

# Inspector General

United States  
Department of Defense



Air Force Use of Global War on Terrorism Supplemental  
Funding Provided for Procurement and Research,  
Development, Test, and Evaluation

| Report Documentation Page                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                    |                                     |                                                           | Form Approved<br>OMB No. 0704-0188                  |                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-----------------------------------------------------------|-----------------------------------------------------|---------------------------------|
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| 1. REPORT DATE<br><b>21 NOV 2007</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                    | 2. REPORT TYPE                      |                                                           | 3. DATES COVERED<br><b>00-00-2007 to 00-00-2007</b> |                                 |
| 4. TITLE AND SUBTITLE<br><b>Air Force Use of Global War on Terrorism Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                    |                                     |                                                           | 5a. CONTRACT NUMBER                                 |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                    |                                     |                                                           | 5b. GRANT NUMBER                                    |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                    |                                     |                                                           | 5c. PROGRAM ELEMENT NUMBER                          |                                 |
| 6. AUTHOR(S)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                    |                                     |                                                           | 5d. PROJECT NUMBER                                  |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                    |                                     |                                                           | 5e. TASK NUMBER                                     |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                    |                                     |                                                           | 5f. WORK UNIT NUMBER                                |                                 |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)<br><b>Department of Defense Inspector General, ODIG-AUD, 400 Army Navy Drive, Arlington, VA, 22202-4704</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                    |                                     |                                                           | 8. PERFORMING ORGANIZATION REPORT NUMBER            |                                 |
| 9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                    |                                     |                                                           | 10. SPONSOR/MONITOR'S ACRONYM(S)                    |                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                    |                                     |                                                           | 11. SPONSOR/MONITOR'S REPORT NUMBER(S)              |                                 |
| 12. DISTRIBUTION/AVAILABILITY STATEMENT<br><b>Approved for public release; distribution unlimited</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                    |                                     |                                                           |                                                     |                                 |
| 13. SUPPLEMENTARY NOTES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                    |                                     |                                                           |                                                     |                                 |
| 14. ABSTRACT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                    |                                     |                                                           |                                                     |                                 |
| 15. SUBJECT TERMS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                    |                                     |                                                           |                                                     |                                 |
| 16. SECURITY CLASSIFICATION OF:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                    |                                     | 17. LIMITATION OF ABSTRACT<br><b>Same as Report (SAR)</b> | 18. NUMBER OF PAGES<br><b>41</b>                    | 19a. NAME OF RESPONSIBLE PERSON |
| a. REPORT<br><b>unclassified</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | b. ABSTRACT<br><b>unclassified</b> | c. THIS PAGE<br><b>unclassified</b> |                                                           |                                                     |                                 |

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### **Acronyms**

|            |                                                                                           |
|------------|-------------------------------------------------------------------------------------------|
| AFAA       | Air Force Audit Agency                                                                    |
| ASAF(FM&C) | Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller) |
| GAO        | Government Accountability Office                                                          |
| GWOT       | Global War on Terrorism                                                                   |
| OUSDC(C)   | Office of the Under Secretary of Defense (Comptroller)                                    |



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

November 21, 2007

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

SUBJECT: Report on Air Force Use of Global War on Terrorism Supplemental Funding  
Provided for Procurement and Research, Development, Test, and Evaluation  
(Report No. D-2008-027)

We are providing this final report for review and comment. This report is the first in a series of reports on DoD's use of Global War on Terrorism supplemental funding. This report addresses the Air Force's financial controls for issuing, identifying, and using Global War on Terrorism supplemental funding. In preparing this report, we considered comments on a draft of this report from the Office of the Under Secretary of Defense (Comptroller) and the Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller).

DoD Directive 7650.3 requires that all recommendations be resolved promptly. As a result of management comments, we revised Recommendation 1. to clarify the intent of the recommendation. In addition, management's comments to Recommendation 2. were only partially responsive to the recommendation. Therefore, we request that the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide comments on Recommendations 1. and 2. by December 21, 2007.

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

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Lisa M. Such at (703) 604-9284 (DSN 664-9284) or Mr. Jack D. Snider at (703) 604-9087 (DSN 664-9087). See Appendix G for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in dark ink, appearing to read "Richard B. Jolliffe", is positioned above the printed name.

Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management



## Department of Defense Office of Inspector General

Report No. D-2008-027

November 21, 2007

(Project No. D2006-D000AE-0241.000)

### Air Force Use of Global War on Terrorism Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation

#### Executive Summary

**Who Should Read This Report and Why?** DoD and Air Force comptroller and budget personnel who are responsible for the accounting and reporting for Global War on Terrorism (GWOT) supplemental funding should read this report. This report discusses management and accounting issues associated with the information reported to Congress concerning the Air Force's use of GWOT funding.

**Background.** This report is the first in a series of reports that addresses the adequacy of DoD financial controls over the use of GWOT supplemental and bridge funding provided for procurement and research, development, test, and evaluation. An additional report in this series will cover the cost of war reporting process. The final report will address the Army, Navy, Marine Corps, Defense-wide agencies, National Guard, and Reserve Components financial controls over their use of GWOT funds.

From August 2002 through December 2005, Congress provided DoD approximately \$28 billion in supplemental funding for unclassified procurement and research, development, test, and evaluation activities for a myriad of efforts throughout the DoD Components in support of GWOT. The Air Force received approximately \$1.5 billion of the \$28 billion; of that, \$1.42 billion was for procurement and \$78 million was for research, development, test, and evaluation activities.

**Results.** We reviewed 28 Air Force sample dollar points to determine whether the sample points were spent for the efforts stipulated by Congress. Of the 28 sample dollar points, we could not determine whether 16 were spent on the efforts stipulated by Congress. Additionally, 1 of the 28 was classified, and 11 were spent for the efforts stipulated by Congress. We also evaluated those 28 Air Force sample dollar points to determine whether the sample points were spent in support of GWOT. Of the 28 sample dollar points, we could not determine whether 17 were spent in support of GWOT. Additionally, 1 of the 28 was classified and 10 were spent in support of GWOT.

As a result of our review of the 28 Air Force sample dollar points, we concluded that the Air Force needs to improve its management and financial controls over the use of GWOT supplemental and bridge funding provided for procurement and research, development, test, and evaluation. Specifically, because the Air Force comptrollers and budget officers did not always include an emergency operations code for supplemental and bridge funds in their accounting classifications, the Air Force financial community did not have a means to ensure that funds placed on contracts were used for the efforts stipulated by Congress. As a result, the Air Force did not have accounting controls to accurately report to Congress its progress in obligating those funds. The Assistant Secretary of the Air Force (Financial Management and Comptroller) should enforce procedures that

require Air Force comptrollers and budget officers to assign emergency operations codes in accounting classifications for GWOT obligations in accordance with Air Force Instruction 65-601, "Financial Management," March 3, 2005. He should also establish procedures to ensure funds can be tracked through the General Accounting and Finance System. (See the Finding section of the report for the detailed recommendations.)

After discussion with the audit team, the Assistant Secretary of the Air Force (Financial Management and Comptroller) issued a memorandum, "Global War on Terrorism (GWOT) Cost of War Reporting," April 3, 2007. The memorandum requires each major command that receives supplemental funding to report monthly on GWOT obligations and expenditures at the line-item level of detail. The memorandum also reiterates the requirement for Air Force comptrollers and budget officers to properly code GWOT funding documentation with emergency operations codes in accounting classifications.

We identified a material internal control weakness regarding inconsistent emergency operations coding of GWOT supplemental and bridge funds. Specifically, this report addresses a systemic financial internal control weakness with regard to the Air Force's process for tracking, controlling, and reporting on the use of supplemental funds provided for GWOT.

**Management Comments and Audit Response.** We received comments from the Principal Deputy Assistant Secretary of the Air Force (Financial Management), responding for the Assistant Secretary of the Air Force (Financial Management and Comptroller); and the Acting Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller).

The Principal Deputy Assistant Secretary of the Air Force (Financial Management) did not specifically concur with the recommendation to enforce procedures for requiring Air Force comptroller and budget officers to assign emergency operations codes in the accounting classification of commitment and obligation documents. He stated that the April 3, 2007, memorandum met the intent of the recommendation and that 99 percent of the FY 2007 GWOT funds were coded properly. However, that memorandum has not resulted in Air Force comptrollers and budget officers properly coding GWOT commitment and obligation documents. From the FY 2007 GWOT supplemental, we reviewed eight transactions that occurred after the April 3, 2007, memorandum was issued. We found, contrary to management comments, that four of those transactions were not coded as required. As a result, we clarified our recommendation to require the enforcement of Air Force policy on the use of emergency operations codes in the accounting classification of commitment and obligation documents.

The Principal Deputy Assistant Secretary also did not specifically concur with the recommendation to establish procedures requiring Air Force comptroller and budget officers to separate GWOT appropriations by conference report line item. His comments were partially responsive to the recommendation but did not address an effective means of ensuring that conference report line items are kept separate in budget authorization documents.

Although not required to respond, the Acting Deputy Chief Financial Officer also provided comments on the finding in this report. In response to those comments, we revised the report to include additional requirements stipulated by an update of the DoD Financial Management Regulation concerning emergency operations coding and alternate

methodologies for accounting for costs. We also modified the report to include additional explanation regarding combining of conference report line items in budget authorization documents. (See the Finding section of the report for a discussion of the management comments and the Management Comments section of the report for the complete text of the comments.)

We request that the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide comments on the final report by December 21, 2007.



# Table of Contents

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|                                                                                                               |    |
|---------------------------------------------------------------------------------------------------------------|----|
| <b>Executive Summary</b>                                                                                      | i  |
| <b>Background</b>                                                                                             | 1  |
| <b>Objectives</b>                                                                                             | 2  |
| <b>Review of Internal Controls</b>                                                                            | 2  |
| <b>Air Force Results</b>                                                                                      | 3  |
| <b>Finding</b>                                                                                                |    |
| Differentiating Appropriated Funds                                                                            | 4  |
| <b>Appendixes</b>                                                                                             |    |
| A. Scope and Methodology                                                                                      | 10 |
| B. Prior Coverage                                                                                             | 14 |
| C. Glossary                                                                                                   | 15 |
| D. Apportionment Process for Supplemental and Bridge Funds                                                    | 18 |
| E. Assistant Secretary of the Air Force (Financial Management and<br>Comptroller) Memorandum of Actions Taken | 21 |
| F. Statistical Sampling Methodology                                                                           | 22 |
| G. Report Distribution                                                                                        | 24 |
| <b>Management Comments</b>                                                                                    |    |
| Under Secretary of Defense (Comptroller)                                                                      | 27 |
| Department of the Air Force                                                                                   | 29 |



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## Background

This report is the first in a series of reports on the adequacy of DoD financial controls over the use of Global War on Terrorism (GWOT) supplemental funding provided for procurement and research, development, test, and evaluation. This report addresses the Air Force's financial controls for issuing, identifying, and using GWOT supplemental funding. An additional report in this series will cover the cost of war reporting process. The final report will address the Army, Navy, Marine Corps, Defense-wide agencies, National Guard, and Reserve Components financial controls over their use of GWOT funds.

**Global War on Terrorism.** Following the terrorist attacks of September 11, 2001, the United States initiated military operations to combat terrorism in the United States, Iraq, and Afghanistan. Military operations related to Iraq and Afghanistan are known as Operation Iraqi Freedom and Operation Enduring Freedom, respectively. Efforts to defend the United States from further terrorist attacks are referred to as Operation Noble Eagle. These operations are collectively referred to as GWOT. The Office of the Under Secretary of Defense (Comptroller) (OUSD[C]) considers GWOT a contingency operation and requests funding from Congress for GWOT through emergency supplemental and bridge appropriations.

**Funding Provided for the Global War on Terrorism.** In response to DoD requests for GWOT funding to cover the extra costs associated with conducting operations in support of GWOT, Congress enacts supplemental appropriations. Supplemental appropriations are additional budget authority given to DoD beyond original annual estimates for DoD programs or activities that are too urgent to be postponed until the next regular appropriation. Bridge funds are funds contained within an annual appropriation that front war-related costs for the coming fiscal year until supplemental appropriations are made available.

From August 2002 through December 2005, Congress provided DoD approximately \$28 billion in supplemental funding for unclassified procurement and research, development, test, and evaluation activities. The Air Force received approximately \$1.5 billion of the \$28 billion; of that, \$1.42 billion was for procurement and \$78 million was for research, development, test, and evaluation activities.

**Apportionment Process.** OUSD(C) issues an apportionment request for supplemental funding to the Office of Management and Budget. The Office of Management and Budget reviews and approves the request and forwards it to the OUSD(C), Investment Directorate for disbursement of the funds to the DoD Components. Within the Air Force, the Office of the Assistant Secretary of the Air Force (Acquisition) receives those funds and subsequently releases them to the Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller) (ASAF[FM&C]). The ASAF(FM&C) then allocates the supplemental funds to the major commands, which allot those funds to the appropriate program offices. The budget analysts within each program office

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enter the budget information into their accounting systems to allow the funds to be committed and obligated. A flowchart of the entire process can be found in Appendix D of this report.

**Air Force Accounting System.** The Air Force uses the General Accounting and Finance System as its official accounting system. The Air Force uses a database called the Commander's Resource Integration System to query the General Accounting and Finance System and to provide users with analytical tools, such as reports.

**Defense Finance and Accounting Service Indianapolis and Cost of War Reporting.** Defense Finance and Accounting Service Indianapolis is responsible for preparing budget execution reports as required by the DoD financial management regulations. One of the reports compiled by the Defense Finance and Accounting Service is a monthly status report known as the "Supplemental and Cost of War Execution Report." This report includes information on amounts DoD Components obligated for contingency operations and is submitted to Congress.

## Objectives

The primary audit objective was to evaluate the adequacy of Air Force financial controls over the use of Global War on Terrorism supplemental funding provided for procurement and research, development, test, and evaluation. We also determined whether the funds were placed on contracts and used for the purposes stipulated by Congress. See Appendix A for a discussion of the scope and methodology and Appendix B for a discussion of prior coverage related to the audit objectives.

## Review of Internal Controls

We identified a material internal control weakness in the Air Force emergency operations coding of supplemental and bridge funds, as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. Although the internal controls outlined in the Air Force Instruction 65-601, "Budget Guidance and Procedures," March 3, 2007, were adequate for coding emergency supplemental and bridge funds, the Office of the ASAF(FM&C) and reporting offices did not follow them for all of the 28 sample dollar points reviewed. Implementing the recommendations in this report will improve controls by consistently coding supplemental and bridge funds so that the Air Force can accurately report on the cost of the war. We will provide a copy of this report to the senior Air Force official responsible for internal controls in the Department of the Air Force.

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## **Air Force Results**

We reviewed 28 Air Force sample dollar points to determine whether the sample points were spent for the efforts stipulated by Congress. Of the 28 sample dollar points, we could not determine whether 16 were spent on the efforts stipulated by Congress. Additionally, 1 of the 28 was classified and 11 were spent for the efforts stipulated by Congress.

We also evaluated those 28 Air Force sample dollar points to determine whether the sample points were spent in support of GWOT. Of the 28 sample dollar points, we could not determine whether 17 were spent in support of GWOT. Additionally, 1 of the 28 was classified and 10 were spent in support of GWOT. See Appendix A for a discussion of the audit methodology used to determine the status of the sample dollar points. See the Finding section for a discussion of the inadequacy of Air Force financial controls over GWOT supplemental funding for procurement and research, development, test, and evaluation that prevented us from determining whether the 17 dollar points were spent in support of GWOT.

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## Differentiating Appropriated Funds

The Air Force needs to improve its management and financial controls over the use of GWOT supplemental funding provided for procurement and research, development, test, and evaluation. The controls need improvement because the Air Force comptrollers and budget officers did not always follow procedures for applying emergency operations codes in their financial documentation to differentiate the use of emergency supplemental, bridge, and annual appropriated funds. Because comptrollers and budget officers did not put a separate emergency operations code on supplemental and bridge funds, the Air Force financial community did not have a means to ensure that funds placed on contracts were used for the purposes stipulated in the congressional language authorizing the supplemental funding for GWOT. As a result, the Air Force could not accurately report to Congress its progress in obligating those funds.

### Emergency and Special Program Code Guidance

DoD Financial Management Regulation, Volume 12, “Special Accounts Funds and Programs,” Chapter 23, “Contingency Operations,” September 2005,<sup>1</sup> and Air Force Instruction 65-601, Volume I, “Budget Guidance and Procedures,” March 3, 2005,<sup>2</sup> provide guidance on fund coding, use of emergency operations codes, and reporting monthly on the use of supplemental and bridge funds for contingency operations.

**DoD Financial Management Regulation.** The DoD Financial Management Regulation requires that the Defense Finance and Accounting Service prepare and issue a monthly status report on the amounts DoD obligated in support of contingency operations. The report, called the “Supplemental and Cost of War Execution Report,” consolidates data submitted by the DoD Components about the various GWOT operations and appropriations. The Defense Finance and Accounting Service provides the monthly cost status report to the OUSD(C), who in turn provides the report to Congress.

The Regulation requires each DoD Component to establish emergency operations codes to capture contingency operations costs in the accounting system. In addition to emergency operations codes, the September 2005 revision of the DoD Financial Management Regulation also states that each DoD Component should develop adequate measures for capturing actual costs from the accounting system. The Regulation states that when actual costs are not available, the DoD

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<sup>1</sup> DoD Financial Management Regulation, Volume 12, Chapter 23, dated September 2005 supersedes the February 2001 version. Based on the Explanation of Change section of the September 2005 version, the requirements in the above referenced paragraphs were in effect in the February 2001 version as well.

<sup>2</sup> Air Force Instruction 65-601 dated March 3, 2005, supersedes the December 24, 2002, version. Based on the Summary of Changes section of the March 3, 2005, version, the requirements in the above referenced paragraph were in effect in the December 24, 2002, version as well.

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Component should establish and document an auditable methodology for capturing costs.

**Air Force Instruction.** Air Force Instruction 65-601 requires the Office of the ASAF(FM&C), all major commands' financial management offices, and all installation financial management offices to assign emergency operations codes to their accounting classifications to collect costs incurred for emergencies. Further, the Instruction requires Air Force comptrollers and budget officers to apply the emergency operations codes to all emergency appropriations and applicable commitment, obligation, and expenditure documents. The Instruction also requires Air Force comptrollers and budget officers to ensure that operating personnel are aware of the importance of properly identifying and capturing all costs associated with emergency operations for the purpose of reporting accurate cost data.

## Statistical Sample and Audit Results

**Statistical Sample.** To perform the audit, we statistically sampled approximately \$28 billion in supplemental funds provided to DoD from August 2002 through December 2005 for unclassified procurement and research, development, test, and evaluation activities to determine whether the DoD Components placed the funds on contracts for the purposes stipulated in congressional legislation. The Quantitative Methods Directorate within the DoD Office of Inspector General designed and selected a random sample of 600 dollar points from the universe of supplemental funds provided to DoD. Of the 600 DoD sample dollar points selected, 28 dollar points fell within the GWOT appropriations allocated to the Air Force. A detailed description of the methodology the audit team used to track the dollar points from public law through obligation document can be found in Appendix A of this report.

**Audit Results.** Of the 28 Air Force sample dollar points reviewed, Air Force comptrollers and budget officers did not assign an emergency operations code to the accounting classification in contract documents for 11 sample dollar points. For 9 of the 11 sample dollar points, Air Force comptrollers and budget officers did not separately identify the types of appropriations. Instead, they merged GWOT appropriations with annual appropriations in the accounting system. Because there was no way to differentiate between annual and supplemental funds obligated on contract documents, we were unable to determine whether Air Force program offices used the funds for the GWOT purposes authorized by Congress. For 2 of the 11 sample dollar points that did not have an emergency operations code, the Air Force comptroller combined GWOT appropriations for one conference report line item with GWOT appropriations for another conference report line item for contract obligation purposes. As a result, we could not determine whether the Air Force program offices used the correct GWOT appropriations for obligations made for line items in contract documents.

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## **Financial Controls Over GWOT**

The Air Force had policies and procedures requiring the Office of the ASAF(FM&C) to assign emergency operations codes to all appropriations to identify and capture cost. However, comptroller and budget personnel in the Office of the ASAF(FM&C) did not always assign emergency operations codes and include implementing instructions in budget authorization/allocation documents provided to Air Force major commands. When comptrollers and budget officers at the Air Force Materiel Command received budget authorization/allocation documents without emergency operations codes and instructions, they accepted and forwarded the documents without them. The program offices then committed and obligated funds without assigning emergency operations codes in the line of accounting. For all 12 Air Force sample points that did not have emergency operations codes in the accounting classifications, the problem originated at the ASAF(FM&C) level and was not corrected at lower levels as the documents were passed on.

## **Effect of Commingling Annual and Supplemental Appropriated Funds**

Because Air Force comptrollers and budget officers did not always assign emergency operations codes to accounting classifications in contracts to identify the source of the funding and did not separate GWOT appropriations by conference report line item, the Office of the ASAF(FM&C) was not able to accurately track obligations incurred to support GWOT. Further, because comptrollers and budget officers did not put a separate emergency operations code on supplemental and bridge funds and did not separate GWOT appropriations by conference report line item, the Air Force financial community did not have a means to ensure that funds placed on contracts were used for the purposes stipulated in the congressional language authorizing supplemental funding in support of GWOT. As a result, the Air Force did not have accounting controls to accurately report to Congress its progress in obligating those funds.

## **Actions to Improve Tracking of GWOT Obligations**

After discussion with the audit team, the ASAF(FM&C) issued a memorandum, "Global War on Terrorism (GWOT) Cost of War Reporting," on April 3, 2007. The memorandum requires each major command that receives supplemental funding to report monthly on GWOT obligations and expenditures at the line-item level of detail. The memorandum also reiterates the requirement for Air Force comptrollers and budget officers to properly code GWOT funding documentation with emergency operations codes in accounting classifications. In addition, the memorandum states that Office of the ASAF(FM&C) is in the process of developing a separate database for recording monthly GWOT obligations and expenditures. The ASAF(FM&C) intends to use the database to produce the monthly "Supplemental and Cost of War Execution Report" to Congress. See Appendix E for the April 3, 2007, memorandum.

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## Management Comments on the Finding and Audit Response

**ASAF(FM&C) Comments on the Finding.** The Principal Deputy Assistant Secretary of the Air Force (Financial Management), responding for the Assistant Secretary of the Air Force (Financial Management and Comptroller), concurred that the auditors could not always determine whether the funds were used for the purposes stipulated by Congress. However, he stated that by using the Air Force's Availability Report and the Commander's Resource Integration System, the Air Force determined that most of the funds were spent for the purposes stipulated by Congress and in support of GWOT. (For the complete text of the Principal Deputy's comments, see the Management Comments section of this report.)

**Audit Response.** We considered the Principal Deputy's comments and reviewed the Air Force's Availability Reports and the Commander's Resource Integration System printouts. The reports did not help us identify the sample dollar point for each conference report line item in question, nor did they provide new information to demonstrate that the Air Force major commands were assigning emergency operations codes to commitment and obligation documents. As a result, we were still unable to determine that our sample dollar points were used for the purposes stipulated by Congress and in support of GWOT.

**OUSD(C) Comments on the Finding.** Although not required to comment, the Acting Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller), provided comments. The Acting Deputy stated that our reference to the DoD Financial Management Regulation discussed the cost of war report requirement, but did not discuss the requirement for coding or the use of alternate methodology for accounting for costs. The Acting Deputy also stated that our audit report did not fully support statements that appropriations for one conference report line item were combined with appropriations for another conference report line item when obligating GWOT funds.

**Audit Response.** We considered the Acting Deputy's comments and revised the report to include the additional requirements as referenced in the DoD Financial Management Regulation. We also added more detail about combining conference report line items when obligating funds.

## Recommendations, Management Comments, and Audit Response

**Revised Recommendation.** In his comments on the draft report, the Principal Deputy Assistant Secretary of the Air Force (Financial Management), responding for Assistant Secretary of the Air Force (Financial Management and Comptroller), stated that the Air Force had implemented a strategy to address coding inconsistencies. However, we believe that the Air Force needs to exercise additional oversight of Air Force comptrollers and budget officers to ensure that they are complying with Air Force Instruction 65-601. Therefore, we clarified Recommendation 1. to require the enforcement of Air Force policy on the use of

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emergency operations codes in the accounting classification of commitment and obligation documents.

**We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller):**

**1. Enforce procedures requiring Air Force comptrollers and budget officers to assign emergency operations codes in the accounting classifications on Global War on Terrorism commitment and obligation documents in accordance with Air Force Instruction 65-601, "Financial Management," March 3, 2005.**

**2. Establish procedures requiring Air Force comptrollers and budget officers to separate Global War on Terrorism appropriations by conference report line item to ensure that the funds can be tracked through the General Accounting and Finance System.**

**ASAF(FM&C) Comments.** The Principal Deputy Assistant Secretary of the Air Force (Financial Management), responding for Assistant Secretary of the Air Force (Financial Management and Comptroller), did not specifically concur with the recommendations. He stated that the Air Force identified problems with the inconsistent application of emergency operations codes for GWOT funds and, as a result, could not ensure accurate cost of war reporting. The Principal Deputy stated that the Air Force had implemented a strategy to address coding inconsistencies. He believed that the strategy, which is outlined in the April 3, 2007, memorandum, "Global War on Terrorism (GWOT) Cost of War Reporting," satisfies the recommendations. In addition, he stated that the Air Force's effort to improve coding has proven successful and that 99 percent of the \$2.69 billion in FY 2007 GWOT supplemental funding was coded correctly in the accounting system.

**Audit Response.** The April 3, 2007, memorandum, "Global War on Terrorism (GWOT) Cost of War Reporting," partially met the intent of the first recommendation. However, we analyzed eight additional transactions from the FY 2007 GWOT supplemental appropriations that occurred after the memorandum was issued to determine whether the commitment and obligation documents contained the proper codes. We determined that all eight commitment documents we reviewed contained emergency operations codes; however, only four of the eight obligation documents contained an emergency operations code. Therefore, the Air Force needs to exercise additional oversight of Air Force comptrollers and budget officers to ensure that they are complying with Air Force Instruction 65-601, which requires the application of emergency operations codes to all applicable commitment and obligation documents. Without exercising this additional oversight, the Air Force will not be able to accurately report to Congress its progress in obligating those funds. Accordingly, we revised Recommendation 1. to clarify that the Air Force policy on the use of emergency operations codes in the accounting classification applies to commitment and obligation documents.

The Air Force's issuance of the April 3, 2007, memorandum did not fully address the intent of the second recommendation. Specifically, the Air Force

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memorandum only addressed how the Air Force intends to prevent annual funds from being combined with supplemental funds by issuing separate budget authorizations. However, the memorandum did not address how the Air Force would prevent two conference report line items from being combined on the budget authorization document. For example, during our review, we found two instances in our sample dollar points where annual and supplemental funds were issued on separate budget authorizations, but they were not separated by conference report line item within the budget authorization document. Therefore, we request that the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide additional comments on Recommendations 1. and 2. in response to the final report.

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## Appendix A. Scope and Methodology

We conducted this audit from August 2006 through June 2007, 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. Except for the audit scope limitations noted in this appendix, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Documentation and Information Reviewed.** To accomplish the audit objectives, we reviewed the following documentation and information dated from August 2002 through September 2007:

- procurement and research, development, test, and evaluation supplemental and bridge funds in Public Law 107-206, “2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the United States,” August 2, 2002; Public Law 108-11, “Emergency Wartime Supplemental Appropriations Act, 2003,” April 16, 2003; Public Law 108-106, “Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004,” November 6, 2003; Public Law 108-287, “Department of Defense Appropriations Act, 2005,” August 5, 2004; Public Law 109-13, “Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005,” May 11, 2005; Public Law 109-148, “Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006,” December 30, 2005; Public Law 109-289, “Department of Defense Appropriations Act 2007,” September 29, 2006; Public Law 110-28, “U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act 2007,” May 25, 2007; and
- procurement and research, development, test, and evaluation supplemental and bridge funds in Conference Report 107-593, “Making Supplemental Appropriations for Further Recovery From and Response to Terrorist Attacks on the United States for the Fiscal Year Ending September 30, 2002, and for Other Purposes,” July 19, 2002; Conference Report 108-76, “Making Emergency Wartime Supplemental Appropriations for the Fiscal Year 2003, and for Other Purposes,” April 12, 2003; Conference Report 108-337, “Making Emergency Supplemental Appropriations for Defense and for the Reconstruction of Iraq and Afghanistan for the Fiscal Year Ending September 30, 2004, and for Other Purposes,” October 20, 2003; Conference Report 108-622, “Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2005, and for Other Purposes,” July 20, 2004; Conference Report 109-72, “Making Emergency Supplemental Appropriations for the Fiscal Year

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Ending September 30, 2005, and for Other Purposes,” May 3, 2005; and Conference Report 109-359, “Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2006, and for Other Purposes,” December 18, 2005; Conference Report 109-676, “Making Appropriations for the Department of Defense for the Fiscal Year Ending September 30, 2007, and for Other Purposes,” September 26, 2006; Conference Report 110-107, “Making Emergency Supplemental Appropriations for the Fiscal Year Ending September 30, 2007, and for Other Purposes,” April 24, 2007; and

- financial documents relating to GWOT supplemental and bridge funds, including investment program/fund approval for direct obligations; procurement authorizations; budget authorizations/allocation or operating budget authority; budget authorizations/allotment; military interdepartmental purchase requests; amendments to military interdepartmental purchase requests; purchase requests; amendments to purchase requests; and funding document adjustment forms; and
- contractual documents for obligating GWOT supplemental and bridge funds, including contract modifications and orders for supplies or services.

**Staff Contacted.** We also contacted the staffs of the Offices of the U.S. Central Command; the Under Secretary of Defense (Comptroller); the Assistant Secretary of the Air Force (Financial Management and Comptroller); Air Force Materiel Command; the Army TACOM Life Cycle Management Command; the U.S. Marine Corps Systems Command; the Oklahoma City Air Logistics Center; the Warner Robins Air Logistics Center; the Air Armament Center; the Aeronautical Systems Center; the Electronic Systems Center; the Surgeon General of the Air Force; and the Department of the Interior National Business Center to determine whether the Air Force was maintaining effective accounting controls over the use of GWOT supplemental funding provided for procurement and research, development, test, and evaluation, and whether the funds were placed on contracts and used for the purposes stipulated in the congressionally approved supplemental funding for GWOT.

**Limitations to Audit Scope.** For conducting the statistical sample, we excluded classified programs and efforts from the universe of GWOT appropriations. We concluded that the use of the audit results would be limited if we issued a classified report. The scope of this audit did not include the fund status of GWOT procurement and research, development, test, and evaluation funds provided to DoD under Public Law 109-234, “Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006,” June 15, 2006. The scope of this audit did not include Public Law 109-234 because when we started the audit in August 2006, DoD had obligated less than 35 percent of the procurement and research, development, test, and evaluation funds. Consequently, the audit results would be distorted if we included this supplemental fund in our universe of GWOT appropriations.

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**Use of Technical Assistance.** The Quantitative Methods Directorate within the DoD Office of Inspector General assisted the audit team in conducting a statistical sample. In addition, the Technical Assessment Directorate assisted the audit team in determining whether the GWOT supplemental procurement and research, development, test, and evaluation funds placed on contracts were used for the purposes stipulated by Congress.

**Statistical Sample of GWOT Supplemental Funding.** The statisticians in the Quantitative Methods Directorate designed and selected a statistical sample of GWOT supplemental funding provided for procurement and research, development, test, and evaluation activities. They designed the sample to enable the audit team to make a statistical projection of DoD use of the funds for the purposes stipulated by Congress. From August 2002 through December 2005, Congress authorized DoD about \$28.7 billion, exclusive of classified programs and efforts, in supplemental and bridge funding for procurement and research, development, test, and evaluation activities. The statisticians selected a statistical sample of 600 dollar points from this universe. At the conclusion of our review of the 28 Air Force sample dollar points, we decided to use a judgmental sample for the remainder of the DoD audit based on preliminary results of our review of other DoD Components instead of continuing with the statistical sample. We determined that issues the same or similar to those identified in this report were occurring for dollar points already reviewed in the other DoD Components. See Appendix F for a detailed discussion of the statistical sampling methodology.

**Audit Methodology.** The audit team tracked the sample dollar points by first collecting all of the commitment documents applicable to the line item and arranging them in date order. If more than one commitment document had the same date, the audit team arranged the commitment documents in alpha-numeric order based on the document number. The audit team then used the dollar value of each commitment document to develop a running total of the dollar committed to the line item. The running total simply added or subtracted the amount of each commitment document to the previous. The audit team used the running total as a means for establishing a continuous dollar range and determining which commitment document applied to the specific sample dollar point. The audit team then reviewed the applicable commitment document to determine the status of the sample dollar point. If the sample dollar point fell on a commitment document but was not on contract, we considered the funds obligated. If the sample dollar point was not committed, meaning that the total of continuous range was less than the sample dollar point, we considered the funds unobligated.

**Additional Work Performed.** In response to management comments, the audit team reviewed another eight transactions from eight separate conference report line items that the audit team judgmentally selected from Public Law 110-28, "U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act 2007," May 25, 2007. The purpose of our additional work was to determine whether the Air Force finance officers were correctly applying emergency operations codes to obligation and commitment documents and coding the funds appropriately in the accounting system as the Air Force stated in management comments on the draft audit report. We used the same audit methodology to review the additional eight transactions as we used during initial review to track the dollar points from conference reports through

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budget authorization documentation. After tracking the funds, we collected and analyzed Commanders Resources Integration System printouts to ensure that the funds were coded in the accounting system. We obtained commitment and corresponding obligation documents for each line item to determine whether Air Force budget officers appropriately included emergency operations codes in the accounting classification on commitment and obligation documents supporting the accounting system.

**Use of Computer-Processed Data.** We relied on reports generated from the General and Accounting Finance System and the Commanders Resource Integration System. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that using the reports would not affect the overall DoD statistical projection or the reliability of the audit.

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

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## **Appendix B. Prior Coverage**

### **Prior Coverage**

During the last 5 years, the Government Accountability Office (GAO) and the Air Force Audit Agency (AFAA) have issued six reports discussing supplemental funding authorized and obligated for the Global War on Terrorism. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>.

#### **GAO**

GAO Report No. GAO-06-885T, "Global War on Terrorism: Observations on Funding, Costs, and Future Commitments," July 18, 2006

GAO Report No. GAO-05-882, "Global War on Terrorism: DoD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs," September 2005

GAO Report No. GAO-04-915, "Military Operations: Fiscal Year 2004 Costs for the Global War on Terrorism Will Exceed Supplemental, Requiring DoD to Shift Funds From Other Uses," July 2004

GAO Report No. GAO-04-668, "Military Operations: DoD's Fiscal Year 2003 Funding and Reported Obligations in Support of the Global War on Terrorism," May 2004

GAO Report No. GAO-03-346, "Defense Budget: Tracking of Emergency Response Funds for the War on Terrorism," April 2003

#### **AFAA**

AFAA Report No. F2005-0011-FB1000, "Global War on Terrorism Funds Management," June 20, 2005

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## Appendix C. Glossary

**Accounting Classification Code.** An accounting classification code is a series of letters and numbers appearing on accounting source documents. The characters provide the information necessary to enter transactions into DoD accounting systems.

**Bridge Funds.** Bridge funds are emergency supplemental funds that are added to the regular annual appropriation bill to pay a portion of the incremental funds needed for ongoing emergency operations. Generally, bridge funds are in a separate title of the appropriation, usually Title IX.

**Budget Authority.** Budget authority is enacted through congressional legislation and allows DoD to enter into obligations that will result in immediate or future outlays. It may be classified by the period of availability, by the timing of congressional action, or by the manner of determining the amount available.

**Commitment.** A commitment is an administrative reservation of funds by the comptroller in anticipation of an obligation.

**Contingency Operation.** A contingency operation is a military operation that is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force. A contingency operation is also considered a call or order to, or retention on, active duty of members of the uniformed services during a war or during a national emergency declared by the President or Congress.

**Expenditure.** An expenditure is a charge against available funds, evidenced by voucher, claim, or other document, approved by a competent authority. An expenditure represents an actual payment of funds to an entity.

**Obligation.** An obligation is a duty to make a future payment of money. The duty is incurred as soon as an order is placed or a contract is awarded for the delivery of goods and the performance of services. An obligation is a specified sum of money that will require expenditures in the future.

**Operation Enduring Freedom.** Operation Enduring Freedom is continuing United States' efforts to track down terrorists and provide stability, primarily in Afghanistan, but also includes operations in support of the Republic of the Philippines. The military objectives of Operation Enduring Freedom include denying terrorist organization access to training camps and infrastructure, capturing Al Qaeda leaders and fighters, stopping terrorist activities against the United States and its allies, and preventing the re-emergence of international terrorist organizations. In Afghanistan, the objectives include destroying the remaining Taliban and Al Qaeda organization, training the Afghan National Army, conducting civil-military operations, and providing support for the emerging government of Afghanistan. In Cuba, the United States continues to

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hold terrorist detainees at Guantanamo Bay facility in order to obtain tactical intelligence on current and future terrorists operations, remove Al Qaeda and Taliban terrorist from the battlefield, and facilitate prosecution of those who have committed crimes.

**Operation Iraqi Freedom.** Operation Iraqi Freedom is continuing efforts to stabilize Iraq, conduct stability and support operations throughout Iraq, capture Hussein regime loyalists, and stop terrorists from using Iraq as a staging area for terrorism activities.

**Operation Noble Eagle.** Operation Noble Eagle is continuing efforts to defend the United States from airborne attacks and maintaining United States air sovereignty.

**Procurement.** Procurement is the act of buying goods and services for the Government.

**Research, Development, Test, and Evaluation.** Research, development, test, and evaluation represents DoD activities and funding used to develop new systems or expand the performance of fielded systems.

**Supplemental Appropriation.** Supplemental appropriations are enacted by Congress as an addition to DoD's regular annual appropriation. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities that are too urgent to be postponed until the next regular annual appropriation.

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## **Appendix D. Apportionment Process for Supplemental and Bridge Funds**

The following figure illustrates the OUSD(C) and the ASAF(FM&C) apportionment process for GWOT supplemental funds. The chart was compiled based on meetings with the OUSD(C) and ASAF(FM&C).

The apportionment process begins when Congress provides its Conference Report to the President for approval. When the President signs the conference report into law, DoD is given the authority to distribute the funds. Once OUSD(C) receives the Conference Report and the Public Law, it extracts the apportionment values by subcategory and issues an apportionment request to the Office of Management and Budget. The Office of Management and Budget checks the values, applies spending restrictions as necessary, and approves the apportionment request. On receipt of the approved apportionment request, the OUSD(C), Investment Directorate issues funds to the DoD Components by line item totals, makes sure detailed line items reconcile, and as necessary, withholds apportionment until congressional requirements are met. The ASAF(FM&C) receives the supplemental funds electronically from the Investment Directorate on a Standard Form 440 issued through the Program Budget and Accounting System.

The Office of the Assistant Secretary of the Air Force (Acquisition), upon receiving the Standard Form 440 from ASAF(FM&C), puts together a procurement authorization that details which major command should receive the funds for each line item. From the procurement authorization, ASAF(FM&C) creates a budget authorization/allocation document for the major commands. This document should assign an emergency operations code and provide implementing instructions. The major commands then forward the information in the budget authorization/allocation document through the applicable financial office to the program offices. Once the budget office for each program office has input the financial information into its accounting system, the program office can commit and obligate supplemental and bridge funds. Each commitment and obligation document should include an emergency operations code designation.



# Appendix E. Assistant Secretary of the Air Force (Financial Management and Comptroller) Memorandum of Actions Taken



DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC

OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR ALL MAJCOM/FMs

APR 03 2004

FROM: SAF/FMBI  
1130 Air Force Pentagon  
Washington DC 20330-1130

SUBJECT: Global War on Terrorism (GWOT) Cost of War Reporting

We are receiving increased scrutiny of our GWOT execution, both obligations and expenditures. Comments in a preliminary DoD IG report have expressed concern that "the financial controls are not adequate to support the cost of war reports to Congress." As a result of the increased emphasis on execution data we will need your staff to submit monthly reports to SAF/FMBI by the 10<sup>th</sup> of each month starting 10 May for EOM April. We request you report monthly obligations and expenditures for procurement (3010, 3011, 3020, 3080) and research, development, test and evaluation (3600) appropriations at the P-1 and R-1 level of detail. Currently, my team is using the AR(M) 1002 DFAS report to extract the required data based on where the dollars are allocated. This method can not guarantee accuracy and cannot be duplicated by external agencies. With the increased focus on the obligation and expenditure of GWOT funding by Congress, you need to be vigilant in your efforts to properly ESP code and report these funds.

Beginning with the FY07 Title IX and FY07 Supplemental, you will receive a separate Budget Authority (BA) for GWOT funding. You will be required to ESP code every dollar and report your obligations and disbursements monthly on the attached spreadsheet. We are in the process of developing a web-based database that will allow you to input the data directly into the system. The objective of the new report is to improve the credibility, accuracy, and transparency of the data we are submitting to OSD, who in turn is submitting the report to Congress.

I thank you for your tireless work and support! The SAF/FMBI point of contact for the GWOT Investment report is Ms. Patrice Dixon, DSN 224-4604.

  
RICHARD W. LOMBARDI  
Director, Budget Investment  
Deputy Assistant Secretary (Budget)

Attachments:

1. Principle Deputy USD(C) Memo
2. Report Template

cc: SAF/FMB  
ALC/FMs  
Product Center/FMs  
SAF/AQX

*Financing the Fight*

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## Appendix F. Statistical Sampling Methodology

**Sampling Objectives.** The purpose of the statistical sampling was to select commitment and obligation transactions incurred from the population of the Global War on Terrorism (GWOT) supplemental appropriations to determine whether those transactions were made in support of GWOT and whether the funds associated with those transactions were spent as stipulated in the congressionally approved supplemental and bridge appropriations.

**Population.** The population of the sample consisted of six GWOT supplementals that Congress appropriated from August 2002 through December 2005. Public Law 107-206, Public Law 108-11, Public Law 108-106, Public Law 108-287, Public Law 109-13, and Public Law 109-148 enacted the six supplementals. The population totaled \$28,685,407,000, after the audit team excluded funding for classified programs and efforts.

**Sample Design.** For this sample, each population unit was a dollar point between 1 and 28,685,407,000. The sample design used a sampling technique in which each population unit (dollar point) had a probability of being selected that was proportional to its recorded amount, which was the total amount of the conference report line item it fell on. The advantage to using that sampling technique was that the larger recorded amounts had a higher probability of being selected than units with smaller recorded amounts. For example, a conference report line item totaling \$450 million would have a higher probability of having a population unit (dollar point) selected than a conference report line item totaling \$20 million would. The sample design called for using 95 percent confidence level for statistical projection.

**Sample Size.** To determine which population unit to sample, statisticians from the Quantitative Methods Directorate aggregated the dollar values for the supplemental appropriations by location, arranged them in descending order, and computed a running sum of the dollar values for the supplemental appropriations. The statisticians randomly generated 600 numbers without replacement between 1 and 28,685,407,000 and correlated each random number to the corresponding dollar point for the running sum of the dollar values. They then determined which location corresponded to each of the 600 resulting dollar points. The distribution of the 600 dollar points was 361 for the Army, 156 for the Navy and Marine Corps, 28 for the Air Force, and 55 for the National Guard and Defense agencies.

**Sample Result Categories.** We anticipated issuing a summary report that projected the sample results across DoD in three main categories. Specifically, we will determine whether DoD committed or obligated the funds:

- in support of GWOT;
- as stipulated in the congressionally approved supplementals and bridges; or

- 
- for indeterminable purposes, such as commingled with annual appropriations, commingled with other conference report line-items, or because of insufficient audit documentation.

**Change in Sample Methodology.** At the completion of our review of Air Force transactions, we decided to use a judgmental sample instead of continuing with a statistical sample to complete the overall DoD audit. We decided to conduct a judgmental sample because we determined that the same issues associated with the Air Force would probably occur for the remaining dollar points based on preliminary results of our review of transactions at the other DoD Components.

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## **Appendix G. Report Distribution**

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

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

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

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

Assistant Secretary of the Air Force (Acquisition)  
Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Combatant Command**

Inspector General, U.S. Joint Forces Command

### **Other Defense Organizations**

Director, Defense Finance and Accounting Service

### **Non-Defense Federal Organization**

Office of Management and Budget

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

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member (cont'd)**

House Committee on Armed Services

House Committee on Oversight and Government Reform

House Subcommittee on Government Management, Organization, and Procurement,  
Committee on Oversight and Government Reform

House Subcommittee on National Security and Foreign Affairs,  
Committee on Oversight and Government Reform



# Under Secretary of Defense (Comptroller) Comments

Final Report  
Reference



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

JUL 31 2007

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

SUBJECT: Draft Report entitled "Air Force Use of Global War on Terrorism  
Supplemental Funding Provided for Procurement and Research,  
Development, Test and Evaluation," (Project No. D2006-  
D000AE-0241.000)

Although the subject audit does not direct any recommendations to the Under  
Secretary of Defense (Comptroller), we have taken the opportunity to review the draft  
report and provide comments.

We generally agree with report Recommendation 1 concerning coding. Coding  
criteria is appropriate for recording Global War on Terror Procurement and Research,  
Development, Testing & Evaluation costs when funds are issued for clearly  
identifiable budget line items because the accounting systems are designed to account  
for costs by these line items; however, there are GWOT costs that are not readily  
available in the accounting systems and coding is not feasible, such as flying hours.  
Based on the Department of Defense Financial Management Regulation "DoDFMR",  
Volume 12, Chapter 23, "Contingency Operations," Components are authorized to use  
an alternate methodology to derive costs that are not readily available in the accounting  
system.

The following additional comments are provided for your consideration.

Page 4. "Emergency and Special Program Code Guidance." The reference for the  
"DoD Financial Management Regulation" discusses the requirement for the  
"Supplemental and Cost of War Execution Report"; but does not identify the DoDFMR  
requirement to use a coding criteria or an alternate methodology, which is outlined in  
Volume 12, Chapter 23, "Contingency Operations."

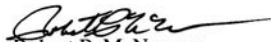
Page 6. "Impact of Commingling Annual and Supplemental Appropriated Funds."  
This section reports that the Air Force "did not separate GWOT appropriations by  
conference report line items." Although there is a recommendation to correct the issue,  
this is the only section where commingled conference report line items are mentioned and  
the audit results do not clearly support this finding. Recommend additional information  
be included to support this finding or the finding be removed.

Revised

Revised  
Page 5

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The Department appreciates the opportunity to comment on the subject report. My staff point of contact on this matter is Ms. Joy Marcou. She can be contacted by telephone at 703-697-3135 or e-mail at [joy.marcou@osd.mil](mailto:joy.marcou@osd.mil).

  
Robert P. McNamara  
Acting Deputy Chief Financial Officer

# Department of the Air Force Comments

Final Report  
Reference

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                       |                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>DEPARTMENT OF THE AIR FORCE<br/>WASHINGTON, DC</p> |  |
| <p>OFFICE OF THE ASSISTANT SECRETARY</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>AUG 01 2007</p>                                    |                                                                                     |
| <p>MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING<br/>OFFICE OF THE INSPECTOR GENERAL<br/>DEPARTMENT OF DEFENSE</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                       |                                                                                     |
| <p>FROM: SAF/FM</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                       |                                                                                     |
| <p>SUBJECT: Air Force Use of Global War on Terrorism Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation, 29 Jun 07 (D2006AE-0241)</p>                                                                                                                                                                                                                                                                                                                                                                                                  |                                                       |                                                                                     |
| <p>This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) to provide Air Force comments on subject report.</p>                                                                                                                                                                                                                                                                                                                                                                                            |                                                       |                                                                                     |
| <p>On 12 Mar 07, during the initial meeting with the auditors, the Air Force self-identified issues with inconsistent ESP coding of GWOT Requirements. Without proper use of ESP codes, the Air Force was unable to guarantee the accuracy of the GWOT Cost of War report. The Air Force then presented its get-well plan scheduled for implementation in Apr 07. Recommendation #1 was satisfied by the 3 Apr 07 memo, Subject: Global War on Terrorism (GWOT) Cost of War Reporting, sent to all the Major Commands. Compliance with this guidance meets recommendation #2.</p> |                                                       |                                                                                     |
| <p>We concur, with comment, with the finding that "we were unable to determine whether Air Force program offices used the funds for the GWOT purposes authorized by Congress." The auditors were unable to verify GWOT obligations using typical methods. However, we were able to track the majority of the funding using the Air Force's Availability Report and the obligations in Commander's Resource Integration System (CRIS).</p>                                                                                                                                         |                                                       |                                                                                     |
| <p>We do not concur with the finding on page 3; paragraph 1 stating that 1 of the sample dollar points was not spent for the effort stipulated by Congress. On 26 Jul 2007, we met with the audit team and provided additional classified information. Upon review of this additional information, everyone agreed that the funding was used in line with the congressional intent it was provided for.</p>                                                                                                                                                                       |                                                       |                                                                                     |
| <p>The finding that the Air Force "did not separate GWOT appropriations by conference report line item" has been superseded due to the GWOT requests now being submitted with budget-level detail.</p>                                                                                                                                                                                                                                                                                                                                                                            |                                                       |                                                                                     |
| <p>The Air Force's get-well plan is progressing successfully. Of the \$2.69B in FY07 GWOT Supplemental funding, 99% of the dollars are ESP coded correctly in the accounting system.</p>                                                                                                                                                                                                                                                                                                                                                                                          |                                                       |                                                                                     |
| <p>If you have any questions on this issue, my POCs are Lt Col Joel Speight, DSN 224-4642, <a href="mailto:joel.speight@pentagon.af.mil">joel.speight@pentagon.af.mil</a> and Ms. Patrice Dixon, DSN 224-4604, <a href="mailto:patrice.dixon@pentagon.af.mil">patrice.dixon@pentagon.af.mil</a></p>                                                                                                                                                                                                                                                                               |                                                       |                                                                                     |
| <p><br/>JOHN G. VONGLIS<br/>Principal Deputy Assistant Secretary<br/>of the Air Force (Financial Management)</p>                                                                                                                                                                                                                                                                                                                                                                              |                                                       |                                                                                     |
| <p><i>Financing the Fight</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                       |                                                                                     |

Revised

Revised



## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Richard B. Jolliffe  
John E. Meling  
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# Inspector General Department of Defense