Report No. DODIG-2015-060

INSPECTOR GENERAL

U.S. Department of Defense

DECEMBER 19, 2014

U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases

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Results in Brief

U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases

December 19, 2014

Objective

We determined whether U.S. Southern Command's (USSOUTHCOM's) use of Government purchase cards (GPCs) complied with applicable laws and regulations. Section 2784, title 10, United States Code, requires the DoD Office of the Inspector General to periodically audit the DoD GPC Program.

Findings

USSOUTHCOM cardholders did not complete purchases in accordance with GPC Program guidance. Specifically, cardholders did not:

- provide sufficient supporting documentation for their purchases,
- use mandatory sources of supply, or
- have proper written authority to use the GPC.

This occurred because the Agency/ Organization Program Coordinator in place at the time the transactions were made did not effectively oversee GPC use.

As a result, USSOUTHCOM cardholders made 5,907 improper purchases (40.0 percent of the purchases we reviewed), valued at $5.1 million, from April 2012 through March 2013. Improper purchases made by an unauthorized cardholder may result in Antideficiency Act violations.

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Findings (cont'd)

USSOUTHCOM Headquarters and U.S. Army South (USARSOUTH) Protocol Office personnel wasted $158,144 by making unnecessary GPC purchases using Official Representation Funds (ORFs) and Latin American Cooperation (LATAM COOP) funds to purchase gifts.

This occurred because the USSOUTHCOM Headquarters and USARSOUTH Protocol Officers initiated, reviewed, and forwarded for approval ORF requests for gifts without validating the appropriateness of the expense and ensuring that the command had a valid requirement for the purchase in the same fiscal year as the purchase was made.

Using ORFs and LATAM COOP funds for unnecessary gifts resulted in potential Antideficiency Act violations at USSOUTHCOM Headquarters and USARSOUTH. The wasteful expenditures could have been put to use in other operational areas and are considered abusive use of the GPC.

The Deputy to the Commander, 410th Contracting Support Brigade (CSB), in coordination with the Chief, Acquisition Support Division at USSOUTHCOM, implemented corrective actions in response to problems identified during the audit.

Recommendations

We made several recommendations to address these problems. See the recommendations sections of the findings in the report.

Management Comments and Our Response

We request that the Director, Joint Staff; Assistant Secretary of the Army (Financial Management and Comptroller); Commander, USSOUTHCOM; and Commander, 410th CSB provide additional comments. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Joint Staff, and the Assistant Secretary of the Army (Financial Management and Comptroller)	B.2	
Commander, U.S. Southern Command	B.1.a and B.1.b	
Commander, 410th Contract Support Brigade	A.1.a(1) and A.1.a(3)	A.1.a(2)

Please provide comments by January 16, 2015.

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

December 19, 2014

MEMORANDUM FOR DIRECTOR, JOINT STAFF
COMMANDER, U.S. SOUTHERN COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Report No. DODIG-2015-060)

We are providing this report for review and comment. The audit results are relevant because the recommendations will improve procedures for overseeing Government Purchase Card use and managing gift locker inventories at protocol offices. Section 2784, title 10, United States Code, requires the DoD Office of the Inspector General to periodically audit the DoD Government Purchase Card Program. The Director, Joint Staff, did not respond to the draft report; however, we considered comments from the Deputy Assistant Secretary of the Army (Financial Operations); the Director, Resources and Assessments, U.S. Southern Command Headquarters; and the Commanding General, Army Materiel Command; when preparing the final report. U.S. Southern Command cardholders did not complete purchases in accordance with Government Purchase Card Program guidance. Of the 14,767 purchases cardholders made between April 2012 and March 2013, 5,907 purchases, 40.0 percent, were improper. The improper purchases had an estimated value of $5.1 million of the $19.5 million of purchases made during that period. In addition, U.S. Southern Command Headquarters and U.S. Army South Protocol Office personnel wasted $158,144 on 3,510 unnecessary gift items. We conducted this audit in accordance with generally accepted government auditing standards.

DoD Directive 7650.3 requires that recommendations be resolved promptly. The Deputy Assistant Secretary of the Army (Financial Operations), responding for the Assistant Secretary of the Army (Financial Management and Comptroller), disagreed with the recommendation. Therefore, we request comments on Recommendation B.2 from the Director, Joint Staff, and Assistant Secretary of the Army (Financial Management and Comptroller). The Director, Resources and Assessments, responding for the Commander, U.S. Southern Command, disagreed with the recommendations. Therefore, we request comments on Recommendations B.1.a and B.1.b. We request all comments be received by January 16, 2015. Comments from the Commanding General, Army Materiel Command, responding for the Commander, 410th Contracting Support Brigade, were partially responsive to the recommendations. Therefore, we request comments on Recommendations A.1.a.(1) and A.1.a.(3) by January 16, 2015.

Please provide comments that conform to DoD Directive 7650.3. Please send a PDF file containing your comments to aud-colu@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8901 (DSN 664-8901).

Daniel R. Blair
Deputy Inspector General
for Auditing

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Management Comments

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Introduction

Objective

Our objective was to determine whether the U.S. Southern Command's (USSOUTHCOM's) use of Government purchase cards (GPCs) complied with applicable laws and regulations. We expanded our objective to include reviews of USSOUTHCOM Headquarters and U.S. Army South (USARSOUTH) Protocol Office gift lockers. Although not included in the announcement letter, we briefed the gift locker objective to the audited activities during the entrance conferences. See Appendix A for the scope and methodology and prior coverage related to the objective.

Background

Section 2784, title 10, United States Code, requires the DoD Office of the Inspector General to periodically audit the DoD GPC Program to identify:

- potentially fraudulent, improper, and abusive use of GPCs;
- any pattern of improper cardholder purchases, such as purchases of prohibited items; and
- categories of purchases that should be made by means other than the GPC to better aggregate purchases and obtain lower prices.

Use of the Government Purchase Cards

According to the Federal Acquisition Regulation (FAR) Subpart 13.2, "Actions At or Below the Micro-Purchase Threshold," the GPC is the preferred method to purchase and to pay for "micro-purchases." A micro-purchase is an acquisition of supplies or services valued at $3,000 or less. FAR Subpart 13.3 Paragraph (c)(1), "Governmentwide Commercial Purchase Card," provides policy for using the GPC as a procurement and payment tool for micro-purchases.

U.S. Southern Command

USSOUTHCOM is one of nine unified combatant commands in the Department of Defense and employs military personnel from the Army, Navy, Air Force, and Marine Corps. We examined USSOUTHCOM GPC purchases made under the purview of the U.S. Army Mission and Installation Contracting Command (MICC) and the 410th Contracting Support Brigade (410th CSB). From April 2012 through March 2013, 277 GPC cardholders under Army authority and management made 14,767 purchases, valued at $19.5 million, in support of USSOUTHCOM operations.

Army Contracting Support for U.S. Southern Command

From February 2012 through December 2012, the MICC, located at Fort Sam Houston, Texas, provided the contract authority and management of the USSOUTHCOM GPC Program. In December 2012, the 410th CSB, also located at Fort Sam Houston, Texas, replaced the MICC and began providing USSOUTHCOM with contract authority and management of GPC cardholders supporting USSOUTHCOM.[1]

Government Purchase Card Program Guidance

Department of the Army Government Purchase Card Operating Procedures, February 23, 2012 (amended January 14, 2013) (Army GPC Procedures), provides policies and procedures for Army GPC programs.[2] The Army GPC Procedures state that the responsibility for the establishment and operation of an agency's GPC program is delegated to the agency's Principal Assistant Responsible for Contracting or Chief of Contracting. The Principal Assistant Responsible for Contracting or the Chief of Contracting may delegate in writing to the Agency/Organization Program Coordinator (A/OPC) the authority to delegate micro-purchase authority to cardholders.

The level 4 A/OPC[3] is responsible for day-to-day management of the GPC Program at an installation and has the following responsibilities:[4]

- assisting cardholders and Approving/Billing Officials (A/BOs) in fulfilling their responsibilities;
- providing local agency training to cardholders and A/BOs and making sure cardholders and A/BOs complete all required online training;
- maintaining a database for tracking all training records;
- appointing alternate A/BOs;
- performing and documenting reviews of A/BO and cardholder accounts;
- oversight that may not be redelegated;
- making certain that A/BOs verify that cardholders maintain sufficient support documentation for purchases and make purchases only through approved sources;
- maintaining Delegation of Authority appointment letters and a current listing of all cardholders and A/BOs;

[1] The 410th CSB has provided contracting support for USARSOUTH since 2002.

[2] The Department of the Army Government Purchase Card Operating Procedures were updated in May 2013. We relied on the Army GPC Procedures requirements in effect when the purchases were made. The Army GPC Procedures May 2013 version did not remove requirements discussed in this report.

[3] For the purposes of this report, A/OPC refers to the level 4 A/OPC.

[4] The listing of A/OPC, A/BO, and cardholder responsibilities is not all inclusive.

- determining annually each cardholder's continuing need to maintain an account; and
- issuing purchase cards in controlled limited quantities to authorized personnel with a demonstrated need to make purchases when reasonably necessary to meet operational requirements.

The operating procedures also address requirements for A/BOs and cardholders. The A/BO has the following responsibilities:

- providing written approval or disapproval of purchases to the cardholder;
- reconciling invoices, timely certifying the billing statement for payment, and verifying payments to be legal, proper, and necessary;
- conducting cardholder compliance reviews;
- reporting questionable transactions to the A/OPC and appropriate authorities for investigation;
- recommending in writing appropriate GPC credit limits to the resource manager and A/OPC for cardholders under the A/BO's oversight;
- retaining an electronic (printable) or manual copy of each billing statement and all original supporting documentation, such as receipts, logs, invoices, delivery tickets, and approvals for 6 years and 3 months after final payment;
- verifying that cardholders maintain support documentation for purchase transactions;
- verifying that cardholders' purchases were made through approved sources;
- reviewing and reconciling cardholder statements against receipts and documentation; and
- resolving any questionable purchases with the cardholder.

The cardholder has the following responsibilities:

- making authorized purchases and maintaining the required supporting documentation;
- verifying independent receipt and acceptance of goods and services;
- verifying the establishment of the legitimate government need;
- complying with required sources as defined in FAR Part 8 and Defense Federal Acquisition Regulation Supplement Part 208 "Required Sources of Supply/Service";

- obtaining all required pre-purchase approvals in support of requirements; and
- ensuring adequate funding is available prior to the purchase.

The Government Accountability Office's Purchase Card Audit Guide, November 2003, defines an improper purchase as one that is for Government use but is not permitted by law, regulation, or organizational policy.

Criteria for Improper Payments

Public Law 111-204, "The Improper Payments Elimination and Recovery Act of 2010," which amended Public Law 107-300, "The Improper Payments Information Act of 2002," defines an improper payment as:

> Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts.

In addition, OMB Circular A-123, Appendix C, "Requirements for Effective Measurement and Remediation of Improper Payments," April 14, 2011, part I states "when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment."

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses at USSOUTHCOM. Specifically, the A/OPC in place at the time the transactions were made did not provide effective oversight of GPC use. The A/OPC did not ensure A/BOs and cardholders were properly trained, conduct required reviews of cardholder accounts, or properly maintain written authority for cardholders to use the GPC. Furthermore, USSOUTHCOM Headquarters and USARSOUTH protocol officials initiated, reviewed, and forwarded for approval ORF requests for gifts without validating the appropriateness of the expense. In addition, the Protocol Officers did not ensure that the command had a valid requirement for the purchase of gifts in the same fiscal year as the purchase was made. We will provide a copy of the report to the senior official responsible for internal controls at the 410th CSB and USSOUTHCOM.

Finding A

USSOUTHCOM Cardholders Made Improper Purchases

USSOUTHCOM cardholders did not complete purchases in accordance with GPC Program guidance. Specifically, cardholders did not:

- provide sufficient supporting documentation for their purchases;
- use mandatory sources of supply; or
- have proper written authority to use the GPC.

This occurred because the A/OPC in place at the time the transactions were made did not effectively oversee GPC use. Specifically, the A/OPC did not:

- ensure A/BOs and cardholders completed GPC training requirements;
- conduct and document required reviews of A/BO and cardholder accounts; or
- properly maintain Delegation of Authority letters for cardholders.

As a result, USSOUTHCOM cardholders made 5,907 improper purchases (40.0 percent of the purchases we reviewed), valued at $5.1 million, from April 2012 through March 2013.[5] Unless overall GPC controls are strengthened, USSOUTHCOM GPC users are likely to make future improper purchases. Also, improper purchases made by an unauthorized cardholder (that is, without valid written authority) may result in Antideficiency Act violations. In addition, the contracting officer may address and remedy purchases made by unauthorized cardholders by reviewing those transactions and determining whether ratification is appropriate.

[5] See Appendix A, "Statistical Projections" for the discussion of the sample and our projected results.

Cardholders and Approving/Billing Officials Did Not Have Supporting Documents

Cardholders and A/BOs assigned by the MICC, and later the 410th CSB for the USSOUTHCOM, did not have supporting documentation required by the Army GPC Procedures.[6] The Army GPC Procedures state that all purchases must be properly documented and that necessary approvals should be obtained before making purchases. Purchase requests must document the type of item procured and the

[6] The 410th CSB has assigned cardholders and A/BOs at USARSOUTH since 2002.

reason for the purchase; purchase requests also provide evidence of supervisory approval. Purchase requests completed after the purchase is made indicate the purchase was not properly preplanned and approved. In addition, cardholders and A/BOs are required to maintain all original supporting documentation with the billing statement, including receipts, logs, invoices, delivery tickets, and approvals for 6 years and 3 months after final payment.

Purchase Requests Were Needed to Show Approval to Purchase

Cardholders and A/BOs did not have purchase requests to support purchases, or purchase requests were completed after the cardholder made the purchases. For example, a USSOUTHCOM Headquarters cardholder purchased a hard protective table cover for $1,883.40 at the request of the combatant command to protect the Chief of Staff's main conference table. The cardholder stated she could not provide the purchase request or approval documents because the combatant command completed and maintained the documentation. Combatant command officials stated that the individual at the command responsible for maintaining purchase transaction documentation left the organization, and they could not find his files.

In another example, a cardholder in the USSOUTHCOM Headquarters Operation Security Office acquired program awareness items, such as water bottles and hats, for $2,158.91. The cardholder cited his authority to acquire awareness items by referencing DoD Manual 5205.02, "DoD Operations Security (OPSEC) Program Manual," Enclosure 3, paragraph 3.C(3); however, the cardholder did not have a purchase request documenting approval by the A/BO to make the purchase.

Invoices and Receipts Were Missing

Cardholders did not comply with the Army GPC Procedures and maintain invoices and receipts to support that the goods and services purchased were for legitimate Government needs. Cardholders and A/BOs could not provide evidence of A/BO approval for the goods and services purchased. For example, bank records showed that a cardholder from U.S. Army South (USARSOUTH) purchased a foreign officer's meal for $40.36 on September 25, 2012, at an overseas restaurant. The A/BO stated that the receipt for the purchase was lost.

Bank records also showed that a USARSOUTH cardholder made a purchase on November 28, 2012, for $77.77 from an online vendor. The current A/BO for the account stated that he could not locate any documentation for the transaction. We contacted the vendor to obtain information about the transaction, and the vendor informed us that the item purchased and shipped to Joint Task Force Guantanamo was a "SE 2000 Electric Eraser." Joint Task Force Guantanamo did not have any documents to support the transaction.

Cardholders Did Not Purchase from Mandatory Sources of Supply

Cardholders misused the GPC when they did not purchase from required sources and could not provide a justification or authorization for not using a required source. Army GPC Regulations and FAR Part 8, "Required Sources of Supplies and Services," require the use of mandatory sources. For example, a cardholder purchased commercial hardware (computer equipment), but not from the required source, the Computer Hardware, Enterprise Software and Solutions (CHESS) contract. Specifically, on September 6, 2012, a USSOUTHCOM cardholder acquired eight 27-inch computer monitors and 19 printer cartridges for $2,991.73 from a commercial vendor rather than through the CHESS contract. Army Federal Acquisition Supplement section 5139.101 (S-90) and Army Regulation 70-1, Army Acquisition Policy, paragraph 7-20, specify that the Army's CHESS contract is the mandatory source for purchasers of commercial hardware and software. Paragraph 7-20(b) says:

> Purchasers of commercial hardware and software must satisfy their IT [Information Technology] requirements by using CHESS contracts and DOD Enterprise Software Initiative agreements first, regardless of dollar value. Any purchase made outside of CHESS contracts requires a waiver issued by CHESS.

The cardholder stated he was unaware of the requirement to use the CHESS contract.

Cardholders Were Not Authorized to Make Purchases

Cardholders made purchases without valid written purchase authority, rendering those purchases potentially improper because they were not made by a properly authorized U.S. Government official. In addition, the A/OPC did not maintain adequate support, as required, to show that all cardholders were authorized to make purchases.

Seventeen cardholders made purchases and could not provide valid written authority. The cardholders may have violated the Antideficiency Act if they were not authorized to make purchases. In addition, 2 of the 17 cardholders had written authority that expired in January 2013; both cardholders continued to make purchases for 3 months after their authority expired until they were issued new authorizations in April 2013. The two cardholders made 46 purchases, valued at $136,501, and did not have proper written authority to make the purchases.

Purchases made by cardholders who did not have valid written authorization were potentially improper because they violated the Army Federal Acquisition Regulation Supplement Part 5113, as implemented by the Army GPC Procedures. The Army GPC Procedures state:

> Cardholders . . . must be issued written authority identifying their limits of authority, duties, responsibilities, credit limits, and the written authority must reference mandatory compliance with the Army Federal Acquisition Regulation Supplement, Subpart 5113.2 and the Army Government Purchase Card Operating Procedures. The . . . Cardholder will acknowledge receipt (electronic signature and date permissible) of appointment letters.

We did not make an accountability recommendation because the A/OPC retired before the audit.

Contracting Officer Needs to Review Purchases Made Without Proper Authority

The contracting officer at the 410th CSB may address and remedy purchases made by cardholders who did not have proper authorization by reviewing those transactions and determining whether ratification is appropriate. FAR 1.602-3(a) defines ratification as the act of approving unauthorized commitments by one with authority to do so. Unauthorized commitments are agreements made by Government personnel who did not have the authority to make the commitment or to purchase items with Federal funds. The FAR specifies that these agreements are not binding because the Government representative who made them lacked the authority to enter into such agreements on behalf of the Government. If the responsible contracting officer finds that the reviewed transaction is not appropriate for ratification, then the cardholders and A/BOs may be required to repay the Government for the purchases.[7]

A/OPC Did Not Ensure Approving/Billing Officials and Cardholders Completed Required Training

The A/OPC did not ensure that A/BOs and cardholders completed GPC training requirements. Specifically, the A/OPC did not establish a database to track or maintain training records for ensuring A/BOs and cardholders received the initial and refresher trainings needed to properly use a GPC. The Army GPC Procedures state that it is the A/OPC's responsibility to maintain training records, including a

[7] DoD Financial Management Regulation, volume 10, chapter 23, paragraph 230206 and volume 5, chapter 33, paragraph 330701. Cardholders and A/BOs may also be held responsible for Antideficiency Acts violations in accordance with DoD Financial Management Regulation, volume 14, chapter 3, "Preliminary Reviews of Potential Violations."

database of all completed training. USSOUTHCOM A/OPCs could not verify that all A/BOs and cardholders completed their training requirements because the A/OPCs did not maintain a training database.

The A/OPC is responsible for providing training to A/BOs and cardholders. The Army GPC Procedures state that individuals must complete locally developed GPC training, a mandatory web-based GPC tutorial, and U.S. Bank Access Online web-based training prior to being delegated purchase authority. Cardholders must provide proof of completed training to the A/OPC before their GPC accounts can be established. Additionally, the Army GPC Procedures state that the A/OPC should suspend a cardholder's GPC account until required refresher training is completed.

A/OPCs are also required to provide additional training on simplified acquisitions procedures to cardholders with authority to place orders above the micro-purchase. In our sample, we identified 19 cardholders who had $25,000 single-purchase limit cards. However, 15 of the cardholders could not provide documentation that the required simplified acquisitions procedures training was completed before the establishment of the $25,000 single-purchase limit GPC account.

We did not make a recommendation because the GPC officials implemented corrective actions during the audit.

A/OPC Did Not Review Government Purchase Card Accounts

From March 2012 through May 2013, the A/OPCs from the MICC and 410th CSB did not perform and document any reviews of the A/BOs' and cardholders' accounts. Army GPC Procedures require A/OPCs to review the accounts of A/BOs and cardholders annually. Based on our review of the former A/OPC's files, and discussions with personnel knowledgeable about the work performed by the former A/OPC, we did not find evidence that the A/OPC reviewed A/BO or cardholder accounts.

The A/OPC did not make certain that A/BOs verified that cardholders supported purchases and used mandatory sources of supply or that A/BOs maintained supporting documentation for the required 6 years and 3 months. USSOUTHCOM A/BOs did not follow the Army GPC Procedures, which required the A/BO to ensure transactions were proper and supported by documentation before certifying. The Army GPC Procedures also require the A/BO to maintain certified billing statements and supporting documents for 6 years and 3 months in accordance with National Archives and Records Administration, General Records Schedule 6, "Accountable Officers' Accounts Records."

Proper account reviews would have disclosed to the A/OPC and A/BOs that cardholders were not appropriately documenting purchases, maintaining sufficient documentation, or using mandatory sources of supply. Proper account reviews would also have disclosed training deficiencies and expired or missing Delegation of Authority letters.

The A/OPC did not inform USSOUTHCOM management of the status of the program until May 2013, after our first visit and briefing on preliminary results. The Deputy Chief of Staff at USSOUTHCOM Headquarters stated he had not received a briefing on the status of the GPC Program before our audit. The Army GPC Procedures do not address briefing management personnel at the activity for which GPC support is provided. However, as a best practice, the Chief of Contracting should brief management on a quarterly basis to keep the command informed of the status of the GPC Program.

A/OPC Did Not Properly Maintain Delegation of Authority Letters

A/OPCs did not ensure that cardholders had proper written authority. The Army GPC Procedures task the A/OPC with performing an annual review of cardholder files using a checklist published in the Army GPC Procedures. The first item on the checklist addresses whether a cardholder has a letter delegating specific procurement authority from the Chief of the Contracting Office or the A/OPC.

The A/OPCs and contracting officials from the MICC and 410th CSB did not confirm that Delegation of Authority letters were properly maintained. The A/OPC who supported USSOUTHCOM's contracting office at the time did not verify that cardholders had written authority, use a system to track and maintain delegations of authority records, or periodically review A/BO and cardholder accounts to make sure authorizations were current and proper.

We did not make a recommendation because the GPC officials implemented corrective actions during the audit.

The 410th CSB and USSOUTHCOM Took Corrective Actions During the Audit

The Deputy to the Commander, 410th CSB, in coordination with the Chief, Acquisition Support Division at USSOUTHCOM, took the following corrective actions in response to the deficiencies we identified:

- Reviewed A/BO accounts and prepared written reports;
- Developed a database to track cardholder and A/BO training;

- Prepared Letters of Appointment for A/BOs and Delegation of Authority Letters for cardholders; and
- Developed a system to track Letters of Appointment for A/BOs and Delegation of Authority Letters for cardholders.

We validated the actions taken by the 410th CSB. The actions taken by the 410th CSB were commendable and should improve GPC program performance. However, the following additional actions are needed to ensure the GPC purchases made without proper authority are reviewed to determine if ratification is appropriate. We did not make recommendations on GPC program deficiencies if corrective actions were initiated during the audit.

Planned Corrective Actions

410th Contracting Support Brigade Comments

The Executive Deputy to the Commanding General, Army Materiel Command, responding for the Commander 410th Contracting Support Brigade, provided additional comments addressing planned corrective actions.

- Transactions appearing to be improper will be immediately flagged and reviewed by the A/OPC.
- Notifications will be sent to the billing official, cardholder supervisors for their comment.
- Transactions found to be improper or a violation of the Antidefieciency Act will result in immediate suspension of accounts and the transactions will be reported in accordance with the Improper Payments Elimination and Recovery Act or the DoD Financial Management Regulation volume 14, Chapter 3, "Preliminary Reviews of Potential Violations."
- The 410th CSB, Regional Contracting Office Miami Office Chief, and the A/OPC will provide the status and health of the GPC program supporting USSOUTHCOM to the Principal Assistant Responsible for Contracting through monthly Procurement Update Briefs, bi-weekly command and staff updates, Headquarter- and Brigade-level Procurement Management Reviews and by monitoring the program through corrective action plans.

The planned actions to be taken by the 410th CSB are commendable and should improve GPC program performance.

Management Comments on the Finding and Our Response

U.S. Army South, Comments

The Chief of Staff, U.S. Army South, stated that the report did not accurately depict the 410th Contracting Support Brigade's relationship with U.S. Army South. He stated the 410th CSB has provided oversight of U.S. Army Command cardholders and A/BOs since 2002. In addition, the Chief of Staff stated that the report incorrectly attributed the November 28, 2012, cardholder transaction example to U.S. Army South. The Chief of Staff stated the cardholder who made the transaction in question was assigned to Joint Task Force Guantanamo, which reports to U.S. Southern Command.

Our Response

As a result of management comments, we added a footnote in the Background and Finding sections of the report to clarify the relationship between the 410th CSB and the U.S. Army South. The cardholder referenced in the Chief of Staff's comments was assigned to the Joint Task Force Guantanamo, but was under the oversight of the Level 4 A/OPC at U.S. Army South. In addition, bank records indicated that the transaction was a U.S. Army South transaction.

Recommendations, Management Comments, and Our Response

Recommendation A.1

We recommend that the Commander of the 410th Contracting Support Brigade require that:

a. The 410th Contracting Support Brigade contracting officers or Agency/ Organization Program Coordinator (if delegated) overseeing the respective commands:

(1) Review cardholders' purchases made without a Delegation of Authority letter and ensure that all acquisitions made during the period without delegated authority are approved or that the Approving/Billing Official or cardholder reimburses the Government for the acquisition;

410th Contracting Support Brigade Comments

The Executive Deputy to the Commanding General, Army Materiel Command, responding for Commander, 410th Contracting Support Brigade, agreed with the recommendation. The Executive Deputy stated that upon receipt of the initial draft of the OIG report in March 2014, the Regional Contracting Office Miami A/OPC began an immediate review of the GPC purchases identified by the OIG as completed without a Delegation of Authority letter. In addition, the Miami A/OPC began validating accounts and reissuing letters of delegation as appropriate. The Executive Deputy stated that during this "lapsed period," billing officials and cardholders continued to execute transactions under "implied authority." He also stated the 410th Contracting Support Brigade and the Miami A/OPC concluded the purchases were necessary to meet the immediate needs of USSOUTHCOM. As a result, the Executive Deputy stated the A/BOs and cardholders are not required to reimburse the Government for the purchases.

Our Response

The Executive Deputy's response was partially responsive, stating that the 410th CSB and Miami A/OPC concluded that the purchases were necessary. However, the Executive Deputy stated that the relevant GPC purchases were made by individuals with "implied authority," but "implied authority" does not exist in this context. We request that the Executive Deputy provide a copy of the contracting officer's ratifications of the purchases made by the individuals without delegated authority or whose authority lapsed. This will demonstrate that a contracting officer took proper actions to ratify these purchases and legally resolve the lack of authority issues.

(2) Report the purchases made without proper authority as improper payments in accordance with the Improper Payments Elimination and Recovery Act to the Comptroller, Department of Defense; and the Assistant Secretary of the Army (Financial Management and Comptroller);

410th Contracting Support Brigade Comments

The Executive Deputy to the Commanding General, Army Materiel Command, responding for Commander, 410th Contracting Support Brigade, agreed with the recommendation. He stated identifying GPC transactions made without proper authority are and will be immediately reported as improper payments to the Comptroller, DoD; and Assistant Secretary of the Army (Financial Management and Comptroller) in accordance with the Improper Payments Elimination and Recovery Act.

Our Response

The Executive Deputy's response addressed all of the specifics of the recommendation. No additional comments are required.

(3) Report the purchases without proper authority as potential Antideficiency Act violations as required by the DoD Financial Management Regulation volume 14, chapter 3, "Preliminary Reviews of Potential Violations."

410th Contracting Support Brigade Comments

The Executive Deputy to the Commanding General, Army Materiel Command, responding for Commander, 410th Contracting Support Brigade, agreed with the recommendation. The Deputy stated that the GPC purchases identified in this audit are not considered a violation of the Antideficiency Act (ADA) because funds were available for the transaction at the time of the purchase. The Deputy also stated the A/OPC, in coordination with USSOUTHCOM J8, concluded that if a purchase occurs without committed funds and without proper authority, a potential ADA violation may exist and would be reported as required by DoD Financial Management Regulation volume 14, chapter 3, "Preliminary Reviews of Potential Violations."

Our Response

The Executive Deputy's comments were partially responsive. He stated that purchases identified in this audit are not considered a violation of the Antideficiency Act "since funds were available for the transaction at the time of the purchase." Funds may well have been available; however, the GPC "cardholder" attempting to make the purchases was without delegated authority, therefore had no authority, and technically never obligated the funds used for the GPC purchases. It is the authority that is in question, not whether the GPC "cardholder" did or did not go over the monthly limit. The Executive Deputy also stated, "US SOUTHCOM GPC CH accounts have monthly spending limits in which funds are available for approved transactions…" These transactions by definition could not be "approved transactions" because the GPC "cardholders" in question were not validly issued delegation of authority (or they had lapsed). The Executive Deputy further stated that "if a purchase occurs without committed funds and without proper authority a potential ADA violation could exist and would be reported…" As we state in this report; funds were not "committed" because the GPC "cardholders" were without "proper authority." This is a potential ADA violation that should be reported, absent proper ratification action by an authorized contracting officer. We request that the Executive Deputy provide documentation to show that a proper ratification has occurred.

Finding B

Protocol Officials Improperly Used Funds to Purchase Gifts

USSOUTHCOM Headquarters and USARSOUTH Protocol Office personnel wasted $158,144[8] by making GPC purchases using Official Representation Funds (ORFs) and Latin American Cooperation (LATAM COOP) funds to purchase gifts. Specifically, over 5 years, USSOUTHCOM Headquarters and USARSOUTH Protocol Office personnel acquired 3,510 unnecessary gift items.

This occurred because the USSOUTHCOM Headquarters and USARSOUTH Protocol Officers initiated, reviewed and forwarded for approval ORF requests for gifts without:

- validating the appropriateness of the expense; or
- ensuring that the command had a valid requirement for the purchase in the same fiscal year as the purchase was made.

Using ORFs and LATAM COOP funds for unnecessary gifts resulted in potential Antideficiency Act violations at USSOUTHCOM Headquarters and USARSOUTH. The wasteful expenditures could have been put to use in other operational areas and are considered abusive use of the GPC.

[8] USSOUTHCOM protocol officials were responsible for $149,275 of the wasted funds, and USARSOUTH protocol officials were responsible for $8,869.

Unnecessary Gift Purchases by the USSOUTHCOM Headquarters Protocol Office

USSOUTHCOM Headquarters Protocol Office personnel wasted ORFs and LATAM COOP funds to purchase unnecessary gifts. Specifically, the USSOUTHCOM Headquarters Protocol Office gift locker contained 3,228 gift items, comprising 280 types of gifts, valued at $149,275, as of September 30, 2012. In several cases, gifts were purchased at the end of the fiscal year without a valid requirement. Purchasing gifts that are unnecessary and do not have a valid requirement is wasteful, and funds could be better spent elsewhere.

In one example of wasteful spending on unnecessary purchases, the USSOUTHCOM Headquarters Protocol Office submitted a request to the Comptroller and Staff Judge Advocate Offices on September 27, 2011, for $11,000 of ORF funds to restock the gift locker. The Comptroller and Staff Judge Advocate officials approved the request on September 28, 2011. Gift items purchased included 11 iPod Touch devices engraved with the USSOUTHCOM Headquarters seal; the devices cost $2,848.89 and were to be given to authorized officials. A USSOUTHCOM Protocol Office cardholder made the payment on September 29, 2011. The USSOUTHCOM Protocol Office received the iPods in November 2011 and stored them in the gift locker. Consequently, the iPods were an unnecessary purchase because they did not meet the needs of the command during the fiscal year the purchase was made, and there was no evidence that the inventory or the long lead time exceptions applied. Figure 1 shows one of the engraved iPod Touch devices purchased and then stored for more than a year and a half.

Figure 1. Unnecessary iPod Touch Device Purchased by USSOUTHCOM Headquarters Protocol Office

The same 11 iPods were in the gift locker during our physical inventory count on May 23, 2013.

Additional examples of other devices purchased at fiscal year-end include:

- 15 wrist-mounted Garmin Foretrex GPS units purchased on the same requisition as the iPods (September 27, 2011) for $2,699.85. As of May 23, 2013, 12 units remained in inventory;[9] and
- 10 Kindles with laser-etched cases purchased on September 27, 2011, for $2,839. As of May 23, 2013, eight remained in inventory.

[9] One unit was gifted on July 26, 2012; a second unit was gifted on January 4, 2013; a third unit was gifted on March 18, 2013.

Section 1502(a), title 31, United States Code, states:

> 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.

This rule is known as the bona fide needs rule and means that in the case of annual appropriations, the appropriation is available only for the needs of the current fiscal year.[10]

These purchases violated the bona fide needs rule because the command did not have a requirement for the purchase during the fiscal year the purchase was made. Figure 2 shows the GPS and Kindle devices purchased unnecessarily at the end of the fiscal year.

Figure 2. Unnecessary Garmin GPS and Kindle Purchased by USSOUTHCOM Headquarters Protocol Office

[10] The only applicable exceptions involve long lead time for items procured in the current fiscal year that require time to be manufactured and delivered and also the stockage rule that allows the maintenance of a legitimate inventory at reasonable and historical levels to avoid disruption of operations.

Other examples of unnecessary year-end purchases include:

- On September 7, 2011, the Protocol Office requested approval from the Comptroller, Resources and Assessments Office, to use LATAM COOP funds to purchase two Peggy Karr glass bowls to restock the gift locker. The Comptroller Office approved the purchase on September 21, 2011. However, the purchase transaction occurred before Comptroller Office officials approved the purchase. The two bowls cost a total of $176.00 and were still in the gift locker inventory during our review. Figure 3 shows a Peggy Karr bowl purchased unnecessarily at the end of the fiscal year.

Figure 3. Unnecessary Peggy Karr Bowl Purchased by USSOUTHCOM Headquarters Protocol Office

- The Protocol Office provided documentation for a September 10, 2010, request for LATAM COOP funds to purchase six items described as "Box Liquor - Map Design." The Comptroller, Resources and Assessments Office, approved the request on September 25, 2010. However, the receipt showed that the items were purchased on July 7, 2010, more than 2 months before the request was approved. The 6 items cost a total of $119.88 and were still in inventory during our review.
- The Protocol Office provided documentation showing nine "Clock Crystal Cosmos" were purchased on September 28, 2011, and the payment date was September 28, 2011. The procurement involved nine clocks at a total cost of $2,738.95. Those clocks were still in inventory during our review.

- On September 15, 2010, the Protocol Office requested $870.00 in ORFs for 20 Eagle Clocks. The Comptroller, Resources and Assessments Office, approved the procurement the day after the purchase was made. The approval document is also annotated as "End of Year GPC Purchases." The receiving report showed that 20 clocks were received in October 2010. The inventory included 16 clocks at the time we performed our review. Figure 4 shows an Eagle Clock purchased unnecessarily at the end of the fiscal year.

Figure 4. Unnecessary Eagle Clock Purchased by USSOUTHCOM Headquarters Protocol Office of Eagle Clocks

Seventeen types of gifts were still in inventory 4 years after they were purchased. The USSOUTHCOM Protocol Office provided an inventory listing from June 2009, and we compared the list with inventory records dated April 18, 2013. Seventeen types of gifts were still in inventory as of April 18, 2013, at the same quantity and identification number as the June 2009 list. The gifts, valued at $1,844.74, were purchased with either ORF or LATAM COOP funds, which are one-year funds.[11] See Appendix B, Table B-1, for examples of the 17 types of gifts still in inventory 4 years after they were purchased.

[11] ORF funds are codified in section 127, title 10, United States Code. LATAM COOP funds are governed by section 1050, title 10, United States Code.

Unnecessary Gift Purchases by the USARSOUTH Protocol Office

USARSOUTH Protocol Office personnel used ORF and LATAM COOP funds to purchase an unnecessary level of gifts over a 5-year period. Specifically, the USARSOUTH gift locker contained 282 gift items, comprising 67 types of gifts valued at $8,869, as of September 30, 2012. The gift locker contained assets purchased as far back as FY 2009, according to personnel in the Protocol Office.

U.S. Army South Command Directive 10-8, "Guidelines for Use of United States Army South Latin American Cooperation Funds," September 13, 2010, specifies that the Protocol Officer will ensure the on-hand gift inventory does not exceed an approximate 3-month requirement. However, a Protocol Office official stated that they used a 5-year rule to manage the gift locker inventory, whereby gifts procured in previous fiscal years that had not been given out during the 5-year period were sent to the Defense Reutilization and Marketing Office.[12] For example, the USARSOUTH Protocol Office provided us with a memorandum they had prepared to turn in 10 gift items to the Defense Reutilization and Marketing Office. Three of the gifts had been damaged in storage, and the other seven gift items had not moved in 5 years. The purchases were unnecessary, and the funds could have been put to better use.

This unwritten rule potentially contravenes the bona fide needs rule because assets should only be purchased in fiscal years for which there is a valid need for gifts, and remaining inventory carried over into a subsequent fiscal year lessens or even eliminates that subsequent fiscal year's need for gift purchases.

Better Oversight Needed at U.S. Southern Command and U.S. Army South

The Protocol Officer, Comptroller, and Staff Judge Advocate staff at USSOUTHCOM Headquarters and USARSOUTH did not properly manage the quantities of gifts purchased to meet operational needs. Specifically, the protocol offices inappropriately initiated, reviewed and forwarded for approval the purchase of gifts for which there was no valid requirement. For example, USARSOUTH officials' documented justification for gift purchases included "replenishment of stock" and "change of command." Replenishing stock and changing command are not valid reasons for making additional gift purchases when the current gift inventory levels are excessive. Additionally, in August 2011, USARSOUTH officials documented the need for gifts (some engraved) for a conference scheduled for October 2011;

[12] This name has been changed to the Defense Logistics Agency Disposition Services.

however, the purchase request documentation did not indicate whether the USARSOUTH Protocol Office or Staff Judge Advocate attempted to satisfy the need with gifts already in inventory. The USSOUTHCOM Deputy Chief of Staff stated he was unaware of the amount of unnecessary gifts in the gift locker.

Chairman of the Joint Chiefs of Staff Instruction 7201.01B, "Combatant Commanders' Official Representation Funds (ORF)," Appendix A, specifies that each combatant command must have an annual plan for fiscal year ORF requirements and allocations to determine and manage ORF use for the upcoming year.

Chairman of the Joint Chiefs of Staff Instruction 7201.01B states that the combatant command comptroller is responsible for reviewing each request for ORF against the approved annual plan, validating the appropriateness of expenses for ORF use, and notifying the requestor of approval or disapproval before the scheduled event. Specifically, it states that an "appropriate review of each event should, at a minimum, include the combatant command general/flag officer hosting the event, the combatant command comptroller, the combatant command staff judge advocate, and the combatant command protocol office (especially if a gift exchange takes place)."

U.S. Southern Command Personnel May Have Violated the Antideficiency Act

USSOUTHCOM Headquarters and USARSOUTH Protocol Office personnel potentially violated the Antideficiency Act when they purchased $149,275 and $8,869, respectively, in unnecessary gifts. The Antideficiency Act states "an officer or employee of the United States Government . . . may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation." USSOUTHCOM bought gifts that did not meet the bona fide needs of the current fiscal year. The gifts would be considered needs of future years and if so, the USSOUTHCOM Protocol Offices would be required to use future-year appropriations. Specifically, the Protocol Offices would have to wait until the requirement was known and then use current-year funds. The over-supply of gifts resulted in the wasteful spending of $158,144 of DoD funds that could have been put to use in other operational areas, and is considered abusive use of the GPC.

Management Comments on the Finding and Our Response

U.S. Army South Comments

The Chief of Staff, U.S. Army South, did not agree that the Comptroller and Staff Judge Advocate Staff at USARSOUTH did not properly manage the quantities of gift purchased to meet operational needs. He stated that U.S. Army South has an Inventory Control Officer to manage the command's ORF gift locker. The Chief of Staff also stated that the Staff Judge Advocate only reviews requests for ORF gift stock and provides advice to the Command regarding legal, ethical, fiscal, regulatory, and policy matters.

In addition, the Chief of Staff disagreed that the Protocol Office inappropriately approved the purchase of gifts for which there was no valid requirement. The Chief of Staff stated that the gift stock requirements were valid at the time of purchase, but requirements changed as a result of unanticipated events after the gifts were purchased. The Chief of Staff stated that the Protocol Office must ensure that an authorized guest does not receive the same gift twice; therefore, procuring additional items was necessary even when there were items in the gift locker.

Our Response

We agree with the roles performed by the Comptroller and the Staff Judge Advocate as identified by the Chief of Staff. The Staff Judge Advocate should consider the bona fide need as part of the legal review for the purchase new gifts. The audit identified a number of cases where end-of-year purchases were initiated and made by the Protocol Office that involved stock replenishment with no identifiable bona fide need questioned by the Staff Judge Advocate. We recognize that requirements change based on the reasons the Chief of Staff cited. However, our audit showed that the numbers of gift items in the gift locker were not always associated with any bona fide need. As a best practice, the Protocol Office should include in its justification for approval by the Staff Judge Advocate and Comptroller assurance that the purchase of new gifts cannot be met with current inventory.

Recommendations, Management Comments, and Our Response

Recommendation B.1

We recommend the Commander, U.S. Southern Command, direct the Command Staff Protocol Offices at Headquarters and U.S. Army South to:

a. Develop a plan to determine how current levels of gift inventory will be used at U.S. Southern Command Headquarters and U.S. Army South and then maintain only current-year gift levels, unless long lead times are required or known events at the beginning of the next fiscal year necessitate advance procurements to maintain needed inventory.

U.S. Southern Command Comments

The Director, Resources and Assessments, U.S. Southern Command, responding for the Commander, U.S. Southern Command, did not agree with the recommendation. The Director agreed that the need to plan for and manage gift levels is necessary. However, he stated that U.S. Southern Command's current gift levels were validated in a December 9, 2013, report issued by the Joint Staff Inspector General Report. The report stated that the Protocol Office was managed in accordance with applicable instructions. The Director also said that U.S. Southern Command and U.S. Army South have been and will continue to consume current gift inventory stockage in the course of annual protocol engagements. He stated that neither command will purchase gift items unless current events dictate otherwise. Finally, the Director stated that U.S. Southern Command and U.S. Army South will review gift item stockage levels to ensure compliance with applicable laws given demand fluctuations during a one-year protocol engagement.

Our Response

The Director's response did not address the specifics of the recommendation. While we commend the Director's decision to continue consuming both U.S. Southern Command's and U.S. Army South's current gift inventory and review gift item levels, he did not address the need to develop a plan to determine how the current level of gifts will be used. The Director stated that the current gift levels were validated by the Joint Staff Inspector General Report; however, the Joint Staff Inspector General's inspection did not address the appropriateness of procuring additional gifts without taking into account the quantity of current stock levels and whether it was appropriate to continue to procure additional items already in inventory without a bona fide need. Gifts were still being procured to replenish stock levels that already exceeded a 2-year supply based on historical

records reviewed by the Protocol Office. In addition, the Joint Staff Inspector General Report did not address the need for a written plan of action for decreasing gift locker inventories. Therefore, we request the Director provide additional comments on developing a plan to address the effect of current needs on existing gift levels for both U.S. Southern Command Headquarters and U.S. Army South.

b. Review the performance of the Command Staff Protocol Office personnel at U.S. Southern Command Headquarters and U.S. Army South who oversaw the management of the gift inventory but did not perform sufficient planning and oversight to maintain reasonable stock levels and initiate, as appropriate, corrective actions to hold personnel accountable.

U.S. Southern Command Comments

The Director, Resources and Assessments, U.S. Southern Command, responding for the Commander, U.S. Southern Command, disagreed. He stated the purchases of gifts at issue in this report were proper and within the command's discretion as validated by the Joint Staff Inspector General inspection. The Director also stated the purchases were for a bona fide need at the time of the purchase and based upon the stock level planning, gift tier level options, and appropriate funding sources. The Director said that the protocol staffs made reasonable purchases based on upcoming scheduled events and historical usage levels. He stated that unforeseen last minute cancellations and changes to senior official participation complicated predictions for appropriate gifts. The Director agreed that U.S. Southern Command's leadership will constantly assess the gift item stock levels.

Our Response

The Director's response did not address the specifics of the recommendation. The Director did not address the need to hold the Protocol Offices at U.S. Southern Command and U.S. Army South accountable for the failure to properly plan and maintain inventory levels sufficient for current fiscal year needs. We recognize that unforeseen events could require placing gift items properly procured back into the inventory. However, we determined during our audit that numerous gift items were purchased within the last 2 weeks of the fiscal year. We also identified instances where the Staff Judge Advocate and the Comptroller, signed purchase requests either at the end of or 2 days before the end of the fiscal year without adequate justification. In addition, many of the gift purchases were based on the desire to replenish the gift locker inventory or on the personal preference of each new commander. The replenishment of the gift locker without a bona fide

need should never occur unless extraordinary circumstances present themselves. Furthermore, the Joint Staff Inspector General's inspection did not address the appropriateness of procuring additional gifts without taking into account the quantity of current stock levels and whether it was appropriate to continue to procure additional items already in inventory without a bona fide need. Gifts were still being procured to replenish stock levels that already exceeded a 2-year supply based on historical records reviewed by the Protocol Office. Therefore, we request that the Director reconsider his position of the review of the Protocol Offices and provide additional comments to the final report.

Recommendation B.2

We recommend the Director, Joint Staff, and the Assistant Secretary of the Army (Financial Management and Comptroller), initiate a review of the purchases of the gift items by U.S. Southern Command and U.S. Army South as potential Antideficiency Act violations in accordance with DoD Financial Management Regulation, volume 14, chapter 3, "Preliminary Reviews of Potential Violations."

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

The Deputy Assistant Secretary of the Army (Financial Operations), responding for the Assistant Secretary of the Army (Financial Management and Comptroller), disagreed. The Deputy Assistant Secretary stated that while some of the questionable purchases may be found to be wasteful or frivolous, Office of Management and Budget informal guidance is that the Antideficiency Act (ADA) investigation process is no longer an acceptable avenue for resolution. He stated that the Office of the Secretary of Defense, Office of the General Counsel, determined that improper purchases made with a GPC will not be investigated as ADA violations because the contracting community has existing administrative remedies for investigating, reporting, and recovering losses due to erroneous or improper purchases by a GPC cardholder or billing official.

Our Response

The Deputy Assistant Secretary's response did not address the specifics of the recommendation. The Deputy Assistant Secretary cited informal guidance from the Office of Management and Budget, a determination made by the Office of the Secretary of Defense Office of General Counsel, and existing administrative remedies as the basis for his response. We request that the Assistant Secretary of the Army (Financial Management and Comptroller) clarify the guidance and provide additional comments that include support for the informal guidance from the Office of Management and Budget and the determination made by the

Office of the Secretary of Defense Office of General Counsel in his response to the final report.

Planned Corrective Actions

U.S. Southern Command and U.S. Army South

The Director, Resources and Assessments, U.S. Southern Command, responding for the Commander, U.S. Southern Command, provided additional comments. The Director stated to further reduce the gift locker stock level, the current commander has agreed to distribute gifts selected by his predecessor. His decision mitigates the practice of buying gift items suiting the current commander's preferences and particular Service.

Management Comments Required

The Director, Joint Staff, did not provide comments on Recommendation B.2. We request that the Director provide comments on the final report.

Additional Management Comments on the Background and Internal Controls and Our Response

U.S. Army South Comments

The Chief of Staff, U.S. Army South, stated the 410th Contracting Support Brigade, previously known as the U.S. Army Contracting Agency-The Americas has provided support to the U.S. Army South GPC cardholder since 2002. The Chief of Staff also stated that he did not agree that USARSOUTH Protocol Officials reviewed and approved ORF requests for gifts without validating the appropriateness of the expense. He stated that the Protocol Office only initiates requests to procure Official Representation Fund gift items, while the G8 Representation Fund Custodian and Staff Judge Advocate personnel review Official Representation Fund requests, and the Deputy Chief of Staff approves the requests.

Our Response

As a result of management comments, we revised the Background section of the report to clarify the oversight of the GPC program between U.S. Southern Command and U.S. Army South.

Appendix A

Scope and Methodology

We conducted this performance audit from April 2013 through December 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We requested USSOUTHCOM GPC transactions from the Deputy Assistant Secretary of the Army (Procurement). We obtained the database of transactions from U.S. Bank. We worked with personnel at U.S. Army MICC and the 410th CSB to identify the A/OPCs and appropriate personnel within their hierarchy to identify the relevant universe of transactions. Our analysis resulted in a universe of 14,767 GPC transactions, valued at $19.5 million, made by 277 USSOUTHCOM cardholders from April 1, 2012 through March 31, 2013. We reviewed and completed our analysis of 160 sample transactions and management environment based on requirements documented in relevant sections of the United States Code. We also followed guidance documented in the following criteria:

- Federal Acquisition Regulation
  - Section 1.602-3, "Ratification of Unauthorized Commitments," April 2, 2012
  - Part 8, "Required Sources of Supplies and Services," May 16, 2011
  - Subpart 13.2, "Actions At or Below the Micro-Purchase Threshold," December 20, 2012
  - Subpart 13.3, "Simplified Acquisition Methods," February 1, 2010
- Office of Management and Budget Circular A-123, Appendix C, "Requirements for Effective Measurement and Remediation of Improper Payments," April 11, 2011
- DoD Financial Management Regulation
  - Volume 10, Chapter 23, "Purchase Card Payments," September 2010
  - Volume 14, Chapter 3, "Preliminary Reviews of Potential Violations," November 2010

- Army Federal Acquisition Regulation Supplement, Part 5113, "Simplified Acquisition Procedures," April 1, 2010
- Government Accountability Office, Report GAO-04-87G, "Audit Guide – Auditing and Investigating the Internal Control of Government Purchase Card Programs," November 2003
- DoD, "Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs," November 1, 2012
- Department of the Army, "Government Purchase Card Operating Procedures," February 23, 2012 and January 14, 2013

We reviewed the procedures and obtained the databases from the protocol offices at USSOUTHCOM and USARSOUTH for their respective gift locker inventories. The USSOUTHCOM gift locker contained 309 different types of gifts as of April 18, 2013. The total number of items in the gift locker was 3,278, valued at $143,388. The USARSOUTH gift locker contained 80 different types of gifts as of May 14, 2013. The total number of items in the gift locker was 447, valued at $12,905. We performed inventory counts of 25 nonstatistically selected gift items at USSOUTHCOM and reviewed documentation for 13 of the gift purchases. We also performed a 100 percent inventory count at USARSOUTH and reviewed documentation for 7 of the gift purchases. The criteria we used to perform our analysis was based on relevant sections of the United States Code; the Chairman, Joint Chiefs of Staff Instruction on the use of ORFs; and the USARSOUTH directive on the use of LATAM COOP funds.

We performed the audit at USSOUTHCOM Headquarters, in Miami, Florida, and at USARSOUTH at Fort Sam Houston, Texas. We interviewed USSOUTHCOM management personnel, the Chief of Contracting at USSOUTHCOM Headquarters, individual cardholders, A/BOs, A/OPCs, and the Staff Judge Advocate. We also obtained relevant documentation from personnel at the Joint Task Force Guantanamo Naval Station, Cuba; Joint Interagency Task Force South, Key West, Florida; Special Operations Command South, Homestead, Florida; and several Security Cooperation Organizations in South America. Relevant supporting documentation included credit card statements, invoices, training records, and other documentation maintained by USSOUTHCOM. We reviewed DoD, Army, and USSOUTHCOM policies and regulations regarding responsibilities and procedures for the control and use of the GPC, as well as guidance issued by the Chairman of the Joint Chiefs of Staff.

Statistical Projections

Population: The population of USSOUTHCOM GPC transactions consisted of 14,767 records, valued at $19.5 million, made from April 1, 2012, through March 31, 2013.

Measures: The Quantitative Methods Division (QMD) used a simple random sample approach to identify and project errors in the GPC transactions and the dollar values of the transactions.

Parameters: QMD used a 95-percent confidence interval.

Sample Plan: QMD used a simple random variable sample design selecting randomly without replacement 160 transactions from the population. The records were selected using the =RAND() function in Excel 2010.

Statistical Analysis and Interpretation: Based on the sample results provided by the audit team, QMD calculated the following statistical projections:

Erroneous Transactions	95% Confidence Level		
	Lower bound	Point estimate	Upper bound
Error Rate	32.1%	40.0%	47.9%
Errors	4,742	5,907	7,071

We are 95 percent confident the error rate is between 32.1 percent and 47.9 percent and the errors between 4,742 and 7,071, with a point estimate of 5,907.

Erroneous Dollars	95% Confidence Level		
	Lower bound	Point estimate	Upper bound
Mean	$162.31	$345.37	$528.43
Errors	$2,396,772.00	$5,100,079.00	$7,803,385.00

We are 95 percent confident the error in dollars is between $2,396,772.00 and $7,803,385.00, with a point estimate of $5,100,079.00.

Use of Computer-Processed Data

We relied on computer-processed data to support our findings and conclusions. During the review, we determined reliability by comparing the data from U.S. Bank to source documentation such as receipts, credit card statements, approval documents, and contractual documents. The comparison results were sufficient to support the conclusions.

Use of Technical Assistance

The QMD assisted with the audit. We provided QMD with the USSOUTHCOM GPC universe data and requested a statistical sample of the USSOUTHCOM transactions.

Prior Coverage

No prior coverage has been conducted on the GPC Program for USSOUTHCOM Headquarters and its subordinate commands during the last 5 years.

Appendix B

Protocol Office Inventory List

Figure 5 shows the USSOUTHCOM Headquarters gift locker and its contents.

Figure 5. USSOUTHCOM Headquarters Gift Inventory

Table B-1 shows examples of some of the gift items purchased for the USSOUTHCOM Headquarters Office that were in storage for at least 3 years and 10 months. Table B-2 shows the USARSOUTH gift inventory as of September 30, 2012.

Table B-1. Examples of USSOUTHCOM Gift Locker Items on June 2009 and April 2013 Inventory Lists

ID #	Item	On Hand	Unit Price	Dollar Value
1	Bookend – Burlwood Globe	2	$52.00	$104.00
14	Clock, Crystal Globe W/Base	4	30.50	122.00
28	Sword – Silver	1	64.50	64.50
204	Pin – Ann Hand – Eagle & Pearl	4	100.00	400.00
8	Plaques, Ka-Bar Display Plaque (Wooden)	3	42.95	128.85
227	Bowl – Shirley Pewter – Fruit – Large	2	140.00	280.00
260	Bowl – Lenox Butterfly	2	45.00	90.00

Table B-2. U.S. Army South Protocol Office Gift Inventory as of September 30, 2012

Count	Description	On Hand	Unit Price	Total Cost
1	Crystal Paperweight	1	$40.90	$40.90
2	Pen and pencil set, Black Matte	4	40.00	160.00
3	Pen and Pencil Set, Chrome	1	40.00	40.00
4	Airborne Bronze Statue	2	55.00	110.00
5	Book Ends Wooden	4	45.00	180.00
6	Book, U.S. Army, A Complete History	1	47.25	47.25
7	Book, Historia Militar De Los Estados Unidos	1	82.96	82.96
8	Box Jewelry Pricess	3	18.95	56.85
9	Candy Dish, Dose Roxane	2	38.75	77.50
10	Coffee Mug, Porcelain, Black and Gold	4	5.08	20.32
11	Coin, w/USARSO Seal	41	3.65	149.65
12	Crystal Basket Lismore 8022	1	124.99	124.99
13	Crystal Bottle Stopper T8175/900	5	9.29	46.45
14	Crystal Bottle Stopper T8231/900	3	9.29	27.87
15	Crystal Bottle Stopper T8236/900	8	9.29	74.32
16	Crystal Bowl 11"	2	50.00	100.00
17	Crystal Bowl, Lotus 10"	1	57.49	57.49
18	Crystal Cake Plate 4961	1	50.00	50.00
19	Crystal Candle Holder 2121	1	75.00	75.00
20	Crystal Candle Holder Crocus 2 1/2"	1	14.00	14.00
21	Crystal Candle Holder, Lotus	1	49.00	49.00
22	Crystal Candy Dish Lead	5	26.90	134.50
23	Crystal Candy Dish, Bohemia Frosted	4	40.00	160.00
24	Crystal Candy Jar, Fifth Avenue 5429	1	12.99	12.99
25	Crystal Circle 6"	5	43.31	216.55
26	Crystal Decanter, Female, Pinstripe	1	74.99	74.99
27	Crystal Eagle, Paperweight, on base	5	88.37	441.85
28	Crystal Ice Bucket, Nuance	4	104.74	418.96
29	Crystal Paperweight–Starfire	2	40.90	81.80
30	Crystal Pitcher	2	40.00	80.00
31	Crystal Plaque Prestige Diamond	1	38.25	38.25
32	Crystal Plate, Server 2204	1	39.99	39.99
33	Crystal Platter, Bay Ridge WY926-313	2	17.49	34.98
34	Crystal Platter, Lobster, Sea Fare	1	20.99	20.99

Count	Description	On Hand	Unit Price	Total Cost
35	Crystal Prestige, rectangle 8-3/4-inch	1	39.38	39.38
36	Crystal Service, Buffet 3186	1	40.00	40.00
37	Crystal Tray, Bread	2	25.00	50.00
38	Crystal Tray, Condiment	4	10.00	40.00
39	Crystal Vase, Excelsior 10.5"	1	34.49	34.49
40	Crystal Vase, Quadrata 8" 2905	1	68.00	68.00
41	Cup, White w/USARSO Seal	18	4.08	73.44
42	Eagle Spread Glass, Rosewood base	2	15.14	30.28
43	Etched Eagle Award	9	94.38	849.42
44	Grape/Cracket set	2	27.65	55.30
45	Grapevine Tray	2	59.00	118.00
46	Jewelry Box 389	5	39.00	195.00
47	Jewelry Box 462	1	99.00	99.00
48	Key Ring, Gold with USARSO Seal	2	17.49	34.98
49	Knife, Lockback Antique Bronze	19	22.00	418.00
50	Knife with an Alamo Stand	2	60.00	120.00
51	Knife, Bowie Daniel Boone	1	249.95	249.95
52	Knife, Buck Nobleman with Flashlight	5	46.00	230.00
53	Large stripe Box	3	28.31	84.93
54	Magnifying Glass, Small Silver	10	3.50	35.00
55	Pen Fountain and Pen gift set	19	28.07	533.33
56	Pin, Small Gold with USARSO Seal (Lapel)	2	29.00	58.00
57	Portrait “Lady of the Alamo”	2	111.25	222.50
58	Serving set, 5 Piece	6	30.00	180.00
59	Statue Warrior Ethos	3	135.00	405.00
60	Wine, Pinot Grigio	4	20.00	80.00
61	Wine set Dual Bottle	6	78.35	470.10
62	Wine Set Single Bottle	4	61.88	247.52
63	Wine, Liano Cabernet Sauvignon	5	12.00	60.00
64	Wine, Liano Chardonnay	3	16.23	48.69
65	Wooden Stand for Airborne Statue	2	15.00	30.00
66	Wooden, ARSOUTH Plaque	8	32.00	256.00
67	Wooden, Coin Holder	5	14.50	72.50
	Total	**282**		**$8,869.21**

Management Comments

Deputy Assistant Secretary of the Army (Financial Operations)

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

REPLY TO ATTENTION OF

JUN 30 2014

MEMORANDUM THRU Auditor General, Department of the Army, 3101 Park Center Drive, Alexandria, Virginia 22302-1596

FOR Inspector General, Department of Defense, Contract Award and Administration Division, 4800 Mark Center Drive, Alexandria, Virginia 22350-1500

SUBJECT: U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project No. D2013-D000DC-0143.000)

1. We appreciate the opportunity to provide comments on the subject report.

2. Recommendation B.2 states: We recommend the Director, Joint Staff, and the Assistant Secretary of the Army (Financial Management and Comptroller), initiate a review of the purchases of the gift items by U.S. Southern Command and U.S. Army South as potential Antideficiency Act violations in accordance with DoD Financial Management Regulation, volume 14, chapter 3, "Preliminary Reviews of Potential Violations."

3. We non-concur. While some of these questionable Government Purchase Card (GPC) purchases may be found upon further review to be wasteful or frivolous, Office of Management and Budget informal guidance is that the Antideficiency Act (ADA) investigation process is no longer an acceptable avenue for addressing these issues. Consequently, the OSD Office of the General Counsel has determined that improper purchases made with a GPC will not be investigated as ADA violations because there are existing administrative remedies within the contracting community to investigate, report and recover losses due to erroneous or improper purchases by a GPC card holder or billing official.

4. The Army point of contact for this report is [redacted] who can be reached at [redacted], email: [redacted]

James J. Watkins
Deputy Assistant Secretary of the Army
(Financial Operations)

U.S. Southern Command

DEPARTMENT OF DEFENSE
UNITED STATES SOUTHERN COMMAND
OFFICE OF THE COMMANDER
9301 NW 33RD STREET
DORAL, FL 33172-1202

REPLY TO
ATTENTION OF

SCJ8

2 July 2014

MEMORANDUM FOR DEPARTMENT OF DEFENSE INPECTOR GENERAL, 4800 Mark Center Drive Alexandria, Virginia 22350-1500

SUBJECT: Comments on DoDIG Draft Report: U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project Number D2013DC-0143)

1. US Southern Command reviewed the subject draft report and the recommendations for the Commanders, US Southern Command and US Army South. The recommendations reflect prudent planning and oversight of gift locker procedures inherent in any command and historically exercised by US Southern Command and US Army South. However, we non-concur with the findings in the draft report associated with each recommendation based on a Joint Staff (JS) IG inspection (enclosed) that found the SOUTHCOM gift locker program in compliance with DoD and JS guidance.

2. Discussion.

(a) DoDIG Recommendation 1. Develop a plan to determine how current levels of gift inventory will be used at U.S. Southern Command Headquarters and U.S. Army South and then maintain only current-year gift levels, unless long lead times are required or known events at the beginning of the next fiscal year necessitate advance procurements to maintain needed inventory.

(b) US Southern Command and US Army South Response 1. Non-concur – The need to plan for and manage gift levels goes without saying. US Southern Command has always practiced this principle as validated by the Joint Staff Inspector General Report dated 9 December 2013: the SOUTHCOM gift locker program is managed IAW DoDI 7250.13, JSI 7201.01C, and CJCSI 7201.01B, and CJCSI 7201.01B. Per paragraph 2b, page 2, "The program is managed IAW applicable instruction." US Southern Command and US Army South have been and will continue to consume its current gift inventory stockage in the course of annual protocol engagements. Both Commands will not purchase additional gift items unless current events dictate otherwise. As stated in the JS IG report, our current policies and procedures have been and remain suitable for controlling these purchases and compling with fiscal law. We will review gift item stockage levels at the different tiers to ensure ongoing compliance with applicable laws given demand fluctuations during a one-year protocol engagement cycle.

1

U.S. Southern Command (cont'd)

SCJ8
SUBJECT: Comments on DoDIG Draft Report: U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project Number D2013DC-0143)

(c) DoDIG Recommendation 2. Review the performance of the Command Staff Protocol Office personnel at U.S. Southern Command Headquarters and U.S. Army South who oversaw the management of the gift inventory, but did not perform sufficient planning and oversight to maintain reasonable stock levels and initiate, as appropriate, corrective actions to hold personnel accountable.

(d) US Southern Command and US Army South Response 2. Non-Concur – As validated by the JS IG inspection, the purchases of gifts at issue in this report were proper and within the Command's discretion. Furthermore, our gift inventory management system is recognized as second to none. The purchases were for bona fide needs at the time of the purchase and based upon the stock level planning, gift tier level options, and appropriate funding sources. The protocol staffs made reasonable purchases based on upcoming scheduled events and historical usage levels. However, unforseen last minute cancellations and changes to senior official participation complicates predictions for appropriate gifts. Fluctuating schedules can lead stock levels to grow during times of heavy uncertainty. For example, this past year (FY13), severe budget cuts unexpectedly reduced visits to the area of responsibility (24 countries) resulting in undistributed gift items. Considering these challenges, our Protocol staffs acted within reasonable discretion regarding the purchases. Regardless, our leadership constantly assesses the gift item stock levels.

3. Other Corrective Actions. To further reduce gift locker stocks, the current commander has agreed to distribute gifts selected by his predecessor. His decision mitigates the practice of buying gift items suiting the current Commander's preferences and particular Service.

4. We reviewed the entire report and, as is our normal practice, work closely with our GPC supporting agent (410th Contract Support Brigade) to rectify any identified shortcomings.

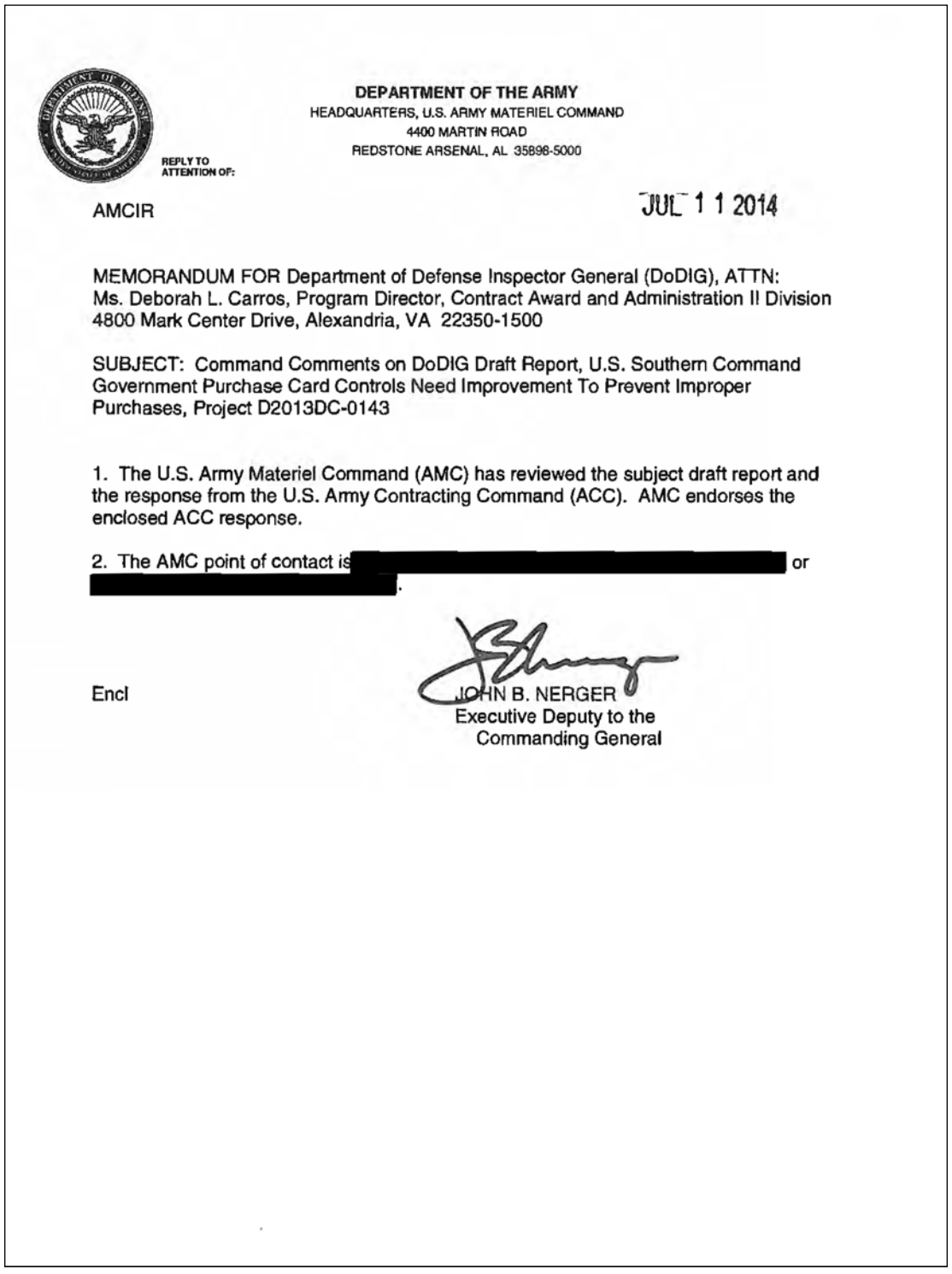
5. My POC is [redacted]

Encl

DAVID M. THIEDE, SES
Director, Resources and Assessments
U.S. Southern Command

2

Army Materiel Command



DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
4400 MARTIN ROAD
REDSTONE ARSENAL, AL 35898-5000

REPLY TO ATTENTION OF:

AMCIR

JUL 11 2014

MEMORANDUM FOR Department of Defense Inspector General (DoDIG), ATTN: Ms. Deborah L. Carros, Program Director, Contract Award and Administration II Division 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments on DoDIG Draft Report, U.S. Southern Command Government Purchase Card Controls Need Improvement To Prevent Improper Purchases, Project D2013DC-0143

1. The U.S. Army Materiel Command (AMC) has reviewed the subject draft report and the response from the U.S. Army Contracting Command (ACC). AMC endorses the enclosed ACC response.

2. The AMC point of contact is [redacted] or [redacted].

Encl

JOHN B. NERGER
Executive Deputy to the
Commanding General

Army Materiel Command (cont'd)

DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND
3334A WELLS ROAD
REDSTONE ARSENAL, AL 35898-5000

REPLY TO ATTENTION OF

AMSCC-IR

02 July 2014

MEMORANDUM FOR Ms. Deborah L. Carros, Program Director, Inspector General, Department of Defense,4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Draft Report: U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project Number D2013-D000DC-0143) (D1336) (1793)

1. Memorandum and Audit Report, 3 June 2014, subject as above

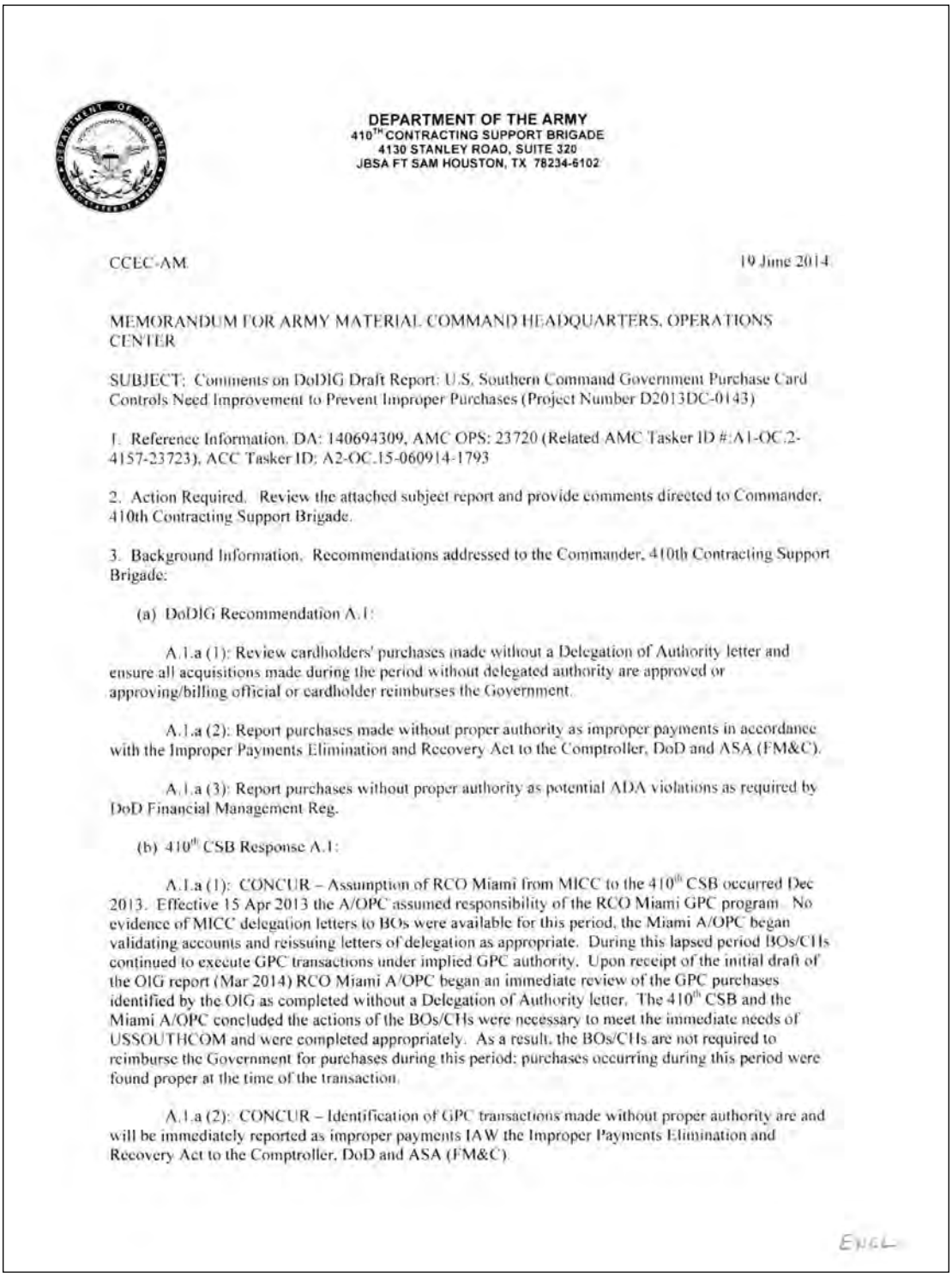
2. The Army Contracting Command (ACC) concurs with the enclosed 410th Contracting Support Brigade comments.

3. The ACC point of contact is [redacted] Auditor, Internal Review and Audit Compliance Office, [redacted]

Encl

MICHAEL R. HUTCHISON
Deputy to the Commanding General

Army Materiel Command (cont'd)



DEPARTMENT OF THE ARMY
410TH CONTRACTING SUPPORT BRIGADE
4130 STANLEY ROAD, SUITE 320
JBSA FT SAM HOUSTON, TX 78234-6102

CCEC-AM 19 June 2014

MEMORANDUM FOR ARMY MATERIAL COMMAND HEADQUARTERS, OPERATIONS CENTER

SUBJECT: Comments on DoDIG Draft Report: U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project Number D2013DC-0143)

1. Reference Information. DA: 140694309, AMC OPS: 23720 (Related AMC Tasker ID #:A1-OC.2-4157-23723), ACC Tasker ID: A2-OC.15-060914-1793

2. Action Required. Review the attached subject report and provide comments directed to Commander, 410th Contracting Support Brigade.

3. Background Information. Recommendations addressed to the Commander, 410th Contracting Support Brigade:

(a) DoDIG Recommendation A.1:

A.1.a (1): Review cardholders' purchases made without a Delegation of Authority letter and ensure all acquisitions made during the period without delegated authority are approved or approving/billing official or cardholder reimburses the Government.

A.1.a (2): Report purchases made without proper authority as improper payments in accordance with the Improper Payments Elimination and Recovery Act to the Comptroller, DoD and ASA (FM&C).

A.1.a (3): Report purchases without proper authority as potential ADA violations as required by DoD Financial Management Reg.

(b) 410th CSB Response A.1:

A.1.a (1): CONCUR – Assumption of RCO Miami from MICC to the 410th CSB occurred Dec 2013. Effective 15 Apr 2013 the A/OPC assumed responsibility of the RCO Miami GPC program. No evidence of MICC delegation letters to BOs were available for this period, the Miami A/OPC began validating accounts and reissuing letters of delegation as appropriate. During this lapsed period BOs/CHs continued to execute GPC transactions under implied GPC authority. Upon receipt of the initial draft of the OIG report (Mar 2014) RCO Miami A/OPC began an immediate review of the GPC purchases identified by the OIG as completed without a Delegation of Authority letter. The 410th CSB and the Miami A/OPC concluded the actions of the BOs/CHs were necessary to meet the immediate needs of USSOUTHCOM and were completed appropriately. As a result, the BOs/CHs are not required to reimburse the Government for purchases during this period; purchases occurring during this period were found proper at the time of the transaction.

A.1.a (2): CONCUR – Identification of GPC transactions made without proper authority are and will be immediately reported as improper payments IAW the Improper Payments Elimination and Recovery Act to the Comptroller, DoD and ASA (FM&C).

ENCL

Army Materiel Command (cont'd)

SUBJECT: Comments on DoDIG Draft Report: U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project Number D2013DC-0143)

A.1.a (3): CONCUR – GPC purchases identified in this audit are not considered a violation of the Anti-deficiency Act (ADA) since funds were available for the transaction at the time of the purchase. USSOUTHCOM GPC CH accounts have monthly spending limits in which funds are available for approved transactions during the month and are made available up to the monthly spending limits. The A/OPC, in coordination with USSOUTHCOM J8, concluded that purchases occurring during this period are not a violation of the ADA. However, concur that if a purchase occurs without committed funds and without proper authority a potential ADA violation could exist and would be reported as required by DoD Financial Management Regulation volume 14, chapter 3, "Preliminary Reviews of Potential Violations".

4. Corrective Actions: Transactions appearing to be improper shall be immediately flagged and reviewed by the A/OPC. Further, notifications shall be sent to the BO/CH supervisors for their comment. Transactions found to be improper or a violation of ADA shall result in immediate suspension of accounts and reported IAW the Improper Payments Elimination and Recovery Act or the DoD Financial Management Regulation volume 14, chapter 3, "Preliminary Reviews of Potential Violations". Controls are now in place to prevent future occurrences of this type. The 410th CSB, RCO Miami Office Chief, and the A/OPC provide the status and health of the GPC program supporting USSOUTHCOM to the Principal Assistant Responsible for Contracting (PARC) through monthly Procurement Update Briefs (PUBs), bi-weekly command and staff updates, Headquarter and Brigade level Procurement Management Reviews (PMRs) and monitored through corrective action plans.

5. My point of contact is [redacted]

FOR
DARYL P. HARGER
Colonel, US Army
Commanding

2

U.S. Army South

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY SOUTH
4130 STANLEY ROAD
FORT SAM HOUSTON TX 78234

REPLY TO
ATTENTION OF

ARSO-CS

JUL 3 2014

MEMORANDUM FOR Department of Defense Inspector General (DODIG), ATTN: Program Director, Contract Award and Administration II Division, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments on DODIG Draft Report, U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project No. D2013-D000DC-0143.000)

1. Reference U.S. Army Audit email, 6 June 2014, Subject: Comments Requested – DODIG Draft Report – D2013DC-0143, U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases.

2. U.S. Army South has reviewed the DOD IG draft report and provides the attached comments.

3. The point of contact is [redacted]

Encl

MORGAN M. LAMB
COL, GS
Chief of Staff

U.S. Army South (cont'd)

DODIG Draft Report
U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchases (Project No. D2013-D000DC-0143.000)

ARSOUTH's Comments on the Draft Report

The following comments are provided for clarification and completeness of the draft report as currently written.

Page 2, Background, Sub-Heading 'Army Contracting Support for U.S. Southern Command':

The report states "In December 2012, the 410th CSB, also located at Fort Sam Houston, Texas, replaced the MICC and began providing USSOUTHCOM with contract authority and management of GPC cardholders supporting USSOUTHCOM." The statement doesn't accurately reflect the 410th CSB's relationship to and support for U.S. Army South. The 410th CSB, previously known as the U.S. Army Contracting Agency – The Americas (ACA-TA) has provided support to the U.S. Army South GPC cardholder since 2002.

Page 5, Review of Internal Controls:

The report states "USARSOUTH Protocol Officials reviewed and approved ORF requests for gifts without validating the appropriateness of the expense." This statement is incorrect. The Protocol Office initiates requests to procure ORF gift items, the G8 Representation Fund Custodian and Staff Judge Advocate personnel review official representation fund (ORF) requests, and the Deputy Chief of Staff approves the requests.

Page 6, Finding A, Sub-Heading 'Cardholders and Approving/Billing Official Did Not Have Supporting Documents':

The report states "Cardholders and A/BOs assigned by the MICC and later the 410th CSB did not have supporting documentation required by the Army GPC procedures. The statement doesn't accurately depict the 410th CSB's relationship to and support for U.S. Army South. The 410th CSB/ACA-TA performed oversight of cardholder and A/BO accounts for U.S. Army South since 2002.

Page 8, Finding A, Sub-Heading 'Invoices and Receipts Were Missing':

The report states "Bank records also showed that a USARSOUTH cardholder made a purchase on November 28, 2012 for $77.77 from an online vendor." This statement is incorrect. The cardholder who made the transaction in question was assigned to Joint Task Force – Guantanamo, a task force reporting to USSOUTHCOM; the GPC had a line of accounting citing U.S. Army South funds.

U.S. Army South (cont'd)

Page 14 Finding B, Protocol Officials Improperly Used Funds to Purchase Gifts:

The report indicates that USARSOUTH Protocol Officials reviewed and approved ORF requests. This statement is incorrect. The Protocol Office initiates requests to procure ORF gift items, the G8 Representation Fund Custodian and Staff Judge Advocate personnel reviews ORF requests, and the Deputy Chief of Staff approves the requests.

Page 19, Finding B, Sub-Heading 'Unnecessary Gift Purchases by the USARSOUTH Protocol Office':

The report states "USARSOUTH Protocol Officer Personnel used ORF and LATAM COOP funds to purchase an unnecessary level of gifts over a 5-year period." This statement is incorrect. All gift purchases made by U.S Army South are funded using ORF from the Operation and Maintenance, Army appropriation sub activity group (SAG) 133 - Management and Operational Headquarters or SAG 442 - Miscellaneous Support of Other Nations.

Page 19, Finding B, Sub-Heading 'Better Oversight Needed at U.S. Southern Command and U.S. Army South':

The report indicates the Comptroller and Staff Judge Advocate Staff at USARSOUTH did not properly manage the quantities of gift purchased to meet operational needs. U.S. Army South has an Inventory Control Officer to manage the command's ORF gift locker. The SJA reviews requests for ORF gift stock and provides advice to the Command regarding legal, ethical, fiscal, regulatory, and policy matters.

The report states "the protocol offices inappropriately approved the purchase of gifts of which there was no valid requirement." We disagree with the statement. We believe that gift stock requirements were valid at the time of purchase. However, after the purchase of gift stock, requirements changed that were unanticipated, such as event postponements or cancellations and fewer authorized guests attending scheduled events than anticipated, but that didn't invalidate the initial need. Further, the Protocol Office must ensure that an authorized guest doesn't receive the same gift twice, so that may require procurement of additional items even when there are items in the gift locker. Additionally, the Deputy Chief of Staff approves the purchase of gifts.

2

Acronyms and Abbreviations

A/BO	Approving/Billing Official
A/OPC	Agency/Organization Program Coordinator
CHESS	Computer Hardware, Enterprise Software and Solutions
CSB	Contract Support Brigade
FAR	Federal Acquisition Regulation
GPC	Government Purchase Card
LATAM COOP	Latin American Cooperation
MICC	U.S. Army Mission and Installation Contracting Command
ORF	Official Representation Funds
QMD	Quantitative Methods Division
USARSOUTH	U.S. Army South
USSOUTHCOM	U.S. Southern Command

Whistleblower Protection
U.S. Department of Defense

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For more information about DoD IG reports or activities, please contact us:

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congressional@dodig.mil; 703.604.8324

Media Contact
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DEPARTMENT OF DEFENSE | INSPECTOR GENERAL

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