



A JOINT AUDIT BY THE INSPECTORS GENERAL OF
DEPARTMENT OF STATE AND
DEPARTMENT OF DEFENSE



DoD AND DOS NEED BETTER PROCEDURES TO
MONITOR AND EXPEND DoD FUNDS FOR THE AFGHAN
NATIONAL POLICE TRAINING PROGRAM



JULY 7, 2011
(Public Law 111-383, Section 1235)

Report Documentation Page

*Form Approved
OMB No. 0704-0188*

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE 07 JUL 2011		2. REPORT TYPE		3. DATES COVERED 00-00-2011 to 00-00-2011	
4. TITLE AND SUBTITLE DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program				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) Department of Defense Inspector General, 400 Army Navy Drive, Arlington, VA, 22202-4704				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 Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 644-8937) or fax (703) 604-8932. You may also obtain a copy from the Web site of the Department of State, Office of Inspector General at <http://oig.state.gov> or by emailing a request to OIG-Reports@state.gov.

Suggestions for Audits

To suggest or request audits, contact the Department of Defense Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (703) 604-8932, or by mail:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704



Acronyms and Abbreviations

ANP	Afghan National Police
AQM	Office of Acquisitions Management
CIVPOL	Civilian Police
COR	Contracting Officer's Representative
CSTC-A	Combined Security Transition Command-Afghanistan
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DOS	Department of State
DSCA	Defense Security Cooperation Agency
FAR	Federal Acquisition Regulation
I-COR	In-Country Contracting Officer's Representative
INL	Bureau of International Narcotics and Law Enforcement Affairs
LOTFA	Law and Order Trust Fund-Afghanistan
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
NTM-A	North Atlantic Treaty Organization Training Mission- Afghanistan
SOW	Statement of Work
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD
USD(P)	Under Secretary of Defense for Policy

INSPECTORS GENERAL



Department of Defense
400 Army Navy Drive
Arlington, Virginia 22202

Department of State
2201 C Street N.W.
Suite 8100, SA-3
Washington, D.C. 20522



July 7, 2011

MEMORANDUM FOR DISTRIBUTION

SUBJECT: DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program (Report No. D-2011-080 and AUD/CG-11-30)

We are providing this report for review and comment. We conducted this audit in response to a requirement in the FY 2011 National Defense Authorization Act. In 2006, DoD assumed responsibility for funding the Afghan National Police training program, and the Department of State (DOS) continued to direct and provide oversight of the contracted civilian advisors, mentors, and trainers. However, DoD and DOS needed improved processes and procedures to better manage the approximately \$1.26 billion of DoD funds provided for the program. Specifically, DOS did not properly obligate or return to DoD approximately \$172.40 million. Moreover, DOS approved contractor payments for approximately \$2.07 million that were either not authorized or were for services not provided. Additionally, DoD and DOS did not fully implement all recommendations from a previous report issued February 9, 2010, on this subject.


DoD Directive 7650.3 requires that recommendations be resolved promptly. We considered management comments on a draft of this report when preparing the final report. Based on management comments, we revised draft Recommendations A.1.b, A.5.a, and A.5.b.2. We also redirected Recommendation A.8.a-f. We request comments from the Director, Defense Security Cooperation Agency, on Recommendation A.8.a-f by August 8, 2011.

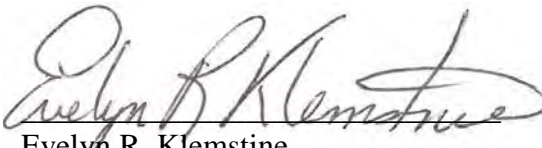
Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, comments on Recommendations A.7.a-d and A.8.a-f were responsive, and comments on Recommendation A.9 were partially responsive, but met the intent of the recommendation. No additional comments are required. Defense Contract Audit Agency comments on Recommendation B.5 were responsive, and no additional comments are required.

DOS comments on Recommendations A.1.a, A.1.c-d, A.2.a, A.5.b.1, A.5.c, A.9, B.3.a-b, and B.4.a-f were responsive or partially responsive, but met the intent of the recommendation. No additional comments are required. DOS did not comment on Recommendations A.8.a-f or B.1.a-e, and comments on the final report are required. In addition, DOS comments on Recommendations A.1.b, A.2.b, A.3.a-b, A.4, A.5.a, A.5.b.2, A.5.d-f, A.6, and B.2.a-d were either not responsive or partially responsive and did not meet the intent of the recommendations; comments on the final report are required. We request additional comments by August 8, 2011. For the revised or reissued recommendations from the February 2010 joint audit report, DOS comments on Recommendations B.1, B.2.a-b, and C.2.b were partially responsive, but they met the intent of the recommendation and no additional comments are required.

If possible, send a .pdf file containing your comments to audjsao@dodig.mil and to Ms. Evelyn R. Klemstine, Assistant Inspector General for Audits, at klemstinee@state.gov. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Michael Roark at (703) 604-9187 (DSN 664-9187) or Ms. Evelyn Klemstine at (202) 663-0372.


 Daniel R. Blair
 Deputy Inspector General for Auditing
 Department of Defense
 Office of Inspector General


 Evelyn R. Klemstine
 Assistant Inspector General for Audits
 Department of State
 Office of Inspector General

DISTRIBUTION:

UNDER SECRETARY OF DEFENSE FOR POLICY
 UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
 CHIEF FINANCIAL OFFICER, DOD
 UNDER SECRETARY OF STATE FOR MANAGEMENT
 COMMANDER, INTERNATIONAL SECURITY ASSISTANCE FORCE JOINT COMMAND
 COMMANDER, NORTH ATLANTIC TREATY ORGANIZATION TRAINING MISSION–
 AFGHANISTAN/COMBINED SECURITY TRANSITION COMMAND–AFGHANISTAN
 ASSISTANT SECRETARY OF STATE FOR ADMINISTRATION
 ASSISTANT SECRETARY OF STATE FOR THE BUREAU OF INTERNATIONAL
 NARCOTICS AND LAW ENFORCEMENT AFFAIRS
 ASSISTANT SECRETARY OF STATE FOR THE BUREAU OF RESOURCE
 MANAGEMENT AND CHIEF FINANCIAL OFFICER
 DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY
 DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY
 DIRECTOR, DEFENSE SECURITY COOPERATION AGENCY



Results in Brief: DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program



What We Did

We conducted this audit in response to a requirement in the FY 2011 National Defense Authorization Act. This is the first in a series of reports to address those requirements. For this report, we determined whether the Department of State (DOS) properly obligated approximately \$1.26 billion of DoD funds in support of the Afghan National Police (ANP) training program and appropriately approved contractor invoices. We also determined the status of management actions taken in response to the February 9, 2010, DoD IG and DOS IG joint audit report. The other reports will address the remaining National Defense Authorization Act requirements.

What We Found

DOS officials did not appropriately obligate or return to DoD approximately \$172.40 million of approximately \$1.26 billion of DoD funds provided for the ANP training program. This occurred because DOS lacked adequate procedures for obligating, monitoring, and deobligating DoD funds for the ANP training program. Moreover, DoD officials did not validate whether the Bureau of International Narcotics and Law Enforcement Affairs (INL) officials obligated funds in accordance with the reimbursable agreements.

In addition, the DOS contracting officer's representative approved contractor invoices for payment for approximately \$2.07 million that were either not authorized or were for services not provided. This occurred because DOS officials did not always perform a detailed review of invoices before payment and relied on a post-payment review of invoices to identify overpayments and obtain refunds from the

contractor. As a result, we identified total potential monetary benefits of approximately \$124.62 million.* When recovered, these funds could be used for valid ANP training program requirements or other DoD requirements. In addition, if not corrected, incorrect obligations of approximately \$74.91 million could result in potential Antideficiency Act violations.

DoD and DOS needed to take action on 11 of the 23 recommendations made in the 2010 joint audit report. Of those 11 recommendations, we replaced 7 with new recommendations. The other 4 remain open or were reissued.

What We Recommend

Among other recommendations, DoD and DOS officials should develop procedures for monitoring the obligation and expenditure of DoD funds for the ANP training program and initiate a potential Antideficiency Act violation investigation. Also, DOS should increase the scope of the pre-payment invoice reviews to identify and reject costs that were not authorized or services not provided before payment.

Management Comments and Our Response

We revised draft Recommendations A.1.b, A.5.a, and A.5.b.2 based on management comments, and we redirected and request comments on Recommendation A.8. Comments from DoD officials to the draft were responsive or partially responsive, and no additional comments are required. Most comments from DOS officials were partially or not responsive, and comments on the final report are required. Please see the Recommendations Table on the next page.

*See Finding A page 20, Finding B page 40, and Appendix E for details on potential monetary benefits.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense for Policy		A.9
Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD		A.7.a-d, A.8.a-f, A.9
Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer	A.8.a-f	
Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management	A.6	
Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management	B.1.a-e	B.4.a-f
Executive Director, Bureau of International Narcotics and Law Enforcement Affairs	A.1.b, A.2.b, A.3.a-b, A.4, A.5.a, A.5.b.2, A.5.d-f, B.2.a-d	A.1.a, A.1.c-d, A.2.a, A.5.b.1, A.5.c, A.9, B.3.a-b
Director, Defense Contract Audit Agency		B.5
Director, Defense Security Cooperation Agency	A.8.a-f	

Please provide comments by August 8, 2011.

Recommendations Table for the Prior Joint Audit Report: DoD IG Report No. D-2010-042 and DOS IG Report No. MERO-A-10-06

Management	Prior Recommendations Requiring Comment	No Additional Comments Required
Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs		B.1, B.2.a-b, C.2.b

Table of Contents

Introduction	1
Objectives	1
Background	2
Roles and Responsibilities	2
ANP Training Program Transition	4
Review of Internal Controls	4
Finding A. DOS Did Not Properly Obligate or Return DoD Funds	6
DoD Provided About \$1.26 Billion for the ANP Training Program	6
DOS Improperly Obligated and Did Not Return DoD Funds	8
DOS Lacked Adequate Procedures for Use of DoD Funds	15
DoD Did Not Adequately Monitor the Use of Funds	18
Support for ANP Training Program Was Reduced by Improper Obligations and Retained Funds	19
Management Comments on the Finding and Our Response	22
Recommendations, Management Comments, and Our Response	22
Finding B. INL Approved Contractor Invoices for Costs That Were Not Authorized or Were for Services Not Provided	33
INL Established Invoice Review and Reconciliation Teams to Improve Quality	34
Reviews of DynCorp Systems Identified Control Weaknesses	34
COR Approved Invoices for Costs That Were Either Not Authorized or Were for Services Not Provided	35
Limited Review of Invoices Prior to Payment	39
Misinterpreting Requirements	40
INL Officials Need to Recover Funds	40
DCAA Reviews of DynCorp Timekeeping Records and Labor Charges Identified Weaknesses	41
Recommendations, Management Comments, and Our Response	42
Status of DoD and DOS Implementation of Prior Audit Report Recommendations	47
Recommendations for Finding A. National Strategy	47
Recommendations for Finding B. Contractor Oversight	48
Recommendations for Finding C. Contractor Invoice Review	54
Recommendations for Finding D. Financial Management	56
Recommendations for Finding E. Afghan Women’s Police Corps	57
Appendices	
A. Scope and Methodology	59
B. Prior Coverage	62
C. Use of Technical Assistance	64
D. FY 2011 National Defense Authorization Act, P.L. 111-383, Section 1235	65

E. Summary of Potential Monetary Benefits	67
F. DoD and DOS Memoranda of Agreement	68
Glossary	69
Management Comments	
Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments	70
Bureau of Administration Comments	73
Bureau of International Narcotics and Law Enforcement Affairs Comments	75
Defense Contract Audit Agency Comments	87
NATO Training Mission–Afghanistan/Combined Security Transition Command–Afghanistan Comments	89

Introduction

Objectives

We conducted this audit in response to a requirement in Public Law 111-383, “Ike Skelton National Defense Authorization Act for Fiscal Year 2011” (the FY 2011 Act), January 7, 2011. The FY 2011 Act required that the DoD OIG, in consultation with the Department of State (DOS) OIG, report to Congress within 180 days a description of the Afghan National Police (ANP) training program that included: (A) components, planning, and scope; (B) cost to DoD and DOS; (C) allocation of DoD and DOS funding, oversight, and execution responsibilities; (D) personnel requirements; and (E) an assessment of the cost, performance metrics, and planning associated with the transfer of ANP training program contract administration from DOS to DoD. The FY 2011 Act also required the OIGs to conduct followup activities on DoD IG Report No. D-2010-042 and DOS IG Report No. MERO-A-10-06, “DoD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police,” February 9, 2010 (the February 2010 joint audit report).

Our initial audit objective was to evaluate DoD and DOS efforts to transfer contract administration for the ANP training program from DOS to DoD. Specifically, we planned to assess the cost, performance measures, and planning efforts associated with the transfer to ensure enhanced contract oversight, adequate funding and support, and effective program management. We also planned to follow up on the February 2010 joint audit report. However, we revised our audit objectives and scope after meeting with and obtaining agreement from Senate Armed Services Committee staff members on January 7, 2011. We also agreed to issue at least two reports that would collectively meet the congressional intent of the FY 2011 Act requirements. We revised the audit objective for this report to determine whether DOS properly obligated DoD funds in support of ANP training program requirements and in accordance with Federal laws, regulations, and reimbursable agreements. We also determined whether DOS approved contractor invoices in accordance with Federal regulations and contract requirements. Finally, we determined the status of management actions taken in response to the recommendations made in the February 2010 joint audit report.

This report partially addresses requirements B and C of the FY 2011 Act, and fully addresses the requirement to conduct followup activities on the February 2010 joint audit report. Another report will address whether the Federal Government and contractor plans to transition the contract administration of the ANP training program from DOS to DoD were complete and feasible. It will also address whether DoD was prepared to provide management and oversight of the new DoD contract. Further, it will address the remaining requirements in the FY 2011 Act. For additional information, see the following appendices and glossary:

- Appendix A for a discussion of the audit scope and methodology,
- Appendix B for prior audit coverage related to the audit objectives,
- Appendix C for use of technical assistance,
- Appendix D for an excerpt of the FY 2011 Act requirements,
- Appendix E for a summary of potential monetary benefits,

- Appendix F for a list of DoD and DOS memoranda of agreement, and
- Glossary for definitions of appropriation terms.

Background

In February 2004, the DOS Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM) awarded DynCorp International LLC (DynCorp) the Civilian Police (CIVPOL) contract (S-LMAQM-04-C-0030), a \$1.75 billion indefinite-delivery, indefinite-quantity contract with firm-fixed-price and cost-plus-fixed-fee elements. The purpose of the contract was to strengthen the criminal justice systems and security operations overseas by employing law enforcement professionals to support international civilian police initiatives. The contract consisted of 1 base year, 4 option years, and four extensions; extending contract performance through January 2012. According to DOS officials, the total contract value as of April 30, 2011, was approximately \$4.66 billion.

As shown in Table 1, AQM awarded multiple DoD- and DOS-funded task orders under the CIVPOL contract for DynCorp to provide police advisors, mentors, and trainers and to develop and execute the ANP training program.¹ In August 2005, AQM awarded task order S-AQMPD-05F-4305 (task order 4305) for ANP training program services and supplies, including life support, at eight training centers and obligated approximately \$832 million through 42 modifications. In July 2008, AQM awarded task order S-AQMMA-08F-5375 (task order 5375) to continue providing ANP training program services and obligated approximately \$587 million through 31 modifications. On July 16, 2010, AQM extended task order 5375 through June 30, 2011. In September 2010, DOS awarded S-AQMMA-10F-2708 (task order 2708) to provide embedded police mentors and obligated approximately \$35 million through three modifications.

Table 1. ANP Task Orders Awarded Under the CIVPOL Contract

Task Order	Award Date	Expiration Date	Amount
S-AQMPD-05F-4305	August 15, 2005	January 31, 2010	\$832 million*
S-AQMMA-08F-5375	July 30, 2008	June 30, 2011	587 million
S-AQMMA-10F-2708	September 1, 2010	July 15, 2011	35 million

* Both DoD and DOS provided funds for task order 4305

Roles and Responsibilities

From 2003 through 2006, DOS was primarily responsible for funding, directing, and providing oversight of the ANP training program. In 2006, DoD assumed responsibility for funding the ANP training program, and DOS continued to direct and provide oversight of the contracted

¹ For the purposes of consistency in the report, we use the term ANP training program to encompass the work performed under the DOS ANP advising, mentoring, and training task orders, which include task orders 4305, 5375, and 2708.

civilian advisors, mentors, and trainers through reimbursable agreements between DoD and DOS. In August 2009, both DoD and DOS agreed to transfer all ANP training program and mentoring responsibilities to DoD.

Department of State

Within DOS, the Bureau of International Narcotics and Law Enforcement Affairs (INL) provides support for ANP development and reform, including the ANP training program. Specifically, INL advises other DOS and U.S. agencies on the development of policies and programs that will help combat international narcotics and crime. The INL Office of Resource Management maintains financial oversight of INL funds allotted to overseas posts and provides management support to improve the effectiveness of INL programs. INL budget and financial management personnel allot funds to the overseas posts and work with their embassy and INL country program counterparts to ensure that these funds are obligated and managed in accordance with all applicable regulations and procedures. Within the INL Office of Resource Management, the Afghanistan, Iraq, and Jordan Support Division provides acquisition and contract management support in those countries. Specifically, the Afghanistan, Iraq, and Jordan Support Division provides the contracting officer's representatives (CORs) and in-country contracting officer's representatives (I-CORs) for the CIVPOL contract, including the DoD-funded task orders supporting the ANP training program (task orders 4305, 5375, and 2708). INL employs a combination of Government officials and personal services contractors² to fulfill the responsibilities of these offices. Finally, the INL Office of Afghanistan and Pakistan Programs acts as the program management office and provides guidance to the Afghanistan, Iraq, and Jordan Support Division.

Within DOS, AQM manages, plans, and directs the Department's acquisition programs and conducts contract administration in support of activities worldwide. AQM officials provide contract management services including acquisition planning, contract negotiations, cost and price analysis, and contract administration. The contracting officer for the ANP training program task orders (4305, 5375, and 2708) resides in AQM.

To maintain consistency within this report, we will use the acronym "DOS" when referring to both INL and AQM. In addition, we will use the acronym "INL" when referring to more than one office within INL. For all other instances, we will specify the appropriate office.

Department of Defense

From November 2006 through December 2010, DoD transferred approximately \$1.26 billion to INL to support the ANP training program through reimbursable agreements, such as memoranda of agreement (MOAs) and understanding (MOUs).³ Multiple components within DoD have responsibility for transferring and providing oversight of ANP training program funds, including the Under Secretary of Defense for Policy (USD[P]), Under Secretary of Defense

² A personal services contract is different from a normal service contract as it creates an employer-employee relationship between the Government and the contractor. As such, a personal services contractor may perform some inherently governmental functions.

³ DoD transferred an additional \$30 million on January 28, 2011, which was not included in our analysis.

(Comptroller)/Chief Financial Officer, DoD (USD[C]/CFO), Defense Security Cooperation Agency (DSCA), and the Combined Security Transition Command-Afghanistan (CSTC-A) Comptroller.

USD(P) officials are responsible for developing MOAs between DoD and INL, which detail the amount of funds transferring, the time period for use of the funds, and DoD and DOS responsibilities, including how DOS is to use the funds. Officials from USD(C)/CFO oversee DoD financial policy, and DSCA provides financial and technical assistance for transferring DoD funds. Specifically, for the DoD funds transferred to DOS for the ANP training program, DSCA officials are responsible for developing the MOUs, which transfer the funds agreed upon in the MOAs. Like the MOAs, the MOUs also include the amount of funds transferring, the authority for DSCA and DOS to enter into the agreement, and the terms and conditions of the transfer.⁴ The Commander, NTM-A/CSTC-A, has overall responsibility for determining and executing program requirements and allocating funds. The CSTC-A Comptroller is responsible for formulating and executing the budget and monitoring the status of Afghanistan Security Forces Funds, including funds provided for the ANP training program.

ANP Training Program Transition

In August 2009, DoD and DOS agreed to transfer ANP training program contract administration responsibility from DOS to DoD, with the expectation of DoD taking on all ANP training responsibilities by January 2010. However, the Army Contracting Command Aberdeen Proving Ground⁵ did not competitively award the DoD contract W91CRB-11-C-0053, cost-plus-fixed-fee contract, to DynCorp until December 20, 2010.⁶ The contract included a 120-day transition period for the contractor to become fully operational, a 2-year base period, and a 1-year option period for a contract value of more than approximately \$1 billion. During the 120-day transition period, DOS transitioned ANP training program responsibilities for the DoD-funded task orders 5375 and 2708 to DoD. DoD also transitioned operations under a DoD contract for Ministry of Interior operations to the new DoD contract and began to transfer operations under a second DoD contract for Afghan Border Police. As of April 30, 2011, DoD assumed the majority of contract oversight and administration responsibilities for the ANP training program under the new DoD contract.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provide reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. In addition, DOS Foreign Affairs Manual (FAM), 2 FAM 021.1 requires DOS to establish and maintain cost-effective systems of management controls over all DOS operations in order to ensure that activities are managed effectively, efficiently,

⁴ To maintain consistency within this report, we will refer to the MOAs and MOUs as reimbursable agreements.

⁵ The Army Contracting Command Aberdeen Proving Ground was formerly a part of the U.S. Army Research, Development, and Engineering Command.

⁶ The delays in the transition of contract administration from DOS to DoD will be discussed in another report in response to the FY 2011 Act.

economically, and with integrity, and to provide reasonable assurance regarding the prevention of or prompt detection of errors, irregularities, and mismanagement.

We identified that DOS and DoD lacked controls to ensure that DOS officials appropriately obligated and returned DoD funds for the ANP training program in accordance with applicable Federal laws, regulations, and reimbursable agreements. DOS also did not have adequate procedures in place to review and approve contractor invoices prior to payment. See Appendix E for potential monetary benefits. We will provide a copy of this report to senior officials responsible for those internal controls at DoD and DOS.

Finding A. DOS Did Not Properly Obligate or Return DoD Funds

DOS officials did not properly obligate or return approximately \$172.40 million of the approximately \$1.26 billion provided by DoD for the ANP training program from November 2006 through December 2010. Specifically, DOS officials:

- moved up to \$52.44 million from valid requirements to requirements not in compliance with Federal appropriations limitations and the reimbursable agreements;
- obligated \$22.47 million outside the scope of the reimbursable agreements;
- did not return any of the \$95.24 million of obligations that were unlikely to be expended; and
- obligated \$2.25 million without maintaining appropriate documentation as required by reimbursable agreements.

DOS lacked adequate procedures for obligating, monitoring, and deobligating DoD funds for the ANP training program. In addition, DoD officials did not validate whether INL obligated funds in accordance with the reimbursable agreements.

As a result, the ANP training program received less DoD financial support than the value of DoD funds provided due to INL's improper obligation and retention of between \$120.30 million and \$122.55 million. DoD could realize a benefit if the funds were returned and put to better use supporting the ANP training program. In addition, by incorrectly obligating DoD funds, DOS might have improperly augmented both DoD and DOS appropriations by \$74.91 million, which could result in potential Antideficiency Act violations.⁷ Finally, INL officials' failure to return to DoD obligated funds unlikely to be expended will result in DoD being unable to obligate and expend funds for other ANP requirements because the funds would have already either expired or been canceled.

DoD Provided About \$1.26 Billion for the ANP Training Program

From November 2006 through December 2010, DoD provided approximately \$1.26 billion to DOS for the ANP training program through 12 reimbursable agreements. Based on information provided by INL, it obligated DoD funds for three CIVPOL task orders (4305, 5375, and 2708) and other requirements, such as in-country air support (contract S-AQMPD-05-C-1103) and other miscellaneous obligations.⁸ Table 2 categorizes the 12 reimbursable agreements by fiscal year and the reimbursable agreement amount recorded by INL. It further lists the INL obligations for the three DoD-funded CIVPOL task orders, the in-country air support contract

⁷ See Table 7 on page 20 for the specific breakout of the \$120.30 million to \$122.55 million from which ANP received decreased benefit and the \$74.91 million of total potential Antideficiency Act violations.

⁸ DOS provided air support to the police mentors traveling to the regional training centers using an existing DOS contract. The other category obligations include contributions to the United Nations trust fund for Afghanistan, a DynCorp equitable adjustment, travel costs, and DOS administrative expenses.

obligations, other obligations, and unobligated categories and demonstrates that DOS obligated the majority of the approximately \$1.26 billion reimbursable amount on the three CIVPOL task orders.

Table 2. Amount of Reimbursable Agreements by Fiscal Year
(in millions)

FY Funds	DoD Reimbursable Amount	Task Order 4305	Task Order 5375	Task Order 2708	Air Support	Other	Unobligated
2006-07	\$388.00	\$346.27			\$18.50	\$23.23	
2007-08	391.00	165.21	\$205.76		13.12	6.39	\$0.53
2008-09	75.40		54.33		20.02	1.04	0.01
2009-10	3.00		3.00				
2009	181.40		179.22		2.10		0.08
2009-10	10.76		1.24	\$9.51			0.01
2009-10	35.00				35.0		
2009-10	38.00		38.00				
2010-11	37.00		23.56	13.44			
2010-11	13.00		13.00				
2010-11	84.30		68.10	12.84			3.36
2010-11	3.20		3.20				
Total	\$1,260.06	\$511.48	\$589.40	\$35.79	\$88.74	\$30.65	\$3.99

Note: Because of rounding, rows and columns may not sum

AQM fees are included in task order 4305 (\$.03 million), task order 5375 (\$3.80 million), task order 2708 (\$0.59 million), air support (\$0.57 million) and other categories (\$2.37 million) for a total of \$7.35 million. In addition, task order 4305 includes \$0.37 million in interest.

Source: DOS INL Budgetary Tracking Spreadsheet.

According to the National Defense Appropriations Acts,⁹ DoD and DOS had a limited period to obligate funds, after which the funds would expire. According to the Government Accountability Office special publication (GAO-04-261SP), “Principles of Appropriations Law,” January 1, 2004, DOS and DoD have an additional 5 years to expend the expired funds. After those 5 years, the funds are canceled and cannot be used. (See Appendix F for a discussion of all reimbursable agreements DoD provided to DOS in support of the ANP training program and the Glossary for definitions of appropriation terms.)

INL officials stated that they record obligations and expend appropriations or other supplemental funding using DOS’s Global Financial Management System (the financial system). INL officials stated that the financial system does not differentiate between reimbursement and direct obligations; therefore, they established point limitations to separate the two. This resulted in two separate line items for each country and program, and INL officials told us that an Office of

⁹ The following National Defense Appropriation Acts for the Afghanistan Security Forces Fund appropriations state the period of availability for the funds: Public Law 109-234 (2006), Public Law 110-28 (2007), Public Law 110-252 (2008), Public Law 111-32 (2009), Public Law 111-118 (2010), and Public Law 111-212 (2010).

Management and Budget examiner did not want the apportionment to be reflected in this manner. However, INL officials did not provide supporting documentation that these events occurred. Consequently, INL Office of Resource Management personnel manually track DoD obligations and disbursements for each reimbursable agreement using a budgetary tracking spreadsheet.

DOS Improperly Obligated and Did Not Return DoD Funds

DOS officials did not properly obligate or return approximately \$172.40 million of the approximately \$1.26 billion provided by DoD for the ANP training program in accordance with the reimbursable agreements or Federal appropriation limitations. Specifically, DOS officials did not comply with Federal appropriations limitations or the reimbursable agreements when obligating, moving, and returning DoD funds. Table 3 shows the amount and type of inappropriate obligation or retention of DoD-provided funds by task order, air support, or other category. Following our table is a discussion of our analysis of the INL data.

DOS officials did not properly obligate or return approximately \$172.40 million of the approximately \$1.26 billion provided by DoD for the ANP training program...

Table 3: DOS Improper Obligations or Retention of DoD Funds
(in millions)

Inappropriate Action	Task Order 4305	Task Order 5375	In-County Air Support	Other	Total
Moved or potentially moved funds not in compliance with Federal appropriations limitations and outside the scope of reimbursable agreement	\$2.59	\$49.85			\$52.44
Obligated funds outside the scope of reimbursable agreement	1.15			\$21.32	22.47
Did not return DoD funds that DOS was unlikely to expend	68.21		\$23.04	3.99	95.24
Obligated funds without adequate documentation				2.25	2.25
Total	\$71.95	\$49.85	\$23.04	\$27.56	\$172.40

Source: DoD OIG and DOS OIG analysis of DOS INL data.

Funds Moved Not in Compliance With Federal Limitations and Reimbursable Agreements

DOS officials moved between \$49.85 million and \$52.44 million of DoD funds from the original requirements to requirements not in compliance with Federal appropriations limitations and the associated reimbursable agreements. Specifically, AQM improperly moved \$49.85 million from

the original requirements to extend the period of performance for task order 5375, and INL may have improperly moved an additional \$2.59 million of expired funds on task order 4305 to administrative costs. Both of these issues involve potential violations of the bona fide needs rule.

The bona fide needs rule prohibits entities from obligating funds unless the entity had a legitimate, or bona fide, need in the fiscal years for which the appropriation was available for obligation. Specifically, 31 U.S.C. § 1502 implements the bona fide needs rule. This statute provides that the balance of an appropriation that is limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated in accordance with 31 U.S.C. § 1501.

Funds Improperly Moved to Extend Period of Performance for Task Order 5375

AQM officials, in coordination with the INL Afghanistan and Pakistan Programs, and Afghanistan, Iraq, Jordan, Support Division, improperly moved \$49.85 million of expired DoD funds from specific requirements on prior modifications to extend the period of performance for task order 5375. Specifically, AQM modified task order 5375 to extend the period of performance from January 30, 2010, through July 31, 2010, using \$122.54 million of funds already obligated for other requirements on the task order. Of the \$122.54 million, \$49.85 million expired at the end of FY 2008 and FY 2009 (\$22.20 million and \$27.65 million, respectively).

The task order period of performance was extended to ensure the ANP training program continued from the originally planned transition date of January 31, 2010, to the new anticipated transition date. AQM officials obtained prior approval from USD(C)/CFO to move the funds; however, USD(C)/CFO personnel stated that they believed that they approved moving funds between current requirements, not new requirements.

Previously, AQM properly obligated the \$49.85 million for requirements within the scope of the 2007 and 2008 reimbursable agreements.

Moving these expired funds from the original period of performance to a new period of performance outside the funds' period of availability was potentially not in compliance with the bona fide needs rule.

However, the periods of performance for these requirements expired between November 24, 2009, and February 17, 2010. Moving these expired funds from the original period of performance to a new period of performance outside the funds' period of availability was

potentially not in compliance with the bona fide needs rule. Therefore, in 2010, AQM officials may have improperly moved DoD funds to a period of performance in which the funds were not available for obligation.

INL and USD(C)/CFO officials should work together to ensure that available funds from the correct years are obligated for the requirements and take other appropriate action as necessary. In addition, USD(C)/CFO officials should develop procedures to ensure that they monitor future agreements in enough detail to ensure compliance with Federal appropriations law.

Funds Potentially Moved From Task Order 4305 to Administrative Costs

INL officials may have improperly moved \$2.59 million of DoD funds after the funds expired on September 30, 2007, to cover administrative costs in violation of the bona fide needs rule. The \$2.59 million was part of task order 4305, modification 17, dated February 8, 2007, totaling \$185.55 million. On September 8, 2008, AQM deobligated \$2.59 million after identifying the obligation was not needed. INL should have then returned the deobligated funds to DoD. Instead, INL officials stated they moved the funds to pay INL administrative expenses, although they could not provide documented justification that the reobligation was within the scope of the 2006 reimbursable agreement. Further, INL officials could not provide documented support that they actually moved the funds, or offer any explanation as to the INL administrative costs paid.

The Executive Director of INL stated that INL intends to return the \$2.59 million. We agree that INL should return the \$2.59 million of DoD funds that DOS deobligated from task order 4305. INL should also determine whether it improperly moved the funds to pay for administrative costs and take appropriate action. In addition, USD(C)/CFO officials should establish a process to track the return of the DoD funds.

Funds Obligated Outside the Scope of the Reimbursable Agreements

INL officials obligated \$22.47 million of DoD funds for programs outside the scope of the reimbursable agreements, which required the funds to be used solely for the ANP training program. Specifically, INL officials obligated the \$22.47 million for a United Nations LOTFA contribution, the Federal Prosecutors Program, counternarcotics personnel salaries, travel costs, and a DynCorp equitable adjustment—none of which supported the ANP training program. When INL officials inappropriately obligated funds, it potentially violated the purpose statute,¹⁰ which requires that entities apply appropriations only to the objects for which the appropriations were made, except as otherwise provided by law.

Reimbursable Agreement Did Not Provide for United Nations LOTFA Contribution

INL officials improperly obligated \$9.50 million of DoD funds from the 2006 reimbursable agreement. Specifically, the INL officials obligated the \$9.50 million to make a United Nations LOTFA contribution to pay Afghanistan police salaries and to fund additional pay-and-rank reform initiatives; however, these obligations were outside the scope of the reimbursable agreement, and they did not support the ANP training program. INL officials stated that they used DoD funds to make the United Nations LOTFA contribution because DoD was delayed in providing funding for the ANP training program, which caused INL to use its own funds to continue to support the program. Therefore, INL officials stated that this resulted in INL not having sufficient funds to honor the LOTFA commitment made in June 2006. INL officials also stated that DoD officials agreed to fund the INL LOTFA commitment using the 2006 reimbursable agreement. However, we questioned officials from the USD(P), USD(C)/CFO, and DSCA during the audit, and officials stated they were unaware that INL had obligated DoD funds for a LOTFA contribution.

¹⁰ Section 1301(a), title 31, United States Code.

INL officials also provided documentation indicating that a draft of the 2006 reimbursable agreement initially included \$31 million for a LOTFA contribution from DoD. However, the final signed reimbursable agreement did not include any funding for a LOTFA contribution. INL could not provide an explanation as to why the LOTFA amount was not included in the final 2006 reimbursable agreement or why the amount was much greater than \$9.50 million.

INL, USD(P), and USD(C)/CFO officials should determine whether DoD approved the \$9.50 million INL obligated outside the scope of the 2006 reimbursable agreement. If officials do not reach an agreement, INL should return to DoD the \$9.50 million of DoD funds obligated for a LOTFA contribution, which was outside the scope of the reimbursable agreement and did not support the ANP training program.

Reimbursable Agreement Did Not Provide for the Federal Prosecutors Program

INL officials improperly obligated \$1.15 million of DoD funds from the 2006 and 2007 reimbursable agreements. Specifically, INL officials obligated \$1.15 million for the Federal Prosecutors Program, which was outside the scope of the agreements.¹¹ INL officials obligated the funds on task order 4305 for criminal investigative advisors, whose primary responsibilities were to mentor the Afghan police investigators assigned to the Criminal Justice Task Force (the Task Force) for the Federal Prosecutors Program, which was not part of the ANP training program. According to an agreement between the Department of Justice and INL, the criminal investigative advisors supported the Task Force and stated it would be funded through INL. The agreement did not state that the Afghan police investigators assigned to the Task Force were part of ANP.

INL officials should return the \$1.15 million of DoD funds obligated for the Federal Prosecutors Program, or provide documentation to USD(P) and USD(C)/CFO officials and obtain their agreement that the \$1.15 million was within the scope of the reimbursable agreement.

Reimbursable Agreement Did Not Provide for Travel Costs

INL officials improperly obligated \$14,996 of DoD funds from the FY 2007 reimbursable agreement. Specifically, INL officials funded an INL employee's travel costs for a 3- to 4-month rotation to the U.S. Embassy in South Korea. Although the reimbursable agreement permitted INL to pay for administrative expenses directly related to the ANP training program, the purpose for this travel was for the INL employee to gain experience and familiarity with Embassy operations, which is clearly outside the scope of the reimbursable agreements. INL officials stated that they originally interpreted the travel costs to be an indirect cost for training an employee dedicated to the ANP training program.

The INL Executive Director stated that INL would return the funds to DoD. We agree that INL should return the \$14,996 of DoD funds obligated for the travel costs, which was outside the scope of the reimbursable agreement and did not support the ANP training program.

¹¹ The Department of Justice Federal Prosecutors Program provides criminal law reform assistance, training, mentoring, and support for Criminal Justice Task Force, who investigates and prosecutes high- and mid-level narcotics-related offenses. In addition, the Federal Prosecutors Program provides criminal law advice to U.S. Embassy and Afghan officials and to U.S. law enforcement.

DynCorp Equitable Adjustment

The INL officials improperly obligated \$11.81 million of DoD funds provided in the FY 2006 reimbursable agreement. Specifically, INL officials obligated the \$11.81 million for a DynCorp equitable adjustment that related to CIVPOL contract task order S-AQMPD-04F-0460, awarded in July 2004, which was prior to the 2006 reimbursable agreement. The equitable adjustment compensated DynCorp for excess charges it incurred because of INL delays during the design and construction of regional training centers. An internal INL memorandum, dated October 10, 2006, specified that the equitable adjustment funds should come from the FY 2006 INL budget. Instead of using funds from the INL budget, INL improperly used DoD appropriations.

The INL Executive Director stated that INL would return the \$11.81 million. We agree that INL officials should return the \$11.81 million of DoD funds obligated for the DynCorp equitable adjustment, which was outside the scope of the reimbursable agreement and did not support the ANP training program.

Unexpended Funds That INL Should Have Returned to DoD

INL officials did not return to DoD any of the \$95.24 million it was unlikely to expend. Specifically, INL records showed that INL did not return any of the following amounts:

- \$68.21 million of obligations INL was unlikely to expend for task order 4305,
- \$23.04 million of obligations INL was unlikely to expend for air support (contract S-AQMPD-05-C-1103), and
- \$3.99 million of DoD funds never obligated by DOS.

Task Order 4305

As of March 31, 2011, DOS officials had not implemented a recommendation made in the February 9, 2010, joint audit report to identify and return obligations that INL was unlikely to expend on task order 4305. Instead, according to INL records, INL officials did not deobligate the funds, but continued to retain \$68.21 million of the \$509.93 million¹² (13 percent) of DoD funds the INL had obligated for task order 4305, related to the ANP training program. The funds were not deobligated on task order 4305 even though the contract period of performance ended in January 2010.

According to INL records provided in January 2011, DOS paid the last significant task order 4305 invoice in February 2010 and had not received additional invoices since September 2010. Also, according to INL records, although DynCorp had outstanding invoices in the amount of \$19.72 million, INL officials rejected \$19.59 million of those invoices at least once, primarily because of insufficient supporting documentation.

Despite the outstanding invoices, INL officials were unlikely to expend a significant portion of the \$68.21 million. Specifically, on March 31, 2011, DynCorp verified in a memorandum that

¹² INL officials obligated a total of \$511.08 million of DoD funds on modifications for task order 4305. However, DOS improperly obligated \$1.15 million related to the Federal Prosecutors Program, which was outside the scope of the reimbursement agreements. Therefore, we only reviewed the unexpended obligations for \$509.93 million that were properly obligated for ANP training requirements.

INL could deobligate \$53 million on task order 4305.¹³ Table 4 provides a breakdown of the unexpended obligations for task order 4305 by year, obligation amount, and unexpended amount. There is no direct correlation between the \$53 million DynCorp certified as available for deobligation and the amounts in Table 4.

Table 4. Breakdown of Task Order 4305 Unexpended Obligations
(in millions)

Funds Expiration	Funds Cancellation	Obligated	Unexpended
9/30/2007	9/30/2012	\$185.55	\$11.29
9/30/2007	9/30/2012	18.55	14.65
9/30/2007	9/30/2012	0.23	0.00
9/30/2007	9/30/2012	0.58	0.02
9/30/2007	9/30/2012	3.67	2.12
9/30/2007	9/30/2012	1.03	0.02
9/30/2007	9/30/2012	135.32	25.90
9/30/2008	9/30/2013	152.35	9.84
9/30/2008	9/30/2013	2.81	0.69
9/30/2008	9/30/2013	5.75	1.12
9/30/2008	9/30/2013	0.12	0.12
9/30/2008	9/30/2013	2.99	1.94
9/30/2008	9/30/2013	0.95	0.50
Total		\$509.93	\$68.21

The INL Executive Director stated that INL was in the process of deobligating the \$53 million that DynCorp verified could be deobligated. We agree that INL officials should deobligate and return the DoD portion of \$53 million that DynCorp certified was not used. In addition, INL officials should determine whether the remainder of the \$68.21 million would likely be unexpended and, accordingly, deobligate and promptly return funds to DoD.

In-Country Air Support Lacked Supporting Documentation

INL officials did not return an estimated \$23.04 million of obligations that INL was unlikely to expend for in-country air support on contract S-AQMPD-05-C-1103. Specifically, INL obligated approximately \$21.90 million in 2009 and still had \$5.60 million of obligated funds remaining. In addition, INL obligated \$34.65 million in 2010 and still had \$17.44 million of obligated funds remaining. The 2010 funds had been originally obligated by the contracting officer through a contract modification that had a period of performance ending in October 2010. Therefore, it was unlikely that INL officials would expend a significant portion of the funds still obligated. Table 5 summarizes the budgetary tracking spreadsheet data for in-country air support obligations by the date the funds expired and the amount of unexpended obligations remaining.

¹³ INL stated that a portion of the \$53 million related to DOS funds. INL stated that DynCorp provided this deobligation amount to INL, and we did not examine DynCorp's detailed numbers.

Table 5. DOS In-Country Air Support Obligations
(in millions)

Funds Expiration	Funds Cancellation	Obligated	Unexpended
9/30/2007	9/30/2012	\$18.50	0
9/30/2008	9/30/2013	13.12	0
9/30/2009	9/30/2014	19.80	\$5.60
9/30/2009	9/30/2014	2.10	0
9/30/2010	9/30/2015	33.39	\$17.44
9/30/2010	9/30/2015	1.26	0
Total		\$88.17	\$23.04

INL officials stated that they were in the process of deobligating the \$5.60 million; they further stated that it was still too early to request deobligation for the unexpended \$17.44 million. However, the period of performance ended in October 31, 2010. INL officials should review these obligations and determine the amount that should be deobligated and returned to DoD.

Unobligated DoD Funds

INL officials did not return \$3.99 million of DoD funds that DOS had not obligated as of March 31, 2011. The reimbursable agreements required that INL obligate these funds by a certain date or, in some instances, provide an obligation plan within 10 workdays of that date. For the \$3.99 million, DOS neither obligated the funds by the required date nor provided an obligation plan within the required 10 workdays. Table 6 shows the required obligation date and the amount of funds unobligated.

Table 6. Summary of Unobligated DoD Funds
(in millions)

Date Obligation Must Occur By	Unobligated
7/30/2008	\$0.53
7/31/2009	0.01
7/31/2009	0.08
8/1/2010	0.01
12/15/2010	3.36
Total	\$3.99

INL officials should return the \$3.99 million of unobligated funds to DoD in accordance with the reimbursable agreements, and no later than August 31, 2011.

Adequate Documentation Was Not Maintained

INL officials obligated \$2.25 million of DoD funds without maintaining adequate supporting documentation. The reimbursable agreements required that INL maintain “complete records and

accounts” and exercise due diligence with respect to the use of funds provided. However, INL obligated funds for \$1.65 million of 2006 administrative salaries and \$600,000 of 2008 administrative salaries without adequate supporting documentation.

Specifically, INL officials obligated \$1.65 million of DoD funds from the 2006 reimbursable agreement to pay back the salaries of DOS personnel without adequate supporting documentation. INL labeled these salaries as counternarcotics on the budgetary tracking spreadsheet; however, INL officials stated that label was incorrect, and the salaries related to INL personnel supporting the ANP training program. However, INL did not provide documentation that these personnel were supporting the ANP training program.

INL officials obligated \$604,847 of DoD funds for 2008 administrative costs without adequate supporting documentation. Of that \$604,847, INL recorded an obligation of \$435,490 on the budgetary tracking spreadsheet for “salaries to pay back Washington PD&S [Program Development and Support]” and \$169,357 for “benefits 28% payback to Washington PD&S.” DoD provided the funds under the 2007 reimbursable agreement, in part for administrative costs directly related to ANP training program activities. INL provided a spreadsheet that listed DOS personnel names under a heading that they worked on the Afghanistan CIVPOL contract. However, the list was not detailed enough to determine whether these personnel actually worked on the DoD-funded CIVPOL task orders related to ANP training because, during that same time frame, DOS had other internally funded Afghanistan CIVPOL task orders. Therefore, there was a risk that DOS obligated DoD funds to pay for DOS personnel who supported the DOS-funded task orders, and not the DoD-funded task orders.

INL officials should provide evidence that the \$2.25 million of DoD-funded DOS salary obligations were in accordance with the reimbursable agreement and supported the ANP training program. If INL officials cannot provide evidence that \$2.25 million supported the ANP training program, INL should return the funds to DoD.

DOS Lacked Adequate Procedures for Use of DoD Funds

DOS officials lacked adequate procedures for obligating, monitoring, deobligating, and returning DoD funds for the ANP training program.

INL officials did not maintain adequate documentation to support the use of DoD funds, and officials stated that they lacked historical knowledge of the rationale for obligating DoD funds because they were not present during the 2006-2007 time frame.

INL often did not adequately document or explain why they improperly obligated, reobligated, and retained DoD funds. In addition, INL officials did not maintain adequate documentation to support the use of DoD funds, and officials stated that they lacked historical knowledge of the rationale

for obligating DoD funds because they were not present during the 2006-2007 time frame.

Procedures Needed to Improve Compliance With Reimbursable Agreements and Federal Appropriations Limitations

DOS lacked adequate procedures for obligating, tracking, and documenting compliance with the applicable reimbursable agreements and Federal appropriations limitations. Some personnel from the INL Office of Resource Management; the Afghanistan, Iraq, and Jordan Support

Division; the Office of Afghanistan and Pakistan Programs; and the AQM office that provide support for the obligation and disbursement of DoD funds did not fully understand the responsibilities of each other's offices. Specifically, they did not understand who was responsible for:

- determining whether the DoD funds could be obligated for specific purposes;
- obligating and deobligating the funds; and
- maintaining the documentation needed to support that the funds were used for the ANP training program.

As a result, DOS officials we contacted had not determined or documented how obligations

Both INL and AQM deobligated the same \$2.24 million because they did not coordinate or understand which office was responsible for deobligating the DoD funds.

related to the scope of the reimbursable agreements should be validated and recorded. For example, both INL and AQM deobligated the same \$2.24 million because they did not coordinate or understand which office was responsible for deobligating the DoD funds. Specifically, the INL Office of Resource

Management, Budget Execution Division, identified that a contract modification was overobligated and initiated action to deobligate the \$2.24 million on March 23, 2010. AQM also took action to address the overobligation and issued a modification on July 2, 2010, which deobligated the same \$2.24 million, causing DOS to deobligate \$4.48 million in total. Multiple INL officials stated they were puzzled by this action. INL officials needed to reverse the AQM deobligation to correct the error.

Some INL and AQM officials also could not explain when it was appropriate to move funds from one requirement in a modification to another requirement in a different modification. Specifically, DOS officials believed it was acceptable to move funds from one requirement to another without regard for the funds' period of availability. However, the bona fide needs statute clearly prohibits entities from obligating funds when the entity does not have a legitimate need in the fiscal years for which the appropriation was available. Part of this confusion could have resulted from the fact that appropriations law training is not required for officials in AQM and some INL offices.

Finally, no INL office was responsible for maintaining documentation; consequently, it sometimes took INL officials several months to find adequate evidence to determine whether the obligation supported the ANP training program, and in some instances, INL officials had to request documentation from personnel who were no longer working on the ANP training program.

To prevent future confusion and ensure that the DoD funds are obligated in accordance with the reimbursable agreements and appropriations law, INL officials should develop procedures to clearly define each offices' roles and responsibilities, properly obligate, track, and document the use of funds, and ensure those funds are used for their specified purpose. In addition, both INL and AQM officials should ensure that all employees responsible for obligating or disbursing funds take an appropriations law course.

DOS Monitoring and Tracking the Use of DoD Funds

Although officials in the INL Office of Resource Management, Budget Execution Division, developed a budgetary tracking spreadsheet for monitoring the use of DoD funds, they lacked specific procedures on how to update, maintain, and review that spreadsheet for accuracy. We identified multiple errors in two versions of the budgetary tracking spreadsheet (July 2009 and January 2011), including incorrect calculations, overobligations, and incorrect obligation amounts. For example, on July 22, 2009, INL recorded obligations that exceeded the allowable obligation of \$388 million by \$2.24 million.

We also noted six instances where the expended amount decreased between the July 2009 and January 2011 versions of the budgetary tracking spreadsheets. There were six instances, totaling more than \$300,000, in which the July 2009 version of the spreadsheet had higher liquidated amounts than the February 2011 version. The financial system data did not include transactions that could explain these decreases in expended funds.

Finally, we noted two instances where INL officials recorded incorrect obligation dates for the obligations. If INL officials had monitored and verified data recorded on the budgetary tracking sheets, they could have quickly identified these errors.

Overall, the INL process for using spreadsheets to track budgetary information is manual, which makes it prone to human error. Consequently, INL officials need detailed procedures related to reimbursable agreements to verify that officials consistently monitor the budget tracking spreadsheets so that obligations do not exceed funds received, only DoD-related obligations are recorded, and expended balances do not exceed obligated balances.

DOS Should Return Unexpended Funds

DOS lacked adequate procedures to address when INL could appropriately deobligate and return DoD funds, creating additional confusion among the INL and AQM officials. Some officials stated that they could not determine the amount of excess or unused funds until the contracting officer closed the contract and INL's reconciliation team had completed the invoice review. However, officials did not provide us with a written requirement that prevented them from deobligating the funds prior to contract closeout. Other officials stated that a majority of the funds could be deobligated when the contract was completed, whereas others stated that a bilateral agreement was necessary in order to deobligate the funds, but they did not provide the written requirement. The INL Resource Management, Deputy Executive Director, Procurement, stated in an e-mail that INL did not deobligate excess DoD funds because, "Keeping up with current business has been our [INL's] and AQM's first priority."

INL officials need to develop specific written procedures for deobligating funds to include time frames for when excess funds should be deobligated. For example, the DoD policy for identifying excess obligations for deobligation includes triannual reviews of all unexpended obligations. DoD reviews the unexpended funds three times a year to ensure the funds represent bona fide needs. DoD focuses its review, in part, on unexpended obligations for which the period of performance has expired. In another example, the U.S. Agency for International Development deobligation guidebook states that before closeout, but after the contract completion date, the obligating official may deobligate unneeded funds. Entities must determine

the amount available for deobligation by computing the obligated amount less: (1) amounts disbursed, (2) the estimated amount to be disbursed, and (3) a “cushion” amount that may be required for closeout. It further states that personnel should use a threshold of \$100,000 of excessive residual funds when determining whether they should deobligate funds prior to contract closeout.

INL had some general guidance for reviewing unexpended obligations, but should develop and document more specific controls to return excess funds in a timely manner. Specifically, it should develop policy that sets a reasonable deadline for contacting the contractor after the period of performance has ended to determine the costs the contractor estimates it has incurred. In addition, officials should determine another reasonable deadline to deobligate the funds based on estimates from the contractor and INL officials.

DoD Did Not Adequately Monitor the Use of Funds

DoD officials did not adequately monitor whether INL obligated funds in accordance with the reimbursable agreements or returned the excess funds in a timely manner. Although the

DoD officials further stated that they did not have procedures in place to track funds provided by reimbursable agreements because they relied on INL to track the funds.

reimbursable agreements required that INL provide DoD a quarterly status report showing fund use, officials from USD(P), USD(C)/CFO, DSCA, and CSTC-A Comptroller stated that their offices were not responsible for reviewing those reports for compliance with the applicable reimbursable agreement. DoD officials further

stated that they did not have procedures in place to track funds provided by reimbursable agreements because they relied on INL to track the funds. In addition, INL’s quarterly status reports provided only line item data, which did not always include enough detail to make a determination that the funds were obligated and expended in accordance with the reimbursable agreements. However, the DoD Financial Management Regulation states that the ordering activity must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable orders and are supported with a copy of the order or contract and evidence of performance.

To ensure that DOS is properly obligating and expending funds in accordance with the reimbursable agreements, DoD officials need to develop and implement procedures requiring reviews of INL obligations and expenditures to ensure they are within the scope of the reimbursable agreements. The procedures should identify the responsible DoD office and ensure that INL’s status reports provide sufficient detail to allow DoD to determine whether the obligations and expenditures are within the scope of the reimbursable agreements.

In addition, DoD did not monitor whether INL returned excess funds in a timely manner. For example, the DoD reimbursable agreement required only that INL obligate the funds by a certain date, but did not require that INL return the excess obligations in a timely manner. A DSCA official requested INL Office of Resource Management, Budget Execution Division officials to provide a status of the unexpended obligations, along with other prior audit report recommendations. INL stated they never provided an official response because DSCA did not

provide the requested clarification for one issue and because the recommendation was not directed to INL, so they did not believe it was appropriate to respond.

DoD officials should implement procedures to ensure that future agreements include a requirement that INL identify and return excess funds within a specified time period. This would assist DoD to be in compliance with the current DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 3, chapter 8, which requires DoD activities to reconcile obligations with performance on the task order to identify and coordinate the deobligation or return of expiring, expired, or excess funds. In addition, DoD personnel are required to document and deobligate the funds within 10 work days after they identify the need for deobligation.

Finally, we noted that DoD lacked controls over maintaining the official reimbursable agreements. Specifically, between DoD and DOS offices, there were three versions of the 2006 reimbursable agreement. All three versions contained multiple discrepancies among them, including differences in the signature of the DoD official, the date by which the funds were to be obligated, the type of agreement (reimbursable versus order), and the points of contact for DoD. To ensure in the future that each agency maintains and follows the same official reimbursable agreement, DoD, as the purchasing agency, should implement procedures to maintain the official signed reimbursable agreement.

Support for ANP Training Program Was Reduced by Improper Obligations and Retained Funds

The ANP training program received less DoD financial support than the value of DoD funds provided due to INL’s improper obligation and retention of between \$120.30 million and \$122.55 million. DOS may have improperly augmented both DOS and DoD appropriations by \$74.91 million, which potentially could result in Antideficiency Act violations. Table 7 provides a breakdown of the amount of support that the ANP training program did not or may not have received and the potential Antideficiency amount.

During discussions with INL officials, they stated that they took all programmatic actions requested by DoD and, therefore, the DoD ANP training program was fully supported. The audit did not include a review of all ANP training program requirements requested by DoD. However, the ANP training program did not benefit from between \$120.30 million and \$122.55 million of DoD-transferred funds that were obligated outside the DoD ANP training program requirements or not expended at all.

**Table 7. Reduced ANP Training Program Support
and Potential Antideficiency Act Violations**
(in millions)

	Reduced ANP Training Program Benefit	Potentially Reduced ANP Training Program Benefit	Potential Amount ANP Did Not Benefit From	Potential Antideficiency Act Violation	Fiscal Year When Funds Expire
Reobligated outside scope of reimbursable agreement	\$2.59		\$2.59	\$2.59	2007
Moved expired funds to new ANP training requirements				49.85	2008-09
Obligated outside scope of reimbursable agreement	22.47		22.47	22.47	2007-08
Did not return likely unexpended or unobligated funds	95.24		95.24		2007-11
Obligated without supporting documentation		2.25	2.25		2007-08
Total	\$120.30	\$2.25	\$122.55	\$74.91	

ANP Training Program Did Not Receive All Benefits

The ANP training program received less DoD financial support than the value of DoD funds provided due to INL’s improper obligation and retention of funds. As a result, the ANP training program did not benefit from between \$120.30 million and \$122.55 million. DoD could realize a monetary benefit when INL returns up to \$122.55 million and puts the funds to better use supporting other Afghanistan requirements. Specifically, INL should return \$120.30 million to DoD, and both INL and DoD should properly document the return of funds. In addition, for the remaining \$2.25 million, INL officials could not provide documentation to support that the DoD-funded obligations directly supported the ANP training program. INL officials should provide adequate supporting documentation or return the \$2.25 million to DoD, and both INL and DoD should properly document the return of the funds.

DOS Misused ANP Training Program Appropriations

When DOS officials misused \$74.91 million of ANP training program funds and potentially violated the bona fide needs and purpose statutes, DOS may have augmented¹⁴ other DOS and DoD appropriations, which is another potential violation of appropriations limitations and

¹⁴ The augmentation concept does not have a specific statute, but the concept has adequate statutory basis derived from separate enactments.

potential Antideficiency Act violations¹⁵ could occur. Whether an agency can correct the violations to avoid an Antideficiency Act violation depends on the availability of appropriate funds. When the agency has determined that an Antideficiency Act violation occurred, the agency needs to immediately report all relevant facts and provide a statement of actions taken by the agency head to the President and Congress. According to a Comptroller General opinion, both the requesting and performing agencies could be at risk for the potential Antideficiency Act violations.

DOS and DSCA officials should jointly open an investigation to determine whether Antideficiency Act violations have occurred and take any appropriate action. In addition, because there is confusion about the appropriateness of moving funds from one requirement to another, there is an additional risk that DOS improperly moved funds on other task orders. Therefore, DOS and DSCA officials should review all modifications that moved DoD funds from one requirement to another.

Future Excess Funds Need to Be Identified and Returned

Lastly, INL could continue to retain or move excess funds associated with ongoing task orders that were to be completed in FY 2011. Specifically, because task orders 5375 and 2708 were ongoing, improvements in INL's controls to ensure they deobligate and return excess funds in a timely manner could result in additional funds returned to DoD. Additionally, since some of the funds obligated to these task orders have not yet expired, the sooner INL identifies and returns amounts that will not be expended, the greater flexibility DoD will have to reprogram these funds in accordance with applicable laws and use them for other valid requirements.

Specifically, the period of performance for task order 5375 related to the DoD requirements was scheduled to end on June 30, 2011. As of February 24, 2011, INL officials reported that it had not expended \$125.35 million related to task order 5375. Of these unexpended funds, \$87.75 million were still within the period of availability. Task order 2708 was scheduled to be completed on July 15, 2011. Per INL records, as of February 24, 2011, \$35.07 million of unexpended obligations remained on this task order. Of the \$35.07 million, \$25.68 million do not expire until the end of FY 2011. If INL officials returned to DoD prior to September 30, 2011, the obligations that INL was unlikely to expend, DoD could obligate the returned funds to other valid requirements.

In conjunction with developing procedures to deobligate unneeded funds, INL officials should identify and return the obligations INL was unlikely to expend for task orders 5375 and 2708 as soon as possible, but no later than 6 months after the periods of performance for DoD-funded requirements have ended, which provides DOS reasonable time to pay any additional invoices that may be submitted.

¹⁵ An Antideficiency Act violation occurs when entities make expenditures or incur obligations in excess of the amounts available for appropriation.

Management Comments on the Finding and Our Response

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, stated that INL continues to develop and strengthen the operational systems and controls and appreciates working with the oversight community to further that effort. However, he stated that INL was concerned about the standard of “acceptable documentation” the audit team used to base some of its recommendations. He further stated that INL and DoD agreed to terms in the reimbursable agreements that were broadly written for flexibility and could be amended by mutual consent. In addition, he stated that the audit team rejected documentation provided by INL that substantiated mutual consent by INL and DoD stakeholders.

Our Response

We agree that the reimbursable agreements were broadly written and could be adjusted by mutual consent. However, the reimbursable agreements required INL to maintain complete records and accounts, and in certain instances, INL could not provide complete records demonstrating that the obligations supported the reimbursable agreements. We disagree, however, that INL provided documentation substantiating that INL and DoD mutually consented to amend the reimbursable agreements. In certain instances, INL provided documentation that substantiated that there were preliminary discussions between INL and DoD, but INL was unable to provide documentation that DoD ultimately agreed to amend the reimbursable agreement.

Also, we followed up with officials from USD(C)/CFO, and they agreed with our conclusions. However, based on the comments provided by the INL Acting Assistant Secretary and the USD(C)/CFO Director of Operations, we revised the applicable recommendations, asking INL and DoD officials to agree on whether certain obligations were proper.

NTM–A/CSTC–A Comments

Although not required to comment, the Deputy Commander for Programs agreed with the findings and recommendations.

Recommendations, Management Comments, and Our Response

Revised and Redirected Recommendations

As a result of management comments, we revised draft Recommendations A.1.b and A.5.a to clarify that INL should return the recommended funds after coordinating with DoD. We also revised Recommendation A.5.b.2 to clarify that INL should develop, implement, and document adequate procedures to ensure INL uses DoD funds for specific purposes in accordance with laws and documents the appropriate use. In addition, we redirected Recommendation A.8 to the Director, DSCA rather than the USD(C)/CFO.

A.1. We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Chief Financial Officer, Bureau of Resource Management, return the \$15.56 million of DoD funds that were outside the scope

of the reimbursable agreement by August 31, 2011. Specifically, return and document the following amounts:

- a. \$2.59 million potentially moved to Department of State administrative costs.**
- b. \$1.15 million obligated for the Department of Justice Federal Prosecutors Program, or provide documentation to the Under Secretary of Defense for Policy and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and DoD officials agree that the \$1.15 million was within the scope of the reimbursable agreement.**
- c. \$14,996 obligated for Department of State travel costs to the U.S. Embassy in South Korea.**
- d. \$11.81 million obligated for a DynCorp equitable adjustment for contract task order S-AQMPD-04F-0460, awarded in 2004 before the 2006 agreement.**

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, agreed with Recommendations A.1.a, A.1.c, and A.1.d, stating that INL intends to return \$2.59 million of administrative costs, \$14,996 for travel costs to the U.S. Embassy in South Korea, and \$11.81 million for the equitable adjustment. He disagreed with Recommendation A.1.b, stating that INL used the \$1.15 million for the Federal Prosecutors Program, which was in support of the criminal investigative training and mentoring for the ANP and not outside the scope of the reimbursable agreements. Further, he stated that the Federal Prosecutors Program criminal investigative advisors were engaged to specifically train and mentor Afghan police investigators, and that DoD's October 2006 spending plan clearly stated that Afghanistan Security Forces Fund money provided to DOS would be used for criminal investigative training.

Our Response

The Acting Assistant Secretary's comments were responsive to Recommendations A.1.a, A.1.c, and A.1.d, and no additional comments are required. His comments were not responsive to Recommendation A.1.b. Specifically, INL officials did not provide documentation that the Federal Prosecutors Program supported the ANP training and mentoring. Instead, the documentation INL officials provided showed that the mentors trained Afghan police investigators assigned to the Criminal Justice Task Force. INL also did not provide documentation that the Criminal Justice Task Force was part of the ANP training program and eligible to receive training within the scope of the reimbursable agreement.

In addition, although the audit team requested all supporting documentation to validate these costs, INL officials never discussed nor provided the DoD 2006 spending plan. Therefore, we cannot comment on the validity of the statement regarding the plan. Accordingly, we revised Recommendation A.1.b to state that INL should return the \$1.15 million unless it provides documentation to officials within USD(P) and USD(C)/CFO and those officials agree that the Federal Prosecutors Program was within the scope of the reimbursable agreements. We request that INL provide comments on the final report.

A.2. We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management:

a. Determine how much of the \$68.21 million of unexpended obligations remaining on task order S-AQMPD-05F-4305 can be deobligated. As part of the review, include the DoD obligation amount that DynCorp certified as available for deobligation, as well as an analysis on the remaining unexpended obligation amounts. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$68.21 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation. He stated that INL would work with AQM to review the \$68.21 million of unexpended obligations to determine the amount it can deobligate, and that it would provide supporting documentation to DOS IG on the remaining balance.

Our Response

The Acting Assistant Secretary's comments met the intent of the recommendation. No additional comments are required.

b. Determine how much of the \$23.04 million of DoD unexpended obligations remaining on the in-country air support contract (S-AQMPD-05-C-1103) can be deobligated. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$23.04 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation. He stated that INL reviewed the \$23.04 million of expended obligations and identified that \$15.6 million would be deobligated and returned to DoD.

Our Response

The Acting Assistant Secretary's comments were partially responsive. Although the comments addressed determining how much of the \$23.04 million could be deobligated, they did not state that INL would provide DOS IG with supporting documentation for the remaining amount that INL identified as still valid. We request that INL provide comments on the final report.

A.3. We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, provide supporting documentation to the Department of State Inspector General by July 29, 2011, for the \$2.25 million of unsupported obligations identified in this report or return the \$2.25 million to Department of Defense by

August 30, 2011. Specifically, the Executive Director should review and, if necessary, deobligate the following amounts:

- a. \$1.65 million obligated for Department of State salaries using DoD funds provided in the 2006 reimbursable agreement.**
- b. \$604,847 for Department of State personnel salaries.**

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation. He stated that INL would update the supporting documents for the \$2.25 million identified and take the necessary action to deobligate and return funds as appropriate.

Our Response

The Acting Assistant Secretary's comments were partially responsive to Recommendation A.3.a-b. Although he stated that INL would update supporting documents and take the necessary action to deobligate and return funds, he did not state that INL would provide DOS IG with documentation by July 29, 2011, for the \$2.25 million of unsupported obligations or return the \$2.25 million to DoD by August 30, 2011. We request that INL provide comments on the final report.

A.4. We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify and return unexpended obligations not likely to be expended as soon as possible, but no later than 6 months after the period of performance for DoD-funded requirements related to task order S-AQMMA-08F-5375 and S-AQMMA-10F-2708 ends.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, agreed with the recommendation, stating that INL would return funds that clearly exceed the requirements within 6 months after the period of performance ends. He further stated that the final obligation adjustments would be made after the contracting officer completes the formal closeout process.

Our Response

The Acting Assistant Secretary's comments were partially responsive. We request clarification on what measures INL will use to determine whether funds are "clearly" excess. In addition, according to the comments, the funds will either be returned within 6 months after the period of performance or after the contracting officer completes the formal closeout process, which could be 3-to-5 years. Therefore, we also request clarification on how INL will ensure that the funds that are not "clearly" excess at the 6-month mark do not remain obligated for the entire 3-to-5 years, but are deobligated and returned to DoD as soon as possible. We request that INL officials provide clarification in their comments on the final report.

A.5. We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs:

a. Return to DoD and properly record the \$3.99 million of unobligated DoD funds by August 31, 2011, unless INL provides documentation to the Under Secretary of Defense for Policy and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and DoD officials agree that the obligations were within the scope of the reimbursable agreements.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, disagreed with the recommendation, stating that the \$3.99 million was obligated to cover administrative expenses associated with the execution of the ANP program. He also stated that \$57,000 remained obligated and would be returned to DoD.

Our Response

The Acting Assistant Secretary's comments were not responsive. INL officials did not provide documentation that they obligated the \$3.99 million. Specifically, INL records showed that, as of February 20, 2011, the \$3.99 million had not been obligated, even though the reimbursable agreements required that INL obligate the funds by December 31, 2010. In addition, \$630,000 of the \$3.99 million had already expired on February 20, 2011. We revised the recommendation to allow INL to provide documentation to DoD that it appropriately obligated the \$3.99 million. We request that INL provide additional comments on the final report.

b. Develop, implement, and document adequate controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs uses DoD funds for specific purposes in accordance with laws and documents the appropriate use. Specifically, officials should:

1. Designate the appropriate offices responsible for ensuring that the obligation directly relates to the requirements in the reimbursable agreements.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, agreed with the recommendation and stated that INL would improve its standard operating procedures that designate responsibilities and duties and better articulate controls.

Our Response

The Acting Assistant Secretary's comments were responsive, and no additional comments are required.

2. Retain documentation supporting that the obligation is in compliance with the reimbursable agreement requirements.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation, stating that INL already has procedures for documenting support, which is retained by the program office, contracting officer's representative, and financial management office.

Our Response

The Acting Assistant Secretary's comments were not responsive. The procedures INL might have for documenting and retaining supporting documentation that an obligation is in compliance with applicable requirements were not adequate. For example, INL officials took more than a month to provide us with documentation to support various obligations, and in some instances, INL had to obtain the data from personnel who were no longer working on the program. In addition, INL officials were sometimes unable to provide any documentation to support obligations. We revised the recommendation for INL to develop, implement, and document adequate controls. We request that INL provide comments on the final report.

c. Develop and document controls to return excess funds in a timely manner. Specifically,

1. Develop policy that sets a reasonable deadline for contacting the contractor after the period of performance has ended to determine the costs the contractor estimates they have incurred.

2. Determine another reasonable deadline to deobligate the funds based on estimates from the contractor and Bureau of International Narcotics and Law Enforcement Affairs officials.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, agreed with the recommendation, stating that INL would update its current obligation control guidelines to specify a reasonable deadline to initiate the necessary deobligation actions.

Our Response

The Acting Assistant Secretary's comments were responsive, and no additional comments are required.

d. Develop controls for the officials responsible for ensuring DoD funds are obligated in accordance with the reimbursable agreements and review the Bureau of International Narcotics and Law Enforcement Affairs, Office of Resource Management, Budget Execution Division, documentation to ensure that the spreadsheets for tracking DoD funds do not include DOS-funded obligations.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation. He stated that INL would implement standard operating procedures to clarify roles and responsibilities, as well as provide specific guidance for confirming compliance with reimbursable agreements.

Our Response

The Acting Assistant Secretary's comments were partially responsive. Although he stated that INL would implement standard operating procedures and provide guidance for ensuring compliance with the reimbursable agreements, he did not state that INL would review documentation to ensure that spreadsheets for tracking DoD funds did not include DOS-funded obligations. We request that INL provide comments on the final report.

e. Develop controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs, Office of Resource Management, Budget Execution Division, personnel monitor budget tracking spreadsheets to ensure that obligations do not exceed funds received and to prevent expended balances from exceeding obligated balances.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation, stating that INL had controls for monitoring budget tracking spreadsheets to ensure that obligations did not exceed funds received and to prevent expended balances from exceeding obligated balances. He also stated that reviews were conducted on a continuing basis.

Our Response

The Acting Assistant Secretary's comments were not responsive. Although he stated that INL had controls in place, those controls were not adequate to ensure that obligations did not exceed funds received or prevent expended balances from exceeding obligated balances. As discussed in the report, there was an instance where the spreadsheet showed that INL had obligated \$2.24 million more than what was allowable. In addition, INL and Bureau of Resource Management, Budget Execution Division, officials stated that they did not have any written procedures to ensure that obligations did not exceed funds received or prevent expended balances from exceeding obligated balances. We request that INL provide comments on the final report.

f. Require that all personnel involved in the obligating or disbursing of funds take an appropriations law training class.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation, stating that the [Office of the Legal Adviser] is responsible for all appropriations law issues.

Our Response

The Acting Assistant Secretary's comments were not responsive. Although the Legal Adviser is responsible for all appropriations law issues, INL must contact the Office to request a legal opinion. If INL does not require that all personnel involved in the obligating or disbursing of funds take an appropriations law training class, there is a high risk that INL officials will not be cognizant enough to know whether they should contact the Legal Adviser before obligating funds. We request that INL provide comments on the final report.

A.6. We recommend that the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require all contracting officers and supporting staff to take an appropriations law training class.

Bureau of Administration Comments

The Acting Assistant Secretary, responding for the AQM Director, neither agreed nor disagreed with the recommendation. He stated that AQM recognizes the importance of training personnel in appropriations law; however, it relies on the COR and personnel within the functional bureaus and program offices to provide appropriations expertise. In addition, he stated that in the newly revised Department COR training, there is a module on payment that includes invoice and proper payments. Lastly, he said that AQM would explore sending select contracting officers and supporting staff to appropriations law training courses.

Our Response

The Acting Assistant Secretary's comments were partially responsive, as he stated that AQM would explore sending select contracting officers and supporting staff to appropriations law training courses. We recommended that AQM require all contracting officers and supporting staff take the training because these personnel are involved with obligating and deobligating funds and the training will help them understand the misapplication of appropriations law principles, such as augmentations to appropriations, which could lead to Antideficiency Act violations. Therefore, we recommend that AQM reconsider its position on the recommendation and provide comments on the final report.

A.7. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD:

a. Establish procedures to verify and document that the Bureau of International Narcotics and Law Enforcement Affairs promptly identifies and returns funds identified in this report and listed in recommendations A.1, A.2, A.3, A.4, and A.5.

b. In coordination with the Under Secretary of Defense for Policy, develop procedures to ensure that all future reimbursable agreements require the Bureau of International Narcotics and Law Enforcement Affairs to identify excess funds within a specified time frame after the period of performance has ended.

c. Develop controls to ensure that the appropriate DoD component monitors the Bureau of International Narcotics and Law Enforcement Affairs obligation and

expenditure of DoD funds in accordance with the reimbursable agreements and applicable laws and regulations.

d. Develop controls to ensure that all necessary agencies have the official reimbursable agreements.

USD(C)/CFO Comments

The Director of Operations, USD (C)/CFO, agreed with the recommendation, stating that for Recommendation A.7.b, DoD has already begun to incorporate requirements into agreements. For Recommendation A.7.c, he stated that the Department would develop controls to ensure the proper DoD component monitors the obligation and expenditure of funds. In addition, he requested that the report include a recommendation that INL provide all relevant financial information without undue delay so the DoD components can make appropriate verifications.

Our Response

The Director's comments were responsive, and no additional comments are required. We did not add a recommendation to the report as requested by the Director because the existing reimbursable agreement already requires that INL provide DoD copies of the contracts, contractor invoices, and payments. Specifically, it requires that INL provide the DoD CFO point of contact and CSTC-A with quarterly reports of goods and services, including accounting or audit information, concerning all funds provided. The agreement further states that the requested data are to be provided in sufficient detail to allow DoD to validate that the proposed use of the funds is appropriate. In addition, the reimbursable agreement permits selected USD(C)/CFO, Army-Comptroller, and CSTC-A personnel to review the task orders and information contained in the statement of work. If INL does not provide requested documentation to DoD in a timely manner, DoD officials should immediately elevate the issue within both management chains until an acceptable resolution is obtained.

A.8. We recommend that the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer, and the Director, Defense Security Cooperation Agency, perform a joint investigation of the potential Antideficiency Act violations for the \$74.91 million of funds obligated outside the scope of the reimbursable agreements or not in compliance with Federal appropriations limitations. Specifically, they should investigate the following amounts and take the appropriate action for:

a. \$2.59 million reobligated outside the scope of the reimbursable agreement and period of funds availability.

b. \$49.85 million of obligations moved from original requirements to requirements outside the period of funds availability for task order S-AQMMA-08F-5375. In addition, review all other movements of DoD funds to ensure they were within the period of availability.

c. \$9.50 million obligated for the United Nations Law and Order Trust Fund-Afghanistan commitment.

d. **\$1.15 million obligated for the Department of Justice Federal Prosecutors Program.**

e. **\$14,996 obligated for Department of State personnel to travel to the U.S. Embassy in South Korea.**

f. **\$11.81 million for an equitable adjustment for task order S-AQMPD-04F-0460.**

USD(C)/CFO Comments

The Director of Operations, USD(C)/CFO, agreed with the recommendation, but stated that the recommendation should be redirected to DSCA to appoint an investigation official as DSCA is the fundholder.

Our Response

The Director's comments were responsive, and no additional comments are required. We redirected the recommendation accordingly.

Bureau of Resource Management Comments Required

The Assistant Secretary, Bureau of Resource Management, did not comment on Recommendation A.8. We request that the Assistant Secretary provide comments on the final report.

A.9 We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs; Under Secretary of Defense for Policy; and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, reach an agreement as to whether the \$9.50 million obligation for a United Nations Law and Order Trust Fund–Afghanistan contribution was appropriately obligated. If officials do not reach an agreement, the Bureau of International Narcotics and Law Enforcement Affairs should return the \$9.50 million of DoD funds obligated for a United Nations Law and Order Trust Fund–Afghanistan contribution.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation. He stated that INL would work with USD(C)/CFO and other DoD officials to specifically address the LOTFA issue.

Our Response

The Acting Assistant Secretary's comments were responsive, and no additional comments are required.

USD(P) and USD(C)/CFO Comments

The Director of Operations, USD(C)/CFO, in coordination with USD(P), agreed with the recommendation, stating that it did not appear as if a proper DoD official approved the expenditures. He also stated that the Training subactivity group provided the funds to INL, which were not authorized to pay salaries, and therefore, INL did not appropriately use the funds.

Our Response

The Director's comments were partially responsive. From his comments, it appeared as if DoD determined that it was not appropriate for INL to use DoD funds for LOTFA. However, it is unclear whether DoD discussed the inappropriate expenditure with INL. Once DoD discusses the LOTFA contribution with INL and they reach an agreement, DoD should provide the results of the decision to DoD IG. No additional comments are required.

Finding B. INL Approved Contractor Invoices for Costs That Were Not Authorized or Were for Services Not Provided

From February 2007 through February 2011, the INL COR approved DynCorp invoices for the ANP training program, even though the invoices included:

- travel costs for \$334,400 to attend weekly meetings that were not authorized in the contract;
- labor costs for \$352,297 related to schedules not allowed per the statement of work, not included in the original cost proposal, and not approved by the contracting officer;
- labor costs for \$449,406 for services that supporting records showed the contractor personnel did not provide and exceeded FAR limitations; and
- materials and supplies for \$938,454 that the contractor purchased without the proper Government purchase approval, proof of Government acceptance, or both, as required by the contract, Prompt Payment Act, FAR, and applicable DOS guidance.

This occurred because the COR and INL invoice review team did not always perform a detailed review of invoices prior to payment and relied on the INL reconciliation team to identify overpayments made to the contractor during their review of paid invoices years later.¹⁶

Additionally, DOS officials did not consider the FAR requirement for prorating labor costs to be applicable to the CIVPOL contract (task orders 4305 and 5375), and officials were unaware of, or misinterpreted, some contract and FAR requirements for proof of Government acceptance.

As a result, DOS paid the contractor approximately \$2.07 million for costs that were either not authorized or for services not provided. If INL officials identify and AQM officials recover those funds, they could be used for valid ANP training program requirements or other DoD requirements. Further, unless the COR and INL invoice review team improve the invoice review process prior to payment, DOS will likely continue to approve these types of costs.

INL officials took immediate action to partially address the unauthorized travel. Specifically, on March 11, 2011, after we notified INL officials of our travel cost analysis, the COR directed DynCorp on that same day to cease travel for the task order 5375 weekly meetings and, instead, conduct those meetings by conference call.

¹⁶ The COR, INL invoice review team, and reconciliation team all stated that the reconciliation team would be performing a complete review of paid invoices for task orders 4305 and 5375. However, the INL Resource Management, Deputy Executive Director, Procurement, later stated that the reconciliation team would not be performing a review of invoices for task orders 4305 and 5375. See “Limited Review of Invoices Prior to Payment” section for details.

INL Established Invoice Review and Reconciliation Teams to Improve Quality

INL established two teams, a pre-payment review team and post-payment reconciliation team, to review contractor invoices. These teams are comprised of both INL officials and personal services contractors. Specifically, in 2006, INL established an invoice review team to perform a pre-payment review of DynCorp invoices and supporting documentation in an attempt to decrease the amount of overpayments made to contractors. As of February 2011, the COR and invoice review team rejected 384 of 1,684 invoices¹⁷ for DoD-funded DynCorp task orders 4305 and 5375. In most instances, the invoices were rejected because the contractor listed the incorrect period of performance or referenced the wrong modification.

In 2007, INL established a reconciliation team to perform a detailed review of all invoices after payment to validate that the invoice costs were allowable, allocable, and reasonable and to recommend recovering costs from the contractor, if necessary. As of March 2011, the

The reconciliation team reviewed DynCorp invoices for multiple DOS-funded task orders and requested that DynCorp return approximately \$28.9 million for Iraq task orders and \$11 million for Afghanistan task orders.

reconciliation team reviewed DynCorp invoices for multiple DOS-funded task orders and requested that DynCorp return approximately \$28.9 million for Iraq task orders and \$11 million for Afghanistan task orders. DOS officials requested that DynCorp return the funds for multiple reasons, to include incorrect billing charges and duplicate payments. However, the

team leader for the reconciliation team stated that the team did not plan to begin its detailed review of DoD-funded task orders 4305 (awarded in August 2005) and 5375 (awarded in July 2008) until August 2011 and December 2011, respectively. The reconciliation team estimated that the review would take approximately 8 to 12 months for each task order.

Reviews of DynCorp Systems Identified Control Weaknesses

From 2007 through 2010, Defense Contract Audit Agency (DCAA) officials reported deficiencies in DynCorp's business systems, to include labor accounting, billing, purchasing, and other direct cost systems. In addition, the Defense Contract Management Agency (DCMA), Corporate Administrative Contracting Officer, disapproved DynCorp's purchasing system on June 6, 2010. A DCMA review team initiated a followup review of the system in October 2010, but the review was suspended because the team identified recurring internal control weaknesses early in the review process. The DCMA Corporate Administrative Contracting Officer issued a second memorandum on November 1, 2010, stating that the system would remain in a disapproved status. These deficiencies and internal control weaknesses increased DynCorp's risk for producing inaccurate contractor invoices.

The February 2010, joint DoD IG and DOS IG audit report included a recommendation for DCAA to conduct an invoice review for DoD-funded task orders 4305 and 5375. DCAA

¹⁷ The total number of invoices was obtained from the INL invoice log. We did not test the accuracy of the invoice log.

officials began auditing DynCorp incurred costs for the two task orders from August 2005 through April 2, 2010, and provided examples of their preliminary concerns, which we included in this finding.

COR Approved Invoices for Costs That Were Not Authorized or Were for Services Not Provided

From February 2007 through February 2011, the COR¹⁸ approved contractor invoices for payment that included costs that were either not authorized or for services not provided based on contract and FAR requirements and DOS guidance. Specifically, the COR approved invoices for travel costs not authorized, excess labor costs, and purchases without the required Government purchase approval or proof of Government acceptance.

Travel Costs Not Authorized

From February 2007 through January 2011, the COR approved invoices for DoD-funded task orders 4305 and 5375, which included travel costs not authorized. Specifically, the contractor billed costs for personnel to travel from Texas to Washington, D.C., to attend weekly meetings, totaling approximately \$334,400 (\$56,400 for task order 4305 and \$278,000 for task order 5375).¹⁹

INL officials stated they held weekly meetings with contractor personnel to discuss operations in Iraq and Afghanistan and to facilitate contractor participation in the invoice reconciliation process for DOS and DoD-funded task orders. However, the weekly travel costs from Texas to Washington, D.C., were not authorized in the contract. In addition, the contract required DynCorp to maintain a local program management office in the Washington, D.C., metro area to provide support for recruitment, logistics, financing, accounting, and other program management related activities. Therefore, personnel from the DynCorp Washington, D.C., office should have attended the weekly meetings to discuss contractor operations and provide invoice reconciliation support, which would have significantly reduced travel costs.

Even though all of the travel costs were not authorized, we reviewed them to determine whether the COR and invoice review team reviewed travel costs to ensure compliance with the FAR and Federal travel regulations, as required by the contract. Those regulations require contractors to (1) ensure travels costs are reasonable, (2) select the lowest airfare available, and (3) not exceed the Government-approved per diem rates for lodging without adequate justification.

The COR did not review travel costs to ensure compliance with the applicable regulations. Specifically, DynCorp charged the Government for unreasonable roundtrip airline tickets, a one day rental car and parking fees of \$104 even though other transportation methods would have been less expensive, and hotel costs that exceeded per diem rates. For example, even though the meetings occurred on the same day every week, one contractor official initially purchased a roundtrip ticket for \$335, but changed the airfare multiple times, which caused the price to

¹⁸ For purposes of this report, “the COR” refers to the COR acting at that time. During the time frame covered by the audit, there were three different CORs.

¹⁹ For task order 5375, the contractor billed DOS approximately \$645,000 in total travel costs for the weekly meetings, but billed the additional \$367,000 to other DOS-funded Iraq task orders.

Even though the meetings occurred on the same day every week, one contractor official initially purchased a roundtrip ticket for \$335, but changed the airfare multiple times, which caused the price to increase to \$1,931.

increase to \$1,931. In addition, the contractor official needed a rental car or taxi because the official regularly stayed at a hotel close to the DynCorp Headquarters, rather than near the DOS office, where the official could have used public transportation or walked. Furthermore, the hotel rate exceeded the per diem rate. Finally, although the weekly meetings were held only on Tuesdays

and Wednesdays, travel costs included charges for up to 5 days.

INL officials took immediate action to prevent further unauthorized travel costs. Specifically, on March 11, 2011, we notified INL officials of our travel cost analysis, and on that same day, the COR directed DynCorp to cease travel for task order 5375 weekly meetings and, instead, conduct those meetings by conference call. Although INL officials took action to prevent further unauthorized travel, AQM should recover \$334,400 from the contractor for the unauthorized costs.

Labor Costs Not Included in the Statement of Work or Cost Proposal

For task order 5375, we selected a statistical sample of timesheets supporting labor costs for the 2-week pay period ending February 10, 2011. We found that the COR approved invoices for daily labor costs not included in the statement of work, the contractor's cost proposal, and not approved by the contracting officer. (See Appendix C for details on the sampling plans and calculations used for the daily costs and for the number of contractor personnel discussed in the sections below). The contract statement of work states that the contractor's personnel system is to include a labor schedule for personnel with labor cost based on a 6-day workweek with a maximum of 313 working days per year. It further states that in most cases, personnel will work 6 days a week with 1 day off. In addition, the contractor's original cost proposal is also based on a 6-day work week. Finally, the statement of work permits the contractor to work other schedules if the contracting officer approved the schedule. According to INL officials, the contractor did submit an alternate schedule; however, AQM officials stated they were not specifically aware of any contractor proposal related to altering the work schedule. Therefore, when the COR approved invoices with daily labor costs for 7 days instead of 6 days per week, they approved costs not included in the contractor's cost proposal.

During the 2-week billing cycle, 885 contractor personnel (56.7 percent) worked in excess of the 6-day requirement, and the supporting invoices showed that DynCorp billed and DOS officials approved costs associated with the excess days worked. Specifically, for the 2-week billing cycle, the COR approved DynCorp invoices containing \$352,297 in labor costs that were over the 6-day statement of work and contractor's cost proposal. If this 2-week billing cycle is indicative of the other 25 billing cycles in a year, DOS could have potentially approved costs not included in the contractor's cost proposal of approximately \$9.16 million.

AQM officials should review the total costs that were approved but not included in the cost proposal and determine whether they should take action to recover any of those costs.

Excess Labor Costs

For task order 5375, we selected a statistical sample of timesheets supporting labor costs for the 2-week pay period ending February 10, 2011. We found that the COR approved invoices even though the contractor billed for the entire fixed daily labor rates when contractor personnel did not work the daily hours indicated in the contract cost proposal. According to the DynCorp cost proposal that was incorporated into the contract, DynCorp's labor days were a fixed length based on the position; ranging from 8 to 12 hours for each day. Therefore, under the fixed-price labor requirements, DynCorp personnel were required to work 8 to 12 hours to properly bill for the fixed rates. If DynCorp personnel worked less than the required hours per day, the COR should have required DynCorp to prorate the labor costs for only those hours worked, to ensure an equitable assignment of costs, as allowed by FAR 52.246-4 (e), "Inspection of Services-Fixed-Price." Specifically, the FAR states that if any of the services do not conform to the contract requirements, the Government may reduce the contract price to reflect the reduced value of the services performed. Prorating the fixed price is also consistent with FAR 53.232-7 (a)(4), "Payments under Time-and-Materials and Labor-Hour Contracts," which requires the Government to pay the contractor for the fractional hours worked when a fixed hourly rate is used.

For the 2-week pay period ending February 10, 2011, 1,311 contractor personnel (84 percent) worked less than the required 8- to 12-hour day, but the contractor billed and the COR approved invoices for the fully daily rate. Using prorated labor rates, we found that the COR approved invoices containing \$449,406 for labor not provided. If this 2-week billing cycle is indicative of the other 25 billing cycles in 1 year, DOS could potentially overpay the contractor approximately \$11.68 million.

AQM officials should recover \$449,406 from the contractor for excess labor costs billed, and the COR and INL invoice review team should increase the scope of the review of invoices prior to payment to ensure the contractor is not billing for hours not actually worked.

Lack of Government Approval and Acceptance for Purchases

The COR approved invoices totaling \$938,454 for materials and supplies the contractor purchased without the required Government purchase approval or proof of Government acceptance for task order 5375. This amount included \$542,079 with no Government purchase approval; \$332,631 with no Government purchase approval and Government acceptance; and \$63,744 with no Government acceptance.

Government Did Not Approve Purchases

Our review of 24 contractor purchases²⁰ for task order 5375 showed that the contractor did not always have the required Government approval prior to making purchases. Specifically, the COR approved invoices for 17 of 24 purchases, valued at approximately \$874,710, without supporting documentation that a Government official approved the purchase as required by the contract, INL standard operating procedures, and COR technical direction. According to the

²⁰ The nonstatistical selection of contractor purchases was based on high dollar values, and the items included equipment, parts, cell phones, catered meals, fuel, and rental vehicles listed on 10 invoices. DynCorp submitted invoices for these items from December 2008 through July 2010.

contract, the contractor was not to incur any cost-reimbursement costs without prior written Government approval. INL standard operating procedures also required the contractor to obtain written validation from a Government official for purchases exceeding a unit cost threshold of \$3,000, and the 17 purchases exceeded that threshold. The COR also issued a memorandum to DynCorp on March 10, 2010, which required the contractor to obtain a signed purchase request prior to making purchases.

During our review of the 24 purchases, we asked INL officials to provide the supporting documentation that was not included with the invoice; however, INL officials did not provide the requested documentation for 17 purchases. INL should provide DOS OIG with documentation that a Government official approved the purchases. If INL cannot provide the documentation, AQM officials should recover \$874,710 from the contractor for those purchases.

INL's lack of prior approval for purchases is a systemic issue, as discussed in the February 2010 joint audit report. Subsequently, the COR issued a second memorandum to the contractor on January 14, 2011, reiterating that purchases for \$3,000 and greater require Government approval. The memorandum further stated that the approval should be documented through a Government-signed purchase request prior to incurring costs for materials and supplies or services.

Our review did not include invoices and purchases submitted or approved after the January 2011 COR memorandum; therefore, the COR and INL invoice review team should increase the scope of their review of invoices prior to payment to ensure the contractor had Government approval for those purchases.

No Documentation of Government Acceptance

We tested 11 of the 24 purchases that required Government acceptance documentation and found that the COR approved all 11 purchases, valued at approximately \$396,375, for payment without proof of Government acceptance as required by the Prompt Payment Act and FAR.²¹ The Prompt Payment Act requires Government acceptance be provided prior to payment. In addition, FAR 32.905, "Payment Documentation and Process," states that invoice payments are to be supported by Government documentation that authorizes payment. That documentation must include the date the designated Government official accepted the supplies or services and the official's signature, printed name, title, mailing address, and telephone number.

INL officials should provide DOS OIG proof of Government acceptance or documentation showing that the DOS received the purchases. If INL officials cannot provide the documentation, AQM officials should recover \$396,375 from the contractor for those purchases. Of the \$396,375, purchases for \$63,744 did not have proof of Government acceptance, and \$332,631 did not have either Government approval or Government acceptance.²² Therefore,

²¹ Of the 24 purchases, 11 required proof of Government acceptance. Proof can be a receiving report or other documentation verifying receipt. The remaining 13 purchases were either for cost-reimbursement services or supplies to perform the services, neither of which require Government acceptance.

²² The \$332,631 is part of the \$874,710 identified in the previous section, "Government Did Not Approve Purchases."

when determining the amount to recover from the contractor for lack of Government acceptance, AQM officials should consider the amount that also did not have Government approval to ensure that they do not recover duplicate payments.

Limited Review of Invoices Prior to Payment

The COR approved invoices that included costs that were either not authorized or for services not provided because the COR and invoice review team did not always perform a detailed review of invoices prior to payment and relied on the INL reconciliation team to identify overpayments made to DynCorp during their review of all paid invoices. INL officials stated that they did not always perform a detailed review because they were required to approve invoices in a timely manner to adhere to the Prompt Payment Act. The Prompt Payment Act requires agencies to pay contractors within certain time frames, and if the agency pays late, the agency is required to pay the contractor an additional interest payment. INL officials further stated that their review consisted of:

- validating that the invoice cover page included items such as the invoice date, contract and vendor invoice number, and contact information;
- determining whether adequate funds were available to pay the invoice; and
- performing a cursory review of supporting documentation.

According to contract modification 17, “all invoices will be treated as provisional, subject to subsequent reviews, audits and appropriate adjustments.” Therefore, the COR and invoice review team only reviewed invoices for provisional payment and stated that the reconciliation team would be conducting the post-payment reviews. DOS officials further stated that the reconciliation team would identify the improper invoices that the COR approved, and DOS would recover any overpayments from the contractor. Specifically, during their review of invoices for payment, if the invoice review team questioned costs but did not have sufficient evidence to reject the invoice, the team would attach to the invoice a memorandum for record for the reconciliation team’s review. For example, after reviewing an invoice for labor charges, the invoice review team recommended that the COR approve the invoice for payment, but attached a memorandum for record that stated, “There are anomalies throughout that should be reviewed by the AIJS [Afghanistan, Iraq, and Jordan Support Division] Reconciliation Team.” The memorandum also stated, “Recommend that the AIJS Recon Team review both 5375-S1-0094R with narrative and 5375-S2-0094 to determine final disposition.”

However, even though the reconciliation team had scheduled the review of invoices for task orders 4305 and 5375 to begin in August 2011 and December 2011, respectively, the INL Office of Resource Management, Deputy Executive Director, Procurement, stated on May 11, 2011, that the reconciliation team would not be reviewing any invoices submitted under task orders 4305 and 5375. The Executive Deputy Director later clarified that the reconciliation team would only be reviewing invoices submitted prior to January 1, 2007. Therefore, the team would not be reviewing invoices submitted under task order 4305 from January 2007 through January 2010, and would not be reviewing any invoices submitted under task order 5375 because it was awarded in July 2008. Therefore, INL officials should take appropriate action to resolve the potential risk of overpayments because INL officials were operating under different assumptions and a less rigorous review occurred prior to payment and no reconciliation team review will

occur post-payment. To decrease the amounts of overpayments made to the contractor, INL officials should determine who will perform a 100-percent post payment review of invoices for task orders 4305 and 5375. The 100-percent post payment review should be conducted to identify travel costs that were not authorized, ensure timesheets are properly signed and approved, identify any excess daily and hourly labor costs that were not included in the cost proposal, and verify contractor material purchases have the support of a signed purchase request and Government acceptance. INL officials should also recover costs from the contractor, if necessary, and any additional costs identified during the 100-percent detailed invoice review that were either not authorized or for services not provided.

Misinterpreting Requirements

DOS officials believed that because the labor rates were fixed and the FAR contained no requirement to prorate daily rates, they could not prorate the rates when the contractor worked less than the contractually agreed-upon hours per day. Although the FAR does not contain a specific requirement for prorating daily rates, FAR 52.246-4(e), "Inspection of Services," states that if any contractor services do not conform to the contract requirements, the Government may reduce the contract price to reflect the reduced value of the services performed. Therefore, prorating labor rates would help to ensure that contractor personnel are paid only for the work actually performed, which would reflect the actual value of services. DOS officials should have applied this requirement to the daily rate and not paid contractors the full rate when they worked as few as 4 hours a day.

AQM officials further stated that the intent of the daily rate was to avoid excessive overtime costs. For example, when DOS originally paid the contractor based on hourly rates, the

When DOS paid the contractor a daily rate, contractor personnel worked significantly fewer hours.

contractor was charging excessive hours of overtime each week, which was costly to the Government. However, when DOS paid the contractor a daily rate, contractor personnel worked significantly fewer hours. When we discussed our analysis with DOS officials,

they agreed that it was an issue of concern, but they stated that the intent of the daily rate was to avoid excessive overtime costs and, therefore, they only reviewed invoices to ensure the contractor was not charging overtime.

In addition, INL and AQM officials were unaware of, or misinterpreted, some contract and FAR requirements for proof of Government acceptance. Specifically, INL officials stated that they believed the contractor could accept materials and supplies on behalf of the Government. However, this practice is an inherently governmental function and does not comply with the Prompt Payment Act or FAR requirements.

INL Officials Need to Recover Funds

DOS paid the contractor approximately \$2.07 million for costs that were either not authorized or for services not provided. If INL officials identify and AQM officials recover those funds, they could be used for valid ANP training program requirements or other DoD requirements. In addition, although the period of performance for the DoD-funded task orders we reviewed was scheduled to end June 30, 2011, Federal law permits the contractor to submit invoices for valid charges after the period of performance ends. Therefore, unless the COR and invoice review

team improve their pre-payment review of invoices, the COR will likely continue to approve costs that were either not authorized or for services not provided, thus decreasing the amount of

Unless the COR and invoice review team improve their pre-payment review of invoices, the COR will likely continue to approve costs that were either not authorized or not for services provided, thus decreasing the amount of funds available for existing, valid ANP training program requirements.

funds available for existing, valid ANP training program requirements. To improve the pre-payment review of invoices, INL officials should develop procedures to increase the scope of the pre-payment invoice review to validate travel costs are within the scope of the contract, supporting timesheets are signed and approved, labor costs do not exceed the 6-day per week

requirement, labor costs are only billed for a full day's work, and contractor-purchased materials have supporting documentation of a Government-approved purchase request and proof of Government acceptance.

In addition, some of the DoD funds transferred to DOS will cancel in September 2012. The cancellation of funds would further decrease the amount available for existing, valid ANP training program requirements or other DoD requirements, because canceled funds must be returned to the U.S. Treasury general fund. Therefore, INL should take action to immediately identify the personnel that will conduct the final post-payment review of invoices for the DoD-funded task orders. This review should ensure that all invoices were properly approved and identify invoices that should not have been approved. For those that should not have been approved, DOS should recover funds from DynCorp and promptly return the funds to DoD for use on valid requirements.

DCAA Reviews of DynCorp Timekeeping Records and Labor Charges Identified Weaknesses

During their review of incurred charges for task orders 4305 and 5375, DCAA officials stated they also found inadequate timesheets supporting labor costs for task order 4305. Specifically, DCAA officials identified that timesheets were not always approved, signed and approved by the same individual, or were not ratified²³ in accordance with DynCorp timekeeping policies, and were, therefore, not authorized according to the FAR. According to FAR 31-201-2, "Determining Allowability," the contractor is responsible for accounting for costs appropriately and maintaining records. Those records are to include supporting documentation, which adequately demonstrates that the claimed costs are allowable in accordance with applicable regulations and the contract, allocable²⁴ to the contract effort, and reasonable in amount. The FAR further states that the contracting officer may disallow all or part of a claimed cost if it is inadequately supported.

²³ An absent employee's supervisor or administrator submits the timesheet, but the employee is required to ratify the timesheet upon return.

²⁴ A cost is allocable if it (a) is incurred specifically for the contract; (b) both benefits the contract and can be distributed to the contract in reasonable proportion to the benefits received; or (c) is necessary to the overall operation of the business, even though a direct relationship to any particular cost objective cannot be shown (FAR 31.201-4).

DCAA officials stated they were in the process of auditing the remaining charges incurred under task order 5375, using April 3, 2010, as a starting date. Also, if requested and funded by DOS,

Due to systemic internal control weaknesses in the DynCorp billing system, DoD and DOS are at an increased risk that the contractor could bill both DoD and DOS for the same charges.

DCAA officials stated they would audit charges incurred under DOS task order 2708 to determine whether costs are allowable, allocable, and reasonable. Additionally, because DoD has assumed contract and oversight responsibility of the ANP training program, DCAA will also be responsible for approving contractor interim vouchers for provisional payment on the DoD contract. Due to systemic internal control

weaknesses in the DynCorp billing system, DoD and DOS are at an increased risk that the contractor could bill both DoD and DOS for the same charges. Therefore, INL officials should request and fund DCAA to review all claimed costs charged on both DoD and DOS contracts from December 30, 2010, through July 15, 2011. In addition, INL officials should recover any overpayments made to the contractor based on DCAA's audits for task orders 4305 and 5375.

Recommendations, Management Comments, and Our Response

B.1. We recommend that the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, increase the scope of the pre-payment invoice review for task order 5375 invoices to identify unauthorized costs. Specifically, the Contracting Officer should develop procedures to validate that:

- a. Travel costs are within the scope of the contract.**
- b. Supporting timesheets are signed by the employee and authorized by a supervisor.**
- c. Labor costs do not exceed the 6-day-per-week contract requirement.**
- d. Labor costs are prorated when contractor personnel work less than the contractual daily hours.**
- e. Supporting documentation for contractor-purchased materials and supplies include a Government-approved purchase request and proof of Government acceptance.**

AQM Comments Required

The AQM Contracting Officer did not comment on the recommendation. We request that in commenting on the final report, the Contracting Officer provide details on how AQM plans to increase the scope of the pre-payment invoice review for task order 5375 invoices to identify unauthorized costs for each element discussed in Recommendations B.1.a-e. Please provide comments by August 8, 2011.

INL Comments

Although not required to comment on the recommendation, the Acting Assistant Secretary stated that INL would work closely with the Contracting Officer to ensure the CORs and Government Technical Monitors fully understand which costs are contractually permissible so they are better equipped to identify unauthorized costs during the pre-payment invoice review for task order 5375.

B.2. We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, determine who will conduct a 100-percent post-payment review of invoices for task orders 4305 and 5375 and recover costs from the contractor if necessary. Once it is determined who will conduct the review, the review should:

a. Identify the total travel costs not authorized for the DynCorp personnel traveling from Texas to Washington, D.C., for weekly meetings with the Bureau of International Narcotics and Law Enforcement Affairs officials and request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, recover funds from DynCorp for that amount.

b. Determine whether timesheets were properly signed and approved by DynCorp officials and request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, recover funds from DynCorp for that amount.

c. Identify the excess daily and hourly labor costs paid based on a 6-day work week and 8- to 12-hour day and request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, take appropriate action to ensure the contract terms are complied with, which could include recovering funds.

d. Request supporting documentation for contractor material purchases that did not have a signed purchase request or Government acceptance. For the items for which DynCorp cannot provide support, request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, recover funds from DynCorp for that amount.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation. He stated that INL would appoint an independent audit firm to review all invoice processes and controls and post January 2007 invoices for task orders 4305 and 5375. In addition, he stated that INL would engage DCAA to perform a review of incurred costs audits for task orders 4305 and 5375.

Our Response

The Acting Assistant Secretary's comments were partially responsive. Although he stated that INL would appoint an independent firm to review invoice processes and controls and invoices, he did not state what, specifically, the independent audit firm would look at when reviewing the invoices. That is, he did not state whether the independent audit firm would conduct a

100-percent review and specifically look at the elements discussed in Recommendations B.2.a-d. We request that INL officials clarify the type of review the independent firm is to conduct in their comments on the final report.

B.3. We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management:

a. Request in writing and fund a review by the Defense Contract Audit Agency to determine whether costs associated with task order S-AQMMA-10-F-2708 were allowable, allocable, and reasonable.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, agreed with the recommendation, stating that AQM was responsible for assigning DCAA to audit DOS contracts. He also stated that INL would request that AQM request DCAA to perform the recommended audit.

Our Response

The Acting Assistant Secretary's comments were responsive, and no additional comments are required.

b. Request in writing and fund a review by the Defense Contract Audit Agency of all DynCorp invoices submitted under task orders S-AQMMA-08-F-5375 and S-AQMMA-10-F-2708 from December 30, 2010, through July 15, 2011, to ensure DynCorp is not double-billing DOS and DoD for the same charges. This recommendation should be implemented in coordination with recommendation B.5.

INL Comments

The Acting Assistant Secretary, responding for the Executive Director, neither agreed nor disagreed with the recommendation. He stated that having DCAA perform incurred cost audits on task orders 4305 and 5375 would identify and ensure that DynCorp was not billing DOS and DoD for the same charges.

Our Response

The Acting Assistant Secretary's comments met the intent of the recommendation. No additional comments are required.

B.4. We recommend that the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, recover from DynCorp:

a. \$334,400 for unauthorized travel costs.

b. \$352,297 for labor costs not included in the statement of work, if the contracting officer determines that an equitable adjustment is needed.

c. \$449,406 for labor costs for services not performed by the contractor if the contracting officer determines that an equitable adjustment is needed.

d. \$938,454 for unauthorized purchases if officials from the Bureau of International Narcotics and Law Enforcement Affairs cannot provide the Department of State Office of Inspector General with documentation that a Government official approved and accepted the purchase by July 29, 2011. This amount included purchases for \$542,079 with no Government purchase approval; \$332,631 with no Government purchase approval and Government acceptance, and \$63,744 with no Government acceptance.

e. Overpayments based on Defense Contract Audit Agency audits of task orders 4305, 5375, and 2708.

f. Once Recommendations B.2.a-d are implemented, the additional costs identified during the 100-percent detailed invoice review as costs either not authorized or not for services performed.

Bureau of Administration Comments

The Acting Assistant Secretary, responding for the Contracting Officer, provided comments that neither agreed nor disagreed with the recommendation. He stated that once validated numbers were determined, AQM would coordinate with INL, Legal, and DCAA to assess equitable adjustments and cost recovery actions.

Our Response

The Acting Assistant Secretary's comments met the intent of the recommendation. However, he did not provide an estimated time frame for validating the amount of funds that should be returned to DoD, and DOS should return the funds in a timely manner so that the funds do not cancel and DoD can use those funds for valid requirements. In addition, once AQM and INL validate the dollar amount to recover from DynCorp for Recommendations B.4.a-d, AQM should provide the supporting documentation to DOS IG for review. No additional comments are required.

INL Comments

Although not required to comment on the recommendation, the Acting Assistant Secretary stated that once validated numbers are determined, AQM would coordinate with INL, Legal, and DCAA to assess equitable adjustments and cost recovery actions.

B.5. We recommend that the Director, Defense Contract Audit Agency, verify that DynCorp did not double-bill claimed costs during the transition period under DoD and DOS contracts from December 30, 2010 through July 15, 2011. This recommendation should be implemented once the actions in recommendation B.3.a-b have been taken.

DCAA Comments

The DCAA Director agreed with the recommendation, stating that DCAA received funding from DOS to begin audit work for task order 2708. He also stated that DCAA was auditing direct costs for allowability, allocability, and reasonableness, and it was in the planning stage of the audit. In addition, he stated that DCAA planned to perform direct cost testing on the replacement DoD Contract No. W91CRB-11-C-0053, and based on a risk assessment, would perform statistical sampling and judgmental selection procedures of invoiced costs to determine allowability, allocability, and reasonableness. Finally, the Director stated that DCAA would also perform audit procedures to identify whether any invoiced costs have been duplicated and billed under task orders 5375 and 2708 and the new DoD contract during the transition.

Our Response

The Director's comments were responsive, and no additional comments are required.

Status of DoD and DOS Implementation of Prior Audit Report Recommendations

In our joint DoD-DOS OIG audit report, “DoD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police,” February 9, 2010, we made 23 recommendations.²⁵ Of those 23, DoD and DOS officials needed to take additional action on 11 recommendations. We replaced 7 of the 11 original recommendations with new recommendations in Findings A or B of this report or in the report that will address the remaining FY 2011 Act requirements. The other four recommendations were open or reissued based on additional fieldwork performed during this audit. See Table 8 for a listing of the DoD and DOS offices that were responsible for implementing the 23 prior audit report recommendations, and whether the recommendation was open, reissued, closed, or a new recommendation was made.

Table 8. Status of Recommendations From the February 2010 Joint Audit Report

Management	Total	Open or Reissued	Closed	New Recommendation
CSTC–A	10		10	1
USD(C)/CFO	2		2	2
DCAA	2		2	
DOS/INL	6	4	2	1
DOS/RM	3		3	3
Total	23	4	19	7

The following includes a summary of each prior recommendation from the February 2010 joint audit report and the status of management actions taken based on fieldwork conducted for this audit.

Recommendations for Finding A. National Strategy

A.1. We recommend that the Commanding General, Combined Security Transition Command–Afghanistan clearly define the requirements for the Afghan National Police training program.

NTM–A/CSTC–A implemented the recommendation. NTM–A/CSTC–A officials defined many of the ANP training program requirements in the January 18, 2011, modified statement of work (SOW) for the new DoD contract. Specifically, the modified SOW required the contractor to oversee and support the transition of police training efforts to the Afghans. The SOW included requirements for life support services, including security, maintenance, and food, at 15 locations. It also contained requirements for 762 Ministry of Interior and ANP advisors, mentors, and trainers throughout Afghanistan, which included position requirements and qualifications for the various positions.

²⁵ Recommendation B.1 was addressed to both INL and CSTC–A.

Although the ANP training program requires the handling of some export-controlled items, such as weapons, Army Contracting Command officials did not include a requirement in the contract to comply with all applicable export-control laws and regulations. We contacted the contracting officer, who agreed that Defense Federal Acquisition Regulation Supplement 252.204-7008, “Export-Controlled Items,” should have been incorporated into the contract. Subsequently, the contracting officer included this clause in the February 15, 2011, contract modification.

For the most part, NTM–A/CSTC–A officials also aligned the modified SOW with the goals, objectives, and priorities in the Ministry of Interior 2010 ANP Plan. During fieldwork for this audit, we recommended that the NTM–A/CSTC–A Deputy Commander for Programs, within 6 months of contract execution, compare the modified SOW to the Ministry of Interior 2011 ANP Plan to confirm whether the SOW continues to align with ANP goals, objectives, and priorities. The Deputy Commander for Programs stated that NTM–A/CSTC–A officials plan to review the SOW every 6 months and, if necessary, modify it to ensure the contract continues to meet the goals of the Ministry of Interior for ANP development.

Status: Closed, appropriate action taken.

A.2. We recommend that the Commanding General, Combined Security Transition Command–Afghanistan establish contractor performance standards that will meet DoD’s requirements for training and mentoring the Afghan National Police.

NTM–A/CSTC–A implemented the recommendation. NTM–A/CSTC–A officials established contractor performance standards in the January 2011 modified SOW. Specifically, the modified SOW contains performance standards that align with the goal of transferring security responsibilities to the Afghanistan Ministry of Interior and ANP within a specified time frame.

The modified SOW contains performance standards that align with the goal of transferring security responsibilities to the Ministry of Interior and ANP within a specified time frame.

For example, the modified SOW required the contractor to develop tasks, methods, and systems for transferring specific command and training responsibilities within a 12- to 18-month time frame, respectively. In addition, the modified SOW specified performance standards for some of the more technical advisor, mentor, and trainer services by unique tasks. Therefore, DoD will use both qualitative and quantitative methods to measure those

performance standards. The modified SOW also contained life support service performance standards for security, food, and maintenance. DoD will measure those service performance standards by level of effort.

Status: Closed, appropriate action taken.

Recommendations for Finding B. Contractor Oversight

B.1. We recommend that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs and the Commanding General, Combined Security Transition Command–Afghanistan ensure that the contracting officer for the

Civilian Police contract performs a complete inventory of Government-furnished property under task orders 4305 and 5375 and reconcile the inventory count to the property records maintained by the contractor.

In April 2010 comments on our prior report, the INL Executive Director stated that INL, along with CSTC-A, personnel performed a complete inventory of the Government-furnished property and reconciled the inventory to the property book in October 2009. As a result, this recommendation was closed. However, during our fieldwork, the lead I-COR stated that there was approximately \$9 million in unresolved discrepancies during the October 2009 inventory.

In May 2011, the COR for task orders 4305 and 5375 stated that although an inventory was initiated in October 2009, it was suspended due to the delay in DoD's award of a valid contract for the ANP training program. The COR further stated that at the time the inventory was stopped, approximately \$9 million of unverified inventory had not been accounted for. Further, the COR and a DynCorp official for the DOS contract both stated that they would reconcile the inventory after the transition from DOS to DoD ended in April 2011. On May 12, 2011, the COR stated that he anticipated that the inventory would be completed by the end of May 2011.

Status: Recommendation B.1 is reissued and redirected. Although closed by DOS OIG on October 25, 2010, additional actions are required, and we are reissuing the recommendation. The Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, should ensure that the contracting officer's representative for task orders 4305 and 5375, in coordination with the contractor, resolve the approximately \$9 million of unverified inventory in accordance with FAR 45.105, "Records of Government property," by granting the contractor relief of responsibility for lost, damaged, destroyed, or stolen Government property or forwarding a recommendation requesting the contracting officer to hold the contractor liable.

INL Comments

The Acting Assistant Secretary neither agreed nor disagreed with the reissued recommendation. He stated that the annual inventory for U.S, Government-owned, contractor-held assets was completed at the end of May 2011 and noted that the differences between the inventory and the property book will be reconciled.

Our Response

The Acting Assistant Secretary's comments met the intent of the recommendation. However, he did not provide an estimated time frame for the resolution of differences between the inventory and the property book. INL should provide the DOS OIG with estimated time frames and documentation once the differences between the inventory and property book are resolved. No additional comments are required.

B.2.a. We recommend that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs ensure that the contracting officer for the Civilian Police contract strengthen existing internal controls over contract administration, oversight, and financial reporting to comply with the Foreign Affairs Handbook requirements.

In response to the February 2010 joint audit report, the INL Executive Director indicated that INL was in the process of strengthening contract administration, oversight, and financial reporting. Specifically, he stated that INL was increasing the number of I-CORs, developing and implementing a Quality Assurance Surveillance Plan, ensuring that I-COR and COR support staff would have access to and training on the use of the contractor's property management system, establishing an information-sharing portal using SharePoint, engaging DCAA to conduct audits of task orders 4305 and 5375, implementing an internal audit function, and completing standard operating procedures.

During fieldwork we verified that INL officials had implemented a number of their planned actions, including developing and partially implementing a Quality Assurance Surveillance Plan, arranging for I-CORs and COR to have access to the contractor's property management system, establishing a SharePoint site, engaging DCAA to conduct audits, and establishing an internal audit function. We also verified that INL had increased the number of I-CORs designated oversight responsibilities for contracts and task orders in Afghanistan from three to seven.

One lead I-COR and alternate I-COR were assigned primary oversight responsibilities for task order 5375, including the oversight of the 1,221 contractors authorized to work on the task order (1:610.5 ratio).

However, only one lead I-COR and alternate I-COR were assigned primary oversight responsibilities for task order 5375, including the oversight of the 1,221 contractors²⁶ authorized to work on the task order (1:610.5 ratio). Five other I-CORs were assigned limited oversight responsibility for task order 5375, such as validating purchase requests related to the regional training centers they were assigned to support. In sum, seven I-CORs, with varying levels of responsibility, provided oversight of 1,221 contractors authorized to work on task order 5375 (1:174.43 ratio).

In addition, although INL developed draft standard operating procedures for validating invoices, maintaining COR files, and receiving and inspecting inventory, as of March 30, 2011, INL had not finalized the standard operating procedures. Had INL fully implemented the recommendation, the approval of contractor invoices for costs that were either not authorized or for services not provided, as discussed in Finding B, may not have continued to occur. Although oversight of the ANP training program has transferred to DoD, INL should continue to work toward full implementation of all planned actions to strengthen its internal controls over other programs.

Status: Recommendation B.2.a remains open and additional actions are required. The Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, should finalize and fully implement the standard operating procedures for validating invoices, maintaining COR files, and receiving and inspecting inventory.

INL Comments

The Acting Assistant Secretary neither agreed nor disagreed with the recommendation. He stated that INL had implemented the draft standard operating procedures for validating invoices,

²⁶ We did not include local nationals in the number of contractors authorized.

maintaining COR files, and receiving and inspecting inventory at posts. In addition, he stated that INL would issue the final standard operating procedures in June 2011, with all aspects of the procedures to be implemented during FY 2011.

Our Response

The Acting Assistant Secretary's comments met the intent of the recommendation. No additional comments are required.

B.2.b. We recommend that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs ensure that the contracting officer for the Civilian Police contract establish and maintain contracting files that are complete and easily accessible in accordance with the contracting officer delegation letters and the Foreign Affairs Handbook requirements.

Although INL officials established an electronic filesharing system, they had not populated the system with all relevant contract documents, which continued to impede the I-CORs' ability to perform oversight and monitoring responsibilities. For example, the lead I-COR stated that he did not have access to the latest contract modifications or the most recent cost and technical proposals, and therefore, he was unable to review or approve purchase requests for supplies and services that the contractor needed to operate the training centers. Although DOS has transferred oversight of the ANP training program to DoD, INL should continue to work toward fully populating the filesharing system with relevant contracting files for all ongoing CIVPOL task orders.

Status: Recommendation B.2.b is reissued. Although closed by DOS OIG on October 25, 2010, additional actions are required, and we are reissuing the recommendation. The Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the contracting officer for the CIVPOL contract, should fully populate the filesharing system with relevant contracting files for all ongoing CIVPOL task orders.

INL Comments

The Acting Assistant Secretary neither agreed nor disagreed with the reissued recommendation. He stated that INL began establishing SharePoint access to the official COR file and posting relevant contract data in July 2010. He also stated that in addition to the COR files, INL was entering work notes, observations, and trip reports into the site to help facilitate contract management and standard practices, especially during staff turnovers. Lastly, he stated that INL continues to populate the site for Iraq- and Afghanistan-based task orders.

Our Response

The Acting Assistant Secretary's comments were partially responsive but met the intent of the recommendation. No additional comments are required.

B.3.a. We recommend that the Commanding General, Combined Security Transition Command–Afghanistan direct the contracting officer for the new, DoD-managed Afghan

National Police training program contract to designate an administrative contracting officer in Afghanistan to implement immediate changes and conduct contractor oversight.

CSTC–A implemented the recommendation. The contracting officer for the new DoD ANP training program contract delegated administrative contracting authority to DCMA. On February 15, 2011, DCMA accepted the delegation, and the administrative contracting officer is physically located in Afghanistan.

Status: Closed, appropriate action taken.

B.3.b. We recommend that the Commanding General, Combined Security Transition Command–Afghanistan direct the contracting officer for the new, DoD-managed Afghan National Police training program contract to designate a full-time property administrator to oversee all Government-furnished property for contracts supporting the Afghan National Police Program.

CSTC–A met the intent of the recommendation. The contracting officer for the new DoD ANP training program contract delegated DCMA the responsibility for property administration. The DCMA property administrator reviewed the DoD contractor’s property control procedures for compliance with the FAR and provided an initial high-risk rating. As such, the property administrator is to conduct annual audits of the property system. Although the property administrator is responsible for two other DoD contracts, DCMA officials stated that they have requested a property specialist to assist the property administrator in the performance of her duties. DCMA officials also stated that the property specialist position had not been filled as of May 12, 2011, but noted that the property administrator has performed all required duties associated with oversight of the contractor’s property management plan since contract delegation.

Status: Closed, appropriate action taken.

B.3.c. We recommend that the Commanding General, Combined Security Transition Command–Afghanistan direct the contracting officer for the new, DoD-managed Afghan National Police training program to develop a Quality Assurance Surveillance Plan that addresses high-risk areas of the Afghan National Police training program contract.

CSTC–A met the intent of the recommendation. The contracting officer for the new DoD ANP training program contract delegated DCMA the responsibility for quality assurance. DCMA officials in Afghanistan developed quality assurance checklists based on the SOW and the terms and conditions of the contract. Once full performance of the contract commences, oversight personnel will use these checklists to conduct audits of contractor performance. During their review of the contract, DCMA officials determined a moderate risk factor of noncompliance with the new DoD ANP training program contract. Therefore, DCMA will require oversight personnel to conduct monthly audits unless trend analyses of contractor compliance with requirements indicate otherwise.

The contracting officer also required the contractor to develop and submit a Quality Assurance Surveillance Plan. However, she did not require the contractor to continuously update the

The contractor's original Quality Assurance Surveillance Plan no longer aligned with the modified SOW.

Quality Assurance Surveillance Plan as substantive modifications were made to the SOW. Because of these substantive changes, the contractor's original Quality Assurance Surveillance Plan no longer aligned with the modified SOW. On April 25, 2011, we contacted the contracting officer, who agreed that the Quality

Assurance Surveillance Plan should be updated. The contracting officer subsequently requested that the contractor provide an updated Quality Assurance Surveillance Plan based on the modified SOW. Although we commend the contracting officer for taking immediate action, she should continue to request that the contractor update the Quality Assurance Surveillance Plan when there are substantive changes to the SOW.

Status: Closed, appropriate action taken.

B.3.d. We recommend that the Commanding General, Combined Security Transition Command–Afghanistan direct the contracting officer for the new, DoD-managed Afghan National Police training program to establish and maintain contracting files that are complete and easily accessible in accordance with the delegation letters and the Defense Federal Acquisition Regulation Supplement.

CSTC–A implemented this recommendation. Officials established an electronic file-sharing system and populated the system with the contract terms and conditions, the original and modified SOW, quality assurance checklists, and NTM–A/CSTC–A COR nomination letters. However, because of the austere working environment, some DoD representatives at the training sites we visited did not have access to this system. NTM–A/CSTC–A officials developed a COR strategy that included a communication plan to exchange unclassified information via commercial Internet service. Furthermore, DCMA officials stated that as of April 2011, they had provided all necessary contract oversight documents to the CORs who did not have access to the filesharing system.

Status: Closed, appropriate action taken.

B.3.e. We recommend that the Commanding General, Combined Security Transition Command–Afghanistan direct the contracting officer for the new, DoD-managed Afghan National Police training program to evaluate and assign the appropriate number of in-country contracting officer's representatives²⁷ to oversee the Afghan National Police program.

CSTC–A partially implemented this recommendation as of April 29, 2011. Although DoD officials had identified a requirement for approximately 170 COR positions to provide oversight

²⁷ DoD uses the term COR in its official documentation rather than the DOS term I–COR.

of 762 contractors (1:4.5 ratio) for the new DoD ANP training program contract, only 89 CORs had been assigned²⁸ to fill the 170 COR positions, as of April 29, 2011.

Status: Closed. In the report that will address the remaining FY 2011 Act requirements, we will address whether the Government and contractor’s plans to transition the contract administration of the ANP training program from DOS to DoD were complete and feasible. Further, we will address whether DoD was prepared to provide management and oversight of the new DoD contract. In that report, we will also include a recommendation for the Commander, U.S. Forces–Afghanistan, to assign the remaining number of CORs to the new DoD ANP training program contract.

Recommendations for Finding C. Contractor Invoice Review

C.1.a. We recommend that the Director, Defense Contract Audit Agency include public vouchers submitted under task orders 4305 and 5375 of the Afghan National Police Training Program indefinite-delivery, indefinite-quantity contracts as part of its review of public vouchers in accordance with the procedures identified in the Defense Contract Audit Agency Manual 7640.1, “Defense Contract Audit Manual.”

DCAA implemented the recommendation. On June 21, 2010, DCAA officials began their review of vouchers submitted under task orders 4305 and 5375, in accordance with DCAA Manual 7640.1. DCAA officials stated that they planned to finalize and issue their reports in July 2011.

Status: Closed, appropriate action taken.

C.1.b. We recommend that the Director, Defense Contract Audit Agency conduct an audit of the Afghan National Police training program contract to include cost-reimbursable line items.

DCAA implemented the recommendation. DCAA officials were in the process of reviewing vouchers submitted under task orders 4305 and 5375, and their review included cost-reimbursable line items. DCAA officials stated that they planned to finalize and issue their reports in July 2011.

Status: Closed, appropriate action taken.

C.2.a. We recommend that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs request audit support from the Defense Contract Audit Agency to determine the allowability, allocability, and reasonableness of costs associated with task orders 4305 and 5375.

DOS implemented the recommendation. AQM officials requested audit support from DCAA to determine the allowability, allocability, and reasonableness of costs associated with task

²⁸ We defined the term “assigned” to mean that individuals were identified as CORs, but may not have been nominated, trained, and appointed.

orders 4305 and 5375, and DCAA officials are in the process of conducting their review. DCAA officials stated that they planned to finalize and issue their reports in July 2011.

Status: Closed, appropriate action taken.

C.2.b. We recommend that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs request refunds from the contractor for any costs determined by the Defense Contract Audit Agency as not allowable, allocable, or reasonable.

In April 2010 comments on our prior report, the INL Executive Director stated that INL would request refunds from the contractor for any costs determined by DCAA as not allowable, allocable, or reasonable. As a result, this

As of April 27, 2011, a DOS official stated that they had not taken action to suspend costs or request a refund from the contractor.

recommendation was closed. However, during the DCAA review of vouchers for task orders 4305 and 5375, officials found that the contractor was not providing supporting documentation to verify post-differential costs claimed and billed to the

Government. DCAA issued a memorandum to DOS on August 25, 2010, recommending that DOS suspend costs for approximately \$9.4 million (\$5.8 million for task order 4305 and \$3.6 million for task order 5375) from the contractor. However, as of April 27, 2011, a DOS official stated that they had not taken action to suspend costs or request a refund from the contractor.

Status: Recommendation C.2.b is reissued. Although closed by DOS OIG on October 25, 2010, additional actions are required, and we are reissuing the recommendation. The Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the contracting officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, for the CIVPOL contract, should review the approximately \$9.4 million in questioned costs identified by DCAA and take action to recover those costs.

INL Comments

The Acting Assistant Secretary neither agreed nor disagreed with the reissued recommendation. He stated that INL planned to review the \$9.4 million in questioned costs identified by DCAA, and that INL would then work with the contracting officer to determine whether the funds should be recovered.

Our Response

The Acting Assistant Secretary's comments met the intent of the recommendation. Once INL and the contracting officer have reviewed the \$9.4 million in questioned costs and have taken action to recover those funds, INL should provide the supporting documentation to DOS OIG for review. No additional comments are required.

C.2.c. We recommend that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs ensure the in-country contracting officer's

representatives for the Civilian Police contract accept delivery of inventory, prepare receiving reports, and match goods and services against invoices under task orders 4305 and 5375.

INL did not implement the recommendation. Specifically, during fieldwork in Afghanistan in January and February 2011, we determined that I-CORs did not accept delivery of inventory, prepare receiving reports, or match goods and services to invoices. This increased the risk of DOS reimbursing the contractor for expenses of goods and services that were not actually received. To mitigate this risk, we made recommendations in Finding B of this report for the INL invoice review team to ensure contractor invoices contain documentation showing that a Government official approved purchases and accepted materials, and for DOS to recover costs that are not supported from the contractor. Given that DOS has transferred the oversight of the ANP training program to DoD, the issue of the I-COR involvement with oversight of the ANP training program has been overcome by events. Nonetheless, INL officials should consider implementing this recommendation to strengthen their internal controls over other programs for which they retain responsibility.

Status: Closed; overcome by events. See new Recommendations B.1.e, B.2.d, and B.4.d.

Recommendations for Finding D. Financial Management

D.1.a. We recommend that the Assistant Secretary of State for the Bureau of Resource Management and Chief Financial Officer determine the status of the \$1.04 billion of Afghanistan Security Forces Funds provided by DoD to include whether the funds are expended or expired.

Bureau of Resource Management officials did not fully implement the recommendation. On January 6, 2011, the DOS Deputy Chief Financial Officer provided a memorandum to the INL Executive Director requesting assistance in determining the status of DoD funds and asked that INL validate the information noted in the memorandum. Although the Deputy Chief Financial Officer requested a response by January 31, 2011, he stated in a meeting that INL did not respond by that date. On April 18, 2011, the Deputy Chief Financial Officer stated in an e-mail that he had received a response from INL. He stated that INL's response indicated that all unliquidated obligations were valid. However, on May 10, 2011, an INL official stated in an e-mail that INL was in the process of deobligating \$53 million of unneeded funds related to task order 4305.

Status: Closed. See new Recommendations A.2. and A.4.

D.1.b. We recommend that the Assistant Secretary of State for the Bureau of Resource Management and Chief Financial Officer return funds in excess of the amounts identified as appropriate disbursements to the Treasury or the DoD, and at a minimum, return the \$56.8 million of the funds appropriated under Public Law 109-234 and \$23.2 million of the funds appropriated under Public Law 110-28 that had not been expended.

Status: Closed. See new recommendation A.2.

D.1.c. We recommend that the Assistant Secretary of State for the Bureau of Resource Management and Chief Financial Officer determine the impact of any errors identified on the annual financial statements, make appropriate corrections, and communicate these errors to the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD.

Status: Closed. See new Recommendations A.1 and A.5.a.

D.2.a. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, determine the impact of any errors communicated by the Assistant Secretary of State for Resource Management and Chief Financial Officer on the annual financial statements and make appropriate corrections.

Status: Closed. See new Recommendation A.7.a.

D.2.b. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, request Department of State return funds in excess of the amounts identified in Recommendation D.1.b. as appropriate disbursements to the Treasury or the DoD, including the \$56.8 million of funds appropriated under Public Law 109-234 and the \$23.2 million of funds appropriated under Public Law 110-28 that had not been expended.

On July 8, 2010, at the request of USD(C)/CFO, a DSCA official requested INL to provide the status of Recommendations D.1.a, D.1.b, and D.1.c. On the same day, an INL official asked the DSCA official to clarify the request. According to an INL official, DSCA did not provide clarification. Furthermore, the INL official stated that the recommendations were directed to the Assistant Secretary for the Bureau of Resource Management. Therefore, the INL official concluded that it would have been inappropriate to respond to this request. See Finding A in this report for the status of the excess obligations.

Status: Closed. See new Recommendations A.7.a and A.7.b.

Recommendations for Finding E. Afghan Women's Police Corps

E.1. We recommend that Commanding General, Combined Security Transition Command–Afghanistan, in coordination with the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs and the Afghan Ministry of Interior, establish and implement a plan within a specific time frame that will increase the training facility capacity for female police members and provide them training to conduct law enforcement in accordance with the requirements of the Capability Milestones²⁹ discussed in Finding A [of the February 2010 audit report].

²⁹ Prior to May 2010, NTM–A/CSTC–A used a subjective method to rate ANP, which produced Capability Milestone ratings completed monthly. In May 2010, rather than use the Capability Milestone ratings, NTM–A/CSTC–A implemented the Commander Unit Assessment Tool, which establishes rating definition levels that should be compiled every 6 weeks by both coalition forces and Afghan National Security Forces.

CSTC–A met the intent of the recommendation. The DoD SOW required DynCorp to maintain the capacity of 50 female students each at 5 training centers throughout Afghanistan. The five training centers included the regional training centers at Jalalabad, Mazar-e-Sharif, Konduz, and Herat and the National Police Academy in Kabul. At full capacity, trainers at those locations could train a total of 250 female students during each cycle. The Women’s Police Corps training capacity under the DOS contract was only 60 students per training cycle.

At full capacity, trainers at those locations could train a total of 250 female students during each cycle.

Status: Closed, appropriate action taken.

E.2. We recommend that Commanding General, Combined Security Transition Command–Afghanistan, in coordination with the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs and the Afghan Ministry of Interior, establish and implement a plan within a specific time frame to recruit an adequate number of female training instructors and mentors to staff those training centers.

CSTC–A officials met the intent of the recommendation. Specifically, the SOW required DynCorp to provide 11 Women’s Police Corps institutional trainers at 5 of the training centers. Coalition forces provide additional Women’s Police Corps mentors at the training centers. As of August 2009, only four female mentors were located at the National Police Academy in Kabul. Two female mentors were at the Jalalabad training center when it opened in December 2009. During our fieldwork, a Combined Training Advisory Group–Police official stated that there were four female coalition force mentors at the Jalalabad training center and two additional coalition force mentors at the National Police Academy in Kabul.

Status: Closed, appropriate action taken.

NTM–A/CSTC–A Comments

Although not required to comment, the Deputy Commander for Programs stated that NTM–A/CSTC–A was able to use the recommendations from our February 2010 joint audit report to shape the oversight structure and auditing plans for the new DoD contract.

Appendix A. Scope and Methodology

We conducted this performance audit from September 2010 through May 2011 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objectives, we coordinated with or interviewed officials from the USD(P); USD(C)/CFO; Assistant Secretary of the Army for Acquisition, Logistics, and Technology; DSCA; DCAA; DCMA; U.S. Central Command; U.S. Forces–Afghanistan; NTM–A/CSTC–A; International Security Assistance Forces Joint Command; and U.S. Army Contracting Command. Additionally, we coordinated with or interviewed DOS officials from the Bureau of Resource Management; AQM; and INL, including the Office of Afghanistan and Pakistan Programs, the Office of Resource Management, and the Afghanistan, Iraq, and Jordan Support Division. We also interviewed DynCorp contractor officials operating under both the DOS and DoD ANP training program contracts.

We determined the universe of all DoD funds transferred to DOS from November 2006 to December 2010 that support the ANP training program and obtained their applicable reimbursable agreements. We reviewed the INL budgetary tracking spreadsheet and supporting documentation to determine whether the funds were obligated within the time period specified by the reimbursable agreements. Additionally, we requested and evaluated supporting documentation for 10 nonstatistically selected obligations from the INL budgetary tracking spreadsheet. Our evaluation was based on high-risk areas, such as high dollar amount or a questionable obligation description, to determine whether INL obligated the funds within the scope of the reimbursable agreements, had adequate supporting documentation, and complied with applicable Federal appropriations law. We also reviewed the descriptions in all of the modifications for task orders 4305 and 5375 to determine whether the descriptions appeared to be within the scope of the ANP training program. For the modifications that appeared to be outside the scope, we obtained additional documentation to determine whether the INL obligations were proper.

We used previous DoD and DOS reports and assessments to evaluate DynCorp invoicing and billing procedures. We also reviewed rejected invoices for task orders 4305 and 5375 and focused our review on determining the main causes for invoice rejections. Using a combination of statistical and nonstatistical samples, we analyzed contractor charges or invoices for travel costs, labor costs, and contractor-purchased goods. For travel costs, we evaluated contractor-provided costs related to the weekly meetings in Washington, D.C., from February 2007 through January 2011. We determined the total dollar value of travel costs and reviewed a nonstatistical sample of specific charges. Our nonstatistical sample was based on the individuals that traveled most often, and we focused our review on identifying charges that exceeded per diem rates or had invalid justifications according to the Federal and Joint Travel Regulations. For labor costs, we reviewed contractor timesheets for task order 5375 for one 2-week pay period (January 28 through February 10, 2011) for compliance with the 12-hour per day and 6-day per week labor requirements (see Appendix C). We also coordinated with DCAA officials who were

concurrently conducting audits related to task orders 4305 and 5375. For goods the contractor purchased, we reviewed a nonstatistical sample of 10 of 103 invoices based on high dollar values. Of those 10 invoices, we further evaluated a nonstatistical sample of 24 items also based on high dollar values. We specifically reviewed the supporting documentation to determine whether the documentation included Government approval. We also reviewed supporting documentation for 11 of the 24 items, for proof of Government acceptance, as the remaining 13 items did not require Government acceptance.

We conducted interviews with DoD, DOS, and contractor officials in the United States and at eight sites throughout Afghanistan (Camp Eggers, U.S. Embassy Kabul, Camp Gibson, and the five regional training centers) to determine the status of management actions taken in response to the recommendations made in the February 2010 joint audit report. We also obtained and evaluated the DoD ANP training program contract, original and modified SOWs, quality assurance checklists, and the quality assurance surveillance plan; Women's Police Corps data on training capacity and the number of trainers and mentors; DOS controls for contract oversight; access to a DOS electronic filesharing system containing contract documents necessary to perform oversight and monitoring functions; and NTM-A/CSTC-A and DCMA plans for contract oversight and COR structure for the DoD contract. We also reviewed a nonstatistical sample of inventory based on cost and category, and performed both existence and completeness testing of the sampled inventory items at five regional training centers in Afghanistan.

Upon completing our initial fieldwork, we coordinated with DoD and DOS officials to address concerns we observed during the audit, provided recommendations, and verified actions taken, where appropriate. To validate factual accuracy, we also provided a discussion draft to DoD and DOS officials discussed in this report.

Use of Computer-Processed Data

We used computer-processed data obtained from the DOS Global Financial Management System, the INL Office of Resource Management budgetary tracking spreadsheet, and the Afghanistan, Iraq, and Jordan Support Division invoice log to determine obligation and expenditure amounts. To assess the reliability of the obligation amounts on the budgetary tracking spreadsheet, we reviewed all modification amounts for task orders 4305 and 5375 and compared those amounts with the budgetary spreadsheet amounts. In addition, we nonstatistically selected other obligation amounts and compared those amounts with source documentation. We did not identify any significant discrepancies, and therefore, we determined that the budgetary tracking spreadsheet obligation amounts were sufficiently reliable for the purposes of this report.

In addition, to assess the reliability of the summary expenditure data on the budgetary tracking spreadsheet, we compared detailed transactions from Global Financial Management System with the INL Office of Resource Management budgetary tracking spreadsheet. We analyzed the data at a summary level because the two sets of data did not directly correlate with each other. We were able to generally match the detailed transactions to the budgetary transaction expenditure amounts. In addition, we compared the detailed transactions from Global Financial Management System with the invoice log maintained by the Afghanistan, Iraq, and Jordan Support Division

and nonstatistically selected transaction source documentation. We identified one discrepancy, which is discussed in Finding A, “Improper Reobligation of Expired Funds” section; however, we did not find any other significant discrepancies among the data sets. Therefore, we determined that the budgetary tracking spreadsheet expenditure summary amounts were sufficiently reliable for the purposes of this report.

We also relied on a spreadsheet provided by DynCorp to determine the total amount of DynCorp travel costs for contractor personnel in Texas to attend weekly meetings in Washington, DC. We nonstatistically sampled 11 of the travel costs based on dollar amount and employee and reviewed supporting documentation, such as travel reservations, DynCorp system travel expense reports, and receipts for flights, rental cars, and hotels. We did not identify any significant discrepancies between the spreadsheet and supporting documentation. Therefore, we determined that the amounts in the DynCorp spreadsheet were sufficiently reliable for the purposes of this report.

Finally, we relied on another spreadsheet provided by DynCorp to determine the type and amount of inventory in Afghanistan. Using these data, we nonstatistically selected a sample of inventory to review, based on cost and category, at five regional training centers in Afghanistan. We performed existence and completeness testing on the sampled inventory and found no discrepancies. Therefore, we determined that the inventory records in the DynCorp inventory spreadsheet were sufficiently reliable for the purposes of this report.

Use of Technical Assistance

The DoD OIG Quantitative Methods and Analysis Division (QMAD) assisted with the audit. See Appendix C for detailed information about the work QMAD performed.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the DoD IG, the DOS IG, the Special Inspector General for Afghanistan Reconstruction, and the Special Inspector General for Iraq Reconstruction have issued 11 reports discussing ANP challenges and contractual oversight issues. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted DOS IG reports can be accessed at <http://www.oig.state.gov>. Unrestricted Special Inspector General for Afghanistan Reconstruction reports can be accessed at <http://www.sigar.mil>. Unrestricted Special Inspector General for Iraq Reconstruction reports can be accessed at <http://www.sigir.mil>.

GAO

GAO Report No. GAO-09-280, “Afghanistan Security – U.S. Programs to Further Reform Ministry of Interior and National Police Challenged by Lack of Military Personnel and Afghan Cooperation,” March 9, 2009

GAO Report No. GAO-08-661, “Afghanistan Security – Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces,” June 18, 2008

DOS IG

DOS Report No. AUD/IQO-07-48, “Accounting for Government-Owned Personal Property Held by Selected Contractors in Afghanistan,” August 31, 2007

DoD IG

DoD Report No. SPO-2011-003, “Assessment of U.S. Government Efforts to Train, Equip, and Mentor the Expanded Afghan National Police,” March 3, 2011

DoD Report No. SPO-2009-007, “Report on the Assessment of U.S. and Coalition Plans to Train, Equip, and Field the Afghan National Security Forces,” September 30, 2009

DOS IG and DoD IG

DOS Report No. MERO-A-10-06 and DoD Report No. D-2010-042, “DOD Obligations and Expenditures of Funds Provided to the Department Of State for the Training and Mentoring of the Afghan National Police,” February 9, 2010

DOS Report No. ISP-IQO-07-07 and DoD Report No. IE-2007-001, “Interagency Assessment of Afghanistan Police Training and Readiness,” November 14, 2006

Special Inspector General for Afghanistan Reconstruction

SIGAR Audit-10-12, “ANP Compound at Kandahar Generally Met Contract Terms but Has Project Planning, Oversight, and Sustainability Issues,” July 22, 2010

SIGAR Audit-10-11, “Actions Needed to Improve the Reliability of Afghan Security Force Assessments,” June 29, 2010

SIGAR Audit-09-1, “Contract Oversight Capabilities of the Defense Department’s Combined Security Transition Command – Afghanistan (CSTC-A) Need Strengthening,” May 19, 2009

Special Inspector General for Iraq Reconstruction

SIGIR 10-008, “Long-standing Weaknesses in Department of State’s Oversight of DynCorp Contract for Support of the Iraqi Police Training Program,” January 25, 2010

Appendix C. Use of Technical Assistance

The audit team provided the DoD OIG Quantitative Methods and Analysis Division (QMAD) a population of 1,565 contractor personnel timesheets for one 2-week pay period ending February 10, 2011. QMAD analysts used a simple random sample design to select a sample of 238 timesheets for the audit team to review. They provided the necessary details for the audit team to analyze the selected sample transactions. The audit team analyzed the timesheets to determine whether the contractor complied with labor requirements in the contract; specifically, the 6-day per week and 8- to 12-hour per day requirements.

The audit team provided the sample results to QMAD analysts, who reviewed the results and computed statistical projections over the population. The projections were computed to project overpayments made to the contractors based on the excessive hours charged, excessive days charged, and a combination of both. QMAD analysts projected the range of amounts overpaid to the contractor and the error rates for excessive days and hours by using a 90-percent confidence level. See Table 9 for the projected overpayments and Table 10 for the projected error rates and number of errors.

Table 9. Overpayments Based on Excessive Charges

Charge	Lower Bound	Point Estimate	Upper Bound
Excessive Days	\$295,566	\$352,297	\$409,028
Excessive Hours	\$368,965	\$449,406	\$529,847
Total	\$678,537	\$801,703	\$924,868

Note: At the 90-percent confidence level. Columns may not add because of rounding and independent projections.

Table 10. Projected Errors for Excessive Days and Hours Charged

Contract Personnel	Lower Bound	Point Estimate	Upper Bound
Worked More Than 6 Days			
Rate	51.6%	56.7%	61.8%
Number	806	885	964
Worked Less Than 8- to 12-Hour Day			
Rate	80.2%	84.0%	87.8%
Number	1,251	1,311	1,370

Note: At the 90-percent confidence level.

Appendix D. FY 2011 National Defense Authorization Act, P.L. 111-383, Section 1235



111TH CONGRESS <i>2d Session</i>	HOUSE OF REPRESENTATIVES	HASO No. 5
-------------------------------------	--------------------------	---------------

IKE SKELTON
NATIONAL DEFENSE AUTHORIZATION ACT
FOR FISCAL YEAR 2011

COMMITTEE PRINT

OF THE


COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

LEGISLATIVE TEXT AND
JOINT EXPLANATORY STATEMENT

TO ACCOMPANY

H.R. 6523

PUBLIC LAW 111-383



DECEMBER 2010

SEC. 1235. REPORTS ON POLICE TRAINING PROGRAMS.

(a) DOD INSPECTOR GENERAL REPORT ON AFGHAN NATIONAL POLICE TRAINING PROGRAM.—

(1) REPORT REQUIRED.—Not later than 180 days after the date of the enactment of this Act, the Inspector General of the Department of Defense shall, in consultation with the Inspector General of the Department of State, submit to the appropriate committees of Congress a report on the Afghan National Police training program.

(2) REVIEW.—In preparing the report required by paragraph (1), the Inspector General of the Department of Defense shall conduct a review of the Afghan National Police training program that focuses on developments since the Inspector General of the Department of Defense and the Inspector General of the Department of State released the report entitled “Department of Defense Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police” (DODIG Report No. D-2010-042, DOSIG Report No. MERO-A-10-06, February 9, 2010).

(3) ELEMENTS OF REPORT.—The report required by paragraph (1) shall include the following:

(A) A description of the components, planning, and scope of the Afghan National Police training program since the United States assumed control of the program in 2003.

(B) A description of the cost to the United States of the Afghan National Police training program, including the source and amount of funding, and a description of the allocation of responsibility between the Department of Defense and the Department of State for funding the program.

(C) A description of the allocation of responsibility between the Department of Defense and the Department of State for the oversight and execution of the program.

(D) A description of the personnel and staffing requirements for overseeing and executing the program, both in the United States and in theater, including United States civilian government and military personnel, contractor personnel, and nongovernmental personnel, and non-United States civilian and military personnel, contractor personnel, and nongovernmental personnel.

(E) An assessment of the cost, performance metrics, and planning associated with the transfer of administration of the contract for the Afghan National Police training program from the Department of State to the Department of Defense.

Appendix E. Summary of Potential Monetary Benefits

Recommendations	Type of Benefit	Amount of Benefit	Account(s)
A.1, A.3, A.5.b, A.5.d, A.7.a, A.7.c, A.7.d & A.9	Funds put to better use and improved internal controls. Ensures that future funds are not used outside the scope of reimbursable agreements and returns misused funds so that DoD can put them to better use.	\$25.06 million and possibly another \$2.25 million obligated outside scope of reimbursable agreements.	FYs 2006 and 2007 Afghanistan Security Forces Fund.
A.2, A.4, A.5.a, A.5.c, A.7.a & A.7.b	Funds put to better use and improved internal controls. Ensures that current and future excess obligated and unobligated funds are returned to DoD so they can be used.	\$95.24 million of current excess funds and an undeterminable amount of future excess funds.	FYs 2006-10 Afghanistan Security Forces Fund.
B.1.a, B.2.a, B.4.a, B.4.e & B.4.f	Funds put to better use and improved internal controls. Prevents future unauthorized travel costs and recovers costs for past unauthorized travel costs.	\$0.33 million for past costs and undeterminable future savings.	FY 2009 and possibly other years of Afghanistan Security Forces Fund.
B.1.c, B.2.c, B.4.b, B.4.e & B.4.f	Funds put to better use and improved internal controls. Identifies and potentially recovers past costs and prevents future costs for work performed in excess of contract requirements.	\$0.35 million identified and an undeterminable amount of additional past costs and future savings.	FY 2010 and possibly other years of Afghanistan Security Forces Fund.
B.1.d, B.2.c, B.4.c, B.4.e & B.4.f	Funds put to better use and improved internal controls. Identifies and recovers past costs and prevents future costs for billings in excess of work performed.	\$0.45 million identified and an undeterminable amount of additional past costs and future savings.	FY 2010 and possibly other years of Afghanistan Security Forces Fund.
B.1.e, B.2.d, B.4.d, B.4.e & B.4.f	Funds put to better use and improved internal controls. Identifies and recovers costs for supplies and materials purchased without Government approval or acceptance and prevents future costs.	\$0.94 million identified and an undeterminable amount of additional past costs and future savings.	FY 2008, FY2009 and possibly other years of Afghanistan Security Forces Fund.
Total ANP Benefits		\$124.62 million	

Appendix F. DoD and DOS Memoranda of Agreement

The MOAs establish the dollar threshold to be provided by DoD to DOS. DoD transferred the entire dollar value of the MOA to DOS or created an MOU to transfer a portion of the allowable dollar value. For each MOA applicable to the ANP training program, Table 11 lists the fiscal year the MOA was signed, a description of what the funds were for, dollar value listed in the MOA, and the amount DoD actually transferred to DOS.

Table 11. DoD Transfers by MOA (in millions)

Fiscal Year	Description	Dollar Value of MOA	Dollar Value of DoD Transfer
2006	Train and mentor ANP	\$399.00	\$388.00
2007	Train and mentor ANP	391.00	391.00
2009	Train and mentor ANP	300.00 – 450.00	75.40
			181.40
			35.00
			38.00
			13.00
			84.30
2009	Support ANP by providing life support at Camp Falcon	3.00	3.00
2010	Modification to 2009 MOA for \$9 million to provide life support at Camp Falcon	9.00	3.20
2010	Amendment to 2009 MOA for \$300 million to \$450 million above to add additional scope of the Embedded Police Mentoring Team	No funds added	10.76
			37.00
Total			\$1,260.06

Glossary

Appropriation. A form of budget authority that makes funds available to an agency to incur obligations and make expenditures. Therefore, agencies receive appropriated funds.

Antideficiency Act. Act that prohibits Federal agencies from obligating or expending Federal funds in advance or in excess of an appropriation or apportionment per 31 U.S.C. 1341 and 31 U.S.C. 1517. The act requires agencies violating its proscriptions to report to the President and Congress all relevant facts and a statement of actions taken.

Bona Fide Need. A legitimate need in the period of availability.

Closed Account. An appropriation account whose balance has been canceled. An appropriation becomes closed on the last day of the fifth fiscal year after the period of availability ends. The entity returns funds in this account to treasury and can longer use the funds for any purpose.

Deobligation. The action taken when the obligation amount is determined to be in excess of the actual obligation amount. An entity can deobligate the excess obligations and put them to better use.

Expenditure. Also known as an “outlay” and is the issuance of checks, disbursements of cash, or electronic transfer of funds to liquidate a Federal obligation.

Expired Account. The appropriation account after the period of availability has ended, but not yet closed. In other words, the agency cannot make new obligations when the funds have moved into the expired account.

Multiple Year Appropriation. Appropriations available for obligation for a definite period in excess of 1 fiscal year.

Obligation. The commitment of funds when an entity orders goods and services.

Period of Availability. The period for which the agency can obligate an appropriation.

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD Comments

Final Report
Reference



COMPTROLLER
(Program/Budget)

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

JUN 14 2011

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Draft Report on DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program (Project No. D2011-D000JA-0009.000)

The Office of the Secretary of Defense (OSD) appreciates the opportunity to provide comments at Attachment A concerning recommendations A.7, A.8, and A.9 of the above referenced report, which recommend that the Under Secretary of Defense (Comptroller) and the Under Secretary of Defense (Policy) take action to address payments made by the Department of Defense (DoD) to the Department of State (DOS) Bureau of International Narcotics and Law Enforcement for the Afghan Police Training Program. In the past, we have included requests for quarterly reports of goods and services to be provided by DOS pursuant to Memoranda of Agreement with State associated with the Police Training Program.

The draft report identifies a need to establish procedures to track DOS expenditure of DoD's funds and to conduct an investigation into a possible violation of the Antideficiency Act. The OSD concurs with comment on all three recommendations.

A handwritten signature in cursive script, reading "William H. Campbell".

William H. Campbell
Director of Operations

Attachment:
As stated



OUSD Comments

Subject: Draft Report on DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program (Project No. D2011-D000JA-0009.000)

Recommendation A.7:

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer:

- a. Establish procedures to verify and document that the Bureau of International Narcotics and Law Enforcement Affairs promptly identifies and returns funds identified in this report and listed in recommendations A.1, A.2, A.3, A.4, and A.5.
- b. In coordination with the Under Secretary of Defense (Policy), develop procedures to ensure that all future reimbursable agreements require the Bureau of International narcotics and Law Enforcement Affairs to identify excess funds within a specified timeframe after period of performance has ended.
- c. Develop controls to ensure that the appropriate DoD component monitors the Bureau of International Narcotics and Law Enforcement Affairs obligation and expenditure of DoD funds in accordance with the reimbursable agreements and applicable laws and regulations.
- d. Develop controls to ensure that all necessary agencies have the official reimbursable agreements.

Response:

A.7.a. Concur.

A.7.b. Concur with comment. The Department of Defense has already begun to incorporate these requirements into agreements.

A.7.c. Concur with comment. The Department will develop controls to ensure the proper DoD Component monitors obligation and expenditures of funds. We request the DODIG amend the recommendations in this report to include a recommendation that in addition to summary financial reports, the Bureau of International Narcotics and Law Enforcement Affairs provide all relevant financial information, to include copies of contracts, contractor invoices, and payments without undue delay so the DoD Component can make appropriate verifications.

A.7.d. Concur.

Recommendation A.8:

We recommend that the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer, and the Under Secretary of Defense (Comptroller)/Chief Financial Officer perform a joint investigation of the potential Antideficiency Action

violations for the \$74.91 million of funds obligated outside the scope of the reimbursable agreements or not in compliance with Federal appropriations limitations. Specifically, they should investigate the following amounts and take the appropriate action for:

- a. \$2.59 million reobligated outside the scope of the reimbursable agreement and period of funds availability.
- b. \$48.85 million of obligations moved from original requirements to requirements outside the period of funds availability for task order S-AQMMA-08F-5375. In addition, review all other movements of DoD funds to ensure they were within the period of availability.
- c. \$9.50 million obligated for the United national Law and Order Trust Fund-Afghanistan commitment.
- d. \$1.15 million obligated for the Department of Justice Federal Prosecutors Program.
- e. \$14,996 obligated for Department of State personnel to travel to the U.S. Embassy in South Korea.
- f. \$11.81 million for an equitable adjustment for task order S-AQMPD-04F-0460.

Response:

A.8. Concur with comment. The ADA investigation should be referred to the Defense Security Cooperation Agency (DSCA) vice the Under Secretary of Defense (Comptroller)/Chief Financial Officer to appoint an investigating official for any potential ADA violations concerning the ASFF because the DSCA was the funds holder.

Recommendation A.9:

We recommend that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs; Under Secretary of Defense for Policy; and Under Secretary of Defense (Comptroller)/Chief Financial Officer, reach an agreement as to whether the \$9.50 million obligation for a United National Law and Order Trust Fund-Afghanistan contribution was appropriately obligated. If officials do not reach an agreement, the Bureau of International Narcotics and Law Enforcement Affairs should return the \$9.50 million of DoD funds obligated for a United National Law and Order Trust Fund-Afghanistan contribution.

Response:

A.9. Concur with comment. Based on the information currently available to the DoD, it does not appear that a proper DoD official approved these expenditures. In addition, funds were provided to INL from the Training subactivity group, which were not authorized for the payment of salaries, therefore these funds provided to the INL are not appropriate for this purpose.

Attachment A

Redirected, page 30

Bureau of Administration Comments

Final Report
Reference



United States Department of State

Washington, D.C. 20520

www.state.gov

MEMORANDUM

TO: OIG/AUD - Evelyn R. Klemstine

FROM: A – William Moser, Acting *WM*

SUBJECT: Draft OIG Inspection Report - DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program

Below is the Bureau of Administration's response to Recommendations A.6 of the subject draft Inspection Report.

Recommendation A.6: We recommend that the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require all contracting officers and supporting staff to take an appropriations law training class.

Response: The Office of Acquisitions Management (AQM) recognizes the importance of training personnel in appropriation law and agrees that appropriation law training may be beneficial to some AQM personnel. AQM acknowledges that bureau financial officers request, monitor, and execute against their appropriations, and therefore AQM relies on the appropriation expertise that resides with the Contracting Officer Representatives (COR) and within the functional bureaus and program offices. In the newly revised Department COR training, there is a module on payment, which includes invoice payments and proper payments. AQM will explore sending select contracting officers and supporting staff to appropriations law training courses.

Recommendation B.4: We recommend that the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management in coordination with the Executive Director, Bureau of International Law Enforcement Affairs (INL), recover from DynCorp:

- a. \$334,400 for unauthorized travel costs
- b. \$352,297 for labor costs not included in the Statement of Work, if the contracting officer determines that an Equitable Adjustment is needed.
- c. \$449,406 for labor costs for services not performed by the contractor if the contracting officer determines that an equitable adjustment is needed.
- d. \$938,454 for unauthorized purchases if officials from the Bureau of International Narcotics and Law Enforcement Affairs cannot provide the Department of State Office of Inspector General with documentation that a government official approved and accepted the purchase by July 29, 2011. This amount included purchases for \$542,079 with no government purchase approval; \$332,631 with no government purchase approval and government acceptance and \$63,744 with no government acceptance.
- e. Overpayments based on Defense Contract Audit Agency audits of task orders 4305, 5375 and 2708.
- f. Once recommendations B.2. a-d are implemented, the additional costs identified during the 100-percent detailed invoice review as costs either not authorized or not for services performed.

Response: Once final and validated numbers are determined, A/LM/AQM will coordinate with INL, Legal, and the Defense Contract Audit Agency (DCAA) to assess equitable adjustments and cost recovery actions.

Bureau of International Narcotics and Law Enforcement Affairs Comments

Final Report
Reference



United States Department of State

Washington, D.C. 20520

JUN 17 2011

UNCLASSIFIED

TO: OIG – Harold Geisel, Acting

FROM: INL - Brian A. Nichols, Acting *BAN*

SUBJECT: Comments on the Joint Department of State/Department of Defense Inspectors General Discussion Draft Report, *DoD and DOS Need Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program* (DoD Project No. D2011-D000JA-0009.00, DOS Project No. 11AUD3016, May 27, 2011)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) continues to develop and strengthen the operational systems and controls necessary to support our significant growth in program funding and scope. INL appreciates working with the oversight community to help strengthen the Bureau's processes and controls. However, INL has a concern with the subject audit because it was unclear what standard of "acceptable documentation" the audit team used to base some of their recommendations. The terms that INL and DoD agreed to are contained in a series of Memorandums of Understanding and Memorandums of Agreement (MOAs and MOUs). The modification criteria states generally that the *agreements may be amended at any time by mutual consent* and the MOAs and MOUs were, in most cases, written with sufficiently broad language to allow for flexibility in program implementation, particularly in light of the rapidly-changing requirements of the fielded military command. In a number of instances, the joint team rejected documentation provided by INL that substantiated mutual consent by INL and DoD stakeholders. Responses to specific recommendations are as follows:

A.1 We recommend that the Executive Director, Bureau of International Law Enforcement Affairs, in coordination with the Chief Financial Officer, Bureau of Resource Management, return the \$15.56 million of DoD funds that were outside the scope of the reimbursable agreement by August 31, 2011. Specifically, return and document the following amounts:

UNCLASSIFIED

UNCLASSIFIED

- 2 -

- a. \$2.59 million potentially moved to Department of State administrative costs.*

INL Response (June 2011): INL agrees and intends to return the \$2.59 million in administrative costs.

- b. \$1.15 million obligated for the Department of Justice Federal Prosecutors Program.*

INL Response (June 2011): INL disagrees. As detailed in documentation provided to the joint audit team, our use of \$1.15 million for Federal Prosecutors Program (FPP) costs was in support of the criminal investigative training and mentoring for the ANP and not outside the scope of the reimbursable agreement. The Memorandum of Agreement provides for INL to support the effort to train and mentor the ANP, and under this provision, FPP criminal investigative advisors were engaged to specifically train and mentor Afghan police investigators. In addition, DoD's October 2006 spend plan for ASFF clearly stated that ASFF money to be provided to DOS would be used for criminal investigative training.

Revised, page 23

- c. \$14,996 obligated for Department of State travel costs to the U.S. Embassy in South Korea.*

INL Response (June 2011): INL agrees and intends to return the \$14,996 obligated in travel costs to Embassy Seoul.

- d. \$11.81 million obligated for a DynCorp equitable adjustment for contract task order S-AQMPD-04F-0460, awarded in 2004, before the 2006 agreement.*

INL Response (June 2011): INL agrees and intends to return the \$11.81 million obligated for the equitable adjustment.

A.2 We recommend that the Executive Director, Bureau of International Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management:

- a. Determine how much of the \$68.21 million of unexpended obligations remaining on task order S-AQMPD-05F-4305 can be deobligated. As*

UNCLASSIFIED

UNCLASSIFIED

- 3 -

part of the review, include the DoD obligation amount that DynCorp certified as available for deobligation, as well as an analysis on the remaining, expended obligation amounts. In addition, provide the Department of State Office of Inspector General supporting documentation for the remaining amount of the \$68.21 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.

INL Response (June 2011): INL will work with AQM to review how much of the \$68.21 million of unexpended obligations on task order S-AQMPD-05F-4305 can be deobligated, and will provide supporting documentation to the Department of State Office of Inspector General on the remaining obligated balance.

- b. Determine how much the \$23.04 million of DoD unexpended obligations remaining on the in country air support contract (S-AQMPD-05-C-1103) can be deobligated. In addition, provide the Department of State Office of Inspector General supporting documentation for the remaining amount of the \$23.04 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.*

INL Response (June 2011): INL has reviewed the \$23.04 million unexpended funds, and has identified \$15.6 million that will be deobligated and returned to DoD.

A.3. We recommend that the Executive Director, Bureau of International Law Enforcement Affairs, provide supporting documentation to the Department of State Inspector General by July 29, 2011 for the \$2.25 million of unsupported obligations identified in this report or return the \$2.25 million to the Department of Defense by August 30, 2011. Specifically, the Executive Director should review and if necessary, deobligate the following amounts:

- a. \$1.65 million obligated for Department of State salaries using DoD funds provided in the 2006 reimbursable agreement.*
- b. \$604,847 for Department of State personnel salaries.*

INL Response (June 2011): INL will update the supporting documents for the \$2.25 million in obligations identified and take the necessary action to deobligate and return funds as appropriate.

UNCLASSIFIED

UNCLASSIFIED

- 4 -

A.4. We recommend that the Executive Director, Bureau of International Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify and return unexpended obligations not likely to be expended as soon as possible, but no later than 6 months after the period of performance for DOD-funded requirements related to task order S-AQMMA-08F-5375 and S-AQMMA-10F-2708 ends.

INL Response (June 2011): INL agrees to a more timely review of unexpended funds and will return funding that is clearly excess to requirements within six months after the period of performance ends. The final obligation adjustments will be made after the contracting officer completes the formal close out process.

A.5. We recommend that the Executive Director, Bureau of International Law Enforcement Affairs:

- a. Return to DOD and properly record the \$3.99 million of unobligated DoD funds by August 31, 2011.*

INL Response (June 2011): INL disagrees. The \$3.99 million was obligated to cover administrative expenses associated with the execution of the ANP program. Currently, \$57,000 remains and will be returned to DoD.

A.5.b. Develop and document controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs uses DoD funds for specific purposes in accordance with laws and documents the appropriate use. Specifically, officials should:

- b.1. Designate the appropriate offices responsible for ensuring that the obligation directly relates to the requirements in the reimbursable agreements.*

INL Response (June 2011): INL agrees to improve our standard operating procedures that designate responsibilities and duties and better articulate our controls.

- b.2. Retain documentation supporting that the obligation is in compliance with the reimbursable agreement requirements.*

UNCLASSIFIED

Revised, page 26

UNCLASSIFIED

- 5 -

INL Response (June 2011): INL already has procedures for documenting support, which are retained by the program offices, COR and financial management office.

A.5. Develop and document controls to return excess funds in a timely manner. Specifically,

- c.1. Develop policy that sets a reasonable deadline for contacting the contractor after the period of performance has ended to determine the costs the contractor estimates they have incurred.*

INL Response (June 2011): INL agrees to update our current obligation control guidelines to specify reasonable deadlines for obtaining incurred cost estimates from the contractor.

- c.2. Determine another reasonable deadline to deobligate the funds based on estimates from the contractor and the Bureau of International Narcotics and Law Enforcement Affairs Officials.*

INL Response (June 2011): INL agrees to update our current obligation control guidelines to specify a reasonable deadline to initiate the necessary deobligation actions.

- d. Develop controls for the officials responsible for ensuring DoD funds are obligated in accordance with the reimbursable agreements and review the Bureau of International Narcotics and Law Enforcement Affairs, Office of Resource Management, Budget Execution Division, documentation to ensure that the spreadsheets for tracking DoD funds do not include DOS-funded obligations.*

INL Response (June 2011): INL will implement standard operating procedures to clarify roles and responsibilities, as well as provide specific guidance for confirming compliance with reimbursement agreements.

- e. Develop controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs, Office of Resource Management, Budget Execution Division, personnel monitor budget tracking*

UNCLASSIFIED

Revised,
pages 26-27

UNCLASSIFIED

- 6 -

spreadsheets to ensure that obligations do not exceed funds received and to prevent expended balances from exceeding obligated balances.

INL Response (June 2011): INL has controls for monitoring budget tracking spreadsheets to ensure that obligations do not exceed funds received and to prevent expended balances from exceeding obligated balances. Reviews are conducted on a continuing basis.

- f. Require that all personnel involved in the obligating or disbursing of funds take an appropriations law training class.*

INL Response (June 2011): The Bureau of Legal Affairs (L) is responsible for all appropriations law issues.

A.9. We recommend that the Executive Director, Bureau of International Law Enforcement Affairs; Under Secretary of Defense for Policy; and Under Secretary of Defense (Comptroller)/Chief Financial Officer, reach an agreement as to whether the \$9.5 million obligation for a United Nations Law and Order Trust Fund-Afghanistan contribution was appropriately obligated. If officials do not reach an agreement, the Bureau of International Narcotics and Law Enforcement Affairs should return the \$9.5 million of DoD funds obligated for United Nations Law and Order Trust Fund-Afghanistan contribution.

INL Response (June 2011): INL will work with the USD comptroller and other DoD Officials to specifically address the LOTFA issue.

B.1. We recommend that the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Executive Director, Bureau of International Law Enforcement Affairs, increase the scope of pre-payment invoice review for task order 5375 invoices to identify unauthorized costs. Specifically, the contracting officer should develop procedures to develop that:

- a. Travel costs are within the scope of the contract.*
- b. Supporting timesheets are signed by the employee and authorized by a supervisor.*
- c. Labor costs do not exceed the six-day-per week contract requirement.*

UNCLASSIFIED

UNCLASSIFIED

- 7 -

- d. *Labor costs are prorated when contractor personnel work less than the contractual daily hours.*
- e. *Supporting documentation for contractor-purchased materials and supplies include a Government-approved purchase request and proof of Government acceptance.*

INL Response (June 2011): INL will work closely with the contracting officer (A/LM/AQM) to ensure the CORs and GTMs fully understand which costs are contractually permissible so they are better equipped to identify unauthorized costs during the prepayment invoice review for task order 5375 invoices.

B.2 We recommend that the Executive Director, Bureau of International Law Enforcement Affairs, determine who will conduct a 100-percent post-payment review of invoices for task orders 4305 and 5375 and recover costs from the contractor if necessary. Once it is determined who will conduct the review, the review should:

- a. *Identify the total travel costs not authorized for the DynCorp personnel travelling from Texas to Washington, D.C., for weekly meetings with the Bureau of International Narcotics and Law Enforcement Affairs officials and request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management recover funds from DynCorp for that amount.*
- b. *Determine whether timesheets were properly signed and approved by DynCorp officials and request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management recover funds from DynCorp for that amount.*
- c. *Identify the excess daily and hourly labor costs paid based on the 6-day work week and 8-to 12-hour day and request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management take appropriate action to ensure the contract terms are complied with, which include recovering funds.*
- d. *Request supporting documentation for contractor material purchases that did not have a signed purchase request or government acceptance. For the*

UNCLASSIFIED

UNCLASSIFIED

- 8 -

items for which DynCorp cannot provide support, request that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management recover funds from DynCorp for the amount.

INL Response (June 2011): INL will engage an independent audit firm to review all of our invoice processes and controls. This firm will also review invoices submitted under the task orders, including post January 2007 invoices for task order 4305 and task order 5375 invoices. In addition, INL will engage DCAA to conduct incurred cost task orders for task orders 4305 and 5375.

B.3. We recommend that the Executive Director, Bureau of International Law Enforcement Affairs, in coordination with the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management:

- a. Request in writing and fund a review by the Defense Contract Audit Agency to determine whether costs associated with task order S-AQMMA-10F-2708 were allowable, allocable and reasonable.*

INL Response (June 2011): INL agrees with the recommendation. A/LM/AQM is responsible for tasking DCAA with audit actions on Department contracts. INL will request that A/LM/AQM request the recommended audit.

- b. Request in writing and fund a review by the Defense Contract Audit Agency of all DynCorp invoices submitted under task orders S-AQMMA-08F-5375 and S-AQMMA-10F-2708 from December 30, 2010, through July 15, 2011, to ensure DynCorp is not double-billing DOS and DoD for the same charges. This recommendation should be implemented in coordination with recommendation B.5.*

INL Response (June 2011): The Department's request to DCAA to conduct incurred cost audits of Task Orders 4305 and 5375 will identify these points as meriting special attention.

B.4. We recommend that the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management in coordination with the Executive Director, Bureau of International Law Enforcement Affairs, recover from DynCorp:

- a. \$334,400 for unauthorized travel costs*

UNCLASSIFIED

UNCLASSIFIED

- 9 -

- b. \$352,297 for labor costs not included in the Statement of Work, if the contracting officer determines that an Equitable Adjustment is needed.
- c. \$449,406 for labor costs for services not performed by the contractor if the contracting officer determines that an equitable adjustment is needed.
- d. \$938,454 for unauthorized purchases if officials from the Bureau of International Narcotics and Law Enforcement Affairs cannot provide the Department of State Office of Inspector General with documentation that a government official approved and accepted the purchase by July 29, 2011. This amount included purchases for \$542,079 with no government purchase approval; \$332,631 with no government purchase approval and government acceptance and \$63,744 with no government acceptance.
- e. Overpayments based on Defense Contract Audit Agency audits of task orders 4305, 5375 and 2708.
- f. Once recommendations B.2. a-d are implemented, the additional costs identified during the 100-percent detailed invoice review as costs either not authorized or not for services performed.

INL Response (June 2011): Once final, validated numbers are determined, AQM will coordinate with INL, L/BA and DCAA to assess equitable adjustments and cost recovery actions.

B.1. (From Prior Report) We recommend the Assistant Secretary of State for the Bureau of International Narcotics and Law Enforcement Affairs and the Commanding General, Combined Security Transition Command-Afghanistan ensure that the contracting officer for the Afghan Civilian Advisor Support contract perform a complete inventory of Government-furnished property under task orders 4305 and 5375 and reconcile the inventory count to the Government-furnished property book maintained by the contractor.

INL Response (June 2011): The annual inventory for USG-owned/Contractor held assets was completed at the end of May 2011. Differences between the inventory and the property book will be reconciled.

UNCLASSIFIED

UNCLASSIFIED

- 10 -

B.2.a (From Prior Report) We recommend the Assistant Secretary of State for the Bureau of International Narcotics and Law Enforcement Affairs:

Ensure that the contracting officer for the Afghan Civilian Advisor Support contract strengthens existing internal controls over contract administration, oversight, and financial reporting, to comply with Foreign Affairs Handbook requirements.

Status: The Assistant Secretary of State for INL should finalize and fully implement the standard operating procedures for validating invoices, maintaining COR files and receiving and inspecting inventory.

INL Response (June 2011): Recognizing that the spirit of the recommendation is directed to the COR rather than the contracting officer (A/LM/AQM), INL has responded with appropriate actions. INL implemented the draft standard operating procedures for validating invoices, maintaining COR files and receiving and inspecting inventory at posts. Based on posts' feedback, we will issue the final the standard operating procedures (SOP) in June 2011. All aspects of these SOPs will be implemented this fiscal year.

B.2.b (From Prior Report) We recommend the Assistant Secretary of State for the Bureau of International Narcotics and Law Enforcement Affairs:

Ensure that the contracting officer for the Afghan Civilian Advisor Support contract establishes and maintains contracting files that are complete and easily accessible in accordance with the contracting officer delegation letters and the Foreign Affairs Handbook requirements.

Status: The Assistant Secretary of State for INL, in coordination with the contracting officer for the CIVPOL contract, should fully populate the filesharing system with relevant contracting files for all ongoing CIVPOL task orders.

INL Response (June 2011): Starting in July 2010, INL began establishing SharePoint access to the official COR file and posting the relevant contract data. In addition to the COR files, work notes, observations, and trip reports are being entered into the site to help facilitate contract management and standard practices, especially during staffing turnovers. INL continues to populate the site for the Iraq and Afghanistan task orders.

UNCLASSIFIED

UNCLASSIFIED

- 11 -

C.2.b (From Prior Report) We recommend that the Assistant Secretary of State for the Bureau of International Narcotics and Law Enforcement Affairs request refunds from the contractor for any costs determined by the Defense Contract Audit Agency that were not allowable, allocable, or reasonable.

Status: The INL Assistant Secretary, in coordination with the contracting officer for the CIVPOL contract, should review the approximately \$9.4 million in questioned costs identified by the DCAA and take action to recover those costs.

INL Response (June 2011): INL will review the \$9.4 million in questioned costs identified by DCAA and then work with the contracting officer to determine if the funds should be recovered.

UNCLASSIFIED

Drafted by: INL/RM - [REDACTED]
3-8036
June, 2011

Cleared by: INL/AP - [REDACTED] ok
INL/RM - [REDACTED] ok
INL/RM - [REDACTED] ok
INL/RM - [REDACTED] ok
INL/RM - [REDACTED] ok
INL/RM - [REDACTED] ok
A/LM/AQM - [REDACTED] ok
M - [REDACTED] ok

UNCLASSIFIED

Defense Contract Audit Agency Comments

Final Report
Reference



OFFICE OF THE DIRECTOR

DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

June 10, 2011

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITS, OFFICE OF
INSPECTOR GENERAL, DEPARTMENT OF STATE

SUBJECT: Comments on Recommendations Contained in the Joint DoDIG and State
Department Draft Report Entitled "DoD and DOS Need Better Procedures to
Monitor and Expend DoD Funds for the Afghan National Police Training Program"
dated May 27, 2011

Thank you for the opportunity to respond to the subject draft report. Your draft report identified two recommendations related to the Defense Contract Audit Agency (DCAA). Our responses related to your draft recommendation for DCAA are presented below:

Recommendation B.5.

We recommend that the Director, Defense Contract Audit Agency, verify that DynCorp did not double-bill claimed costs during the transition period under DoD and DOS contracts from December 30, 2010, through July 15, 2011. This recommendation should be implemented once the actions in recommendation B.3.a-b have been taken.

The DCAA actions contained in recommendation B.3.a-b propose that:

- a. DCAA perform a review to determine whether costs associated with task order S-QMMA-10-F-2708 were allowable, allocable, and reasonable.
- b. DCAA perform a review of all DynCorp invoices submitted under task orders S-AQMMA-08-F-5375 and S-QMMA-10-F-2708 from December 30, 2010, through July 15, 2011, to ensure DynCorp is not double-billing DOS and DoD for the same charges. This recommendation should be implemented in coordination with recommendation B.5.

DCAA Response:

- a. Concur: On May 9, 2011, DCAA received funding from the DOS to begin audit work relating to CIVPOL Task Order 2708. We have established audit assignment 3181-2011S17900006 to audit the direct costs for allowability, allocability, and reasonableness, and we are currently in the planning stages of the audit.
- b. Concur: In addition to our ongoing efforts to audit direct costs invoiced on DOS TO's 5375 and 2708 for allowability, allocability, and reasonableness, we plan to perform direct cost testing on the replacement DoD contract, Contract No. W91CRB-11-C-0053,


SUBJECT: Comments on Recommendations Contained in the Joint DoDIG
and State Department Draft Report Entitled "DoD and DOS Need
Better Procedures to Monitor and Expend DoD Funds for the
Afghan National Police Training Program" dated May 27, 2011

June 10, 2011

which was awarded December 20, 2010. Based on our risk assessment, we will perform statistical sampling and judgmental selection procedures, as appropriate, of invoiced costs to determine allowability, allocability and reasonableness. In addition, for costs incurred during the transition period ranging from December 30, 2010, through July 15, 2011, we will perform audit procedures to identify if any invoiced costs have been duplicated and billed under DOS TOs 5375, 2708 and the new DoD contract W91CRB-11-C-0053.

Questions on this subject should be addressed to [REDACTED] or by
e-mail at [REDACTED]

Sincerely,


Patrick J. Fitzgerald
Director

NATO Training Mission–Afghanistan/Combined Security Transition Command–Afghanistan Comments

Final Report
Reference



HEADQUARTERS
NATO TRAINING MISSION – AFGHANISTAN
COMBINED SECURITY TRANSITION COMMAND – AFGHANISTAN
KABUL, AFGHANISTAN
APO, AE 09356



8 June 2011

MEMORANDUM FOR Office of the Inspectors General of the Department of Defense and
Department of State

SUBJECT: NTM-A Response to Draft Report “DoD and DOS Need Better Procedures to
Monitor and Expend DoD Funds for the Afghan National Police Training Program” (DoD IG
project No. D2011-D000JA-0009.000 & DOS IG Project No. 11AUD3016) dated 27 May 2011.

1. I would like to thank you for the time your teams have taken to examine the expenditure of DoD funds to support the Afghan National Police Training Contract. We agree with the findings and concur with the recommendations. We have no additional comments.
2. I want to thank your audit team for the recommendations they made in February 2010. We were able to use this input to shape our oversight structure and auditing plans for the new DoD contract which resulted in the emplacement of stronger internal controls and processes.
3. If you have any further questions, please feel to contact me at any time.

JOHN G. FERRARI
COL, U.S. Army
Deputy Commander for Programs

FRAUD, WASTE, ABUSE, OR MISMANAGEMENT

of Federal programs
and resources hurts everyone.

Call the Office of Inspector General
HOTLINE
202-647-3320
or 1-800-409-9926
to report illegal or wasteful activities.

You may also write to
Office of Inspector General
U.S. Department of State
HOTLINE
Post Office Box 9778
Arlington, VA 22219

Please visit our Web site at oig.state.gov

Cables to the Inspector General
should be slugged "OIG Channel"
to ensure confidentiality



Department of State Office of Inspector General
2201 C Street, N.W.
Suite 8100, SA-3
Washington, D.C. 20522-0308

Department of Defense Office of Inspector General
400 Army Navy Drive
Arlington, VA 22202-4704



The report is available online at: <http://www.dodig.mil> and also available at <http://oig.state.gov>