



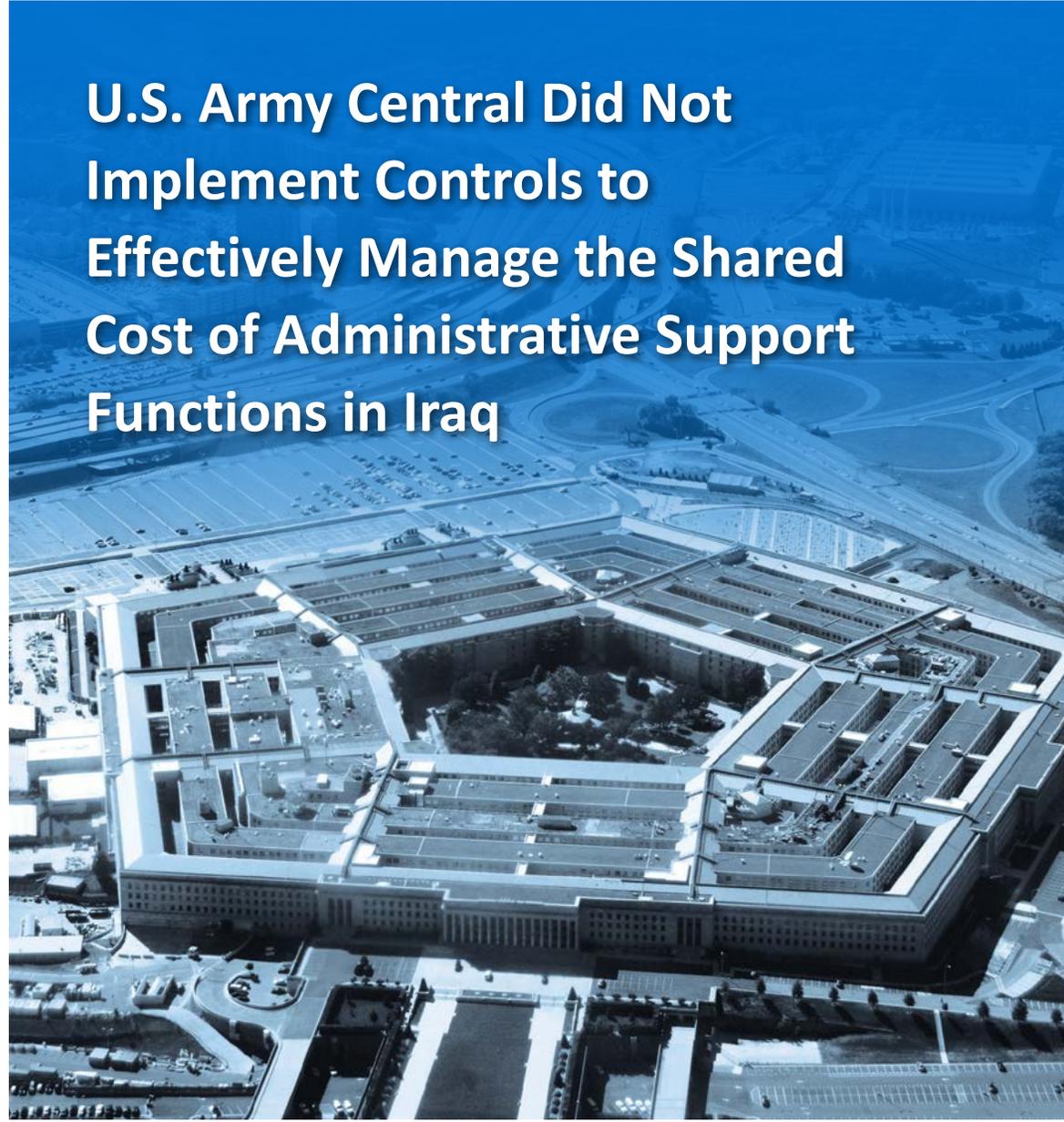
# INSPECTOR GENERAL

*U.S. Department of Defense*

FEBRUARY 17, 2016



## U.S. Army Central Did Not Implement Controls to Effectively Manage the Shared Cost of Administrative Support Functions in Iraq



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# Results in Brief

## *U.S. Army Central Did Not Implement Controls to Effectively Manage the Shared Cost of Administrative Support Functions in Iraq*

February 17, 2016

### Objective

Our objective was to determine whether DoD developed controls to effectively manage the shared costs of administrative support functions in Iraq. This audit relates to Operation Inherent Resolve, an overseas contingency operation, and was completed in accordance with the OIG's responsibilities described in Section 8L of the Inspector General Act of 1978, as amended.

### Finding

U.S. Army Central (ARCENT) initially signed an interagency agreement with the Department of State to temporarily use and pay for Department of State-provided life-support services. However, during the third quarter of FY 2015, DoD agreed to subscribe to the Department of State's International Cooperative Administrative Support Services (ICASS) for support in Iraq for FY 2016.

ARCENT did not develop controls to effectively manage the shared cost of administrative support functions in Iraq after FY 2016. Specifically, ARCENT did not:

- establish procedures to determine and verify ICASS modification levels and workload counts;
- designate a representative to participate in the post's ICASS budget committee or council; or
- require ICASS training for personnel before deployment.

### Finding (cont'd)

This occurred because ARCENT and Combined Joint Task Force–Operation Inherent Resolve did not determine who would be responsible for implementing ICASS in Iraq.

As a result, without appropriate controls, DoD cannot ensure that the shared costs of administrative support services are appropriately calculated and distributed for the fiscal years after FY 2016, and DoD is at increased risk of overpaying for ICASS shared costs.

### Management Actions

On November 7, 2015, we informed the ARCENT Deputy Chief of Staff that the temporary measures ARCENT enacted did not establish controls over the shared cost of administrative functions in Iraq after FY 2016. Specifically, ARCENT or Combined Joint Task Force–Operation Inherent Resolve needed to take responsibility for ICASS implementation, including establishing standard operating procedures to develop controls to determine and verify ICASS modification levels and workload counts; designate representatives to the post's ICASS budget committee or council; and require training for deploying units so they fully understand their roles and responsibilities for ICASS.

ARCENT's Deputy Chief of Staff agreed with our observations and immediately initiated steps to implement our suggested corrective actions. Specifically, in December 2015, ARCENT developed standard operating procedures in which it formally accepted responsibility for ICASS implementation. The management actions taken during the audit addressed our suggestions, so we are not making any recommendations.

## ***Recommendations Table***

<b>Management</b>	<b>Recommendations Requiring Comment</b>
Commander, U.S. Army Central	None



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DEPARTMENT OF DEFENSE  
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February 17, 2016

MEMORANDUM FOR DISTRIBUTION

SUBJECT: U.S. Army Central Did Not Implement Controls to Effectively Manage the Shared Cost of Administrative Support Functions in Iraq  
(DODIG-2016-048)

We are providing this report for your information and use. No written response to this report was required, and none was received. This report relates to Operation Inherent Resolve, an overseas contingency operation, and was completed in accordance with the OIG's responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. We conducted this audit in accordance with generally accepted government auditing standards.

ARCENT did not develop controls to effectively manage the shared cost of administrative support functions in Iraq after FY 2016. During the audit we notified officials from U.S. Army Central of our findings. U.S. Army Central took prompt action to resolve each concern we identified; therefore, we will not make any recommendations in this report.

We appreciate the courtesies extended to the staff. Please direct questions to me at [Michael.Roark@dodig.mil](mailto:Michael.Roark@dodig.mil), (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink that reads "Michael J. Roark".

Michael J. Roark  
Assistant Inspector General  
Contract Management and Payments

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# Introduction

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## Objective

Our objective was to determine whether DoD developed controls to effectively manage the shared costs of administrative support functions in Iraq.

This report relates to Operation Inherent Resolve, an overseas contingency operation, and was completed in accordance with the OIG's responsibilities described in Section 8L of the Inspector General Act of 1978, as amended.

## Background

The Department of State (DoS) has the authority to establish agreements with other Federal agencies to consolidate administrative support costs for the benefit of all agencies concerned.<sup>1</sup> The International Cooperative Administrative Support Services (ICASS) program is the principal means by which DoS provides and shares the cost of common administrative support at more than 250 diplomatic and consular posts. Administrative support functions include motor pool operations, vehicle maintenance, information management, reception and telephone system services, cashiering, vouchering, nonresidential security guard services, building operations, and other services.

The chief of mission at each post must ensure a functioning ICASS council, which, among other things, approves the post's ICASS budget. Each post also has an ICASS budget committee (BC) with members from each agency and department that receives an ICASS invoice. The BC ensures that the established budget process and procedures are followed, and it reviews and recommends budget approval to the ICASS council.

### ***ICASS Subscription and Billing***

Individual agencies subscribe to ICASS by signing a memorandum of understanding with DoS. Additionally, agencies subscribe to a Subscription of Services (SoS), a group of modifiable services in ICASS. The SoS identifies workload counts<sup>2</sup> and modification levels,<sup>3</sup> which are the basis of each agency's invoice. Workload counts and modification levels represent the portion each agency pays of the total costs of administrative support services incurred by all tenant agencies at post. Modification levels, workload counts, and the total administrative support costs at post are discussed at post ICASS BC meetings.

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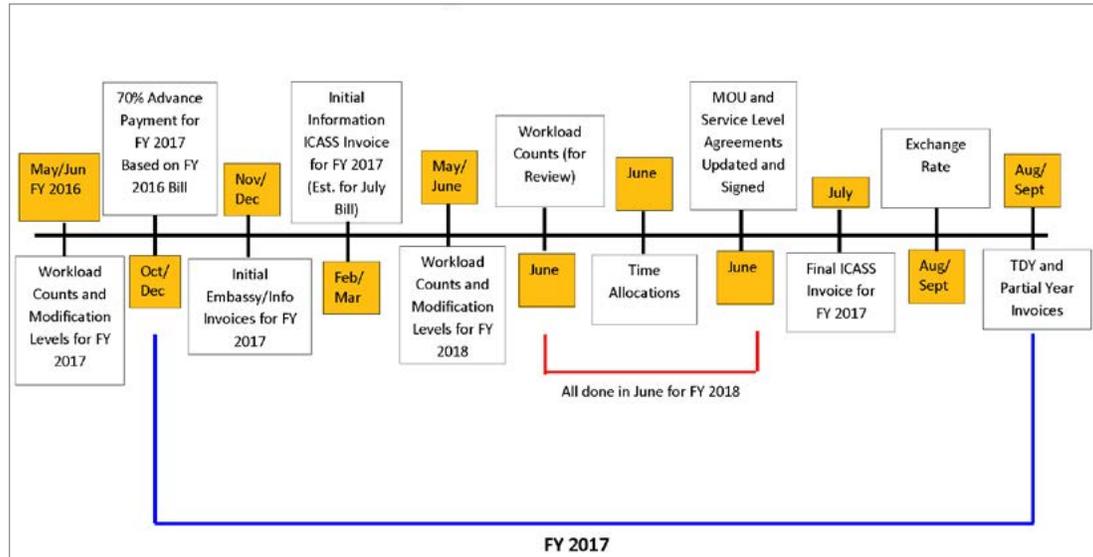
<sup>1</sup> Section 2695, title 22, United States Code.

<sup>2</sup> Workload counts vary and are based on the count of personnel using the service or the amount of workspace occupied.

<sup>3</sup> Modification levels can be modified at 100, 60, or 30 percent depending on use or proximity to services offered. In this report we will use 1.0, 0.6, and 0.3 when discussing modification levels.

The SoS is completed for the current fiscal year on May 1 of the previous fiscal year and verified in June. An agency's signature on the SoS means the agency agrees with subscription to the ICASS services at the identified modification levels and workload counts for the upcoming fiscal year. See the figure for the ICASS billing process and timeline for FY 2017.

*Figure. ICASS Billing Process and Timeline FY 2017*



Source: Department of Defense Office of Inspector General

## ***DoD Instruction for ICASS***

DoD Instruction 7060.06<sup>4</sup> requires the heads of DoD Components whose personnel receive ICASS support to establish and maintain procedures for tracking and paying ICASS charges. The Instruction also requires that DoD Component representatives at U.S. diplomatic posts actively participate in post BCs and represent DoD on post ICASS councils<sup>5</sup>.

## ***DoD Roles and Responsibilities in Iraq***

U.S. Army Central (ARCENT) is an operational level Army force designated by the Secretary of the Army as the Army Service Component Command of U.S. Central Command. In October 2014, Combined Joint Task Force–Operation Inherent Resolve (CJTF-OIR) was initially established under ARCENT. CJTF-OIR's mission is to counter the Islamic State of Iraq and the Levant (ISIL) in Syria and Iraq. On

<sup>4</sup> DoD Instruction 7060.06, "International Cooperative Administrative Support Services (ICASS)," May 15, 2012.

<sup>5</sup> For the Baghdad Embassy Compound and Baghdad Diplomatic Support Center, there is one post BC and post ICASS council that serves both locations.

September 22, 2015, U.S. Army III Corps assumed command of CJTF-OIR, and ARCENT continued its mission as the Army Service Component Command of U.S. Central Command.

### ***Decision to Use ICASS***

In support of OIR, ARCENT initially planned a short military campaign in Iraq to counter ISIL. Therefore, ARCENT signed an interagency agreement with DoS enabling CJTF-OIR personnel to temporarily use and pay for DoS-provided life-support services in Iraq. The locations in the interagency agreement were Baghdad Embassy Compound, Baghdad Diplomatic Support Center, and Union III Compound in Baghdad.

However, after the fall of Mosul, Iraq's second largest city, to ISIL, CJTF-OIR's mission expanded and administrative support services provided by DoS at Baghdad Embassy Compound and Baghdad Diplomatic Support Center went beyond the scope of the interagency agreement. As a result, during the third quarter of FY 2015, DoD agreed to subscribe to ICASS for support in Iraq for FY 2016.

DoD and DoS did not have the same understanding of when ICASS services would begin. DoD thought it agreed to start ICASS beginning on October 1, 2015; yet in May 2015, DoD received a \$19.2 million ICASS invoice for the entire FY 2015, and DoD did not know which services the invoice covered. After many discussions with DoS and a thorough review of the specific services and workload counts, DoD agreed to pay the fourth quarter portion of the ICASS invoice (\$5.7 million).

## **Review of Internal Controls**

DoD Instruction 5010.40<sup>6</sup> 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 in ARCENT's management of the shared costs of administrative support functions in Iraq. Specifically, ARCENT did not establish procedures to determine and verify ICASS modification levels and workload counts, designate a representative to the post ICASS BC or council, or require ICASS training for personnel before deployment as required by DoD Instruction 7060.06 or the DoS 6 Foreign Affairs Handbook (FAH)-5.<sup>7</sup> However, management took corrective actions to address the concerns identified during the audit and resolved the internal control weaknesses. We will provide a copy of the report to the senior official responsible for internal controls at ARCENT.

<sup>6</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

<sup>7</sup> DoS 6 FAH-5, "International Cooperative Administrative Support Services (ICASS) Handbook," January 1, 2015.

## Finding

### ARCENT Needs to Improve Controls for ICASS Shared Costs in Iraq

ARCENT implemented temporary measures to address the management of the shared cost of administrative support functions in Iraq for FY 2016. However, ARCENT did not develop controls to effectively manage those shared costs after FY 2016. Specifically, ARCENT did not:

- establish procedures to determine and verify ICASS modification levels and workload counts;
- designate a representative to participate in the post's ICASS BC or council; or
- require ICASS training for personnel before deployment.

This occurred because ARCENT and CJTF-OIR did not determine who would be responsible for ICASS implementation in Iraq.

As a result, DoD cannot ensure that shared costs of administrative support services are appropriately calculated and distributed for the fiscal years after FY 2016, and DoD has an increased risk of overpaying for ICASS shared costs.

### ARCENT Established Temporary Measures to Manage Shared Costs in Iraq for FY 2016

ARCENT implemented temporary measures to improve the management of the shared cost of administrative support functions in Iraq for FY 2016. Specifically, ARCENT developed a tiger team<sup>8</sup> to collect information from DoS embassy staff. The tiger team reviewed each ICASS cost category and recommended appropriate modification levels and workload counts to support CJTF-OIR operations at Baghdad Embassy Compound and Baghdad Diplomatic Support Center.

For example, basic package services are mandatory for every agency at post and include 17 services for ICASS subscribers. Initially, the modification level for basic package services was at 1.0 for FY 2016. However, the tiger team's review

<sup>8</sup> A team of functional experts.

determined that CJTF-OIR personnel used only 3 of the 17 services. Based on the tiger team's assessment, ARCENT decreased its modification level to 0.3, which lowered the total cost for basic package services. As a result of the tiger team's findings and recommendations, the ARCENT Resource Manager (G8) approved the SoS for FY 2016.

The tiger team's review determined that CJTF-OIR personnel used only 3 of the 17 services. Based on the tiger team's assessment, ARCENT decreased its modification level to 0.3, which lowered the total cost for basic package services.

## **ARCENT Did Not Establish Controls Over Shared Costs in Iraq After FY 2016**

Although ARCENT addressed ICASS modification levels and workload counts for FY 2016, it did not establish controls for managing the shared costs of administrative support functions in Iraq after FY 2016. Specifically, ARCENT did not:

- establish procedures to determine and verify ICASS modification levels and workload counts;
- designate a representative to participate in the post's ICASS BC or council; or
- require ICASS training for personnel before deployment.

### ***ARCENT Did Not Establish Procedures for Determining and Verifying Modification Levels and Workload Counts***

ARCENT did not establish long-term procedures to verify its ICASS modification levels and workload counts, which are the basis of each agency's invoice. Modification levels, workload counts, and the total administrative support costs at post are discussed at post ICASS BC meetings.

ARCENT officials did not establish procedures to determine or verify the SoS after FY 2016 as required by DoD Instruction 7060.06 and the 6 FAH-5.

DoD Instruction 7060.06 requires DoD to establish and maintain procedures for tracking and paying for ICASS services. In addition, the 6 FAH-5 requires determining modification levels and workload counts for services subscribed to within a fixed timeframe. However, ARCENT officials did not establish procedures to determine or verify the SoS after FY 2016 as required by DoD Instruction 7060.06 and the 6 FAH-5. Lack of controls to establish and verify modification levels and workload counts may result in an overpayment for

services that are not required. During the audit, we suggested that ARCENT and CJTF-OIR establish long-term procedures to verify ICASS modification levels and workload counts.

### ***ARCENT Did Not Designate Post Budget Committee Representatives***

ARCENT did not designate personnel to participate in the post ICASS BC or council as required by DoD Instruction 7060.06 and the 6 FAH-5. The post ICASS BC and council share responsibility for overall management of administrative support activities, including using resources cost-effectively, selecting service providers, and setting priorities within the administrative support delivery system. The BC establishes and documents the post policy on modifications to workload counts and reviews and approves all workload count and modification requests. Participation in the post ICASS BC and council is essential and enables ARCENT to review post policy on workload count and modifications and to verify and approve modification levels and workload counts for the upcoming fiscal year. During the audit, we suggested that ARCENT and CJTF-OIR designate personnel to participate in the post ICASS BC and council.

### ***ARCENT Personnel Did Not Receive ICASS Training***

ARCENT did not require predeployment ICASS training for personnel responsible for implementing ICASS in Iraq. The 6 FAH-5 states that each customer agency is responsible for ensuring that its ICASS representatives are trained appropriately and are familiar with the basics of ICASS before appointment as agency representatives.

Understanding ICASS and its requirements is critical to ensure that ARCENT continues to subscribe only to relevant services and pays its share of ICASS costs for DoD personnel in Iraq. However, the ARCENT official responsible for establishing modification levels and workload counts in Iraq stated he was not trained on or familiar with ICASS before deployment, which made it difficult when negotiating ICASS services for the FY 2015 partial-year invoice, and when determining the workload counts and modification levels for FY 2016. Similarly, ARCENT personnel conducting the tiger team assessment stated they had no previous experience or training in ICASS. Rotational military personnel responsible for managing ICASS in Iraq should receive ICASS training before deployment, as required by the 6 FAH-5, to ensure that shared costs of administrative support services are appropriately calculated and distributed. During the audit, we suggested that ARCENT and CJTF-OIR require predeployment ICASS training for personnel responsible for implementing ICASS in Iraq.

## ARCENT Did Not Identify a Process Owner for ICASS

ARCENT and CJTF-OIR did not determine who would be responsible for ICASS implementation in Iraq. ARCENT had operational control of CJTF-OIR until September 22, 2015, when U.S. Army III Corps assumed OIR command. The transfer of authority resulted in confusion between ARCENT and CJTF-OIR about who would be responsible for implementing ICASS.

Establishing an ICASS process owner is the first step toward effective ICASS operations in Iraq. The ICASS process owner should develop standard operating procedures (SOPs) that assign roles and responsibilities for critical ICASS processes, require participation in the post ICASS BC and council, and require ICASS training before deployment. During the audit, we suggested that ARCENT and CJTF-OIR determine the ICASS process owner.

## DoD Has an Increased Risk of Overpayment for Support in Iraq

Until long-term ICASS controls are established, ARCENT has a high risk of overpaying for ICASS services in Iraq. Understanding how to determine workload counts and modification levels is essential to paying the proper amount for ICASS services. When ARCENT received its FY 2015 partial-year ICASS invoice, it did not understand the methods DoS used to determine the total invoice amount of \$19.2 million. ARCENT officials had not been trained on ICASS processes, had not attended post BC meetings, and did not have procedures to establish workload counts and modifications levels.

ARCENT officials had not been trained on ICASS processes, had not attended post BC meetings, and did not have procedures to establish workload counts and modifications levels.

## Management Actions Taken

On November 7, 2015, we advised the ARCENT Deputy Chief of Staff that the temporary measures ARCENT enacted did not establish controls over the shared cost of administrative functions in Iraq after FY 2016. Specifically, we suggested the need for ARCENT or CJTF-OIR to:

- take responsibility for ICASS implementation, including establishing SOPs to develop controls to determine and verify ICASS modification levels and workload counts;

- designate representatives to participate in the post ICASS BC and council; and
- require training for deploying units so they fully understand their roles and responsibilities for ICASS.

ARCENT's Deputy Chief of Staff agreed with our observations and immediately initiated steps to implement our suggested corrective actions. Specifically, in November 2015, ARCENT's Deputy G8 stated that ARCENT would take ownership of ICASS implementation in Iraq. In December 2015, ARCENT developed an SOP in which it formally accepted responsibility for ICASS implementation.

The SOP addressed ICASS roles and responsibilities, and timeframes for determining and verifying ICASS modification levels and workload counts. The SOP also required CJTF-OIR to participate in all required ICASS meetings and required ICASS training for deploying units. For example, the next deploying unit (101st Airborne Division) attended a DoS operational orientation in January 2016, which included ICASS implementation. The training ensured the rotational units responsible for ICASS implementation in Iraq were familiar with ICASS and their roles and responsibilities for ICASS implementation. The management actions taken during the audit addressed our suggestions, so we are not making any recommendations.

## Appendix

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### Scope and Methodology

We conducted this performance audit from September 2015 through February 2016 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 met with the DoD Embassy and Consulate Services office and reviewed DoD Instruction 7060.06 and the DoS 6 FAH-5 to gain a better understanding of ICASS.

We attended weekly DoS/DoD Iraq coordination working group meetings, during which DoS/DoD officials discussed the status of ICASS implementation in Iraq and other Iraq DoS/DoD issues. Furthermore, we met with the DoS Senior Financial Advisor for Iraq and other DoS officials to gain a better understanding of ICASS implementation in Iraq. We visited Camp Arifjan, Kuwait, and interviewed officials from ARCENT, CJTF-OIR, and Combined Joint Forces Land Component Command Iraq to determine whether controls were in place to effectively manage the shared cost of administrative support functions in Iraq. Specifically, we met officials to learn about ICASS, the roles and responsibilities related to ICASS, and the methodology used by the tiger team to determine the modification levels and workload counts for FY 2016. We also obtained ARCENT's interagency agreement, memorandum of understanding, and ICASS SOP. We reviewed the SOP to ensure it was in accordance with DoD Instruction 7060.06. We also provided our report to the Department of State for its review, and it had no comments in response.

### Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

### Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) issued two reports discussing shared cost of administrative support functions. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

***DoD IG***

Report No. DODIG-2012-117, "DoD Needs to Improve Controls Over Economy Act Orders with U.S. Agency for International Development," August 14, 2012

Report No. D-2011-102, "Afghan National Police Training Program Would Benefit From Better Compliance With The Economy Act And Reimbursable Agreements," August 25, 2011

## Acronyms and Abbreviations

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<b>ARCENT</b>	U.S. Army Central
<b>CJTF-OIR</b>	Combined Joint Task Force–Operation Inherent Resolve
<b>FAH</b>	Foreign Affairs Handbook
<b>ICASS</b>	International Cooperative Administrative Support Services
<b>SOP</b>	Standard Operating Procedures
<b>SoS</b>	Subscription of Services



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