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May 13, 2003

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# Acquisition

Use and Control of Military  
Interdepartmental Purchase  
Requests at the Air Force  
Pentagon Communications Agency  
(D-2003-090)

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Department of Defense  
Office of the Inspector General

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*Quality*

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## Report Documentation Page

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### **Acronyms**

ABSS	Automated Business Services System
AFPCA	Air Force Pentagon Communications Agency
CISS	Center for Information Security Services
CSRD	Computer Systems Requirements Document
DFARS	Defense Federal Acquisition Regulation Supplement
FMR	Financial Management Regulation
GSA	General Services Administration
LAN	Local Area Network
MIPR	Military Interdepartmental Purchase Request
O&M	Operations and Maintenance
SOW	Statement of Work
ULO	Unliquidated Obligation



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May 13, 2003

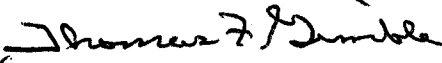
MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Report on the Use and Control of Military Interdepartmental Purchase  
Requests at the Air Force Pentagon Communications Agency  
(Report No. D-2003-090)

We are providing this report for review and comment. We considered management comments on a draft of this report when preparing the final report. This report is one in a series about the use and control of military interdepartmental purchase requests. This final report discusses three potential violations of the Antideficiency Act. In accordance with DoD Financial Management Regulation 7000.14-R, volume 14, chapter 3.C., action to review the potential violations must be initiated within 10 days of report receipt.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Air Force Pentagon Communications Agency comments were partially responsive. We request additional comments on Recommendation B.1. by July 14, 2003. If possible, please send management comments in electronic format (Adobe Acrobat only) to [audcm@dodig.osd.mil](mailto:audcm@dodig.osd.mil). Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the classified SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Terry L. McKinney at (703) 604-9288 (DSN 664-9288) or Mr. Eric B. Edwards at (703) 604-9219 (DSN 664-9219). See Appendix D for the report distribution. The team members are listed inside the back cover.

  
David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

## Office of the Inspector General of the Department of Defense

Report No. D-2003-090

May 13, 2003

(Project Number D2001CH-0032.003)

### Use and Control of Military Interdepartmental Purchase Requests at the Air Force Pentagon Communications Agency

#### Executive Summary

**Who Should Read This Report and Why?** Officials of the Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller) should read this report because it discusses the need to develop and implement standard operating procedures for processing and managing military interdepartmental purchase requests.

**Background.** This report is the third in a series of reports on the use and control of military interdepartmental purchase requests. This report discusses management of military interdepartmental purchase requests at the Air Force Pentagon Communications Agency. The Air Force Pentagon Communications Agency provides information system services and capabilities for Headquarters, Air Force; Office of the Secretary of Defense; and Joint Staff for military operations and missions. The Air Force Pentagon Communications Agency develops information technology solutions, supplies information assurance programs and operations, offers software consultation, and provides life-cycle support services for operation and maintenance of Headquarters, Air Force desktop computers.

Military interdepartmental purchase requests are the primary documents DoD Components use to order goods or services from other DoD Components as well as other Government activities outside the DoD. During FY 2001, the Air Force Pentagon Communications Agency issued 87 military interdepartmental purchase requests, valued at about \$12.9 million, to the General Services Administration. We reviewed 36 military interdepartmental purchase requests valued at about \$9.5 million, of which 24 valued at about \$7.1 million were for FY 2001 and 12 valued at about \$2.4 million originated between FY 1997 and FY 2000.

**Results.** The Air Force Pentagon Communications Agency did not comply with the Defense Federal Acquisition Regulation Supplement and did not have adequate policies and procedures for processing and funding military interdepartmental purchase requests. The audit showed a lack of defined requirements for 8 military interdepartmental purchase requests valued at about \$1.7 million; 5 military interdepartmental purchase requests valued at about \$1.9 million that had no support for the cost basis of the military interdepartmental purchase request; and 31 military interdepartmental purchase requests valued at about \$8.0 million that did not specify the period of performance for the services or equipment being acquired. Also, the Air Force Pentagon Communications Agency had either inadequate or no interagency support agreements in effect with the General Services Administration offices. Further, the Air Force Pentagon Communications Agency officials did not adequately document triannual reviews of Agency unliquidated obligations that involved military interdepartmental purchase

requests. As a result, the Air Force Pentagon Communications Agency did not effectively manage its funds relating to military interdepartmental purchase requests and funds available for other missions and needs may have been lost. The Commander, Air Force Pentagon Communications Agency should comply with the Defense Federal Regulation Acquisition Supplement guidance and implement management control procedures that specifically identify the method for identifying agency documentation used to support a military interdepartmental purchase request. Compliance with guidance will preclude issuance of military interdepartmental purchase requests without support of statements of work, cost estimates, and other planning documents. Also, the Air Force Pentagon Communications Agency should comply with Financial Management Regulation guidance on triannual reviews and maintain written justification support for validity decisions on triannual review outstanding unliquidated obligations. The justification will ensure the basis for the validity decisions are available for management or an independent review. (finding A)

The Air Force Pentagon Communications Agency inappropriately used about \$1.7 million in operations and maintenance funds rather than procurement funds when purchasing information technology. As a result, the Air Force Pentagon Communications Agency may have incurred potential Antideficiency Act violations. To ensure proper use of appropriated funds, the Commander, Air Force Pentagon Communications Agency should conduct a preliminary review of the three potential Antideficiency Act violations. If violations of the Act are confirmed, the Commander should comply with the reporting requirements in DoD Financial Management Regulation 7000.14-R, volume 14, "Administrative Control of Funds and Antideficiency Act violations." (finding B)

A material management control weakness on the planning and funding of military interdepartmental purchase requests will be resolved with implementation of report recommendations.

**Management Comments.** The Deputy Chief of Staff, Installations and Logistics, U.S. Air Force concurred with the recommendations to improve the Air Force Pentagon Communications Agency development and management of MIPRs according to DoD regulations. The Deputy Chief of Staff partially concurred with the recommendation to conduct a preliminary review of potential Antideficiency Act violations for three MIPRs by agreeing to conduct a review of MIPR NMIPR0097927756. He believed a preliminary review of MIPRs MIPR999207724 and MIPR019209420 were unnecessary because the items purchased were expense items and the use of operation and maintenance funds was appropriate. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

**Audit Response.** The comments by the Deputy Chief of Staff for Installations and Logistics were partially responsive. We disagree that initiation of a preliminary review into the circumstances relating to the two MIPRs is not warranted. Such a review as a minimum would more clearly disclose the facts relating to each of the purchases. Accordingly, we ask that the Deputy Chief of Staff reconsider his position on Recommendation B.1. and provide additional comments by July 14, 2003.

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## Background

The report is one in a series on military interdepartmental purchase requests (MIPRs) within DoD. This report discusses MIPRs the Air Force Pentagon Communications Agency (AFPCA) issued to the General Services Administration (GSA) for acquisition of information technology services or equipment.

**Military Interdepartmental Purchase Requests.** The DoD uses MIPRs as the primary document to order goods or services from other DoD Components or non-DoD Federal activities. MIPRs are prepared on a DD Form 448, "Military Interdepartmental Purchase Request," and include a description of the supplies or services requested, unit price, total price, period of performance, and fund cite. The MIPRs can be accepted as either a reimbursable or as a direct cite. For a reimbursable order, however, the ordering organization should record an obligation at the time of acceptance. During FY 2001, AFPCA reported issuing 169 MIPRs with a total value of about \$38.4 million. AFPCA issued 87 MIPRs to GSA, comprising 71 Operations and Maintenance (O&M) funded acquisitions for about \$8.8 million and 16 procurement-funded acquisitions for \$4.1 million.

**Air Force Pentagon Communications Agency Mission.** The AFPCA provides information system services and capabilities for Headquarters, Air Force and the Office of the Secretary of Defense and Joint Staff for military operations and missions. AFPCA develops information technology solutions, supplies information assurance programs and operations, offers software consultation, and provides life-cycle support services for the operation and maintenance of Headquarters, Air Force desktop computers. In addition, AFPCA provides network security for the Air Force Pentagon network that ensures the availability, integrity, and confidentiality of information critical to Air Force operations in the Pentagon. AFPCA also develops, implements, maintains, and monitors computer-based interactive information systems that support resource analysis and analyses for strategic, general purpose, and regional programs of the Office of the Secretary of Defense. AFPCA consists of 759 employees with operating budgets of \$81.2 million and \$92.0 million, respectively, for FY 2001 and FY 2002.

**Intragovernmental Support.** DoD may enter into interagency agreements with other Federal activities when a supplying activity is able to provide the support and a determination is approved by the organization head ordering the support. Interagency agreements consist of the purpose, scope, responsibilities, duration, payment methods, and points of contact. AFPCA interagency agreements with GSA permitted GSA to procure on behalf of AFPCA information technology hardware, software, and related services from third parties.

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## **Objectives**

The audit objective was to evaluate whether MIPR policies and procedures were adequate. We also reviewed the management control program as it related to the primary audit objective. See Appendix A for a discussion of the scope and methodology and the review of the management control program.

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## A. Management of Military Interdepartmental Purchase Requests

Management controls over MIPRs at AFPCA needed improvement. Of 36 AFPCA MIPRs, valued at about \$9.5 million, reviewed:

- 8 MIPRs, valued at about \$1.7 million, contained general requirements not supported by documentation;
- 5 MIPRs, valued at about \$1.9 million, had no documentation that could support the amount of each MIPR; and
- 31 MIPRs, valued at about \$8.0 million, did not specify either the period of performance for services or the equipment being acquired.

Also, AFPCA had either inadequate or no interagency support agreements in effect with GSA offices. In addition, AFPCA finance officials performed inadequately documented reviews of AFPCA unliquidated obligations. The conditions existed because the AFPCA did not have standard procedures for processing and managing MIPRs, did not provide sufficient training to AFPCA personnel on handling MIPRs, and had no internal management controls that addressed MIPRs. As a result, AFPCA did not effectively manage its MIPR funds and may have lost funds that could have been made available for other priorities.

### Criteria

**MIPR Policy.** In the absence of other specific statutory authority, section 1535, title 31, United States Code (31 U.S.C. 1535) governs interagency acquisitions. That section is also known as the Economy Act. Section 1501, title 31 of the United States Code provides criteria for recording obligations of Government funds. The guidance, “Documentary Evidence Requirement for Government Obligations,” requires that an amount shall be recorded as an obligation of the U.S. Government only when supported by documentary evidence of a binding agreement between two agencies and used for specific goods to be delivered, or work or services provided.

**Federal Acquisition Regulation Subpart 17.5 – Interagency Acquisitions Under the Economy Act.** An order may be placed on any form or document acceptable to both agencies. The order should include the following information:

- description of supplies or services required,
- delivery requirements,
- funds citation,

- 
- payment provisions, and
  - acquisition authority.

DoD Financial Management Regulation (FMR) 7000.14-R, volume 11A, chapter 3, April 2000, stipulates the same items required as listed in Federal Acquisition Regulation, Subpart 17.5. The Defense Federal Acquisition Regulation Supplement (DFARS) 208.7005 refers to DFARS 253.208 for instructions on preparing and using DD Form 448. The DFARS 253.208-1, “DD Form 448, Military Interdepartmental Purchase Request,” contains requirements for the MIPR.

## **AFPCA Management Control of MIPRs**

**Basis for MIPR.** AFPCA develops MIPRs in each of its major directorates, which results in variations of information included in the MIPRs. AFPCA MIPRs did not contain adequate descriptions that explained the services and equipment the MIPR funds were designated to acquire. Section 1501, title 31 of the United States Code requires a binding agreement in writing. That agreement is required to be executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or services provided.

Of 36 MIPRs reviewed, the MIPR support lacked consistency as follows:

- 8 MIPRs did not contain a statement of work (SOW) or the required AFPCA computer systems requirements document (CSRD) to define the requirement.
- 28 MIPRs had documentation supported by either a SOW or a CSRD but not both.
- 2 MIPRs referenced only the CSRD.
- None of the MIPRs referenced the SOWs on the MIPR form (DD Form 448).

The SOW and CSRD provide increased justification for the MIPR by describing, more specifically, equipment or services. A MIPR reference to the SOW and CSRD will improve fulfillment of the Government obligation documentary evidence requirement. We believe the MIPR description should include a sufficient explanation of the requirement and refer to supporting documentation. See Appendix C for a summary of the AFPCA MIPRs selected for review.

**Basis for MIPR Funding.** AFPCA did not consistently maintain the cost data or contractor cost proposals that would support the basis for the MIPR funding requirements. The MIPRs should provide the cost support; and we believe the MIPR description should explain whether funding is in support of a new requirement, incremental funding, or exercising an option on an existing contract. AFPCA project officers did not know the reason why documentation was not available to support MIPR amounts. We believe that identifying the basis for the cost to justify the MIPR funding required will strengthen AFPCA management controls. Of the 36 MIPRs reviewed, the basis for the amounts shown in 5 MIPRs was unavailable. (Table 1)

**Table 1. MIPRs with Unsupported Cost Basis**

<u>MIPR Number</u>	<u>Date Issued</u>	<u>Amount</u>
MIPR019209071	Jun 7, 2001	\$695,283
MIPR019209072	Dec 15, 2000	\$201,035
MIPR019209213	Sept 28, 2000	\$100,000
MIPR019209385	Sept 19, 2001	\$175,000
MIPR029209420	Sept 27, 2001	\$764,200

**Period of Performance.** AFPCA did not consistently report the period of performance in the MIPRs, as required by DFARS. DFARS 253.208-1 requires that delivery schedule data are included on the MIPR. The requiring department must clearly state for each MIPR the required time of delivery or performance in each MIPR, ensuring that normal administrative lead time of the particular commodity is considered. The delivery and performance schedules on MIPRs must be realistic. For the 36 MIPRs reviewed, 31 did not include the period of performance on the DD Form 448. Also, 16 of the 36 MIPRs could have easily contained the period of performance because the data were included in the SOW.

**Record Retention.** AFPCA personnel who monitored MIPR funds for projects did not consistently demonstrate a clear understanding of the record retention requirements applicable to MIPRs. Air Force Instruction 37-138, "Records Disposition Procedures and Responsibilities," March 31, 1994, refers to Air Force Manual 37-139, "Records," March 1, 1996, for record retention standards. Air Force Manual 37-139 requires that MIPRs be destroyed 2 years after the project contract is closed. Records that might have supported the 36 MIPRs reviewed were either missing or destroyed. We believe that AFPCA should establish controls requiring that the Air Force record retention policy is implemented according to Air Force policy.

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## Triannual Reviews

**Unliquidated Obligation.** Unliquidated obligations (ULOs) are outstanding obligations or liabilities in Government accounting records. A review of ULOs can require extensive research and coordination. When an agency pays for services or equipment, the expenditure is matched to the ULO in the accounting records. A dormant ULO is an obligation with no activity against the funds beyond 120 days. Financial managers must be proactively involved in managing and clearing ULOs. Managing and clearing ULOs is a recurring requirement because certain appropriations are canceled or expire on September 30 of each year.

**DoD Financial Management Regulation Guidance.** DoD FMR 7000.14-R, volume 3, “chapter 8, “Standards for Recording and Reviewing Commitments and Obligations,” November 2000, requires that fund holders review commitment and obligation transactions for timeliness, accuracy, and completeness three times during each fiscal year. The requirement for the review applies to all of the appropriations and funds for the DoD Components. The fund holder, AFPCA Finance office, is responsible for ensuring that proprietary and budgetary accounts are valid, accurate, and reconcilable. The transaction media must be such that the review can be documented and individual transactions can be annotated if the review reveals further action is required. Also, fund holders are required to maintain documentation for 24 months following completion of the review that is sufficient to permit independent organizations, such as the Office of the Inspector General of the Department of Defense or the DoD Component Audit Agency, to verify the reviews were accomplished as required.

**Documentation of Triannual Review.** As a fund holder, the AFPCA Finance office could not provide sufficient support for its decision to categorize MIPRs as valid, accurate, and reconciled in the triannual reviews. We judgmentally reviewed the triannual review report data that contained AFPCA MIPRs for three different periods as follows:

- FY 2001 3<sup>rd</sup> period high dollar ULOs,
- FY 2002 1<sup>st</sup> period dormant obligations, and
- FY 2002 2<sup>nd</sup> period high dollar ULOs.

Triannual reviews cover periods October through January, February through May, and June through September of each fiscal year. From our judgmental sample of 36 MIPRs reported on the 3 triannual reviews, we identified 4 MIPRs, reported as either a dormant obligation or high dollar ULO and each greater than \$50,000. The triannual review contains separate reporting for dormant obligations and high dollar ULOs. The triannual review reports a document identification number used to identify the MIPR number, the ULO balance, an amount paid out against the obligation in the current fiscal year, and other coding information applicable to the fund cite. To verify the basis for their resolution, we reviewed the AFPCA actions for reported dormant obligations and high dollar MIPRs. AFPCA categorized the four MIPRs as valid obligations. (Table 2)

**Table 2. AFPCA Triannual Review Results**

<u>MIPR</u>	<u>ULO Amt</u>	<u>Period</u>	<u>ULO Status</u>
NMIPR019209071	\$695,283	FY 01 3 <sup>rd</sup> period	Valid
NMIPR019209413	\$201,000	FY 02 2 <sup>nd</sup> period	Valid
NMIPR019209420	\$764,200	FY 02 2 <sup>nd</sup> period	Valid
NMIPR019209213	\$100,000	FY 02 2 <sup>nd</sup> period	Valid

To each outstanding ULO, AFPCA assigns a letter code that designates its current status. No written explanation that supports the basis for the determination is provided. Without an explanation, independent assessment is inhibited and may result in an improper basis for resolving outstanding ULOs in the triannual reviews. The potential for the latter could occur if reliance is solely on GSA fund status without checking with the AFPCA contracting officer technical representatives or with the Defense Finance and Accounting Service. AFPCA sent MIPRs to various GSA activities to obtain services and equipment. For MIPRs sent to the GSA Center for Information Security Services (CISS), CISS periodically combines funds from MIPRs under one GSA account, which results in an inability to assess whether the funds are still needed. Auditors were informed that as part of the triannual review, GSA may be contacted to determine the validity of a dormant obligation. GSA CISS tracking of MIPRs does not consistently allow for identifying a specific MIPR ULO balance. AFPCA should document work performed to provide a basis for the validity of the ULOs reported in the triannual reviews. The AFPCA triannual reviews of the three ULO reports we examined were signed by AFPCA Financial Management; however, AFPCA did not maintain documentation of followup work performed that would enable verification of assessment decisions made on AFPCA MIPRs reported as part of the triannual reviews. Improved documentation will provide DoD management and outside reviewers with the ability to evaluate the accuracy and reliability of the triannual reviews. Without detailed evaluations, funds that could have been used for other priorities may be lost.

## **Interagency Agreement between AFPCA and GSA**

**Interagency Agreement.** Only two of four GSA activities that received AFPCA MIPRs from our judgmental sample had an interagency agreement in effect. Of the 36 judgmentally sampled MIPRs, 15 MIPRs were assigned to the GSA Heartland Region, 17 MIPRs to the CISS, 2 MIPRs to the Federal Systems Integration and Management Center, and 2 MIPRs to the Office of Information Technology Solutions. The GSA Heartland Region and the Federal Systems

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Integration and Management Center had an interagency agreement in effect. The purpose of the interagency agreements was to establish terms and conditions by which information technology acquisition services would be provided.

**DoD Policy on Intragovernmental Support.** DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” August 9, 1995, implements policy, procedures, and responsibilities for intragovernmental support as a result of agreements among Federal Government activities. DoD activities may enter into interagency agreements with non-DoD Federal activities when funding is available to pay for the support, the agreement is in the best interest of the Government, the supplying activity is able to provide the support, the support cannot be provided as conveniently or cheaply by a commercial enterprise, and the agreement does not conflict with any other agency’s authority. Determinations must be approved by the head of the major organizational unit ordering the support and attached to the agreement.

**Interagency Agreement Provisions.** The interagency agreements did not include determinations and the billing and disbursement process as DoD Instruction 4000.19 requires. The interagency agreement between AFPCA and the GSA Heartland Region was not complete and provisions of the agreement were not enforced. For example, AFPCA did not conduct a post-audit review nor was one planned as stipulated in the agreement. The agreement lacks the detail sufficient to cover the scope of a post-audit review, such as specifying who will perform the review and dates to be performed. AFPCA should develop support agreements for all GSA activities that cover their intragovernmental business. The agreements should identify the terms and conditions for services provided and establish provisions that will account for financial activity by requiring a description of the billing and disbursement process. We believe explicit terms and conditions established within an agreement that is fully implemented will result in increased accountability of MIPR funds by AFPCA over its intragovernmental activities.

## Lack of Procedures

AFPCA did not have internal procedures that described the method for completing a MIPR that would ensure the MIPR was complete and supported. Also, AFPCA had no established procedures that described a method for resolving outstanding ULOs that arise in the triannual reviews. MIPR training addressing requirements to complete a MIPR was insufficient. The AFPCA uses the Automated Business Services System (ABSS), an Air Force standard system for processing financial documentation, to develop a DD Form 448. Although AFPCA personnel received ABSS training, our review of the ABSS instructions relied upon for completing a MIPR did not reference applicable DoD guidance. Also, MIPRs were developed in different offices within AFPCA and personnel did not have a consistent understanding of how to develop and process MIPRs. AFPCA personnel have relied on others for explaining how to complete a MIPR or to develop the MIPR in the absence of detailed instructions and limited training.

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## **Conclusion**

AFPCA does not have internal procedures to develop and process MIPRs and to certify triannual reviews. The lack of a standardized process for developing MIPRs contributes to an environment where the potential exists for AFPCA to issue MIPRs that lack an adequate definition of the requirement, the period of performance, and a basis for the cost of the MIPR requirement. Also, the lack of documentation that supports the resolution of outstanding ULOs identified in triannual reviews limits oversight to ensure funds are still required to support projects. The AFPCA management control program did not include a review of MIPRs to assess their process. The combination of those conditions results in an increased risk in the development and tracking of MIPRs and an increased risk to the management of funds relating to MIPRs.

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

**A. We recommend the Commander, Air Force Pentagon Communications Agency:**

**1. Comply with Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement policy for developing military interdepartmental purchase requests and develop procedures that implement section 1501, title 31, United States Code for identifying agency support for a military interdepartmental purchase request.**

**2. Develop standard operating procedures for processing and managing military interdepartmental purchase requests.**

**3. Comply with DoD Financial Management Regulation 7000.14-R, volume 3, chapter 8 for performing and documenting triannual validation reviews of unliquidated obligations and develop management control procedures that implement the Financial Management Regulation to specifically include that written justification support is maintained.**

**4. Establish training for developing and processing military interdepartmental purchase requests.**

**5. Establish and implement interagency agreements with activities receiving military interdepartmental purchase requests from the Air Force Pentagon Communications Agency.**

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**Management Comments.** The Deputy Chief of Staff, Installations and Logistics, U.S. Air Force, concurred with each of the five recommendations designed to improve AFPCA development, processing and management of military interdepartmental purchase requests. The Deputy Chief of Staff agreed to implement the first three recommendations by May 2003 and the last two recommendations by September 2003.

**Audit Response.** The Deputy Chief of Staff's comments are responsive. No further action is necessary.

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## B. Funding of Investment Items

AFPCA obligated about \$1.7 million of O&M funds instead of procurement funds for three MIPRs issued to GSA for information technology. That condition occurred because AFPCA program managers did not always decide which type of funds were to be used by coordinating with the Financial Management Branch or legal counsel. As a result, AFPCA may have incurred three separate Antideficiency Act violations by using the wrong appropriation.

### Funding Guidance

The criterion for using O&M funds is based on the unit cost of a complete system rather than on individual items of equipment or components that, when aggregated, would become a system. The concept of a system must be considered in evaluating the procurement of an individual end item because a system is comprised of a number of components that are part of, and function within, the context of a whole and satisfy a documented requirement. For new requirements that necessitate adding, replacing, or modifying equipment or software that is a component of, or supports the functioning of an existing system, only the additional equipment and software procurement costs will be used when determining whether the procurement costs should be treated as an expense or as investment costs. Existing system upgrades that involve multiple equipment component and software changes combined to address validated system deficiencies or improve system performance are treated as new equipment or system procurement in determining the applicability of the expense and investment criteria.

**O&M Appropriations.** Expenses incurred in continuing operations and current expenses are budgeted in the O&M appropriation. According to DoD FMR 7000.14-R, volume 2A, chapter 1, “General Information,” modernization costs under \$100,000 are considered expenses, as are one-time projects such as developing planning documents and studies. When new requirements necessitate adding, replacing, or modifying equipment or software that is a component of, or supports the functioning of an existing system, the additional equipment and software costs will be used to determine the investment costs. Further, a valid requirement may not be fragmented or acquired in a piecemeal fashion to circumvent the expense and investment criteria policy.

**Procurement Appropriations.** DoD FMR 7000.14-R, volume 2A, contains guidance in designating appropriation funds for procurement of information technology. Acquiring and developing a complete system with a cost of \$100,000 or more is an investment and should be budgeted with procurement appropriations. For system modification efforts, only the cost of the upgrade (for example, new software, hardware, and labor) is counted toward the \$100,000 threshold. The costs will benefit future periods and generally are of a long-term character such as real property. The validated requirement may not be fragmented or acquired in a piecemeal fashion to circumvent the expense and investment criteria policy.

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**Funding Guidance for Local Area Networks.** Air Force Instruction 65-601, volume 1, “Budget Guidance and Procedures,” November 17, 2000, states that Local Area Networks (LANs) consist of any equipment that is integral to the operation of a LAN system. The equipment includes file servers, cable, personal computers, and other support components such as line drivers or multiplexes. The total cost for each LAN system is considered when applying the \$100,000 expense and investment criteria to a procurement action. Additional LAN installation costs (for example, quality assurance, system engineering, equipment installation, and testing) are included in the aggregate cost of equipment items acquired to make the LAN system operate. The expense and investment threshold applies to the aggregate cost of the entire system.

**Definition of Information Technology System.** DoD FMR, volume 2B, chapter 18, “Information Technology and National Security Systems,” June 2000, defines a system as a combination of computer hardware and computer software, data, and telecommunication that performs functions such as collecting, processing, transmitting, and displaying information.

## Planning for Information Technology Projects

AFPCA did not identify or maintain written documentation that supported the basis for use of the designated O&M funds prior to sending the MIPRs to GSA. Of the 36 MIPRs reviewed, we identified the following 3 MIPRs with a total value of about \$1.7 million that should have designated procurement funds.

**NMIPR0097927756.** The MIPR was issued on September 15, 1997, with \$500,000 in O&M funds to provide funding for servers, new server architecture, hard drives, and software, among other information technology components, for the Secretary of the Air Force, Financial Management Branch. AFPCA management did not indicate whether coordination on the use of funds occurred with the Financial Management Branch. Project file records did not indicate whether the new server architecture was to support a new LAN or modify an existing LAN resulting in support of a system. The dollar value of \$500,000 exceeds the \$100,000 expense threshold for LANs that Air Force Instruction 65-601, volume I establishes. The use of O&M funds is inappropriate for new server architecture.

**NMIPR999207724.** The MIPR was issued on September 20, 1999, with \$411,160 in O&M funds to procure LAN installation, information processing equipment, and engineering, services, Web system engineering, and administrative services for AFPCA. AFPCA management did not coordinate with the Financial Management Branch or legal counsel on the designated appropriated funds. Funds were used for several network encryption systems and supporting equipment racks. The resources were for LAN installation. The dollar value of \$411,160 exceeds the \$100,000 expense threshold for LANs that Air Force Instruction 65-601, volume I establishes. Furthermore, the equipment purchase list exceeds the investment criteria of \$100,000, supporting the need to use procurement funds.

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**MIPR019209420.** The MIPR was issued on September 27, 2001, with \$764,200 in O&M funds and was intended for Secret Internet Protocol Router Network LAN installation and information processing equipment for Headquarters, Air Force. The funds were used to acquire information technology equipment such as desktop computers, printers, and connection support equipment. The information technology equipment required the use of procurement funds because the equipment was to be added to an existing network system and, therefore, represented a modification of an existing LAN. The funding decision on the type of appropriated funds to support the project was not documented. In addition, we found no indication of any coordination with legal counsel on the decision to use O&M versus procurement funds. The MIPR was also above the \$100,000 threshold that Air Force Instruction 65-601, volume I establishes.

In addition to the dollar threshold, we considered the expected useful life of the information technology equipment to determine if future periods benefited. The Gartner Group provides research and consulting services required for efficient and effective use of information technology. The Gartner Group establishes industry benchmarks and maintains a proprietary research methodology as well as a diverse client base of both information technology vendors and implementors. The Gartner Group methodology clearly showed that the useful life of personal computer equipment exceeded 1 year. According to the Gartner Group criteria, typically, the useful life determination is:

- 2 to 3 years for network equipment, such as switches and routers,
- 3 years for desktop personal computers,
- 3 years for peripherals such as printers, and
- 5 years for servers.

Useful life is defined as the period during which such equipment provides adequate capability, without substantial upgrade, for the planned workload. Useful life also includes any consideration for repair costs, as well as functionality. The planned equipment acquisition using the MIPR funds would benefit future periods. Accordingly, procurement funds should have been used instead of O&M funds.

## **Funding for Information Technology Projects**

AFPCA internal operating procedures provide, in general, terms for using O&M funds versus procurement funds. Investment funds are used if the single unit of equipment or the total cost of the project exceeds \$100,000 and the acquisition is in support of a system. AFPCA procedures reference the Air Force Instruction 65-601, volume 1. However, no written basis is required for the decision to use O&M funds versus procurement funds. Although AFPCA procedures did not require a written basis, the three MIPRs described did not contain documentation that explained the decision for the appropriation selected. Also, a senior manager who may have provided a basis for the funding decisions

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was no longer available. Further, AFPCA procedures did not require that project officers coordinate with the AFPCA Financial Management Branch to ensure the proper appropriation was used.

## **Potential Antideficiency Act Violations**

Potential Antideficiency Act violations occur when an organization uses funds for the wrong year, wrong appropriation, or has not established a bona fide need for the goods or services. Air Force Instruction 65-608, "Anti-Deficiency Act Violations," May 1, 1998, requires that the Air Force establish and operate a system of administrative controls over appropriated funds. The controls are designed to regulate the management approval levels for obligations given the purpose for which the funds are used. AFPCA failed to develop controls and thus did not properly distinguish between the use of O&M funds versus procurement funds for about \$1.7 million obligated on three MIPRs.

## **Conclusion**

Purchase of the completed software, hardware, and LANs requires the use of procurement funds if the purchase exceeds the \$100,000 investment threshold. To determine whether an investment item exceeds the \$100,000 threshold, the FMR precludes piecemeal procurements. The FMR requires that an organization consider total system cost, rather than the individual component costs of a system, when determining whether to use O&M funds or procurement funds. AFPCA should review whether O&M funds or procurement funds were appropriate for the three MIPRs cited in this audit based on funding guidance established in the FMR, and then make any necessary funding adjustments. In addition, AFPCA should establish controls that require documenting the basis for the type of appropriation used and obtain concurrence from AFPCA Finance to ensure the proper type of funds are designated for MIPRs to be issued.

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

**B. We recommend that the Commander, Air Force Pentagon Communications Agency:**

**1. Conduct a preliminary review for the potential Antideficiency Act violations on NMIPR0097927756 for new server architecture; NMIPR999207724 for local area network installation, information processing equipment, and engineering services; and MIPR019209420 for the Secret Internet Protocol Router Network installation and information processing equipment.**

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**2. Comply with the reporting requirements in DoD Financial Management Regulation 7000.14-R, volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” if any violations occurred.**

**3. Provide a copy of the preliminary review report to the Inspector General of the Department of Defense.**

**4. Comply with DoD FMR 7000.14-R and Air Force Instruction 65-601 guidance for citing an appropriation to fund military interdepartmental purchase requests and obtain concurrence from the Air Force Pentagon Communications Agency, Financial Management Branch.**

**Management Comments.** The Deputy Chief of Staff, Installations and Logistics, U.S. Air Force, partially concurred with the recommendations. A preliminary review has begun for the potential Antideficiency Act violation on MIPR NMIPR0097927756. However, the Deputy Chief of Staff believed that MIPRs NMIPR999207724 and MIPR019209420 were to procure expense items and met the criteria to use operation and maintenance funds.

**Audit Response.** The Deputy Chief of Staff’s comments were partially responsive. AFPCA did not provide additional documentation that supported its position that three separate requirements applied to the NMIPR999207724. AFPCA policy requires a CSRD for each information technology need, but we found only a single CSRD was available to support this requirement. The MIPR MIPR019209420 is in support of Headquarters, Air Force. It was for network connections, computers and other associated purchases for use on the SIPRNET. The information technology equipment has been used in conjunction with this network, resulting in Information Technology purchased equipment operating within a network and not independent in “stand alone” mode. Accordingly, we believe potential violations of the Antideficiency Act still exist and only the initiation of a preliminary review will gather the details and determine if a violation of the Antideficiency Act occurred.

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## Appendix A. Scope and Methodology

We reviewed AFPCA use and control of MIPRs. We reviewed:

- MIPRs that AFPCA issued to examine the MIPR completeness,
- cost basis for contractor proposals and cost estimates that supported each MIPR,
- appropriateness of O&M funds versus procurement funds for information technology acquisitions,
- AFPCA actions to validate unliquidated obligation balances reported in triannual reviews, and
- adequacy of implementation of the AFPCA interagency agreement with the GSA Heartland Region.

We judgmentally selected 36 AFPCA MIPRs, valued at \$9,452,602, sent to GSA. We initially selected 12 out of 33 MIPRs based solely on information obtained from the GSA CISS for FY 1997 through FY 2000. To increase our ability to compare AFPCA use and control of MIPRs, we reviewed another 24 MIPRs out of 169 MIPRs based on a complete list of AFPCA MIPRs sent to GSA, which included other GSA activities aside from GSA CISS for FY 2001. Our selection was primarily based on MIPRs issued close to the end of the fiscal year. We limited our audit scope to AFPCA MIPRs issued to the GSA Information Technology Fund. We performed this audit from October 2001 through November 2002 in accordance with generally accepted government auditing standards. To accomplish the audit objectives, we reviewed AFPCA MIPR requirement and financial cost data, GSA, and the Defense Finance and Accounting Service records. We interviewed AFPCA project officers responsible for managing MIPR transactions and obtained pertinent data relating to the MIPR processing and training, as well as knowledge and awareness of MIPR procedures. We also interviewed AFPCA officials to determine the method of review to resolve triannual review unliquidated obligations. We relied upon the Financial Management Directorate of AFPCA for figures on the budget and staffing.

**Use of Computer-Processed Data.** We obtained a computerized listing of MIPRs from AFPCA for FY 2001. Although we did not perform a reliability assessment of the computer-processed data, we compared the automated data with the data contained on each MIPR DD Form 448 that we examined. The data from both sources agreed. We also obtained computer-based documentation from AFPCA concerning AFPCA ULOs, but did not rely on the data because documentation of how AFPCA resolved ULOs was inadequate. We did not use the data to make projections, conclusions or recommendations.

**Use of Technical Assistance.** We obtained legal assistance from the Office of General Counsel for DoD concerning AFPCA compliance with laws and regulations related to the potential Antideficiency Act violations. Also, the Technical Support Division of the Deputy Inspector General for Auditing

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provided assistance in determining whether purchases of acquisitions of information technology hardware and software resulted in new systems, system modification, or additions to existing systems.

**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the DoD high-risk area identified as “confront and transform pervasive, decades-old financial management problems.”

## Management Control Program Review

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

**Scope of Review of Management Control Program.** We reviewed the adequacy of management controls over MIPRs. Specifically, our assessment examined the management control program to determine the level of coverage of the MIPR process to include how AFPCA plans and funds interagency transactions with GSA.

**Adequacy of Management Controls.** We identified material management control weaknesses for AFPCA, as defined by DoD Instruction 5010.40. AFPCA management controls for planning and funding interagency transactions with GSA did not ensure that planning and cost estimate documents were prepared to support the amount and type of funding used for the interagency transactions with GSA. AFPCA interagency acquisitions using MIPRs were not evaluated to provide assurance of compliance with regulatory requirements. Recommendations A.1., A.2., A.3., A.4., A.5., and B.4., if implemented, will assist in correcting the weaknesses. A copy of this report will be provided to the senior official responsible for management controls in the Air Force.

**Adequacy of Management's Self-Evaluation.** The AFPCA management control program does not include interagency acquisitions using MIPRs as an assessable unit and, therefore, did not identify or report material control weaknesses identified by the audit.

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## **Appendix B. Prior Coverage**

During the last 5 years, the Inspector General of the Department of Defense (IG DoD), the Air Force Audit Agency, and the GSA Inspector General issued reports that discuss DoD funding of procurements for support services and information technology through the GSA Information Technology Fund.

### **IG DoD**

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

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

IG DoD Report No. D-2001-034, "Army Healthcare Enterprise Management System," January 16, 2001

IG DoD Report No. D-2000-104, "Control Over Obligations at Washington Headquarters Services," March 22, 2000

IG DoD Report No. D-2000-063, "Information Technology Funding in the Department of Defense," December 17, 1999

IG DoD Report No. D-2000-030, "Recording Obligations in Official Accounting Records," November 4, 1999

### **Air Force Audit Agency**

AFAA Audit Report, "Use and Control of Military Interdepartmental Purchase Requests," December 11, 2000

AFAA Installation Audit Report, "Military Interdepartmental Purchase Requests, Air Force Flight Test Center, Edwards Air Force Base, California," November 30, 2000

AFAA Installation Audit Report, "Use and Control of Military Interdepartmental Purchase Requests Oklahoma City Air Logistics Center Tinker Air Force Base, Oklahoma," August 3, 2000

AFAA Installation Audit Report, "Use and Control of Military Interdepartmental Purchase Requests at the Air Logistics Centers," May 2, 2000

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AFAA Installation Audit Report, "Use and Control of Military Interdepartmental Purchase Requests at the Air Logistics Centers, Sacramento Air Logistics Center," December 3, 1999

AFAA Audit Report, "Military Interdepartmental Purchase Requests Issued to the General Services Administration, Launch Programs Directorate, Space and Missile Systems Center, Los Angeles Air Force Base, California," March 19, 1997

AFAA Audit Report, "Military Interdepartmental Purchase Requests issued to the General Services Administration, Satellite and Launch Control Systems Program Office, Space and Missile Systems Center, Los Angeles Air Force Base, California," February 10, 1997

AFAA Audit Report, "Military Interdepartmental Purchase Requests issued to the General Services Administration, Defense Meteorological Satellite Program, Space and Missile Systems Center, Los Angeles Air Force Base, California," December 20, 1996

## **General Services Administration**

GSA Inspector General, Report No. A001031, "Review of Center for Information Security Services Federal Technology Service," February 22, 2001

## Appendix C. AFPCA MIPRs Selected for Review

<u>MIPR NUMBER</u>	<u>AMOUNT</u>	<u>MIPR DESCRIPTION</u>	<u>SOW</u>	<u>PERFORM</u>		<u>COST</u>
				<u>CSRD</u>	<u>PERIOD</u>	<u>ESTIMATES</u>
NMIPR999207724	\$ 411,160	To provide funds to Air Force Cable Pull Account	No	No	No	**
MIPR009209084	69,627	Procurement & Installation, Removal of Furniture	Yes	No	No	**
NMIPR0097927695	60,000	Funding for the AFPCA Cable Pulling Account	No	No	No	**
NMIPR0097927756	500,000	Funding for New Sever Architecture	No	No	No	Yes
NMIPR0097927812	184,800	Development of the Single Agency Manager	Yes	No	No	**
NMIPR0097927849	75,000	Funding for the AFPCA Cable Pulling Account	No	Yes	No	**
NMIPR0098927113	780,000	Development of the Single Agency Manager	Yes	No	No	**
NMIPR0098927113 (A1)	30,000	Provide additional funds, Task No. 1	Yes	No	No	**
NMIPR0098927113 (A2)	66,500	Provide additional funds, Task No. 1	Yes	No	No	**
NMIPR0098927113 (A3)	70,188	Provide additional funds, Task No. 1	Yes	No	No	**
NMIPR0098927113 (A4)	31,000	Provide additional funds, Task No. 1	Yes	No	No	**
NMIPR0098927601	108,000	Funding for Lan Installation	No	Yes	No	**
MIPR019209002	727,023	Engineering and Installation Services	Yes	No	No	Yes
MIPR019209011	129,735	Fund Certification and Security Project	Yes	No	No	Yes
MIPR019209061	800,000	Fund Object Web Development	Yes	Yes	No	Yes
MIPR019209061 (A1)	260,000	Funding for Object Web Development	Yes	Yes	No	Yes
MIPR019209061 (A2)	62,000	Funding for Object Web Development	Yes	No	No	Yes
MIPR019209061 (A3)	90,000	Funding for Object Web Development	Yes	Yes	No	Yes
MIPR019209071	695,283	Support National Military Command Center	Yes	No	Yes	No
MIPR019209072	201,036	Support National Military Command Center	No	No	Yes	No
MIPR019209085	76,000	Extend Telos Contract	Yes	No	Yes	Yes
MIPR019209085 (A1)	266,000	Extend Telos Contract	Yes	No	Yes	Yes
MIPR019209105	510,000	Fund AFPCA Service Contract	Yes	No	No	Yes
MIPR019209105 (A1)	194,000	Fund Increase	Yes	No	No	Yes
MIPR019209106	217,768	Fund AFPCA Pickup and Delivery	Yes	No	No	Yes
MIPR019209107	888,698	Technical Engineering and Support of Client	Yes	No	No	Yes
MIPR019209107 (A1)	22,594	Technical Engineering and Support of Client	Yes	No	No	Yes
MIPR019209210	178,994	AFPCA Project Management and Engineering	Yes	No	Yes	Yes
MIPR019209213	100,000	Installation and Management Support	No	Yes	No	No
MIPR019209230	150,000	Procure Constant Vision Software	Yes	No	No	Yes
MIPR019209361	274,684	System Furnishing for National Command Center	No	No	No	Yes
MIPR019209361 (A1)	18,934	Replace Module Furnishings	No	No	No	Yes
MIPR019209361 (A2)	63,378	Fund Increase for Acquisition System Furnishings	No	No	No	Yes
MIPR019209385	175,000	Threat Related Attribution System Migration	Yes	No	No	No
MIPR019209413	201,000	Network Services (Servers, Systems, and Labor)	No	No	No	Yes
MIPR019209420	764,200	"E" Ring Project (Installation and Servers)	No	Yes	No	No
<b>Total</b>	<b>\$9,452,602</b>					
** Incomplete Files						
CSRD - Computer Systems Requirements Document						
SOW - Statement of Work						

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## **Appendix D. Report Distribution**

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

Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Deputy Chief of Staff (Installations and Logistics)  
Commander, Air Force Pentagon Communications Agency  
Auditor General, Department of the Air Force

### **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
Inspector General, General Services Administration

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency and Financial Management,  
Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International  
Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations,  
and the Census, Committee on Government Reform

## Air Force Comments



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON, DC

25 APR 2003

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING  
OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE


FROM: AF/IL

SUBJECT: Response to DoDIG Draft Report, Use and Control of Military Interdepartmental Purchase Requests at the Air Force Pentagon Communications Agency (AFPCA), (Project Code D2001CH-0032.003), dated 5 Feb 2003

This is in reply to your memorandum dated February 5, 2003, requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) to provide Air Force comments on the subject report. Attached are our detailed management comments on your findings and recommendations and the corrective actions we are taking.

In summary, we concur with Finding A, that management control and documentation of Military Interdepartmental Purchase Requests (MIPRs) should be improved within Air Force Pentagon Communications Agency (AFPCA). We partially concur with Finding B, the Funding of Investment Items. As you recommend, we have begun the preliminary review for the potential Antideficiency Act Violation on MIPR NMIPR0097927756. We believe MIPRS NMIPR99207724 and MIPR019209420 meet the criteria for expense items and have provided our management comments on this. Finally, we concur with your comments in Appendix A, Management Control Program Review, to include MIPRs in our Management Control Program.

We appreciate your review of our operations, procedures, and recommendations for improvement. Implementation of these recommendations will strengthen our program. The AFPCA points of contact for this report are Ms. Cortina Barnes, AFPCA/FM, (703) 693-2750, and Mr. Jerry Dobbs, AFPCA/XR, (703) 693-5163.

  
MICHAEL E. ZETTLER  
Lieutenant General, USAF  
DCS/Installations and Logistics

**MANAGEMENT COMMENTS**  
**DoDIG Draft Report, Use and Control of Military Interdepartmental**  
**Purchase Requests at the Air Force Pentagon Communications Agency**  
**(Project Code D2001-CH-0032.003)**

**A. FINDING A - MANAGEMENT OF MILITARY INTERDEPARTMENTAL PURCHASE REQUESTS (MIPRS).** Concur. It is clear that MIPR management controls and documentation need to be improved within the Air Force Pentagon Communications Agency (AFPCA). Corrective actions follow in our response to each recommendation:

1. **RECOMMENDATION 1.** Comply with Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement policy for developing military interdepartmental purchase request and develop procedures that implement section 1501, title 31, United States Code for identifying agency support for a military interdepartmental purchase request.

**MANAGEMENT COMMENTS to RECOMMENDATION 1.** Concur. AFPCA will comply with Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement policy for developing military interdepartmental purchase requests (MIPRs) and will develop procedures that implement section 1501, title 31, United States Code for identifying agency support for MIPRs. The Commander, AFPCA, is issuing a policy memorandum to all Agency personnel to insure that we comply with these regulations. He is also instituting procedures to insure we have obtained agency support for MIPRs. Estimated time of completion and issuance of the policy memorandum and procedures is 30 May 2003.

2. **RECOMMENDATION 2.** Develop standard operating procedures for processing and managing military interdepartmental purchase requests.

**MANAGEMENT COMMENTS to RECOMMENDATION 2.** Concur. The Commander, AFPCA, has directed the AFPCA Financial Management Office to write an Agency Operating Instruction for MIPRs that will be issued to all AFPCA Agency personnel which includes Directors and Deputies, Directorate Financial Points of Contact, Project Officers, and Agency Contract Representatives. The estimated time of completion and issuance of the Agency Operating Instruction for MIPRs is 30 May 2003.

3. **RECOMMENDATION 3.** Comply with DoD Financial Management Regulation 7000.14-R, volume 3, chapter 8 for performing and documenting triannual validation reviews of unliquidated obligations and develop management control procedures that implement the Financial Management Regulation to specifically include that written justification support is maintained.

**MANAGEMENT COMMENTS to RECOMMENDATION 3.** Concur. The Commander, AFPCA, has directed the AFPCA Financial Management Office to develop management control written procedures that include maintaining written justification support. The estimated time of completion for developing written procedures is 30 May 2003.

Concerning compliance with DoD Financial Management Regulation 7000.14-R, volume 3, chapter 8 for performing and documenting triannual validation reviews of unliquidated obligations, please note that the 11th Wing FM (Comptroller), which is a Direct Reporting Unit (similar to a MAJCOM) supports AFPCA and is required to submit "MAJCOM" Certification to the Secretary of the Air Force, Financial Management - Policy (SAF/FMP) following each of the Triannual reviews. (Ref is the DFAS-DE 7220.4-G.) AFPCA acts as a Resource Advisor or Resource Manager under the 11<sup>th</sup> WG/FM (Comptroller). Formal memorandum certifications are not required from Resource Advisors or Resource Managers (such as AFPCA) per Air Force and Defense Finance and Accounting Service (DFAS) - Omaha (OM) and Denver (DE) policy. However, the 11th Wing FM (Comptroller) Triannual Review policy and procedures does involve Resource Advisors or Resource Managers' validation of unliquidated obligations by use of codes and submission of required documents as well as certification (by signature) on the tailored Open Document Lists (ODL). These validated and certified reports serve as the back up to the 11<sup>th</sup> WG/FM (Comptroller) formal Triannual certifications to SAF/FMP, Air Force Accounting and Finance Office (AFAFO) and DFAS-OM.

4. **RECOMMENDATION 4.** Establish training for developing and processing military interdepartmental purchase requests.

**MANAGEMENT COMMENTS to RECOMMENDATION 4. Concur.** The Commander, AFPCA, has directed the AFPCA Financial Management office to develop and begin implementing an on-going training program for MIPRs for AFPCA personnel. Estimated time for completion for development of the training program is 30 May 2003. Estimated time for implementing training of current assigned personnel is 30 September 2003.

5. **RECOMMENDATION 5.** Establish and implement interagency agreements with activities receiving military interdepartmental purchase requests from the Air Force Pentagon Communications Agency.

**MANAGEMENT COMMENTS to RECOMMENDATION 5. Concur.** AFPCA will establish and implement interagency agreements with activities receiving military interdepartmental purchase requests from the Air Force Pentagon Communications Agency. The Commander, AFPCA, has directed the AFPCA Plans and Programs Directorate to establish and implement interagency agreements with all activities that receive MIPRs from AFPCA. The estimated time for completion is 30 September 2003.

**B. FINDING B – FUNDING OF INVESTMENT ITEMS.** We partially concur.

1. **RECOMMENDATION 1.** Conduct a preliminary review for the potential Antideficiency Act violations on NMIPR0097927756 for new server architecture; NMIPR99207724 for local area network installation, information processing equipment, and engineering services; and NMIPR019209420 for the Secret Internet Protocol Routed Network installation and information processing equipment.

**MANAGEMENT COMMENTS to RECOMMENDATION 1.** Partially concur. We reviewed the three MIPRs cited in the report, and have reviewed the documentation the DoDIG used in its audit. As recommended, we have begun the preliminary review for the potential Antideficiency Act Violation on MIPR NMIPR0097927756. For MIPRs NMIPR99207724 and MIPR019209420 we believe these meet the criteria for being expense items.

- **NMIPR0097927756:** In accordance with DoD FMR 7000.14R, Vol 14 a preliminary review has begun. The results of the review will be provided as soon as they are available.

- **NMIPR99920774:** Documentation supporting this MIPR shows funds were used for a least three individual requirements: maintenance and repair of existing cable; purchase of ancillary Information Processing Equipment (IPE) in the form of Network Encryption Devices; and procurement of support engineering for Web services. In accordance with guidance in the DoD FMR and Air Force Instructions, O&M funds should be used for maintenance and repair of existing cable (requirement 1). The IPE equipment list consisted primarily of six network encryption devices valued at \$18,325 each (\$109,950 total). These devices are ancillary IPE (i.e., their primary purpose is to operate independently from a LAN) and were not associated with the cable maintenance nor the Web development. As a result, the expense/investment threshold is applied on a “cost per component” basis, not as an aggregate cost. . Engineering support for Web services is also an expense as defined in the FMR and Air Force Instructions. We have coordinated this interpretation with SAF/FMB and they concur that O&M was the appropriate source of funds.

- **MIPR01929420:** The funds associated with this MIPR were in support of requirements following the September 11<sup>th</sup> attack on the Pentagon. They were not used to modify an existing LAN. They were instead used to extend existing classified network support and implement localized classified personal computers (PCs) to offices located throughout the Pentagon and the National Capital Region. The use of the term SIPRNET (Secret Internet Protocol Routed Network) is a misnomer in the instance of this MIPR. SIPRNET is a worldwide secret-level wide network that interconnects military installations. It is owned and operated by the Defense Information Systems Agency (DISA). Often secret-level personal computers are inaccurately referred to as “SIPRNET PCs” or minor network maintenance additions as “SIPRNET connections”. Each piece of equipment purchased in this MIPR (encryption devices, PCs, printers, etc.) operates independently and does not together make up a LAN. None of them exceed the investment threshold of \$100,000. Additionally, a significant portion of this MIPR represents cabling maintenance which should be O&M funded. SAF/FMB also concurs with this determination.

- **Expected Useful Life of Information Technology Equipment.** The DoDIG draft report states that procurement funds should have been used, in part, on these MIPRs because based on the expected useful life of the equipment purchased (Network Equipment, Personal Computers, peripherals such as printers, and servers) the funds would benefit future periods.

- **Management Comments to Expected Useful Life of Information Technology Equipment;** Investments are generally of a long-term character such as real property or personal property. While these items may be associated with investment monies when purchased as a part of a larger system, this is not the case in the MIPRs cited. These items are complete individual systems that are used primarily to operate independently of a LAN. Each of the systems cost is well below the \$100,000 threshold. (Ref DoD FMR 7000.12-R Vol 2A, Chapter 1, section 010201, B.2; AFI65-601V1, section 4.4.2.6).

2. **RECOMMENDATION 2.** Comply with the reporting requirements in DoD Financial Management Regulation 7000.14-R volume 14, "Administrative Control of Funds and Antideficiency Act Violations," if any violations occurred.

**MANAGEMENT COMMENTS to RECOMMENDATION 2.** Concur. In the event the Preliminary Review determines an Antideficiency Act Violation occurred, we will comply with the reporting requirements.

3. **RECOMMENDATION 3.** Provide a copy of the preliminary review report to the Inspector General of the Department of Defense.

**MANAGEMENT COMMENTS to RECOMMENDATION 3.** Concur. We will provide a copy of the Preliminary Review report to the Inspector General of the Department of Defense.

4. **RECOMMENDATION 4.** Comply with DoD FMR 7000.14-R and Air Force Instruction 65-601 guidance for citing an appropriation to fund military interdepartmental purchase requests and obtain concurrence from the Air Force Pentagon Communications Agency, Financial Management Branch.

**MANAGEMENT COMMENTS to RECOMMENDATION 4.** Concur. We agree that concurrence should be obtained from the AFPCA Financial Management Directorate before citing an appropriation to fund military interdepartmental purchase requests. We will include this our procedures and training on MIPRs.

**C. COMMENTS TO APPENDIX A. MANAGEMENT CONTROL REVIEW** - Concur. As recommended in Appendix A of the DoDIG draft report, we concur that interagency acquisitions using MIPRs should be included as an assessable unit in the AFPCA Management Control Program Review. The Commander, AFPCA, will instruct the AFPCA Directorate of Financial Management to include this item in future reviews.

## **Team Members**

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