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Acronyms

CRIS	Commanders Resource Integration System
DASD (CN/CP/GT)	Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats
DFAS	Defense Finance and Accounting Service
DJMS-RC	Defense Joint Military Pay System, Reserve Component
DoD OIG	Department of Defense Office of Inspector General
GAFS-R	Air Force General Accounting and Finance System, Rehost
ONDCP	Office of the National Drug Control Policy



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

March 7, 2008

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY OF DEFENSE
(COUNTERNARCOTICS, COUNTERPROLIFERATION,
AND GLOBAL THREATS)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE
CHIEF, NATIONAL GUARD BUREAU
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on the Controls Over Funds Used by the Air Force and National
Guard Bureau for the National Drug Control Program (Report
No. D-2008-061)

We are providing this report for review and comment. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all issues be resolved promptly. The Chief of the National Guard Bureau comments were partially responsive to Recommendation B.2. We request that the Chief provide comments to the final report by April 7, 2008.

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

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Amy Frontz at (303) 676-7392 or Mr. Anthony C. Hans at (614) 751-1400, extension 217. The team members are listed inside the back cover. See Appendix B for the report distribution.

By direction of the Deputy Inspector General for Auditing:

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Department of Defense Office of Inspector General

Report No. D-2008-061

March 7, 2008

(Project No. D2007-D000FD-0134.000)

Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program

Executive Summary

Who Should Read This Report and Why? DoD personnel working in the counterdrug program should read this report. It discusses the internal controls over counterdrug funds managed by the Air Force and National Guard Bureau.

Background. The Office of the Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats receives funds annually for the National Drug Control Program. These funds are reprogrammed to the Services and Defense Agencies for use in the counterdrug mission. DoD reported \$969.6 million in obligations related to the counterdrug program for FY 2006. This amount included \$153.1 million of obligations reported by the Air Force and \$262.3 million of obligations reported by the National Guard Bureau.

Results. The Air Force and National Guard Bureau have not corrected previously identified material management control weaknesses involving the tracking and reporting of counterdrug funds. Specifically, the Air Force and National Guard were unable to provide detailed transaction data to support \$279 million of the \$415.4 million counterdrug obligations reported to the Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats for FY 2006. As a result, a sufficient audit trail did not exist to validate the reported obligations. The Deputy Assistant Secretary of the Air Force for Budget and the Chief of the National Guard Bureau should establish formal procedures for compiling a detailed universe of transactions that supports the counterdrug obligation amounts annually reported to the Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats. Specifically, these procedures should utilize standardized data queries and ensure that complete and accurate information is available in a timely manner to support audits and evaluations of counterdrug funds required by the Office of National Drug Control Policy in support of public law (Finding A).

Overall, the Air Force and National Guard Bureau had adequate controls in place to ensure that counterdrug obligations and expenditures supported the counterdrug mission. However, source documentation was not available to support obligations and expenditures totaling \$731,809. In addition, we identified two improper purchases totaling \$121,682. As a result of these deficiencies, the Air Force and National Guard Bureau could not ensure that all counterdrug expenditures supported the counterdrug mission and complied with Federal and DoD regulations. The Deputy Assistant Secretary of the Air Force for Budget should establish controls to ensure that all counterdrug transactions are identified by unique document identifier codes and are readily supported by source documentation. The Chief, National Guard Bureau should initiate preliminary reviews and possible corrective actions for the improper purchases that potentially

violated the Purpose Statute and Bona Fide Needs Rule as discussed in the DoD Financial Management Regulation. In addition, the Chief should enforce existing purchasing procedures outlined in National Guard Regulation 500-2 and ensure that controls are in place and consistently applied at all counterdrug organizations. The Chief should also establish controls to ensure that all counterdrug transactions are readily supported by source documentation and to monitor year-end purchases (Finding B).

Army National Guard soldiers who stopped working for the counterdrug program received erroneous leave payments. Specifically, our limited review identified 31 erroneous payments valued at \$79,537. As a result, the National Guard Bureau cannot ensure that payments made for leave sold accurately reflect amounts earned. As of September 1, 2007, outstanding leave balances totaling 63,827 days were scheduled to be paid out for 8,600 National Guard soldiers at an estimated value of \$7 million. The Director, Standards and Compliance, Military Pay, Defense Finance and Accounting Service, should identify and correct the causes for the inaccurate leave balances in the Defense Joint Military Pay System-Reserve Component and ensure that the same deficiencies will not occur in the scheduled replacement system, the Defense Integrated Human Resources System. The Director should also coordinate with the Chief of the National Guard Bureau to verify that all payments processed for leave sold in fiscal years 2006 and 2007 were valid and ensure that all future payments for outstanding leave are valid prior to disbursement.

The Chief of the National Guard Bureau should coordinate with the Defense Finance and Accounting Service to validate all payments for leave sold. The Chief should also ensure that compensating manual controls are implemented to validate future payments for outstanding leave until the deficiencies in the Defense Joint Military Pay System Reserve Component can be corrected. Recouping erroneous amounts paid and avoiding future erroneous payments will result in a potential monetary benefit to the National Guard. However, this amount is not yet quantifiable. Ceasing all additional erroneous leave payments will result in up to a maximum of \$7 million of funds put to better use for the National Guard Bureau. The full extent of potential monetary benefits will be quantifiable after the National Guard Bureau implements the recommendations for corrective action (Finding C).

Management Comments and Audit Response. The Deputy Assistant Secretary of the Air Force for Budget and the Chief of the National Guard Bureau Counterdrug Division concurred with the findings and recommendations. The Director, Standards and Compliance, Military Pay, Defense Finance and Accounting Service, concurred with the findings and partially concurred with the recommendations. In addition, the Director, Defense Finance and Accounting Service, Defense Integrated Military Human Resources System Integration Office, provided comments addressing the design deficiencies we identified within the Defense Joint Military Pay System-Reserve Component and how they would be corrected in the scheduled replacement system. The Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats also provided unsolicited comments. We consider all but one of the comments to be fully responsive. The Chief of the National Guard Bureau Counterdrug Division comments are partially responsive regarding the improper purchase by the Utah Air National Guard. The Chief did not indicate whether a detailed review had been or would be performed regarding a possible Antideficiency Act violation. We request that the Chief provide comments on the final report by April 7, 2008. See the finding sections of the report for a discussion of management comments and the Management Comments section for the complete text of the comments.

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Background

This audit was performed to meet the requirements of Public Law 105-277, “Office of National Drug Control Policy Reauthorization Act of 1998,” October 21, 1998, as amended by Public Law 109-469, “Office of National Drug Control Policy Reauthorization Act of 2006,” on December 29, 2006. The Act requires National Drug Control Program agencies to submit a detailed accounting of all funds expended for counterdrug activities during the previous fiscal year to the Director of the Office of National Drug Control Policy (ONDCP). The submission is required no later than February 1 of each year and must be authenticated by the Inspector General for each agency. The report must then be submitted to Congress not later than April 1 of each year.

ONDCP, a component of the Executive Office of the President, is responsible for developing and overseeing implementation of the national drug control policy; assessing and certifying the adequacy of national drug control programs and their budgets; and evaluating the effectiveness of the programs. The office issued ONDCP Circular, “Drug Control Accounting,” April 18, 2003, which was revised during the course of this audit on May 1, 2007. The Circular requires a detailed accounting submission from the chief financial officer, or other accountable senior level executive, of each agency to the Director of ONDCP. The detailed report must include a table highlighting prior years’ drug control obligations data and a narrative section making assertions regarding the obligation data.

The Office of the Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats (DASD [CN/CP/GT]) is responsible for:

- developing and implementing DoD counterdrug policy;
- coordinating and monitoring DoD counterdrug plans and programs;
- directing the planning, programming, and budget formulation for the program;
- working with the Joint Staff, Unified Commanders, and Chiefs of the Reserve and National Guard, on all issues relating to the execution of DoD counterdrug programs and their missions; and
- reporting DoD counterdrug program results to ONDCP.

There are four mission areas that encompass the scope of the DoD counterdrug program: (1) demand reduction, (2) domestic support, (3) intelligence and technology, and (4) international support.

The DoD counterdrug program is funded by Congress through the DoD Central Transfer Account, where funds are appropriated to a single budget line and not directly to the Services and Defense Agencies. Funds are reprogrammed from the Central Transfer Account to the Services and Defense Agencies in the year of execution. The reprogramming process begins with reprogramming documents

prepared by DASD (CN/CP/GT), which are then forwarded to the DoD Comptroller. Funds are reprogrammed to the applicable budget activity at the Services by project code. The Services provide quarterly obligation reports by project code to DASD (CN/CP/GT), where they are compiled into an overall DoD counterdrug obligation report. The obligation and expenditure data provided by the Services are compared against their total annual counterdrug funding for each appropriation. DoD reported \$969.6 million in obligations related to the counterdrug program for FY 2006. This amount included \$153.1 million of Air Force obligations and \$262.3 million of National Guard Bureau obligations.

Historically, the DoD Office of Inspector General (DoD OIG), has performed a review attestation engagement on the obligation data reported by DASD (CN/CP/GT) and issued an Independent Auditor's Report on the results. As part of this effort, DASD (CN/CP/GT) provides the overall DoD counterdrug obligation report for the latest fiscal year, and each Service is tasked with providing the detailed accounting transactions that support the reported amounts. Limited testing is then performed on the detailed accounting transactions. The most recent DoD OIG Report D-2007-052, "Independent Auditor's Report on the DoD FY 2006 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities," January 29, 2007, concluded that the Air Force and National Guard had not implemented adequate procedures to support their reported obligations with detailed transaction listings.

Objectives

The objective of the audit was to determine whether the Air Force and National Guard Bureau adequately accounted for funds appropriated for the National Drug Control Program. Specifically, we determined whether the Air Force and National Guard had adequate processes and controls in place to ensure accurate and timely recording of counterdrug obligations. See Appendix A for a discussion of the scope and methodology and prior coverage related to the audit objectives.

Review of Internal Controls

We identified material management internal control weaknesses for the Air Force and National Guard Bureau as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. DoD Instruction 5010.40 states that internal controls are the organization, policies, and procedures that help program and financial managers to achieve results and safeguard the integrity of their programs. Implementing all recommendations in this report will improve the Air Force and National Guard Bureau internal controls over tracking and reporting counterdrug funds and provide assurance to DoD that counterdrug funds are used for valid counterdrug program activities. A copy of the final report will be provided to the senior officials in charge of management controls for the Air Force and National Guard.

A. Tracking and Reporting Counterdrug Funds

The Air Force and National Guard Bureau have not corrected previously identified material management control weaknesses involving the tracking and reporting of counterdrug funds. Specifically, the Air Force and National Guard were unable to provide detailed transaction data to support \$279 million of the \$415.4 million counterdrug obligations reported to DASD (CN/CP/GT) for FY 2006. The detailed transaction data were not available because Air Force and National Guard Counterdrug Program Offices had not developed and documented adequate compilation and reporting procedures. As a result, a sufficient audit trail did not exist to validate the reported obligations. The lack of a timely and accurate audit trail impedes authentication of the reported obligations as required by public law.

Criteria

The Office of the Assistant Secretary of Defense for Special Operations/Low-Intensity Conflict issued a memorandum titled, "DoD Counternarcotics Obligation Guidance," on August 25, 2005. The memorandum stated that it is imperative that obligation records include documentation that supports the obligation. Specifically, the memorandum established requirements for all DoD Components that receive counterdrug funding. The applicable Components must establish an account record that will support:

- an audit of the amounts reported as obligated at the end of the fiscal year, and
- a reconciliation to detailed transaction records.

The Air Force does not have specific policies or procedures on tracking and reporting counterdrug funds. National Guard Regulation 500-2, "National Guard Counterdrug Support," March 31, 2000, prescribes policies, procedures, and responsibilities governing the use of National Guard and DoD resources in the National Guard Counterdrug Support Program. However, this regulation does not address the procedures for reporting counterdrug obligation data to DASD (CN/CP/GT) and establishing an account record that will support an audit of the amounts reported.

Previously Identified Management Control Weakness

The Air Force and National Guard Bureau have not corrected a material management control weakness related to the tracking and reporting of counterdrug funds that was previously identified by the DoD OIG. Specifically, the Air Force and National Guard Bureau have been unable to provide detailed

accounting transactions to support counterdrug obligations and expenditures. The DoD OIG has repeatedly identified this issue as a material management control weakness.

Prior DoD OIG Reports. The DoD OIG issued Report No. D-2006-012, “Report on Controls Over Funds Used by DoD for the National Drug Control Program,” dated November 7, 2005, which identified a material management control weakness related to the DoD Components’ accounting for counterdrug funds reported to the DASD (CN/CP/GT). We recommended that DASD (CN/CP/GT) require DoD Components to establish procedures to maintain an audit trail for the amounts reported and establish a process to reconcile the amount reported with detailed transaction records. The DASD (CN/CP/GT) concurred with the recommendation and issued a policy memorandum requiring detailed transaction support for all counterdrug obligations.

The DoD OIG issued Report No. D-2006-047, “Independent Auditor’s Report on the DoD FY 2005 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities” on January 26, 2006. The report concluded that the Military Components did not have adequate time to implement procedures to satisfy the August 2005 DASD (CN/CP/GT) policy memorandum requiring detail transaction support for all obligations. Subsequently, the DoD OIG issued Report No. D-2007-052, “Independent Auditor’s Report on the DoD FY 2006 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities” on January 29, 2007. The report concluded that Air Force and National Guard had not implemented adequate procedures to support their reported obligations with detailed transaction listings.

DASD (CN/CP/GT) Memorandum Requesting Corrective Actions. In response to the most recent DoD OIG report, DASD (CN/CP/GT) issued a memorandum to the Air Force Deputy Chief of Staff and the Chief of the National Guard Bureau in February 2007 regarding the lack of improvement in accounting procedures. The memorandum cited multiple DoD OIG audits that produced the same findings, with no apparent improvement in accounting processes. In the memorandum, DASD (CN/CP/GT) requested that the Air Force and National Guard Bureau provide the specific steps they planned to take to improve the audit trail for reported counterdrug obligations. The Air Force and National Guard Bureau were also tasked to explain why reconciliation procedures were not in place and to provide the immediate steps they were taking to employ proper accounting procedures. The memorandum required a response by March 7, 2007.

As of the date of this report, the Air Force had not responded to the DASD (CN/CP/GT) memorandum. The National Guard Bureau partially responded to the memorandum on March 7, 2007. In the response, the Chief of the National Guard Bureau Counterdrug Division stated that his office had not had access to most of the detail-level data that the DoD OIG had requested but that it was continuing to explore avenues by which to obtain the required data. The Chief explained that for the Army National Guard, each state was operating an independent obligation database not accessible by his office or by the Defense Finance and Accounting Service (DFAS). The Chief also explained that the Air National Guard systems were provided by the Air Force and were experiencing

problems with accessing and reporting obligation data to higher headquarters. The Chief stated that his office looked forward to exploring any paths that might open during the upcoming DoD OIG audit.

Air Force Counterdrug Reporting

The Air Force counterdrug program office had not developed and documented adequate compilation and reporting procedures. Specifically, the Air Force was unable to provide detailed transaction data to support \$37.6 of the \$153.1 million counterdrug obligations reported to DASD (CN/CP/GT) for FY 2006. Air Force counterdrug personnel acknowledged that they had not established formal procedures for tracking and reporting counterdrug obligations and expenditures.

DASD (CN/CP/GT) reprograms funds from the DoD Central Transfer Account to the Air Force Counterdrug Program Office, where a counterdrug program manager and financial analyst are responsible for tracking and reporting the funds. The funds are allocated to various Air Force and Joint Commands responsible for performing counterdrug missions. The funds are tracked quarterly by counterdrug project codes established by DASD (CN/CP/GT). The Air Force uses the Air Force General Accounting and Finance System-Rehost (GAFS-R) and the Commanders Resources Integration System (CRIS) to track counterdrug obligations. Specifically, the detailed accounting transactions are maintained within GAFS-R and the Air Force uses CRIS to extract data.

A new financial analyst was assigned to the Air Force counterdrug program office in October 2006. The analyst informed us that up-to-date policies or procedures for tracking and reporting counterdrug funds had not been established. Therefore, the detailed transaction data supporting Air Force FY 2006 counterdrug obligations reported to DASD (CN/CP/GT) were compiled through attempted CRIS queries and data calls to the Air Force and Joint Commands that received counterdrug funding. Air Force counterdrug officials acknowledged that the transaction data were inaccurate and incomplete because queries of the CRIS system did not contain all required data and several Air Force and Joint Commands did not respond to data call requests.

We determined that detailed transaction data supporting counterdrug obligations and expenditures were available at the Air Force and Joint Commands we visited. For example, approximately two-thirds of the FY 2006 Air Force counterdrug obligations were reported by Air Combat Command organizations. During a site visit to Langley Air Force Base, a budget analyst informed us that he developed a standardized data query to extract all FY 2006 counterdrug obligations and expenditures from CRIS. We tested the transactions and determined the universe was accurate and complete. The budget analyst stated that all Air Force counterdrug obligations and expenditures could be extracted from CRIS using a standardized data query. The Air Force counterdrug program office needs to work with CRIS functional experts and develop a standardized data query.

National Guard Bureau Counterdrug Reporting

The National Guard Bureau counterdrug program office had not developed adequate compilation and reporting procedures. Specifically, the National Guard was unable to provide detailed transaction data to support \$241.4 million of the \$262.3 million counterdrug obligations reported to DASD (CN/CP/GT) for FY 2006. National Guard Bureau counterdrug personnel stated they had not established formal policy or procedures on tracking and reporting counterdrug expenditures. In the March 7, 2007, memorandum to DASD (CN/CP/GT), the Chief of the Counterdrug Division stated that his office could not access the detailed transactions that support counterdrug obligations and expenditures. However, our review revealed that detailed transaction data was, in fact, available within other National Guard Bureau organizations. Specifically, we worked with the Air National Guard and Army National Guard financial management branches to obtain detailed transaction data to support the majority of the FY 2006 counterdrug expenditures.

DASD (CN/CP/GT) reprograms funds from the DoD Central Transfer Account to the National Guard Bureau Counterdrug Program Office, where personnel are responsible for tracking and reporting the funds. The funds are allocated to various Air National Guard and Army National Guard organizations responsible for performing counterdrug missions. The funds are tracked by counterdrug project codes established by DASD (CN/CP/GT).

Transaction Data Provided by Counterdrug Officials. The data provided as support for National Guard counterdrug obligations and expenditures have not included sufficient detail to support an audit. The National Guard Bureau Counterdrug Division is responsible for reporting counterdrug obligations to DASD (CN/CP/GT). The counterdrug operations branch is primarily responsible for budget formulation and program execution. Personnel within this office obtained budgetary and summary-level counterdrug data from Army and Air Force management information systems and from DFAS and provided them for our attestation. However, the data did not include sufficient details for the individual transactions that supported the FY 2006 obligations reported to DASD (CN/CP/GT).

Transaction Data Identified by Our Review. We contacted Army and Air National Guard financial management personnel and determined that detailed transaction data were available to support the majority of the FY 2006 counterdrug obligations and expenditures.

Army National Guard Data. We determined that the Army National Guard Financial Services Center, located at DFAS Indianapolis, has access to all Army National Guard obligation and expenditure detailed transactions for each of the 54 states and territories that receive counterdrug funds. A query was developed to extract all counterdrug expenditures from the official Army accounting system database, and detailed transaction data were obtained for the six National Guard sites we selected for audit. The detailed transaction listings included all FY 2006 Army National Guard personnel pay costs. The transaction

listings also included operations and maintenance expenditures for items such as: temporary duty charges, contracts for supplies, Government purchase card transactions, professional and management services, and equipment and communications charges. We coordinated with the Army National Guard Budget Readiness Center to verify that the data was accurate and complete.

Air National Guard Data. We coordinated with Air National Guard financial management personnel and counterdrug operations personnel and developed a CRIS query provided detailed transaction listings supporting a majority of FY 2006 counterdrug expenditures. The query results included three separate transaction listings supporting personnel, travel, and operations and maintenance expenditures. Air National Guard financial management personnel stated that detailed transactions were not yet available to support personnel costs related to Active Guard reserve or the Air National Guard retired pay accrual but that were working to incorporate those costs into CRIS for FY 2008.

Conclusion

The Air Force and National Guard Bureau counterdrug obligation data reported to DASD (CN/CP/GT) lacks integrity without detailed support. The annual reporting requirements were established by Public Law to ensure that DoD Components who receive counterdrug funds use these funds for valid counterdrug program activities. The lack of a timely and accurate audit trail impedes the authentication of the reported obligations required by public law.

The Air Force has the capability to develop a standardized CRIS data query that would provide most of the Air Force counterdrug obligation and expenditure transactions. In addition, detailed transaction support is available through standardized data queries for the majority of the Army and Air National Guard counterdrug obligation and expenditures. However, the identification and development of audit trails is a management responsibility. Air Force and National Guard Bureau counterdrug officials need to provide detailed support for the counterdrug obligations reported to DASD (CN/CP/GT). Establishing formal procedures for identifying a detailed universe of transactions and testing the data for accuracy will help ensure that counterdrug funds are used appropriately.

Recommendations and Management Comments

A.1. We recommend that the Deputy Assistant Secretary of the Air Force for Budget establish formal procedures for compiling a detailed universe of transactions that support the counterdrug obligation amounts annually reported to the Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats. Specifically, these procedures should:

a. Use standardized data queries of the Air Force Commanders Resources Integration System.

b. Ensure that complete and accurate data are made available in a timely manner to support audits and evaluations of counterdrug funds required by the Office of National Drug Control Policy in support of Public Law.

Air Force Comments. The Deputy for Budget, Department of the Air Force, concurred with the recommendations. The Deputy stated that standardized data query procedures have been incorporated into the Air Force FY 2008 Fiscal Guidance and will be completed by January 31, 2008.

A.2. We recommend that the Chief, National Guard Bureau:

a. Develop formal reporting procedures for compiling a detailed universe of transactions that support the counterdrug obligation amounts annually reported to the Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats, and incorporate the procedures within National Guard Regulation 500-2.

Departments of the Army and the Air Force National Guard Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred and stated they will coordinate with appropriate accounting representatives to provide detailed transaction documentation supporting year-end counterdrug execution data. The compilation requirements will be incorporated into the next draft of the National Guard Regulation 500-2, as well as the standard operation procedures for the FY 2007 reporting cycle.

b. Ensure coordination between responsible National Guard Bureau Counterdrug and Army and Air National Guard financial management personnel for the development of standardized data queries that will provide detailed transaction data for all National Guard Bureau counterdrug expenditures.

Departments of the Army and the Air Force National Guard Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred and stated that counterdrug staff will obtain access to systems and develop queries to gather detailed counterdrug transaction data.

c. Ensure timely availability of the detailed transaction universe to satisfy Office of National Drug Control Policy accounting and annual DoD Office of Inspector General attestation requirements.

Departments of the Army and the Air Force National Guard Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred and stated that data will be provided in a timely manner.

Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats Comments. Although not required to comment, the Deputy Assistant Secretary expressed deep concern that during the last two years our audits identified a material management control weakness related to the Air Force and National Guard Bureau accounting for

Counternarcotics funds. After the last report, the Deputy Assistant Secretary issued policy guidance (dated February 27, 2007) requesting that the Air Force and National Guard Bureau explain why reconciliation procedures were not in place and report the immediate steps they were taking to employ proper accounting procedures. Although both agencies had reported that they were taking steps to improve their accounting procedures, the Deputy Assistant Secretary said that his office would identify responsible officials and solicit status reports on obligation accounting. For a full text of the Deputy Assistant Secretary's comments, see the Management Comments section of the report.

B. Counterdrug Obligations and Expenditures

Overall, the Air Force and National Guard Bureau had adequate controls in place to ensure that counterdrug obligations and expenditures supported the counterdrug mission. However, source documentation was not available to support obligations and expenditures totaling \$731,809. In addition, we identified two improper purchases totaling \$121,682. The unsupported costs resulted primarily from Air Force automated financial system limitations, which precluded a complete audit trail for items ordered through DoD supply systems. The improper purchases occurred because existing procedures were not followed and because the National Guard Bureau did not establish adequate controls over year-end funds. As a result of these deficiencies, the Air Force and National Guard Bureau could not ensure that all counterdrug expenditures supported the counterdrug mission and complied with Federal and DoD regulations.

Criteria

The Air Force does not have specific policies or procedures that address counterdrug obligations and expenditures. National Guard Regulation 500-2, “National Guard Counterdrug Support,” March 31, 2000, prescribes policies, procedures, and responsibilities governing the use of National Guard and DoD resources in the National Guard Counterdrug Support Program. This regulation applies to all Army and Air National Guard organizations. Specifically, chapter 2 provides that all National Guard counterdrug funds are part of the DoD counterdrug appropriation and will not be used for purposes other than the National Guard counterdrug program. Chapter 6 of the regulation specifies that the use of counterdrug funds is limited by Congressional mandate and that equipment purchased with such funds cannot be reallocated to other organizations and, by law, must be identified as counterdrug equipment and maintained under counterdrug control.

Public Law 31 U.S.C. 1301(a) prohibits the use of appropriations for purposes other than those for which they were appropriated and is generally referred to as “the Purpose Statute.” Public Law 31 U.S.C. Section 1502 (a) provides for the “Bona Fide Needs Rule,” which states that the balance of a fixed-term appropriation is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period.

Counterdrug Transactions Reviewed

We reviewed 471 counterdrug obligations and expenditures totaling \$128,041,985 at 12 individual sites that received counterdrug funds during FY 2006. The sites

visited included six Air Force organizations and Joint Commands that received FY 2006 counterdrug funding from the Air Force Counterdrug Program Office. The sites visited also included six National Guard Bureau Counterdrug Joint Task Force Headquarters that received FY 2006 counterdrug funding from the National Guard Bureau Counterdrug Division.

In order to validate the sampled counterdrug obligations and expenditures, we reviewed the supporting detailed accounting transactions. These transactions were generally identified by unique document identifier codes that provided an audit trail to the supporting source documentation. We judgmentally selected transactions at each of the locations to verify whether amounts obligated and expended were supported by source documentation and were used to support the counterdrug mission. The sampled transactions included personnel and travel costs, Government purchase card expenditures, and contracts for goods or services. The Air Force and National Guard Bureau generally had adequate controls in place to ensure that the funds were supported by source documentation and used to support the counterdrug mission (See Table 1 for details).

Table 1. Summary of Sample Items Reviewed

<u>Counterdrug Site Visited</u>	<u>No. Items</u>	<u>Total Sample Value</u>	<u>Valid and Supported</u>	<u>Not Supported</u>	<u>Improper Purchases</u>
Langley Air Force Base	53	\$ 56,884,005	\$ 56,617,870	\$266,135	\$ 0
Davis-Monthan Air Force Base	50	34,827,363	34,820,216	7,147	0
U.S. Central Command	22	16,123,456	16,064,171	59,285	0
Joint Task Force North	23	5,249,040	5,249,040	0	0
California National Guard	64	3,059,749	3,006,408	53,341	0
Arizona National Guard	52	2,621,868	2,610,407	11,461	0
Texas National Guard	58	2,609,197	2,590,708	18,489	0
Florida National Guard	39	2,288,721	2,266,099	6,484	16,138
Utah National Guard	38	2,242,940	2,121,179	16,217	105,544
Air Force Drug Testing Lab	19	1,150,320	891,738	258,582	0
Kentucky National Guard	50	777,895	743,227	34,668	0
<u>U.S. Northern Command</u>	<u>3</u>	<u>207,431</u>	<u>207,431</u>	<u>0</u>	<u>0</u>
Totals	471	\$128,041,985	\$127,188,494	\$731,809	\$121,682

Unsupported Counterdrug Transactions

Source documentation was not available to support obligations and expenditures totaling \$731,809, primarily because of Air Force automated financial system limitations. The limitations precluded an audit trail for items ordered through DoD supply systems. Specifically, transactions totaling \$493,422 lacked unique document identifier codes in the Air Force financial system. The remaining \$238,387 of unsupported costs included various travel, purchase card, and operation and maintenance transactions for Air Force and National Guard Bureau organizations. As a result, the Air Force and National Guard Bureau could not ensure that all counterdrug obligations supported the counterdrug mission and complied with Federal and DoD regulations.

Selective transactions supporting Air Force counterdrug obligations lacked unique document identifier codes. These transactions consisted of material ordered through the Air Force Standard Base Supply System and the Defense Medical Logistics Support System. The Air Force uses GAFS-R for counterdrug obligations. Air Force counterdrug activities sometimes requisition daily operational needs through various DoD supply systems (for instance, drug testing, prevention, and awareness materials). The ordering process involves an interface between the applicable supply system and GAFS-R. If an item is in stock and shipped, a document identifier of “MAT-ISS” is posted in GAFS-R. On the other hand, if an item is unavailable and back-ordered, a document identifier of “IE” is posted in GAFS-R. Either situation makes it extremely difficult to identify the specific items that were ordered. A unique document identifier is a key element for establishing and maintaining an audit trail, as well as for determining what was purchased.

Defense Medical Logistics Support System. During our site visit to the Air Force Drug Testing Lab, we reviewed a sample of transactions lacking a unique document identifier code. Specifically, we selected five transactions with document identifier codes of “MAT-ISS” and “IE” totaling \$258,582. Counterdrug personnel at the Air Force Drug Testing Lab could not provide any source documentation to identify the specific items that they had requisitioned from the Defense Medical Logistics Support System. Air Force personnel stated that the requisitioned items lose their identity because of system limitations. Therefore, we could not determine the validity of the transactions.

Air Force Standard Base Supply System. During a site visit to Langley Air Force Base, we determined that the costs for four sampled transactions, valued at \$227,076, could not be supported by source documentation. These transactions contained document identifier codes of “MAT-ISS” and “IE” and involved items ordered through the Air Force Standard Base Supply System. During a subsequent visit to Davis-Monthan Air Force Base, a budget analyst informed us that only a limited capability existed to identify items ordered through the Air Force Standard Base Supply System. He explained that the transaction date in GAFS-R could be used to query the Daily Document Register (D04 Report) in the Standard Base Supply System. However, he stated that this query capability was also limited because the relevant data were retained in the Standard Base Supply

System for only 30 days. The data would be available after 30 days only if the supply squadron that requisitioned the items archived the data for some reason.

Significance of Unidentified Transactions. We could not specifically identify the total number and value of the FY 2006 transactions lacking unique document identifier codes because Air Force could not provide a complete and accurate universe of counterdrug transactions, as discussed in Finding A. However, our review of the FY 2005 Air Force universe of counterdrug obligations identified transactions totaling \$11.7 million that lacked unique document identifier codes. These transactions comprised approximately 8 percent of the total FY 2005 Air Force counterdrug obligations.

Improper Purchases

We identified two improper purchases totaling \$121,682. The improper purchases occurred because existing procedures were not followed and because the National Guard Bureau did not establish adequate controls over year-end counterdrug funds. As a result, the National Guard Bureau could not ensure that all counterdrug obligations supported the counterdrug mission and complied with Federal and DoD regulations.

Purchase of Laptop Computers. During our site visit to the Utah Air National Guard we identified an improper purchase that was made using counterdrug funds. Specifically, on September 25, 2006, Utah Air National Guard personnel used counterdrug funds to purchase 100 laptop computers, valued at \$105,544, for organizations at the Utah Air National Guard base that were not involved with the counterdrug program. This purchase did not comply with National Guard Regulation 500-2, which specifies that all National Guard counterdrug funds are part of the DoD counterdrug appropriation and will not be used for purposes other than the National Guard counterdrug program. In addition, this purchase potentially violated Federal appropriation laws, including the Purpose Statute and the Bona Fide Needs Rule.

The counterdrug mission for the Utah Air National Guard is performed by the 169th Intelligence Squadron in support of the Senior Scout Federal Program. The Squadron is one of several tenant organizations on the Utah Air National Guard Base, located in Salt Lake City Utah. The Contracting and Comptroller's Offices of the Utah Air National Guard's 151st Air Refueling Wing provide financial management and contracting support for the 169th Intelligence Squadron.

During FY 2006, the Utah Air National Guard's 151st Air Refueling Wing had an unfunded requirement for laptop computers. In September 2006, a budget analyst for the 151st Air Refueling Wing's Comptroller Office became aware of excess counterdrug funds that belonged to the 169th Intelligence Squadron. The budget analyst instructed the chief of the Base Planning Branch to prepare a purchase order for 100 laptop computers and to use the counterdrug funds as the source of funding. The contract was signed on September 25, 2006, and the computers were delivered on October 31, 2006. The budget analyst stated that he received permission from the 169th Intelligence Squadron's Resource Advisor to make the

purchase. The Resource Advisor for the Squadron informed us that he did not recall authorizing the purchase. Regardless, neither individual had the authority to direct the use of counterdrug funds for other purposes. A representative from National Guard Bureau headquarters who accompanied us on our site visit informed us that the purchase would never have been approved if it had been brought to the attention of the appropriate headquarters personnel, as it should have been.

During our site visit in June 2007, we determined that 65 of the computers were issued to various tenant organizations on the Utah Air National Guard base. None of the 65 computers were used by counterdrug personnel, nor could they be used, because the model that was purchased did not meet applicable security requirements of the 169th Intelligence Squadron. In addition, we physically verified that the remaining 35 laptops had not been issued and were in storage. Not only were the computers used for other-than-counterdrug purposes, but there was not a bona fide need in FY 2006 for 100 computers by the 169th Intelligence Squadron or the 151st Air Refueling Wing.

Purchase of Plasma Televisions. During our site visit to the Florida National Guard Joint Force Headquarters we identified another improper purchase that was made using counterdrug funds. The purchase was for 10 liquid crystal display televisions, each with 42-inch screens, for use at the Florida National Guard Joint Force Headquarters. The contract for the televisions and necessary mounting brackets, valued at \$16,138, was signed on September 30, 2006. Delivery took place in the following fiscal year, and payment was made in November 2006. Florida National Guard personnel stated that the televisions were used for operational and information purposes. However, during our site visit in June 2007 we observed that many of the televisions were located in small offices of counterdrug officials and were not in use. In addition, we determined that the type and quantity of televisions purchased was not consistent with other sites we visited.

We asked personnel from the National Guard Bureau Headquarters Counterdrug Division to review and comment on the purchase. National Guard Bureau Headquarters counterdrug personnel responded to our request by stating that the purchase was valid because the televisions were used in the Florida National Guard's operations center and were needed for ongoing missions within the state. However, we still question the timing of the transaction and the type and quantity of items purchased.

Conclusion

A majority of the transactions we reviewed were supported by source documentation and represented obligations and expenditures that supported the DoD counterdrug mission. However, we determined that source documentation was not available to support obligations and expenditures totaling \$731,809. The Air Force and National Guard Bureau need to establish controls to ensure that all counterdrug transactions are identified by a unique document identifier code and

are readily supported by source documentation. Public Law 105-277 requires the DoD Inspector General to authenticate the detailed accounting of all funds expended for DoD counterdrug activities each year. This authentication cannot be accomplished if documentation is not available to support counterdrug obligations and expenditures.

In addition, we identified 2 improper purchases totaling \$121,682 that were made in the last week of the fiscal year and were not in compliance with existing National Guard Bureau regulations. These purchases involve potential violations of the Antideficiency Act. According to the DoD 7000.14-R, the "DoD Financial Management Regulation," volume 14, chapter 2, "Violations of the Antideficiency Act," failure to comply with the Bona Fide Needs Rule and the Purpose Statute are violations of the Antideficiency Act. DoD 7000.14-R, volume 14, chapter 10, "Violations-Causes, Prevention and Correction," October 2004, states that all violations of the Antideficiency Act must be corrected with the proper funding.

Recommendations, Management Comments, and Audit Response

B.1. We recommend that the Deputy Assistant Secretary of the Air Force for Budget establish controls to ensure that all counterdrug transactions are identified by a unique document identifier code and are readily supported by source documentation.

Air Force Comments. The Deputy for Budget, Department of the Air Force, concurred and stated they are working to obtain access to systems in order to produce the required transaction data. Until access is obtained, the Air Force FY 2008 Fiscal Guidance directs program managers to maintain copies of supply transaction information.

B.2. We recommend that the Chief, National Guard Bureau:

a. Initiate preliminary reviews and possible corrective actions for the improper purchases that potentially violated the Purpose Statute and Bona Fide Needs Rule as discussed in the DoD Financial Management Regulation. The circumstances surrounding the purchases should also be reviewed and appropriate actions should be taken against the responsible individuals.

Departments of the Army and the Air Force National Guard Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred with the recommendation. The Chief stated that the Utah computer purchase has been adjusted to appropriate non-counterdrug funds, and the Air National Guard no longer considers it to be a potential Antideficiency Act violation. Regarding the Florida television purchase, the Chief stated that program managers, fiscal accountability offices, and fiscal internal review agencies at the State level will conduct a detailed review of the circumstances surrounding the possible violations of the Purpose Statute and the Bona Fide Needs Rule. Actions taken

against individuals found responsible will be reported to the National Guard Bureau Internal Review Office.

Audit Response. The Chief of the National Guard Bureau Counterdrug Division comments are partially responsive regarding the Utah computer purchase. The Chief did not indicate whether a detailed review had been or would be performed on the circumstances surrounding a possible Antideficiency Act violation. Adjusting the purchase to appropriate non-counterdrug funds may not have completely remedied the potential Purpose Statute violation. A review should be performed to determine whether the purchase represented a necessary expense. During our July 2007 site visit, we physically verified that 35 of the 100 computers purchased in September 2006 had never been used and were in storage. Not only were the computers used for other-than-counterdrug purposes, there did not appear to be a need for 100 computers by the 169th Intelligence Squadron or the 151st Air Refueling Wing. We request that the Chief provide comments on the final report by April 7, 2008.

b. Enforce existing purchasing procedures outlined in National Guard Regulation 500-2 and ensure that controls are in place and are consistently applied at all counterdrug organizations.

Departments of the Army and the Air Force National Guard Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred and stated that United States Property Fiscal Officer is responsible for all controls over federal expenditures. National Guard Bureau counterdrug headquarters personnel will initiate a policy letter requiring each United States Property Fiscal Officer to ensure that all counterdrug expenditures are supported by appropriate source documentation, and counterdrug personnel will monitor compliance through staff visits.

c. Establish controls to ensure that all counterdrug transactions are readily supported by source documentation.

Departments of the Army and the Air Force National Guard Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred and stated that counterdrug headquarters personnel will initiate a policy letter requiring each United States Property Fiscal Officer to ensure that all counterdrug expenditures are supported by appropriate source documentation. Counterdrug personnel will monitor compliance through staff visits.

d. Establish controls to monitor year-end purchases made with counterdrug funds to ensure effective use of the funds in support of the DoD counterdrug mission.

Departments of the Army and the Air Force National Guard Bureau Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred and stated that they will initiate a policy letter establishing additional controls on year-end counterdrug expenditures and require United States Property Fiscal Officers to enforce these controls. Counterdrug personnel will monitor compliance through staff visits.

C. Army National Guard Leave Payments

Army National Guard soldiers who stopped working for the counterdrug program received erroneous leave payments. Specifically, our limited review identified 31 erroneous payments valued at \$79,537. The errors occurred because of deficiencies within the Defense Joint Military Pay System, Reserve Component (DJMS-RC), and because compensating manual controls were not adequately implemented. As a result, the National Guard Bureau cannot ensure that payments made for leave sold accurately reflect amounts earned. As of September 1, 2007, outstanding leave balances totaling 63,827 days were scheduled to be paid out for 8,600 National Guard soldiers at an estimated value of \$7,020,970.

Army National Guard Leave Process

National Guard Bureau soldiers are paid through DJMS-RC. Active duty personnel serving 30 consecutive days or more accrue leave at the rate of 2.5 days a month, or 30 days annually. Except when authorized special leave accrual, soldiers may accrue and carry a maximum of 60 days of leave from the previous year into the next. By law, soldiers are allowed to sell up to a total of 60 days of leave during their military career. A master leave record is maintained for each National Guard Soldier within DJMS-RC that is supposed to track leave earned, used, and sold.

Soldiers leaving the National Guard counterdrug program can either take terminal leave or sell their outstanding leave. Terminal leave is defined as time off granted to assist separating soldiers with their personal affairs, including retirement. Counterdrug officials stated that most soldiers take terminal leave. In addition, soldiers transferring to other active duty assignments may transfer their outstanding leave balances to another pay system. DJMS-RC is designed to cash out any outstanding leave balances when there is a break in the dates of active duty or 11 months after a soldier's tour is complete.

National Guard personnel at the sites we visited questioned the validity of the leave information maintained in DJMS-RC, and many stated that they maintain their own manual record, which they considered to be the most reliable leave record balance. Once the final terminal leave transaction is processed (either because of taking terminal leave or because it was sold) National Guard Bureau payroll personnel do not monitor leave balances in DJMS-RC for soldiers who have left National Guard service.

As part of our audit of the counterdrug obligations and expenditures, we obtained detailed transaction listings for all FY 2006 Army National Guard personnel pay costs. Our analysis of the data determined that some soldiers received individual payments 11 months after their last steady salary payment. We selected these individual payments and requested support from the responsible National Guard organizations. We determined that many of these individual payments were

erroneous. At least one erroneous leave payment occurred at each of the six audit site locations we visited, and our limited review identified 30 erroneous payments valued at \$79,537. We also identified inaccurate outstanding leave balances in DJMS-RC. National Guard counterdrug personnel we interviewed were generally unaware of inaccurate outstanding leave balances or that erroneous leave payments were made to Army National Guard soldiers after they left the counterdrug program.

To illustrate, one payment we sampled involved an Army National Guard soldier who retired in December 2005. The individual took 45 days of terminal leave, exhausting his leave balance. In November 2006, DJMS-RC disbursed a payment of \$5,671 for 58.5 days of leave. Another soldier retired in March 2006 and took 18 days of terminal leave, exhausting his leave balance. In February 2007, DJMS-RC disbursed a payment of \$2,839 for 18.5 days of leave. In both instances, National Guard Bureau payroll personnel were unaware that the payments occurred but, based on our audit, took immediate action and issued debt letters to recover the amounts erroneously paid.

We also identified payments made to Army National Guard soldiers who had a gap in their active duty order dates. The payments occurred when active duty service dates were not consecutive and DJMS-RC assumed active duty ended. DJMS-RC recognizes a break in service dates at the completion of a soldier's service duty and automatically pays any outstanding leave balance. For example, short-term orders ended for an individual on July 31, 2006, and his follow-on orders did not start until after August 1, 2006. Because of the gap in consecutive service dates, DJMS-RC paid his 24.5 day outstanding leave balance totaling \$2,830. National Guard Bureau payroll personnel were unaware of the payment until it was brought to their attention during our audit.

A gap in active duty orders also resulted in a soldier receiving \$2,198 in November 2006 for 32 days of leave. Less than six months later this soldier had an outstanding leave balance of 44.5 days in DJMS-RC. This balance was inaccurate because National Guard soldiers on active duty orders only accrue 2.5 days of leave per month, which means the maximum leave balance the soldier could legally have accrued during the 6-month time period was 15 days. Counterdrug officials were unable to explain why the outstanding leave balance was 29.5 days greater than what the soldier should have earned during the time period in question.

DJMS-RC System Design Deficiencies

DJMS-RC did not maintain accurate leave balances and made erroneous payments without confirming their validity. In addition, DJMS-RC outstanding leave balances did not reconcile to leave balances maintained by National Guard payroll technicians once final leave settlements and all final out-processing were complete. DFAS personnel acknowledged that system design deficiencies existed within DJMS-RC and provided three reasons why outstanding leave balances might be incorrect. All three reasons are provided in detail below, and all require

manual “file fixes” to correct leave balances. DJMS-RC personnel stated that file fixes require manually updating system files that cannot be corrected by processing transactions. Absent these manual fixes, DJMS-RC will continue to maintain erroneous leave balances and cash out any remaining balance 11 months after a soldier’s tour is complete.

DJMS-RC was designed to accept a maximum of 24 leave entries. Soldiers on long-term orders regularly exceed 24 cumulative leave entries. Leave entries greater than 24 will reject back to the Guard unit. However, if rejections go unnoticed, the leave balance is not reduced. For example, a Kentucky National Guard soldier was improperly paid \$1,928 for 10 days of leave because DJMS-RC rejected three leave slips that should have reduced the leave balance. The rejections occurred because the soldier had already accumulated 24 leave entries in DJMS-RC. In these situations, the Guard unit must notify Army Military Pay Operations to have the accounts manually fixed. The fix basically resets the leave balance so that the 24 leave entries can restart. The Florida counterdrug coordinator stated that his office tracks all leave balances outside of DJMS-RC because many of his soldiers have more than 24 leave entries, and the balances within DJMS-RC are unreliable. Additional counterdrug personnel stated they wait and combine leave entries to keep the number of entries from exceeding 24.

DJMS-RC was not designed to handle leave balances greater than 99.5 days. Any soldier on counterdrug orders for more than 3 years will accumulate leave earned and used greater than 99.5 days. Both of these leave categories are used in the calculation to arrive at an individual’s ending leave balance. The system truncates the balance, therefore reducing the outstanding leave balance. Because the leave balance is a calculated field on the leave master record, it is possible for the leave balance to be incorrect based on the truncated balance. For example, a soldier’s prior-leave-used balance of 105 days appears as 5 days, and the missing 100 days is not considered in the leave balance calculation. Again, file fixes are required to adjust leave balances and prevent incorrect outstanding balances. These adjustments take place without notification.

DJMS-RC was not designed to move leave-balances-sold from old to new leave master records. Each time there is a break in a soldier’s orders, DJMS-RC establishes a new leave master record. When this occurs, the previous-leave-sold information is not transferred to the new leave master record. If a Guard unit processes transactions to sell leave and subsequently modifies the tour start and stop dates, the outstanding leave balances transfer to the new leave master record, but the leave sold does not. As a result, the previously-sold-leave is unrecorded. For example, a soldier requests a leave settlement in September 2005 and sells 25 days of leave. In March 2007, the unit processes another leave settlement and sells 15 days. Subsequent to these leave sales the tour dates are modified, and, as a result, a new leave master record is created. Now the leave master record shows a leave balance of 40 days but does not show that 40 days of leave have been sold. Therefore, the soldier has an overstated outstanding leave balance of 40 days. Again, file fixes are required when this situation occurs.

Compensating Manual Controls

National Guard Bureau Financial Services Center personnel stated that they prepare and distribute bi-weekly exception reports to each Guard Bureau state financial manager and military pay supervisor. One of the exception reports, titled "Leave Remaining Mobilization and Non-Mobilization Accounting Processing Code," lists all outstanding leave balances for all soldiers after their tours are complete and contains outstanding leave balances for all Army National Guard personnel. Personnel from the Financial Services Center stated that the first exception report was sent out around July 2006. The instructions distributed with the exception report request that users research leave records and either post leave corrections or pay out the remaining balance. The instructions state that leave will automatically pay out 11 months past the non-mobilization tour stop date and could result in overpayment.

National Guard Bureau Financial Services Center personnel stated they use a negative confirmation process with the outstanding leave exception report. This means that without a response from Guard units, disbursements automatically process. The December 2006 report we reviewed listed more than 11,400 individuals who left Military Service and showed a total of 92,930 days of outstanding leave. One of our audit site locations, the California National Guard, had more than 750 individuals, with outstanding leave balances totaling 9,229 days. However, counterdrug payroll personnel we contacted during the audit were either unaware of the monthly leave exception report or did not provide input to update the report. In addition, we determined that 18 individuals were listed on the report that we identified in our sample as having received erroneous payments. The erroneous payments for these individuals might have been avoided if payroll personnel at the respective National Guard units had reviewed the leave exception report and taken the necessary corrective actions.

Management Actions

National Guard Bureau counterdrug personnel took corrective action in establishing outstanding debt collections for the majority of the erroneous payments identified during the audit. Counterdrug personnel provided copies of debt letters and, in some cases, copies of deposits when payments were received. As of the date of the report, several payments were still being investigated, and counterdrug officials stated that debt collections would be established.

DFAS personnel informed us that system changes to DJMS-RC will not take place because it is going to be replaced by the Defense Integrated Human Resources System, which is currently in development and scheduled to be implemented in 2008. We expressed concerns to DFAS personnel regarding how the leave balance issues would be handled by the new system. DFAS personnel agreed to forward our questions to the Defense Integrated Human Resources System conversion team for action.

Referral to National Guard Bureau Inspector General

As a result of erroneous payments identified early in the audit, we issued a memorandum on May 23, 2007, to the National Guard Bureau Inspector General. The memorandum included details regarding inaccurate outstanding leave balances and erroneous leave payments made to Army National Guard soldiers who left the Guard in FY 2005 and 2006. We requested that the National Guard Bureau Inspector General describe actions taken or planned to determine the overall magnitude of erroneous payments. We made the referral because the scope of our review was limited to FY 2006 counterdrug expenditures at National Guard units in six states. We were concerned that the erroneous pay issue could apply to additional National Guard Bureau personnel and others paid from DJMS-RC. The National Guard Bureau Inspector General referred the issue to the National Guard Bureau Internal Review staff. We met with National Guard Bureau Internal Review personnel, as well as DFAS personnel responsible for DJMS-RC. As a result, the National Guard Bureau Internal Review staff is conducting an audit of all outstanding leave balances and leave sold payments for National Guard personnel.

Conclusion

Army National Guard soldiers who left Military Service in FY 2005 and 2006 were paid a total \$79,537 to which they were not entitled because DJMS-RC made payments without confirming their validity. In addition, National Guard counterdrug personnel were unaware that DJMS-RC was disbursing erroneous leave payments. The erroneous payments will continue until controls are established to ensure the validity of the outstanding leave balances prior to disbursement. Personnel at the Army National Guard Bureau Financial Service Center informed us that they were considering a change to the outstanding leave payment process that would involve the removal of outstanding DJMS-RC leave balances 7 months after soldiers leave Military Service. National Guard personnel stated that if this change takes place, valid leave balances will have to be established on an individual basis through the DJMS-RC case management system. The proposed change may help to reduce the number of erroneous payments. However, DJMS-RC personnel need to identify why erroneous outstanding leave balances occur in DJMS-RC. The outstanding leave processing issue must be addressed immediately, because, as of September 1, 2007, outstanding leave balances totaling 63,827 days were scheduled to be paid out to 8,600 National Guard Soldiers at an estimated value of \$7,020,970.

Potential Monetary Benefits

Our limited review identified \$79,537 of erroneous payments to Army National Guard soldiers who left the counterdrug program in FYs 2005 and 2006. Recouping all additional erroneous payments will result in a potential monetary benefit to the National Guard. However, this amount is not yet quantifiable.

Also, as of September 1, 2007, there were 63,827 days of leave scheduled to be paid out to 8,600 National Guard soldiers. We estimate a \$7,020,970 cost to the National Guard if all these days are paid out as scheduled. Ceasing all additional erroneous leave payments will result in up to a maximum of \$7,020,970 of funds put to better use for the National Guard Bureau.

Recommendations and Management Comments

C.1. We recommend that the Director, Standards and Compliance, Military Pay, Defense Finance and Accounting Service:

a. Identify and correct the causes for the inaccurate leave balances in the Defense Joint Military Pay System-Reserve Component and ensure that the same deficiencies will not occur in the scheduled replacement system, the Defense Integrated Human Resources System.

Defense Finance and Accounting Service Comments. The Deputy Director, Compliance, Standards and Compliance, Defense Finance and Accounting Service, concurred with the finding and partially concurred with the recommendation. The Deputy Director concurred with the finding regarding the systemic problems that reside in the Defense Joint Military Pay System-Reserve Component. The Deputy Director identified the causes for the problems and stated that corrective action will be taken through manual procedures. The Deputy Director will continue to monitor the affected accounts until the replacement system, the Defense Integrated Military Human Resources System, is implemented. The Deputy Director partially concurred with the recommendation and stated that DFAS is unable to ensure that the Defense Integrated Military Human Resources System will be accurate on leave pay issues. The Deputy Director stated that they are able to influence the Defense Integrated Military Human Resources System design and have done so by preparing and forwarding an issue paper on maintaining, calculating, and paying off leave balances for National Guard personnel to the Defense Integrated Military Human Resources System Executive Program Management Office. The issue paper, dated November 6, 2007, identifies design deficiencies within the Defense Joint Military Pay System-Reserve Component. The full text of the comments, including the issue paper, is located in the Management Comments section of the report.

b. Coordinate with National Guard Bureau Payroll and Internal Review personnel to verify that all payments processed for leave sold in FYs 2006 and 2007 were valid, and ensure that all future payments for outstanding leave are valid prior to disbursement.

Defense Finance and Accounting Service Comments. The Deputy Director, Standards and Compliance, Defense Finance and Accounting Service, concurred with the finding and partially concurred with the recommendation. The Deputy Director agreed to provide assistance to National Guard Bureau Payroll personnel in correcting identified erroneous leave balances. The Deputy Director stated that

DFAS could not identify or validate the accuracy of current or prior leave balances because only the Services have access to the leave data and overall controls over leave taken, corrected, or canceled. The Deputy Director stated that DFAS would assist in correcting and collecting for erroneous periods of paid leave and take immediate action to correct accounts, if necessary.

C.2. We recommend that the Chief, National Guard Bureau coordinate with the Defense Finance and Accounting Service to verify that all payments processed for leave sold in FYs 2006 and 2007 were valid, and ensure that all future payments for outstanding leave are valid prior to disbursement. Until the deficiencies in the Defense Joint Military Pay System-Reserve Component can be corrected, this validation should require National Guard payroll personnel to perform the required file adjustments for inaccurate leave balances and to validate potential leave payments identified on exception reports issued by the National Guard Bureau Financial Services Center.

Departments of the Army and the Air Force National Guard Bureau Comments. The Chief of the Counterdrug Division, National Guard Bureau, concurred and stated that they will request that the Defense Finance and Accounting Service verify the validity of all leave payments for FY 2006 and 2007. The Chief also will direct the United States Property Fiscal Officers to monitor all leave payments and ensure that programs for leave balance adjustments are enforced.

Appendix A. Scope and Methodology

We conducted this financial audit from February 2007 through October 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

We visited, or collected data from, the Air Force counterdrug program office, as well as Air Force and Joint Commands that received FY 2006 counterdrug funds. These organizations included the U.S. Central Command, U.S. Northern Command, Joint Task Force North, and the Air Force Drug Testing Laboratory. We also visited Air Combat Command organizations at Langley Air Force Base and Davis-Monthan Air Force Base. In addition, we visited United States property fiscal officers and National Guard Bureau counterdrug coordinators in Ohio, Indiana, Kentucky, Texas, California, Florida, Arizona, and Utah. We also visited and collected information from National Guard Bureau Headquarters, Defense Finance and Accounting Service (DFAS), and the Deputy Assistant Secretary of Defense Counternarcotics, Counterproliferation, and Global Threats (DASD [CN/CP/GT]). We interviewed personnel involved with the counterdrug program as well as financial management personnel. In addition, we reviewed information on counterdrug obligations and expenditures, including supporting source documentation. The source documentation included active duty orders, contracts, invoices, and receipts.

The Air Force reported \$153.1 million in obligations related to the counterdrug program for FY 2006 year-end reporting submitted to DASD (CN/CP/GT). We selected six sites that reported the highest value of FY 2006 Air Force counterdrug obligations. For the sites we visited, we used non-statistical sampling methods. We judgmentally selected transactions, generally focusing on those with the highest dollar value, as well as transactions that lacked a unique document identifier code. In total, we reviewed 170 items valued at \$114.4 million. We obtained and reviewed source documentation that was provided as support for each transaction value and verified that the funds were used for counterdrug purposes. Our scope was limited in that we did not select counterdrug obligations and expenditures related to civilian pay for Air Force and Joint Command personnel involved with the DoD counterdrug program. The civilian pay transactions were not identified by unique document identifier codes and would require significant resources to audit.

The National Guard reported \$262.3 million in obligations related to the counterdrug program for FY 2006 year-end reporting submitted to DASD (CN/CP/GT). We developed a methodology for obtaining detail transaction support for the majority of the counterdrug funds expended by the National Guard for FY 2006. We selected the five National Guard states that reported the highest value of FY 2006 counterdrug obligations. In addition, we selected the Kentucky National Guard because of its high value of counterdrug obligations and close

proximity to our audit office. For the National Guard Bureau organizations we visited, we used nonstatistical sampling methods. We judgmentally selected transactions, generally focusing on those with the highest dollar value and transactions that appeared unusual. We selected 301 expenditure transactions, valued at \$13.6 million, related to personnel, travel, and operation and maintenance costs from FY 2006. For each transaction, we reviewed supporting source documentation to determine whether funds were accurately reported and used for valid counterdrug program activities.

Use of Computer-Processed Data. To achieve the audit objectives, we relied on computer-processed data extracted from the Commanders Resource Integration System and Army National Guard accounting systems. We did not perform a formal reliability assessment of the computer-processed data from these systems. However, we did not find significant errors between the computer-processed data and source documents we reviewed that would preclude use of the computer-processed data to meet the audit objective or that would change conclusions in this report.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of one aspect of the financial management high-risk area.

Prior Coverage

During the last 5 years, the DoD IG has issued four reports related to the funds obligated for the National Drug Control Program. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

DoD IG

DoD IG Report No. D-2007-052, "Independent Auditor's Report on the DoD FY 2006 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities," January 29, 2007

DoD IG Report No. D-2006-047, "Independent Auditor's Report on the DoD FY 2005 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities," January 26, 2006

DoD IG Report No. D-2006-012, "Report on Controls Over Funds Used by DoD for the National Drug Control Program," November 7, 2005

DoD IG Report No. D-2005-030, "Independent Auditors Report on the DoD FY 2004 Detailed Accounting Report of the Funds Expended on National Drug Control Program Activities," January 26, 2005

Appendix B. Report Distribution

Office of the Secretary of Defense

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Director, Defense Finance and Accounting Service

Director, Standards and Compliance, Military Pay, Defense Finance and Accounting
Service

Chief, National Guard Bureau

Director, Army National Guard

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Committee on Oversight and Government Reform

Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

DEC 06 2007

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

FROM: SAF/FMB

SUBJECT: Report on the Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Project (Project No. D2007-D000FD-0134.000)

SAF/FMB concurs with the findings and Recommendations A.1 and B.1 in your 1 November 2007 draft report outlining material management control weaknesses identified by the FY 2006 DoD OIG Audit results. Additionally, we are taking corrective actions to prevent future inaccuracies in reporting.

Recommendation A.1: We concur with the DoD OIG recommendation to establish formal procedures for compiling a detailed universe of transactions that supports the annual obligation amounts. Specifically, SAF/FMBOO outlined standardized procedures for data queries, along with published timelines for submission. These procedures have been incorporated into our FY 2008 Fiscal Guidance. We anticipate this action will be completed prior to 31 January 2008.

Recommendation B.1: We concur with the recommendation to establish controls to ensure that all counterdrug transactions are identified by a unique document identifier code and are readily supported by source documentation. We are working to obtain access, either direct or via an intermediary, to the Standard Base Supply System (SBSS) and the Defense Medical Logistics System (DMLS). Once access is secured, SAF/FMBOO will be able to produce the required transaction documentation. As an interim solution, the FY 2008 Fiscal Guidance directs program managers to maintain copies of supply transaction information. We anticipate this action will be completed prior to 31 January 2008.

Taken together, we believe these actions will provide greater visibility, tracking, and validation of Air Force counterdrug obligations. Please direct any follow-on questions or comments to our POC, Ms. Sarah Young, SAF/FMBOO, at 703-614-5944.

Sincerely

A handwritten signature in black ink, appearing to read "Patricia J. Zarodkiewicz".

PATRICIA J. ZARODKIEWICZ
Deputy for Budget

Financing the Fight

Departments of the Army and the Air Force National Guard Bureau Comments



DEPARTMENTS OF THE ARMY AND THE AIR FORCE
NATIONAL GUARD BUREAU
1411 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VIRGINIA 22202-3231

NGB-J3-CD

S: 25 November 2007
07 November 2007

MEMORANDUM THRU National Guard Bureau, Attn: Internal Review Office (NGB-ZC-IR), 1411 Jefferson Davis Highway, Arlington, VA 22202

FOR: Chief, National Guard Bureau, 1411 Jefferson Davis Highway, Suite 12000, Arlington, VA 22202

SUBJECT: DODIG Draft Controls Over Funds Used by DOD for the National Drug Control Program (Project No. D2007-D000FD-0134)

1. Reference, DODIG Draft Controls Over Funds Used by DOD for the National Drug Control Program (Project No. D2007-D000FD-0134).
2. The National Guard Bureau, Domestic Operations (NGB-J3) has reviewed subject report and DODIG recommendations. Enclosed are the Command Response comments on this report.
3. The POC for this action is LTC P. W. Sarver, NGB-J3-CDR, (703) 607-5640.

Encl
1. Draft Report
2. Command response
comments


WILLIAM S. CARLE
Colonel, USAF
Chief, NGB/J3 Counterdrug Division

CF:
NGB-J3
NGB-IG
NGB-JA
NGB-ZC
USPFO, IR:
CA, AZ, TX, FL, UT, KY



DEPARTMENTS OF THE ARMY AND THE AIR FORCE
NATIONAL GUARD BUREAU
1411 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22202-3231

NGB J3-CD

13 December 2007

**NATIONAL GUARD BUREAU
COMMAND REPLY**

**DOD-IG Draft Report
Controls Over Funds Used by the Air Force and National Guard Bureau for the
National Drug Control Program
No. D2007-D000FD-0134.000**

1. The purpose of this document is to provide clarification as well as an official response to the DoD-IG Audit findings with regards to the year ending 2006 NGB J3-CD program execution report. Additionally, recommendations made within the report will be addressed and answered in coordination with input from the Chief, NGB J3-Counterdrug Program. References and recommendations made with regards to the US Air Force are not included within this document.

2. NGB does not command the National Guard of 54 States and Territories. However, NGB does control the use of federal funds and property by the National Guard of each state through the state's United States Property and Fiscal Officer (USPFO), a Title 10, active duty officer assigned to NGB. The USPFOs have the authority and responsibility to implement fiscal controls and measures.

3. DOD-IG Recommendations and Command Reply:

After careful review and discussions with various Financial Management agencies within DFAS and Air and Army Guard Financial Management organizations, NGB has carefully analyzed each recommendation and the following statements reflect the viewpoints of NGB based upon the abilities and resources available.

Recommendation: Develop formal reporting procedures for compiling a detailed universe of transactions that support the Counterdrug obligation amounts annually reported to the DASD/CN and incorporate the procedures within National Guard Regulation 500-2 (page 8).

Command Reply: NGB concurs. NGB J3-CD will collaborate and coordinate with DFAS as well as the Accounting representatives in the Army and Air National Guard Readiness Centers to provide backup documentation detailing down to the transaction detail for end of year execution reports as required by the DASD/CN. The requirements for gathering and including the transaction level data will be incorporated into the next draft of the NGR 500-2. The specific steps required to gather this data will be incorporated into a branch standard operating procedure (SOP) as we develop steps during the FY07 reporting cycle.

Recommendation: Ensure coordination between responsible National Guard Bureau Counterdrug and Army and Air National Guard financial management personnel for the development of standardized data queries that will provide detailed transaction data for all National Guard Bureau Counterdrug expenditures (page 8).

Command Reply: NGB Concurs. ARNG DFAS has forwarded queries that will provide the data and DD2875 for NGB Counterdrug staff to gain access to the system involved. ANG/FM will be working with J3-CDR to develop queries and pivot tables to pull and gather the required data from their system.

Recommendation: Ensure timely availability of the detailed transaction universe to satisfy Office of National Drug Control Policy accounting and annual DoD-IG attestation requirements (page 8).

Command Reply: NGB Concurs. NGB-J3-CD will coordinate with DFAS and ANG/FM to compile the required data from the 54 States and Territories. NGB-J3-CD will coordinate with DoD IG on a suspense to ensure required data is received in a timely manner.

Recommendation: Initiate preliminary reviews and possible corrective actions for the improper purchases that potentially violated the Purpose Statute and Bona Fide Needs Rule as discussed in the DoD Financial Management Regulation. The circumstances surrounding the purchases should also be reviewed and appropriate actions should be taken against the responsible individuals (page 14).

Command Reply: NGB Concurs. The Utah purchase has been adjusted to appropriate non-Counterdrug funds. In the view of the ANG, this is no longer even a potential ADA violation. With regards to the possible ADA violation in Florida, the Program Managers, Fiscal Accountability Offices and State chain of command will be notified based upon this audit. Internal review agencies at the State level will conduct a detailed review of the circumstances surrounding the possible purpose/need violations. The State chain of command will report actions taken against individuals found responsible to the National Guard Bureau Internal Review Office.

Recommendation: Enforce existing purchasing procedures outlined in National Guard Regulation 500-2 and ensure that controls are in place are consistently applied at all Counterdrug organizations (page 14).

Command Reply: NGB Concurs. The state USPFO controls federal expenditures within each State. NGB-J3-CD will promulgate a policy letter requiring each USPFO to ensure that all CD expenditures are supported by appropriate source documentation. NGB J3-CD will monitor compliance with the requirement through staff visits.

Recommendation: Establish controls to ensure that all Counterdrug transactions are readily supported by source documentation.

Command Reply: NGB Concurs. NGB J3-CD will promulgate policy letter requiring each USPFO to ensure that all CD expenditures are supported by appropriate source documentation. USPFOs will be responsible for enforcement of these controls. NGB J3-CD will exercise oversight through staff visits.

Recommendation: Establish controls to monitor year-end purchases made with Counterdrug funds to ensure effective use of the funds in support of the DoD Counterdrug mission.

Command Reply: NGB Concurs. NGB J3-CD will promulgate policy establishing additional controls on year-end CD expenditures. USPFOs will be responsible for enforcement of these controls. NGB J3-CD will exercise oversight through staff visits.

Recommendation: We recommend that the Chief, National Guard Bureau coordinate with the Defense Finance and Accounting Service to verify that all payments processed for leave sold in FYs 2006 and 2007 were valid, and ensure that all future payments for outstanding leave are valid prior to disbursement. Until the deficiencies in the Defense Joint Military Pay System-Reserve Component can be corrected, this validation should require National Guard payroll personnel to perform the required file adjustments for inaccurate leave balances and to validate potential leave payments identified on exception reports issued by the National Guard Bureau Financial Services Center (Page 20).

Command Response. NGB Concurs: CNGB will request that DFAS verify the validity of all leave payments for FYs 2006 and 2007. CNGB will direct that each USPFO monitor all leave payments and ensure that the programs for leave balance adjustments are enforced.

4.) Any questions with regards to this memorandum can be addressed to LTC Perry Sarver at (703) 607-5640 (Commercial) or 327-5640 (DSN).

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56 TH STREET
INDIANAPOLIS, INDIANA 46249

NOV 30 2007

DFAS-IJ/AR

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCIAL AUDITING SERVICE,
OFFICE OF THE INSPECTOR GENERAL, DoD

SUBJECT: Comments to Recommendations C1a and C1b in the DoDIG Draft
Report/Project No. D2007-D000FD-0134.000

Attached are management comments to Recommendations Numbers C1a and C1b
in the DoDIG Draft Report, "Controls Over Funds Used by the Air Force and National
Guard Bureau for the National Drug Control Program", dated November 1, 2007.

Questions your staff may have concerning these matters may be directed to
Mr. Dennis Eicher at 317-510-3218.

A handwritten signature in black ink, reading "David E. McDermott".

David E. McDermott
Deputy Director, Compliance
Standards & Compliance

Attachment:
As stated

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DFAS comments on DoDIG Draft Report, "Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program", Project No. D2007-D000FD-0134.000, dated November 1, 2007

Recommendation C1: We recommend that the Director, Standards and Compliance, Military Pay, Defense Finance and Accounting Service:

- a. Identify and correct the causes for the inaccurate leave balances in the Defense Joint Military Pay System-Reserve Component and ensure that the same deficiencies will not occur in the scheduled replacement system, the Defense Integrated Human Resources System.

Management Comments: Partially Concur. DFAS concurs with the findings regarding the systemic problems that reside in the Defense Joint Military Pay System-Reserve Component. We identified the causes for the problem and are correcting them via manual procedures. We will maintain special oversight of affected accounts until DIMHRS is implemented. DFAS is unable to "ensure" that DIMHRS will be accurate on this issue. However, we are able to influence DIMHRS and have done so by preparing and forwarding an Issue Paper on maintaining, calculating, and paying off leave balances for the National Guard to the Defense Integrated Human Resources System (DIMHRS) Executive Program Management Office. We sent the attached paper to the DIMHRS Executive Program Management Office on November 6, 2007.

Completion Date: November 6, 2007

- b. Coordinate with National Guard Bureau Payroll and Internal Review personnel to verify that all payments processed for leave sold in FYs 2006 and 2007 were valid, and ensure that all future payments for outstanding leave are valid prior to disbursement.

Management Comments: Partially Concur. DFAS concurs with providing assistance to National Guard Bureau Payroll in correcting identified erroneous leave balances. DFAS non-concurs that we can identify or validate the correctness of leave balances. Only the Services have access to the leave data and control their internal leave process when leave is taken, corrected or canceled. We do not have the ability to validate all of the leave payments made in FY06 or FY07 since we cannot validate the correctness of a leave balance. We will assist in correcting and collecting for erroneous periods of paid leave. Upon notification that National Guard members leave balances are incorrect or that members were overpaid for erroneous periods of leave, we will take immediate action to correct these accounts and if necessary establish an indebtedness on the members account to collect back the overpayment.

Completion Date: We consider this recommendation closed.

OSD Human Resources Policy Forum Issue Paper	
Issue Name: Payments for National Guard Leave Balances	Issue Number: 2007-Ops-04
Date Submitted: November 6, 2007	Date Resolved:
Issue Description: Neil Singleton: DJMS-RC has problems maintaining, calculating, and paying off leave balances for the National Guard. DIMHRS must accurately maintain, calculate, and pay off these balances.	
Resolution:	
Background: The purpose of this point paper is to ensure that DIMHRS correctly calculates payments for National Guard leave balances. DoDIG Audit "Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program" Audit Project No. D2007-D000FD-0134.000 findings [published in a November 1, 2007 report] identified problems with DJMS-RC and leave balances. Pages 16-17: "DJMS-RC does not maintain accurate leave balances and makes erroneous payments without confirming their validity. In addition, DJMS-RC outstanding leave balances did not reconcile to leave balances maintained by National Guard payroll technicians once final leave settlements and all final out-processing was complete. DFAS personnel acknowledged that system design deficiencies existed within DJMS-RC and provided three reasons why outstanding leave balances may be incorrect..." [1] DJMS-RC was designed to accept a maximum of 24 leave entries. Soldiers on long term orders regularly exceed 24 cumulative leave entries. Leave entries greater than 24 will reject back to the Guard unit... [2] DJMS-RC was not designed to handle leave balances greater than 99.5 days. Any soldier on counterdrug orders for more than 3 years will accumulate leave earned and used greater than 99.5 days... [3] DJMS-RC was not designed to move leave balances sold from old to new leave master records. Each time there is a break in a soldier's orders DJMS-RC establishes a new leave master record." We wish to ensure that DIMHRS does not repeat these errors.	
Discussion: Many of these problems are caused by a lack of integration between personnel and pay databases and the structure of the pay database. DJMS-RC system enhancements have been delayed due to the approach of DIMHRS. These problems will not be corrected in DJMS-RC.	
Recommendation: Ensure DIMHRS correctly calculates payments for National Guard leave balances.	
Alternative 1: There is only one alternative: Ensure DIMHRS correctly calculates payments for National Guard leave balances.	
Pros:	Cons:
•	•
Alternative 2:	
Pros:	Cons:
•	•
Updates	
Date:	Source:
Update Text:	



DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56 TH STREET
INDIANAPOLIS, INDIANA 46249

December 20, 2007

DFAS-NREAD/IN

MEMORANDUM FOR INSPECTOR GENERAL DEPARTMENT OF DEFENSE

SUBJECT: Audit Concerns Regarding the Defense Integrated Military Human Resources System (DIMHRS)

In response to your September 27, 2007 inquiry concerning the functionality of DIMHRS for the National Guard and Reserve communities for leave tracking and processing, we are providing the following additional information. The information should address your concerns with the design of DIMHRS.

1. DJMS-RC only allows 24 maximum cumulative leave entries. What is the limitation for number of leave entries within DIMHRS? DDIO: DIMHRS is not limited on the number of leave entries.

2. What is the maximum allowable leave balance for members? What happens if a soldier is deployed, cannot take leave, and accrues more than 120.0 days? DDIO: DIMHRS leave accrual maximums are: Regular leave - 60.0 days; Combat Zone Leave-120.0 days; in Excess of 120.0 (Du status = MIA) DIMHRS design specifications allow the accrual of leave beyond the 90 days at the fiscal year, (but able to accrue an additional 30 days during the next fiscal year) at the commander's request/authority. The members are allowed to retain more than this amount only with the commanders approval. Reference: Department of Defense Financial Management Regulation. 350102. Leave Accounting.

3. DJMS-RC creates new leave master records when there is a break in consecutive service dates (orders). Leave balances do not accurately transfer from old to new leave master records. Does DIMHRS create new leave master records when there is a break in consecutive service dates (orders)? If so, do balances accurately transfer? DDIO: Under DIMHRS, and pending the legal approval of the new 'bucket' ruling, leave will be accrued into regular leave, combat zone leave and special leave authority. Leave will be calculated based on the duty performed. There will no longer be Leave Master Records, just balances of leave. Leave for a Reserve member performing duty under Reserve orders, with a break-in-service, is paid out at the end of each set of orders and no transfer of leave balance is necessary. Unpaid Leave balances will transfer for Members who go from Active to Reserve Component.

If you have any questions, please contact Mr. Cindy Garcia at (317) 510-5007.


Cindy Garcia
Project Manager, DFAS DIMHRS
Integration Office

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Deputy Assistant Secretary of Defense for Counternarcotics, Counterproliferation, and Global Threats Comments



GLOBAL SECURITY
AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2900 DEFENSE PENTAGON
WASHINGTON, D C 20301-2900

DEC 3 2007

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Response to DODIG Report on the Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program

I have reviewed the draft Inspector General's audit report (Project No. D2007-D000FD-0134.000) and concur with deep concern.

In the last two years, your annual audits have identified a material management control weakness related to Air Force and National Guard Bureau accounting for Counternarcotics funds. After the last unfavorable report, our office once again issued policy guidance on February 27, 2007, requesting the Air Force and the National Guard Bureau to report back why reconciliation procedures were not in place, and the immediate steps they are taking to employ proper accounting procedures.

Although both agencies reported that they are taking steps to improve their accounting procedures, my office will identify responsible officials and solicit status reports on obligation accounting. My point of contact is Ms. Silvia Serban, 703-614-8847.

Richard J. Douglas
Deputy Assistant Secretary of Defense
Counternarcotics, Counterproliferation & Global Threats



Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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Ellen Kleiman-Redden



Inspector General Department of Defense

