,065,357	
MIPR6A1BR00001	2,279,654	X
MIPR5B1BR00316	489,000	X
MIPR5MSSLD5627	25,000	X
BU4GFF21BU	283,089	
MIPR5H1BRHPAY X	469,362	X
MIPR3CPIC01849	106,000	X
MIPR5A1BR00130	1,808,658	X
M9545005MP0228	4,382,000	
MIPR5BSEQT4692	2,200,000	X
<b>20</b>	<b>\$80,241,305</b>	<b>15</b>
* MIPR with contractor signed DD Form 448-2		

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<b>Table E-10. DAO Secretary of the Army Financial Operations Incoming MIPRs (FSN 23185)</b>		
<b>MIPR Number</b>	<b>MIPR Value</b>	<b>Unauthorized Acceptance</b>
MIPR5M6AAMSC96	\$950,000	
<b>1</b>	<b>\$950,000</b>	<b>0</b>

<b>Table E-11. Fort Belvoir Incoming MIPRs (FSN 44008)</b>		
<b>MIPR Number</b>	<b>MIPR Value</b>	<b>Unauthorized Acceptance</b>
MIPR4ESPS00005	\$18,448	X
<b>1</b>	<b>\$18,448</b>	<b>1</b>



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## **Appendix F. Report Distribution**

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

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

### **Department of the Army**

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

### **Other Defense Organization**

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



# Assistant Secretary of the Army (Financial Management and Comptroller) Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
100 ARMY PENTAGON  
WASHINGTON DC 20310-0100

JAN 16 2007

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

SUBJECT: Draft Audit Report on Department of the Army Purchases from Government Sources (Project No. D2006-D000FI-088.000).

1. Reference your Draft Audit Report D2006-D000FI-0088.000 addressing the internal controls over the Department of the Army Military Interdepartmental Purchase Request (MIPR). In your report you identified that Army internal controls did not ensure outgoing MIPRs were properly initiated, prepared, executed, and monitored and that incoming MIPRs were properly accepted. In addition, the Army could not ensure that the purchases were in the best interest of the Government and properly monitored and tracked.
2. We are in general agreement with your findings. We will work with the Office of the Under Secretary of Defense (Comptroller), the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics), and the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) to develop procedures that will ensure adequate controls are in place.
3. In addition, we will provide reasonable assurance that MIPRs are supported by a solid determination of requirements with the appropriate approvals, include a description of supplies and services, identify a specific period of performance, and cite the proper appropriation and fund certification in support of the agreement.
4. My point of contact is Ms. Elsie Steffany. She can be reached at (703) 693-2772 or by email at [elsie.steffany@hqda.army.mil](mailto:elsie.steffany@hqda.army.mil).

  
John J. Argodale  
Deputy Assistant Secretary of the Army  
(Financial Operations)

# Program Executive Office Soldier Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
PROGRAM EXECUTIVE OFFICE SOLDIER  
5901 PUTNAM ROAD, BLDG 328  
FORT BELVOIR VA 22060-5422

SFAE-SDR

MEMORANDUM FOR Inspector General, Department of Defense, 400 Army Navy Drive,  
(Room 801), Arlington, VA 22202-4704

SUBJECT: Program Executive Office Soldier (PEO Soldier), Comments and Corrective Actions  
on Draft Report on Department of the Army Purchases from Governmental Sources

1. Reference. Draft Report on Department of the Army Purchases from Governmental Sources  
(Project No. D2006-D000FI-0088.000)
2. PEO Soldier concurs with the finding that a DD448 Military Interdepartmental Purchase  
Request (MIPR) was signed/certified by a Contractor Program Analyst. According to DoD  
FMR, a contractor cannot obtain a DD577 Signature Card which is required in order to certify  
funds. A DD577 authorizes individuals to certify funds.
3. PEO Soldier has taken the following corrective action: The original MIPR was amended to  
reflect the signature of an authorized individual with a DD577 on file. The MIPR was  
resubmitted and processed in accordance with DoD REG 7000.14-R - Finance Management.  
The above action was initiated and completed on 15 Nov 2006.
4. The POC is June Paulus at 703-704-0176 [cecilia.june.paulus@us.army.mil](mailto:cecilia.june.paulus@us.army.mil).

A handwritten signature in black ink, appearing to read "R. Mark Brown".

R. MARK BROWN  
Brigadier General, USA  
Program Executive Officer Soldier

# Army Space Program Office Comments



DEPARTMENT OF THE ARMY  
UNITED STATES ARMY SPACE PROGRAM OFFICE  
7701 TELEGRAPH ROAD  
BUILDING 2592A  
ALEXANDRIA, VA 22315-3802

JAN 20 2007

SFAE-IEW&S-ASP-RM

MEMORANDUM FOR AMCIR (Mr. Gary Irving)

SUBJECT: Report on Department of the Army Purchases from Government Sources  
(Project No D2006-D000FI-0088.000)

1. The subject DODIG draft report has been reviewed and our comments are below:

ASPO (S18001/DAO Aberdeen) had 20 MIPRs reviewed, and 13 showed concerns.

a. One concern was "Timely Obligations – Not recorded within 10 days. (9 MIPRS)

MIPR5KGYR51806	MIPR5DGYR52803
MIPR5BGYR50202	MIPR3AGYR33109
MIPR5DGYR50531	MIPR5AGYR50509
MIPR5AGYR50101	MIPR0GGYR00761
MIPR9GGYR90123	

The scope of our mission requires that we execute numerous MIPRs with many outside organizations throughout each year. Occasionally, obligation documents are slow to be returned to ASPO for obligation posting or SOMARDS is down for extended periods preventing the posting of obligations. We researched these MIPRs and could not specifically identify the reason for late obligations. We have instituted a new SOP regarding budget execution tracking and are requiring new steps to help prevent late ob posting. As an additional data point, the U.S. Army Audit Agency said in a recent report, dated 7 September 2006, that established procedures and practices for processing and administering PM TENCAP/ASPO Military Interdepartmental Purchase Requests sent to other activities were generally adequate and in the best interest of the Army.

2. The second concern was Interservice-Missing Required Document (5 MIPRS). This could be either a lack of an MOA/MOU/or DD Form 1144, or lack of an existing agreement not documenting that the funding is in the best interest of the government.

SFAE-IEW&S-ASP-RM

SUBJECT: Report on Department of the Army Purchases from Government Sources  
(Project No D2006-D000FI-0088.000)

MIPR3AGYR33109 was issued to DLA/Sharpe for TAC (Transportation Accounting Code) Code MIPR. The existing MOA with DLA was dated May 1999 and specifically includes Storage, Distribution, and Transportation. Request this MIPR be removed from your report.

MIPR5FGYR50116 was issued to USAAMC (partial DIR/REIMB) for Imagery Work Station software. I have been unable to identify an ASPO MOA/MOU/DD Form 1144 with this command. We are in the process of establishing a new MOA to rectify this issue.

MIPR3FGYR33140 was issued to NIMA (accepted REIMB) for T-1 circuit costs associated with fielding TES Fwd #4 at Ft. Hood. This transaction resulted from a General Officer Steering Group directive that a Tri-Band Antenna subsystem not be procured for III Corps. To mitigate the loss of high data rate imagery receipt, ASPO paid for a T-1 Circuit. Coordination with FORSCOM and III Corps (captured in minutes from a meeting and in the material fielding plan) resulted in the MIPR for a T-1 circuit for III Corps.

MIPR5JGYR50552 – Issued to the 501<sup>st</sup> for Facility upgrades (accepted REIMB) associated with fielding TES Fwd. 501<sup>st</sup> signed an MOA 1 JUN 05. Funds were issued 2 JUN 05. ASPO signed MOA 9 JUN 05. This was a quick reaction requirement for site preparation a future delivery of a TENCAP system.

MIPR5FGYR50545 was issued to the 302<sup>nd</sup> MI BN to provide travel funds for soldiers to attend TES training in Baltimore, MD. The dollars associated with this MIPR were used for pre-deployment training for V Corps to OIF. There was no time to create an MOU before this war effort event.

3. The third concern was Authorized Balance Exceeded (2 MIPRS)

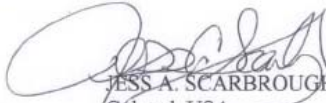
MIPR3AGYR33109 TAC CODE MIPR. This occurred because we were told to pull back a certain amount of money, then later we were told there were additional dollars spent that had not been billed, so we needed to add dollars back on to this MIPR. Obligation docs are based on hundreds of charges that are incurred whenever equipment is transported. We normally accept Register Report printouts which break out the various charges. This account is not in NULO status. Request this MIPR be removed from your report.

SFAE-IEW&S-ASP-RM

SUBJECT: Report on Department of the Army Purchases from Government Sources  
(Project No D2006-D000FI-0088.000)

MIPR5FGYR50545 Travel based MIPR for soldiers. Soldiers were traveling from Germany to Baltimore, MD. There were no amendments for this MIPR, so this is a billing office issue. Some of the obligating documents (1610's include in the remarks section that the disbursements will be split, but the accounting strings of the other accounts are not given on the orders.) I am assuming bills arrived to the billing office and were paid before they received the travel vouchers. This account is not in NULO status. Request this MIPR be removed from your report.

4. We appreciate the insight provided by your audit and stand ready to answer any additional questions you may have. My POC is Mr. Paul W. Johnson, 703-428-8808, [paul.w.johnson1@us.army.mil](mailto:paul.w.johnson1@us.army.mil).



JESS A. SCARBROUGH  
Colonel, USA

Director, Army Space Program Office  
Project Manager, Tactical Exploitation  
of National Capabilities

## **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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# Inspector General Department of Defense

