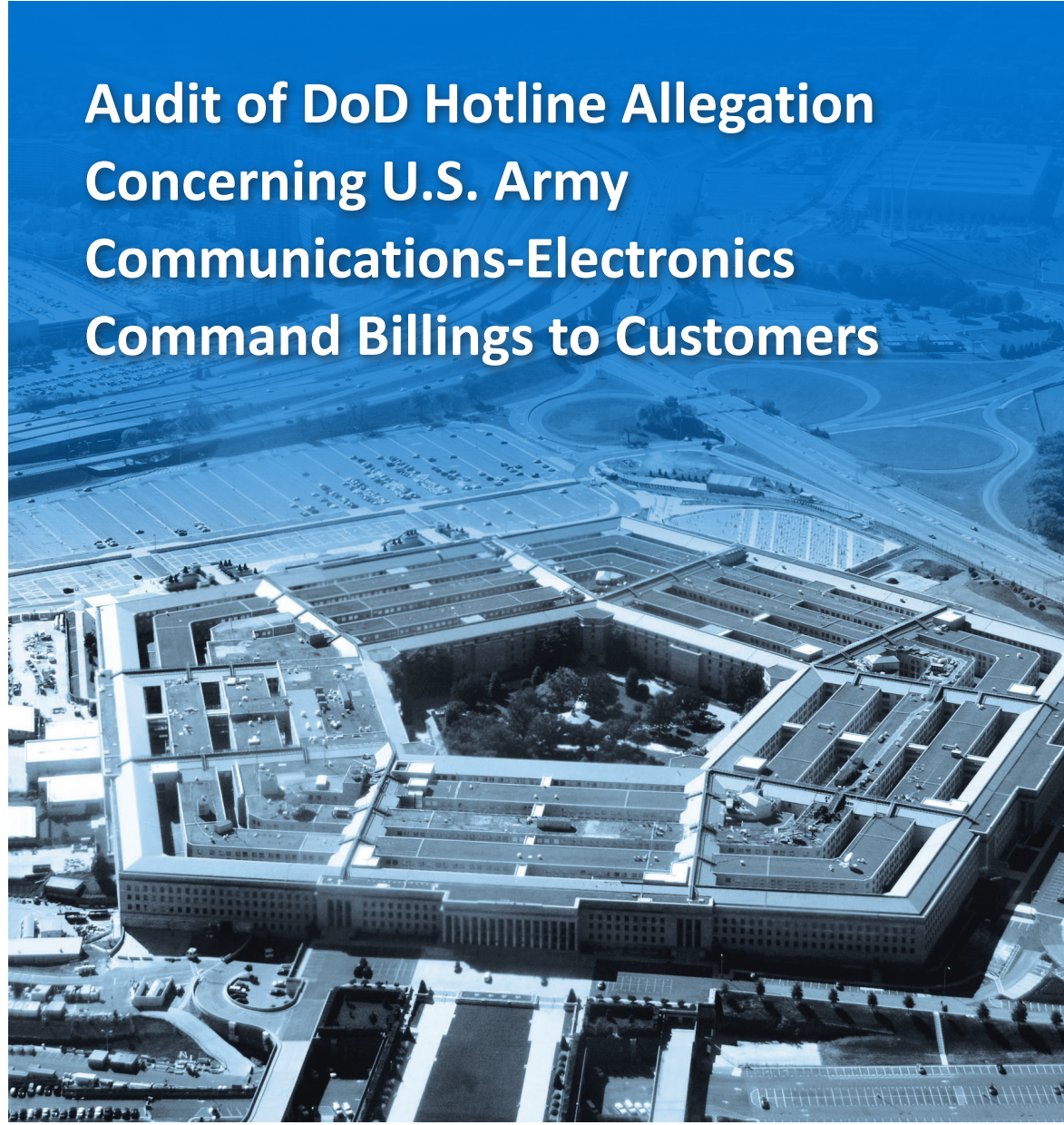




INSPECTOR GENERAL

U.S. Department of Defense

APRIL 5, 2021



Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers

April 5, 2021

Objective

The objective of the audit was to determine whether the U.S. Army Communications-Electronics Command (CECOM) billed its customers in accordance with established customer support agreements, and to determine the impact of any identified erroneous billings to the U.S. Army CECOM and its customers. We initiated this audit in response to a DoD Hotline complaint.

Background

CECOM provides reimbursable support to U.S. Government organizations, state and local governments, private companies, and foreign militaries. The DoD Hotline received a complaint that alleged inconsistencies between an FY 2018 customer support agreement and CECOM's billings.

Specifically, upon review of CECOM's final reconciliation for expenses for each sample, a CECOM supporting activity identified a variance between charges actually incurred and charges billed that could not be substantiated. According to the Hotline complainant, CECOM's adjustment at yearend to total charges, which was referred to as an assessment, exceeded the actual costs internally tracked by the supporting activity. CECOM G8 (Resource Management), which was responsible for the assessment, was unable to sufficiently explain the assessment to the satisfaction of the CECOM activity supporting the agreement. To address this allegation, we reviewed 174 Work Breakdown Structures (WBSs) used for tracking funds and costs during FYs 2018 and 2019 for similar concerns and for CECOM's general billing practices.

Finding

We determined that CECOM lacked appropriate documentation and did not bill customers in accordance with the statutory requirements reflected in its support agreements. Specifically, of the 174 samples we reviewed, CECOM:

- used assessments to record \$9.9 million in unsupported transactions;
- charged \$65.2 million in unsupported labor charges out of \$109.7 million in labor charges;
- had \$6.6 million in unsupported funding transfers out of \$125.1 million in funding;
- applied digital signatures improperly to 101 of 366 Acceptance Military Interdepartmental Purchase Requests (DD Forms 448-2) related to 40 out of 174 samples; and
- incurred labor charges for 62 samples before having an existing order and signed agreement in place.

These conditions occurred because CECOM did not have effective internal controls to ensure that CECOM properly maintained supporting documentation to describe and substantiate the reasonableness of transactions, and because Army Materiel Command policy did not require adequate documentation for all transactions related to support agreements. The ineffective internal controls and lack of appropriate policies allowed CECOM personnel to:

- use assessments to commingle and reallocate funds between WBSs without supporting details to indicate the nature or reasonableness of the transactions;
- bill labor charges without sufficient and appropriate documentation to support the calculations as accurate and the charges as actual labor costs;
- transfer funds into and out of WBSs without supporting documentation indicating the sources and destinations of the transfers;
- rely on improper digital approvals of electronically signed documents to process transactions; and



Results in Brief

Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers

Finding (cont'd)

- prioritize CECOM's mission over statutory requirements by incurring labor charges before signed agreements and orders existed.

As a result, CECOM could return approximately \$7.8 million in funding to customers, who could potentially put the funds to a better use or return the funds to the U.S. Treasury. In addition, due to the weaknesses in CECOM's internal controls, CECOM's subcommands and customers cannot be sure that the billing information provided to them reflects the actual costs of the services, and CECOM is at a higher risk for fraudulent activity. Lastly, CECOM potentially violated the Economy Act, Purpose Statute, and Antideficiency Act.

Recommendations

Among other recommendations, we recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) initiate a preliminary review of the potential Antideficiency Act violations. The review should be completed within 4 months of the Assistant Secretary's direction to initiate the review, and the results of the preliminary review should be provided to the DoD Office of Inspector General.

We also recommend that the Commander of Army Materiel Command update the command's policies to require subordinate commands to establish a support agreement and certify the availability of customer funding before commencing work.

We additionally recommend that the CECOM Commander:

- implement a training program for the proper use and review of digital signatures; and
- establish processes to require employees to update their timecards throughout the year to properly reflect the WBSs on which they are working, and require supervisors to review their employees' timecards for the proper WBSs.

Lastly, we recommend that the CECOM G8 Director:

- create and maintain supporting documentation for all transactions and calculations related to costs incurred on a WBS;
- return excess funds retained to customers; and
- establish a process to identify and correct charges that were made to a WBS before the receipt of an established support agreement and order.

Management Comments and Our Response

The Acting Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller), serving as the Senior Official Performing the Duties of the Assistant Secretary of the Army (Financial Management and Comptroller); the Executive Deputy to the Commanding General, responding for the Commander of Army Materiel Command; and the CECOM Commander either agreed with the recommendations or agreed to take actions that addressed the intent of 11 of the 17 recommendations. Therefore, these recommendations are resolved but will remain open. The CECOM Commander agreed to take action on 6 of the 17 recommendations, but the actions mentioned in the comments do not fully address the intent of the recommendations; therefore these recommendations are unresolved. We are requesting additional comments and documentation from the CECOM Commander to address the actions CECOM has taken or will take to fully implement the intent of these six recommendations.

Please see the Recommendations Table on the next page for the status of recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Assistant Secretary of the Army (Financial Management and Comptroller)	None	1	None
Commander, Army Materiel Command	None	2	None
Commander, U.S. Army Communications–Electronics Command	3.c.1, 3.c.2	3.a, 3.b	None
Director, U.S. Army Communications-Electronics Command Resource Management Directorate	4.a.1, 4.a.3.a, 4.b.2, 4.b.3	4.a.2, 4.a.3.b, 4.a.3.c, 4.b.1, 4.c, 4.d, 4.e	None

Please provide Management Comments by May 5, 2021.

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

April 5, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers (Report No. DODIG-2021-071)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The Acting Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller), serving as the Senior Official Performing the Duties of the Assistant Secretary of the Army (Financial Management and Comptroller); the Executive Deputy to the Commanding General, responding for the Commander of Army Materiel Command; and the Commander of U.S. Army Communications-Electronics Command agreed to address 11 of the 17 recommendations presented in the report; therefore, we consider these 11 recommendations resolved and open. As described in the Recommendations, Management Comments, and Our Response section of this report, we will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the resolved recommendations.

This report contains six recommendations that are considered unresolved because the Commander of U.S. Army Communications-Electronics Command did not fully address the recommendations presented in the report. Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, the recommendations remain open. We will track these recommendations as unresolved until we reach an agreement on the actions that you will take to address the recommendations, and will close the recommendations once you have submitted adequate documentation showing that all agreed-upon actions are completed. We are requesting additional comments and documentation to address the actions CECOM has taken or will take to fully implement the intent of the six unresolved recommendations.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning specific actions in process or alternative corrective actions proposed on the recommendations. Send your responses

regarding resolved and unresolved recommendations to either followup@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET.

If you have any questions, please contact me at [REDACTED].

A handwritten signature in black ink that reads "Lorin T. Venable". The signature is written in a cursive, flowing style.

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting

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Introduction

Objective

The objective of the audit was to determine whether the U.S. Army Communications-Electronics Command (CECOM) billed its customers in accordance with established customer support agreements, and to determine the impact of any identified erroneous billings to the U.S. Army CECOM and its customers. This audit is the result of a DoD Hotline complaint alleging that CECOM project billings were not in accordance with the established agreements. See Appendix A for our scope and methodology.

Background

Communications-Electronics Command

CECOM is a subordinate command of the Army Materiel Command (AMC) headquartered at the Aberdeen Proving Ground (APG) in Aberdeen, Maryland.¹ The Army merged the Communications and Electronics Materiel Readiness Command and the Communications Research and Development Command to form CECOM on March 1, 1981. CECOM provides its customers with system integration and sustainment services for a variety of Army Network platforms, and provides its customers with electronic components and parts as well as installation services, repair services, and support. CECOM ensures that its customers can fulfill their assigned mission by providing them with global support of Command, Control, Computers, Communications, Cyber, Intelligence, Surveillance, and Reconnaissance systems and capabilities. CECOM conducts training missions; provides field support for equipment and systems modifications and upgrades; and provides logistical expertise to ensure the on-time delivery of equipment, services, and capabilities to the warfighter. Its customers primarily consist of DoD agencies, other U.S. Federal agencies, North Atlantic Treaty Organization components, and foreign militaries.

CECOM consists of approximately 9,000 military, civilian, and contractor personnel. It maintains a presence around the globe with personnel located in 59 locations within the United States, and 33 locations in 11 foreign countries. While the headquarters for CECOM is located at APG, there are five subordinate commands located within the continental United States.²

¹ AMC provides superior technology, acquisition support, and logistics to ensure dominant land force capability for U.S. military services, and U.S. allies.

² The subordinate commands are Central Technical Support Facility in Fort Hood, Texas; Information Systems Engineering Command in Fort Huachuca, Arizona; Integrated Logistics Support Center in APG, Maryland; Software Engineering Center in APG, Maryland; and Tobyhanna Army Depot in Tobyhanna, Pennsylvania.

CECOM Reimbursable Process

According to CECOM officials, CECOM collaborates with a customer to establish a support agreement (DD Form 1144, Support Agreement) as the basis to provide goods or services to a customer. The support agreement identifies the required services, estimated costs, payment provisions, duration of the agreement, and the authority supporting the agreement. Cost estimates related to labor are based on planned employee assignments and planned hours worked, which are documented and stored in the Financial Management Information Solution.³ CECOM and the customer sign the support agreement, agreeing to the agreement's terms.

After the customer and CECOM sign the agreement, the customer places an order with CECOM to provide funding, commonly through a DD Form 448, Military Interdepartmental Purchase Request (MIPR).⁴ CECOM prepares an Acceptance MIPR (DD Form 448-2) once the customer's MIPR arrives. An Acceptance MIPR is a document noting the acceptance of the order, and it establishes the funding for the work. Once CECOM returns the Acceptance MIPR to the customer, the customer obligates the funds. In addition, upon completing the Acceptance MIPR, CECOM creates the Work Breakdown Structure (WBS) in the General Fund Enterprise Business System (GFEBS), which is the Army's accounting system. The WBS allows CECOM to track funding activities and expenses throughout the year. It is possible for one WBS to be associated with more than one MIPR and Acceptance MIPR.⁵

CECOM employees record their labor hours on the WBS in the Automated Time and Attendance Production System (ATAAPS). ATAAPS is CECOM's timekeeping system and feeds payroll data to the DoD payroll system. CECOM allows employees to charge their time once the customer signs the support agreement. If employees begin work before CECOM has created the WBS, the employees charge their labor hours to a cost center. The cost center represents an employee's assigned office, and charges allocated to a cost center reflect expenses CECOM pays for using its own appropriation without reimbursement.

To ensure that hours are allocated to a WBS instead of a cost center, CECOM G8 (Resource Management) runs a report twice a week to identify hours charged to a cost center. The G8 communicates the hours to the employees and expects

³ The Financial Management Information Solution is a command-approved system that CECOM uses to plan direct, reimbursable, and Army Working Capital Fund personnel assignments throughout the year.

⁴ A requesting DoD Component issues a MIPR to a servicing DoD Component in order to procure services, supplies, or equipment. The servicing DoD Component can use the MIPR to directly fund costs with the requesting DoD Component's appropriation. The servicing DoD Component can also use its appropriation to fund costs and receive a reimbursement from the requesting DoD Component.

⁵ A Work Breakdown Structure (WBS) is a means of capturing, tracking, and breaking down productive time costs of a product, data, service, or a combination thereof. Productive hours are hours an employee is paid directly supporting the WBS, while non-productive hours are hours an employee is paid not directly supporting a WBS, such as annual leave, sick leave, and holidays.

employees to assign their hours to the appropriate WBSs and resubmit their timesheets in ATAAPS.⁶ Corrected timesheets post to GFEBS during the system's next daily posting cycle, which creates the appropriate adjusting entries. If a report still shows that uncorrected hours remain in the cost center, a G8 budget analyst uses the planned hours to determine which WBSs should be associated with those hours. However, the budget analyst's role is to identify the source of the error, not to correct the related timesheets to support the labor charges. The budget analyst may use these identified hours, though, when determining which WBSs require manual assessments.⁷

CECOM budget analysts work to close out all WBSs to zero as part of their yearend procedures. The Defense Information Systems Agency closes ATAAPS approximately 2 to 3 weeks before the end of the fiscal year. When ATAAPS is unavailable, the G8 books manual assessments within GFEBS to account for the labor that employees should have booked to the WBS. The G8 analyzes all WBSs and, based on this yearend analysis, the G8 will do one of five things, according to its current processes.

1. If the WBS has excess funds:
 - a. The G8 can pool the funding to cover other WBSs under the same customer; or
 - b. The G8 can return these funds to the customer.
2. If the WBS has a funding shortfall:
 - a. The G8 can contact the customer in an attempt to collect additional funds for the shortfall;
 - b. The G8 can use funding from other WBSs under the same customer; or
 - c. CECOM will use its own funding to cover the shortfall.

Relevant Criteria

The DoD Hotline complaint alleged that CECOM does not base all charges on actual costs. Agreements for goods and services entered into between Federal entities are governed by the Economy Act, section 1535, title 31, United States Code (31 U.S.C. § 1535). The Economy Act requires that reimbursements for goods and services be based on actual costs. Actual cost includes all direct costs for providing the goods or services, and indirect costs to the extent they have a

⁶ The G8 creates WBSs throughout the fiscal year as it receives initial MIPRs from its customers. Some notices the G8 sends to employees may involve WBSs that the G8 has not yet created. Employees will not be able to correct these hours until the G8 creates the related WBSs.

⁷ An assessment is a transaction used to remove funds from or add funds to a CECOM WBS. CECOM's assessments bear similarities to expenses, but are actually a method used to transfer funds between accounts.

significant relationship to providing the goods or services.⁸ In addition, the Act requires the servicing agency to return any funds not used to provide the goods or services purchased. The selected samples all fall under the requirements of the Economy Act.

DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR), volume 11A, provides the general guidance that applies to Economy Act orders, and its criteria were applied to the audited samples. The audited samples also included citations on the support agreements and MIPRs that confirmed the Economy Act and DoD FMR, volume 11A, as the applicable statute and regulations for the audited samples.

The DoD Hotline complaint also alleged that the G8 used assessments to remove funds from the related WBS and that the G8 was unable to provide supporting documentation to provide a basis for the assessments. DoD FMR, volume 6A, chapter 2, requires DoD Components to maintain audit evidence with enough detail to permit a review of transactions, including tracing the movement of funds, such as rationale, justification, and approvals.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.⁹ During our audit, we determined that internal control weaknesses exist at CECOM related to lack of reviews, appropriate documentation, and human capital management; and improper approvals and execution of transactions. We will provide a copy of the report to the senior official responsible for internal controls within AMC and CECOM.

⁸ DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 11A, chapter 3, paragraph 030801.

⁹ DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013.

Finding

CECOM Lacked Documentation and Billed Customers Inappropriately

CECOM lacked appropriate documentation and did not bill customers in accordance with the statutory requirements reflected in its support agreements. This occurred because CECOM did not have effective internal controls to properly maintain supporting documentation to describe and substantiate the reasonableness of transactions, and because AMC policy did not require adequate documentation for all transactions related to support agreements. Specifically, out of 174 FYs 2018 and 2019 samples reviewed, CECOM had the following findings.¹⁰

- CECOM used assessments to record \$9.9 million in unsupported transactions for 152 samples, because CECOM's accounting procedures permitted CECOM to use assessments to commingle and reallocate funds without supporting documentation, and because management did not ensure employees' timecards were accurate.
- CECOM charged \$65.2 million in unsupported labor charges out of \$109.7 million in labor charges, because CECOM did not maintain sufficient and appropriate documentation, such as labor rates and timecards, to support the billed labor charges.¹¹
- CECOM had \$6.6 million in unsupported funding activity out of \$125.1 million in funding activity, because CECOM did not maintain supporting documentation, such as MIPRs, for transferring funds into and out of WBSs.¹²
- CECOM applied improper digital signatures to 101 of 366 Acceptance MIPRs related to 40 samples, because CECOM did not follow electronic signature guidance.
- CECOM incurred labor charges for 62 samples before having an existing order and signed agreement in place, because AMC policy and CECOM's internal controls did not require the receipt of an order and establishment of an agreement before personnel began incurring labor charges.

¹⁰ Of the 174 samples, 109 had labor charges and assessments; 28 had labor charges, assessments, and non-labor charges; 12 had assessments only; 8 had labor charges only; 8 had labor and non-labor charges; 3 had assessments and non-labor charges; 3 had only non-labor charges; and 3 had a net funding amount of \$0 (no incurred expenses, and all funds received were returned to the customers).

The identified internal control deficiencies will not sum to 174, as some samples reflected multiple deficiencies. Of the 174 samples, only 4 contained no deficiencies, while 150 contained multiple deficiencies.

¹¹ Only 153 of the 174 samples had labor charges. The unsupported labor charges were related to 79 samples.

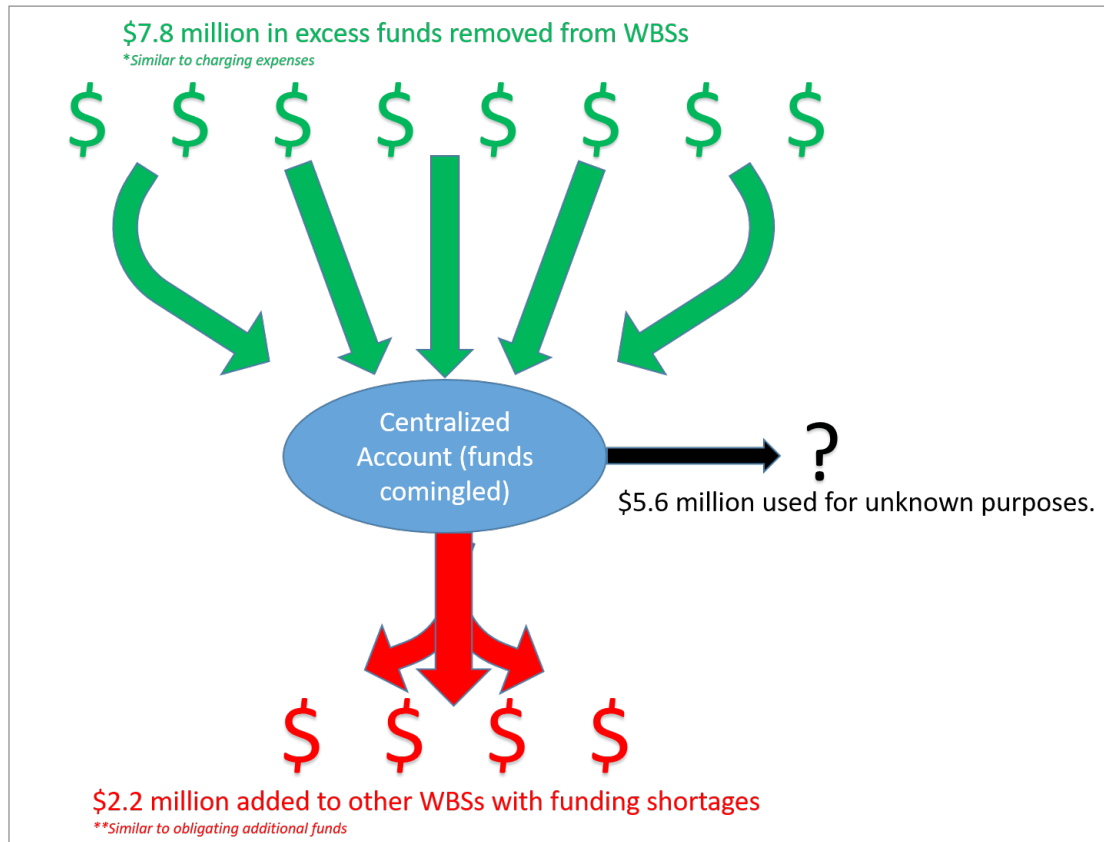
¹² The \$6.6 million in unsupported funding activity related to 22 samples.

As a result, CECOM kept approximately \$7.8 million instead of returning the funding to customers, who could potentially put the funds to a better use or return the funds to the U.S. Treasury. (See Appendix B for details on potential monetary benefits) Due to the weaknesses in CECOM’s internal controls, CECOM’s subcommands and customers also cannot rely upon the billing information provided to them, and CECOM is at a higher risk for fraudulent activity. Lastly, CECOM potentially violated the Economy Act, the Purpose Statute, and the Antideficiency Act (ADA).

CECOM Assessments Billed Were Not Supportable

CECOM created expenses manually using assessments to record \$9.9 million in unsupported transactions from 152 WBSs sampled.¹³ CECOM used the assessments to commingle \$7.8 million in excess funds from accounts of 104 WBSs of various customers into centralized accounts, and reallocated \$2.2 million of the funds to 48 other WBSs to cover funding shortages. CECOM did not have supporting documentation to explain how it used the remaining \$5.6 million in commingled funds. Figure 1 shows how CECOM used the assessments.

Figure 1. Depiction of Fund Flows Related to Assessments

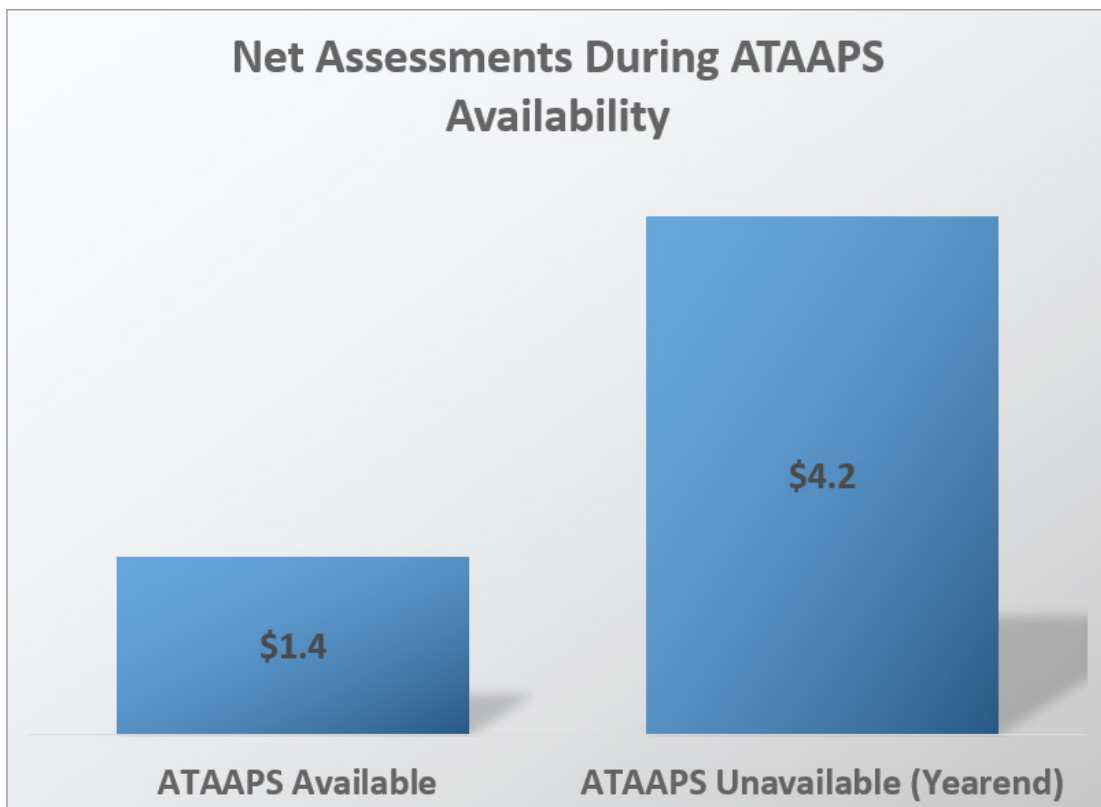


Source: The DoD OIG.

¹³ The \$9.9 million represents \$7.8 million in assessments used to add funds to a centralized account plus \$2.2 million in assessments used to reallocate funds to other WBSs. The \$0.1 million difference is due to rounding.

The G8 Budget Execution Division Chief stated that the assessments related strictly to labor charges and were necessary due to the closure of ATAAPS at fiscal year end. DoD FMR, volume 6A, chapter 2, requires DoD agencies to maintain audit trails in sufficient detail, which would aid in substantiating an agency's explanation of transactions. However, CECOM could not provide documentation, such as timecards, to support the Division Chief's statement. The timecards CECOM provided included hours that GFEBS used to automatically calculate the associated charges, which were reflected as labor charges and not assessments. In addition, as shown in Figure 2, CECOM booked the assessments throughout the year, and not only during ATAAPS closure at yearend, which is inconsistent with CECOM's explanation that the assessments were strictly due to yearend ATAAPS unavailability.

Figure 2. Assessments Processed During Periods of ATAAPS Availability and Unavailability (in Millions)



Source: The DoD OIG.

Furthermore, CECOM used \$2.6 million of net assessments at yearend to bring remaining fund balances to zero in 72 samples. The nature of these assessments indicated that the amounts related to WBS balances rather than labor. These assessments have been the subject of two CECOM internal audit reports, which were also unable to confirm that the assessments related to labor. According to

a CECOM Inspector General report, due to a lack of data, the CECOM Inspector General could not determine whether the G8 conducted yearend reconciliations correctly.¹⁴ In a CECOM Internal Review report, the CECOM Internal Review Office found that the G8 adjusted the WBS for the exact amount that remained at fiscal yearend, instead of returning the remaining funds to the customer.¹⁵

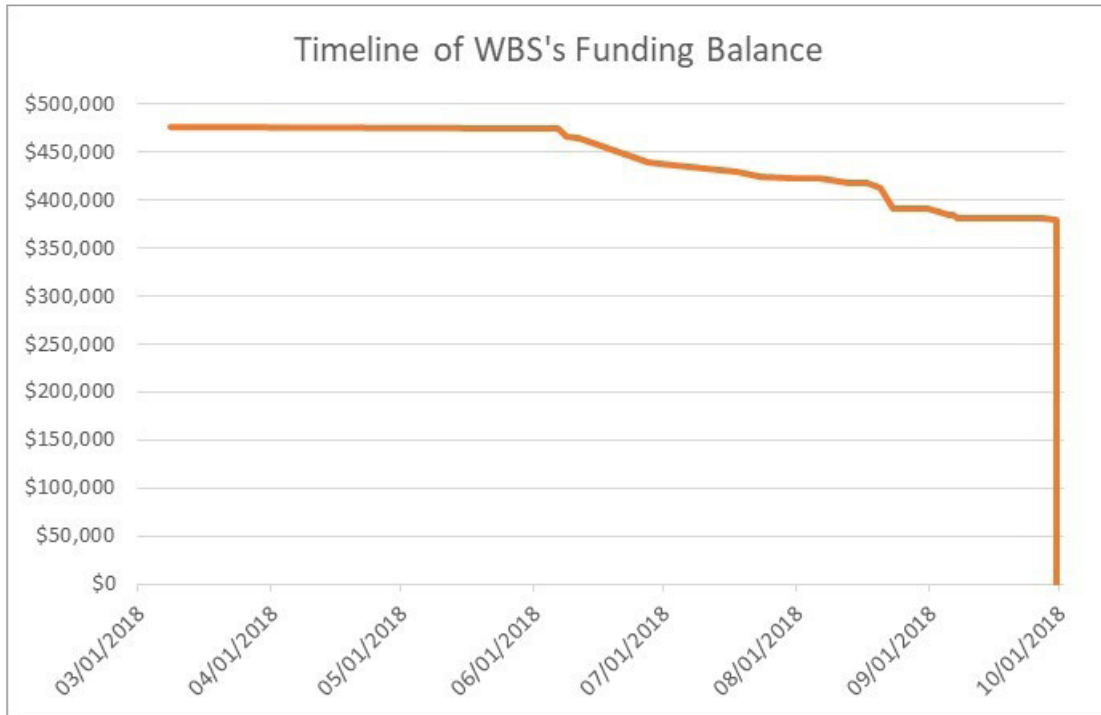
A G8 systems analyst confirmed that the assessments were simply a way to bring WBS balances to zero, with some assessments applied to remove excess funds and some to add funds to WBSs, and stated that CECOM pooled the assessments into centralized accounts. This is inconsistent with the G8 Budget Execution Division Chief's explanation of the assessments. However, this statement is consistent with the CECOM Internal Review Office's observations that the G8 used the assessments to bring the balances to zero. The statement, as well as the pattern many of the assessments exhibited, is similar to the nature of the assessment alleged in the DoD Hotline complaint, which involved a yearend assessment of 98 percent of the WBS's balance, and only 2 percent returned to the customer.

For example, in one instance, a WBS received net funding of \$475,481.71 in March 2018, from U.S. Army Program Executive Office, Enterprise Information Systems, in order to provide information technology support. The WBS had one employee assigned who incurred labor charges of \$95,481.71 throughout the duration of the fiscal year, leaving a remaining balance of \$380,000.00 on September 30, 2018. Instead of returning the remaining balance to the customer, CECOM charged an assessment for the remaining amount, bringing the WBS's balance to zero. If this assessment strictly related to labor, it would indicate that the single employee incurred an additional labor charge of \$380,000.00. Figure 3 portrays the timeline of the WBS's funding balance. Expenses reduced the balance throughout the fiscal year, with the final drop in the line representing the balance's reduction to zero due to a final assessment.

¹⁴ Report of Preliminary Analysis, February 2020.

¹⁵ Audit of the National Security Engineering Center's Federally Funded Research Development Centers' Reimbursable Overhead Program, May 2017.

Figure 3. Timeline of the WBS's Funding Balance for Example Project



Source: The DoD OIG.

The Economy Act requires a servicing agency to use actual costs as the basis of reimbursements. It also requires a servicing agency to return any funds that have not been obligated for the specified use to the ordering agency before the funds expire. Although a servicing agency has the flexibility to determine the actual costs associated with the services provided, the determinations must be reasonable.¹⁶ To avoid illegally augmenting a customer's appropriation, a servicing agency must also obtain reimbursement from the customer who benefits from the provided services.¹⁷

CECOM's use of assessments to bring WBS balances to zero did not reflect reasonable actual costs. Additionally, based on CECOM G8's assertions, although these assessments resembled obligated expenses, their true treatment was more similar to the transfer of funds between WBSs or from WBSs to CECOM, which would indicate that some customers potentially received benefits from services not reimbursed from those customers' funds, and some customers were charged for services provided to another customer.

¹⁶ Government Accountability Office Comptroller General Decision, "Federal Mediation and Conciliation Service-- Propriety of Financial Management Service Charges Under the Economy Act," B-257823, January 22, 1998.

¹⁷ Government Accountability Office Comptroller General Decision, "In the Matter of Washington National Airport, Federal Aviation Administration; Intra-Agency Reimbursements Under 31 U.S.C. 686 (1970)," B-136318, August 14, 1978. See Government Accountability Office, "Principles of Federal Appropriations Law, Third Edition, Volume II," February 2006.

Furthermore, the Purpose Statute, 31 U.S.C. § 1301, requires that appropriations be applied only to the purpose for which the funds were originally intended. Although some WBSs may have had identical funding sources, CECOM's accounting procedures allowed the commingling and reallocating of funds without supporting documentation and obscured the nature, origin, and propriety of further funding activity. CECOM's use of assessments to reallocate the commingled funds from the centralized accounts may have facilitated the use of funds for purposes that differed from those for which the funds were originally intended. For example, a WBS with funds intended for procurement purposes may have been used to pay for charges on a WBS providing services to a customer for operations and maintenance purposes. The commingled funds involved 21 appropriations, but the exact appropriations associated with the reallocated amounts were not identifiable due to the commingling of the funds.

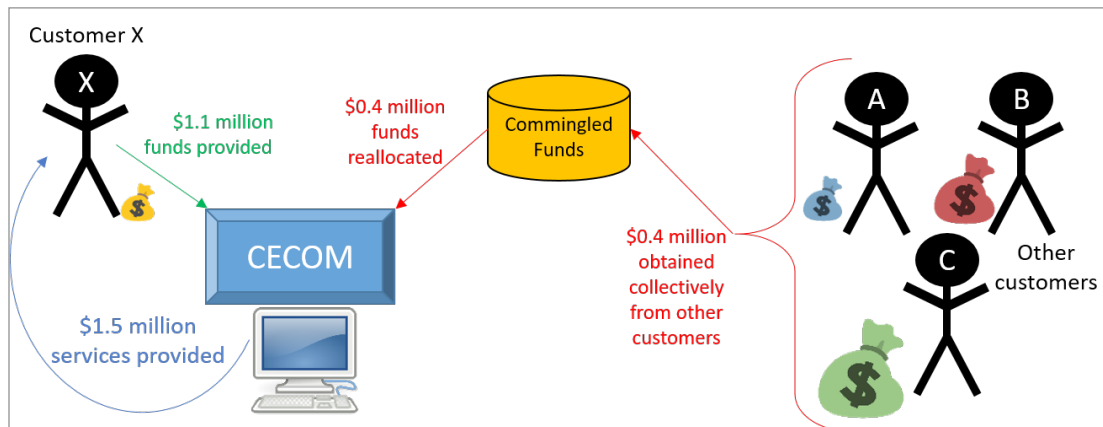
The G8 claimed that the assessments related to labor charges, and that the related hours were not properly allocated to their associated WBS on the employees' timecards. The G8 also stated that the employees' supervisors did not ensure employees corrected their timecards to properly allocate their labor hours. CECOM used manual assessments instead of ensuring employees properly corrected their timecards. The CECOM G8 Director should create and maintain supporting documentation to indicate why a manual assessment was processed, what the assessment represents, and how CECOM determined the actual cost represented by the assessment. The CECOM Commander should ensure that corrected timecards from ATAAPS are included in a timely manner with supporting documentation throughout the year in order to use GFEBs's automated expense calculations and reduce the need for manual assessments. The CECOM Commander should also require supervisors, on a biweekly basis, to identify and reconcile employees' productive hours that are not assigned to a specific WBS.

Lastly, the ADA, 31 U.S.C. §§ 1341 and 1517, prohibits any officer or employee of the U.S. Government from spending or obligating more money than what is available in a particular appropriation. The commingling and reallocating of funds obscured the relationship between the customer benefitting from provided services and the source of the funds paying for the provided services. CECOM may have augmented the appropriations of its customers when CECOM used the commingled funds to reallocate additional funds to those customers' WBSs.

For example, as visualized in Figure 4, customer X may have ordered services for \$1.1 million using its entire appropriation, but received services worth \$1.5 million. Customer X would have paid for the services using the \$1.1 million it originally provided to CECOM, and the additional \$0.4 million may have come from the appropriations of other customers. Reports for customer X would have indicated

total expenses of \$1.5 million minus a \$0.4 million refund of expenses, for a net of \$1.1 million in expenses. Reports for the other customers would have collectively indicated \$0.4 million in assessments. Although these assessments would appear to be expenses, the assessments would have actually indirectly moved funds from the other customers to customer X. A total of 48 samples did not have sufficient funding to cover all of the incurred expenses without the additional funding received via assessments. These 48 samples involved customers from the Army, Air Force, Defense Health Agency, and Defense Information Systems Agency.

Figure 4. Depiction of Potential Augmentation of a Customer's Account



Source: The DoD OIG.

According to DoD FMR, volume 14, chapter 3, when a report advises a DoD Component that a potential ADA violation may have occurred, the DoD Component must review the report's findings and recommendations and, if it agrees a potential ADA violation may have occurred, it must conduct a preliminary review of the violation. The Assistant Secretary of the Army (Financial Management and Comptroller) should initiate a preliminary review of the potential ADA violations. The review should be completed within 4 months of the Assistant Secretary's direction to initiate the review, and the results of the preliminary review should be provided to the DoD Office of Inspector General.

The commingling of funds into and reallocation of funds out of intermediate centralized accounts diminished the ability to both directly determine and reasonably deduce how any particular customer's funds were used, including determining which customer actually paid for services received, because the reallocated funds could no longer be traced from the original customer to the benefitting customer. The CECOM G8 Director should discontinue the use of the centralized accounts to hold excess funds. Instead, CECOM should:

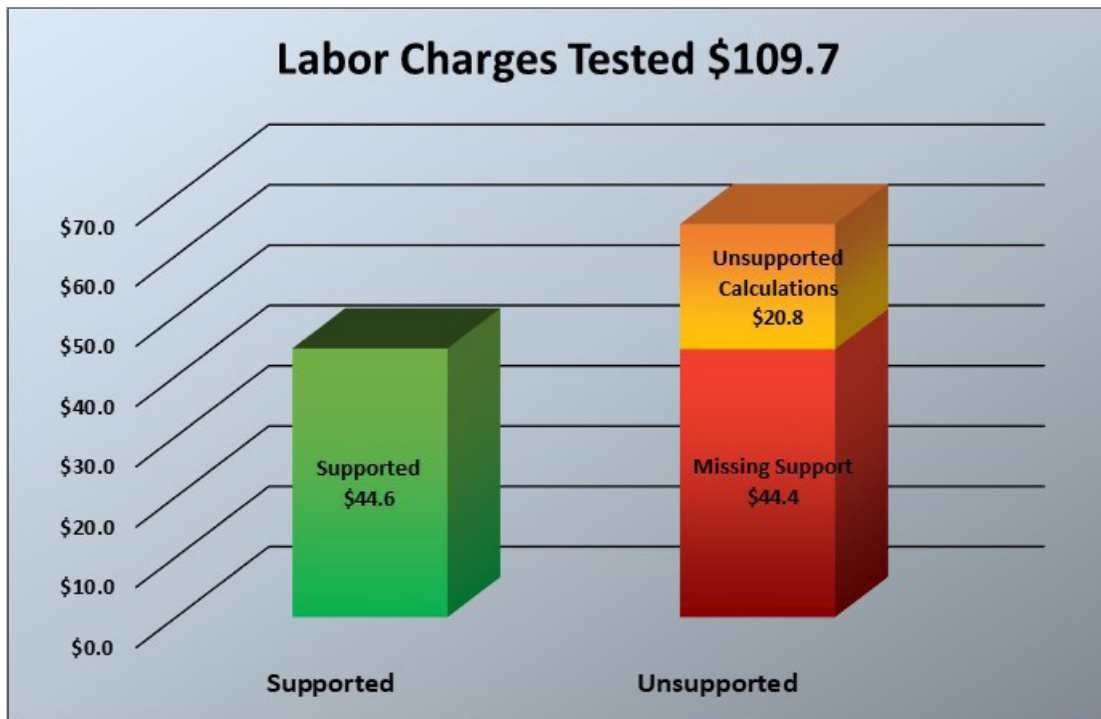
- transfer funds directly between WBSs using obligations and deobligations (provided the funds are for the same customer and the support agreement permits the transfer);

- return excess funds to the customers; and
- retain documentation identifying the nature, amounts, and approvals of the transfers.

Lack of Supporting Documentation for Actual Labor Charges

CECOM charged \$65.2 million in unsupported labor charges for 79 samples out of \$109.7 million in labor charges. Specifically, CECOM could not produce supporting documentation for \$44.4 million of labor charges and produced unsupported calculations for \$20.8 million of labor charges. These charges are illustrated in Figure 5.

Figure 5. Unsupported Labor Charges for FYs 2018 and 2019 (in Millions)¹⁸



Source: The DoD OIG.

Per the Economy Act, the costs for services provided to a customer must be based on the actual cost of goods or services provided. DoD FMR, volume 11A, chapter 3, defines actual costs as costs directly attributed to providing goods or services to a customer, and any indirect costs that have a significant relationship to providing goods or services to the benefit of a customer. CECOM did not provide complete timecards and labor rates for 46 sample items, equating to \$44.4 million of funding

¹⁸ Total does not equal the actual sum because of rounding.

that CECOM could not support due to missing documentation. The G8 Financial Systems and Accounting Division Chief stated GFEBs does not retain historical labor rates, which inhibited CECOM's ability to provide all labor rates related to the labor charges that we reviewed. Based on DoD FMR, volume 1, chapter 9, and volume 6A, chapter 2, CECOM should maintain copies of the historical labor rates and hours charged to each WBS, and retain the documentation for at least 10 years in order to have sufficient and verifiable supporting documentation.

CECOM also could not support the labor charges for the remaining 33 sample items, valued at \$20.8 million. The labor charges calculated based on CECOM's provided documentation differed by more than 10 percent from the labor charges reflected within GFEBs. CECOM was unable to provide supporting documentation to verify that the labor amounts charged corresponded to the actual incurred labor amounts. Although CECOM provided timecards and labor rates, CECOM did not fully understand the variables that GFEBs uses in calculating labor charges; therefore, CECOM did not know what additional supporting documentation, if any, was needed to accurately recalculate labor charges, or whether the labor charge calculation itself was inaccurate.

For clarification on the calculation of labor charges, we requested that CECOM provide an explanation using a simple example, which involved a single employee who worked 16 hours of overtime in a single pay period, to provide information technology support to a National Guard exercise. GFEBs's labor charges reflected \$1,246.98. Using CECOM's provided documentation, the calculated labor charges were \$1,183.90.¹⁹ CECOM could not explain the nature of the difference, and could not recalculate the GFEBs amount. Neither CECOM's explanations, nor provided supporting documentation, could support the labor charges for this simple example.

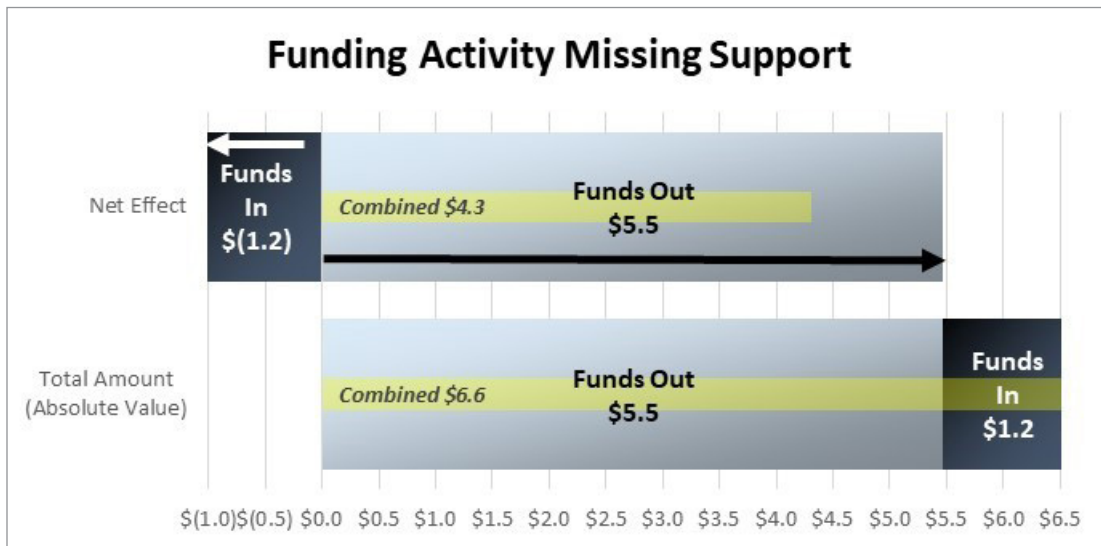
In another example, 71 employees charged 59,376 hours of labor to a WBS. GFEBs's labor charges reflected \$7,389,663.16. Using CECOM's provided documentation, the calculated labor charges were \$5,111,323.18, representing an unsupported amount of \$2,278,339.98. The CECOM G8 Director should ensure that staff members have an understanding of how labor charges are calculated within GFEBs, and should maintain the supporting documentation necessary to validate the labor charges.

¹⁹ The total labor charged for this sample item was not included in the \$20.8 million of unsupported labor charges, because it was within the 10 percent threshold.

Lack of Supporting Documentation for Funding Activities

CECOM had \$6.6 million in unsupported transfer activity for 22 samples out of \$125.1 million received in net funding. DoD FMR, volume 6A, chapter 2, requires the maintenance of “audit trails in sufficient detail, including the rationale, justification, and approvals to permit tracing of transactions and balances.” As illustrated in Figure 6, CECOM could not support the destinations of \$5.5 million transferred out of 8 samples, and the sources of \$1.2 million transferred into 14 samples. The graph shows both the net effect (\$4.3 million) and total effect (absolute value of \$6.6 million) of the unsupported transfers.

Figure 6. Testing Results for Funding Activity (in Millions)²⁰



Source: The DoD OIG.

CECOM provided MIPRs to substantiate funding transfers between CECOM and its customers, but the MIPRs did not fully support all funding transactions for 22 samples. Although we could infer the sources and destinations of some transfers, such as yearend rollovers of excess funds, CECOM did not provide documentation to substantiate a net of \$4.3 million in funding transactions. The CECOM G8 Director should require the G8 staff to have sufficient substantiating evidence for all transfers of funds into and out of WBSs that indicates the details of the transfers, such as the amounts, dates, funding sources, funding destinations, and approvals associated with the transfers.

²⁰ The Combined amounts may not equal the actual sums of the Funds In and Funds Out amounts because of rounding.

Improper Use of Digital Acceptance Signatures on Financial Documents

CECOM applied improper digital signatures to 101 of 366 Acceptance MIPRs related to 40 samples. CECOM did not follow the guidance of DoD FMR, volume 5, chapter 1, which specifies that personnel may use a digital signature to accept and certify a financial document, and that a digital signature only validates data on the financial document at the time the personnel apply the signature. In 97 instances, CECOM reused existing digital signatures to validate new information, instead of updating the accepting official's digital signature. In the remaining four instances, the digital signatures did not properly certify the Acceptance MIPRs.

For the 97 instances, CECOM personnel entered new information onto an Acceptance MIPR that already had an applied digital signature. After entering the new data, CECOM reused previous digital signatures on the Acceptance MIPRs. Because the accepting official did not update the digital signature, the newly entered data was not considered validated. In addition, because the digital signature was not updated, it is unknown as to who approved the new information, and if they had approval authority. Figure 7 shows how personnel used an old Acceptance MIPR with a certifying official's signature, and simply updated the information without applying a new signature.

Figure 7. Example of a Reused Digital Signature

Original version, signed in 2015

Updated info, but reused signature

Red highlight indicates the field's data was changed.

2. MIPR NUMBER DIEMR5A010 **3. AMENDMENT NO.** BASIC

4. DATE (MIPR Signature Date) 6112015 **5. AMOUNT (As Listed on the MIPR)** \$2,197,620.00

2. MIPR NUMBER 11121341 **3. AMENDMENT NO.** BASIC

4. DATE (MIPR Signature Date) 20171128 **5. AMOUNT (As Listed on the MIPR)** \$279,000.00

FUNDS APPLIED TO WBS S.0030524.2.2.39 FSA# TS0009

WBS: S.0052991.41 S.O.: 275173 021 2020 10 A18 A60DI 432126 ASLT S.0052991.41 021001.

17. DATE 06152015 **17. DATE** 11/29/2017

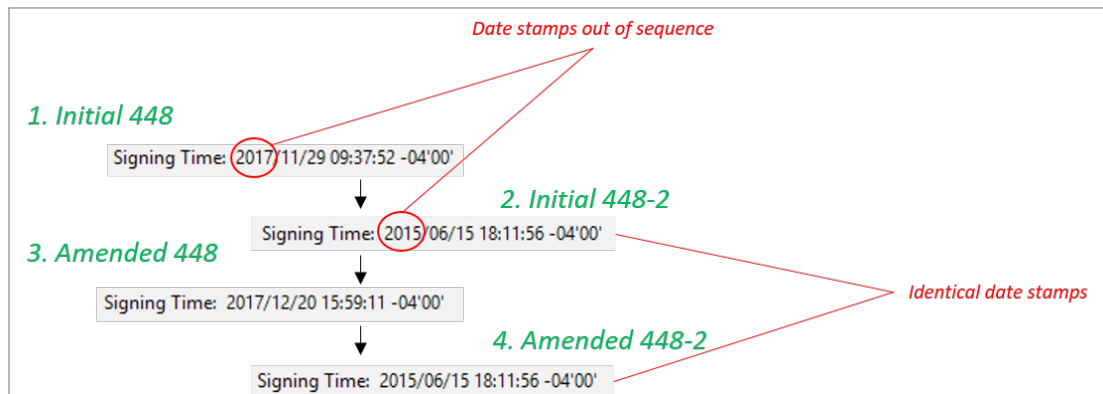
Digitally signed by **Digitally signed by**

Date: 2015.06.15 15:11:56 -07'00' **Date: 2015.06.15 15:11:56 -07'00'**

Source: The DoD OIG.

For example, Figure 8 depicts that a customer signed an initial DD Form 448 on November 29, 2017, and submitted the MIPR to CECOM. CECOM completed the DD Form 448-2 on November 29, 2017, but the digital signature of the accepting official was dated June 15, 2015, at 18:11:56 -04'00'. Later, the customer signed an amended DD Form 448 on December 20, 2017, and submitted the amendment to CECOM. CECOM completed the amended DD Form 448-2 on December 20, 2017, but the digital signature of the accepting official had the identical date stamp of June 15, 2015, at 18:11:56 -04'00'. The reused electronic signatures on these DD Forms 448-2 were originally related to funding activity with another customer from June 2015. CECOM altered the original information from the June 2015 version, and did not update the accepting official's digital signature to validate the new information.

Figure 8. Example of Identical and Improper Digital Signatures Used



Source: The DoD OIG.

In the remaining four instances, the CECOM accepting officials digitally signed the Acceptance MIPRs before the customer signed MIPRs requesting services. The accepting official's signature on the Acceptance MIPR should acknowledge an acceptance of the transferred funds from the customer. However, the digital signature could not have properly certified the acceptance of funds because the customer had not submitted the MIPR yet.

The 101 Acceptance MIPRs with improper digital signatures were specific to five individuals. One individual's signature in particular accounted for 67 reused signatures of the 101 improper digital signatures. The CECOM Commander should implement a training program to inform employees of proper digital signature use, and implement a review to ensure that the accepting official's digital signature complies with existing guidance. Specifically, the review should ensure that the official's digital signature on an Acceptance MIPR has not been applied before the receipt of the corresponding requesting MIPR.

Employees Performed Work Before Existing Orders and Binding Agreements Were Established

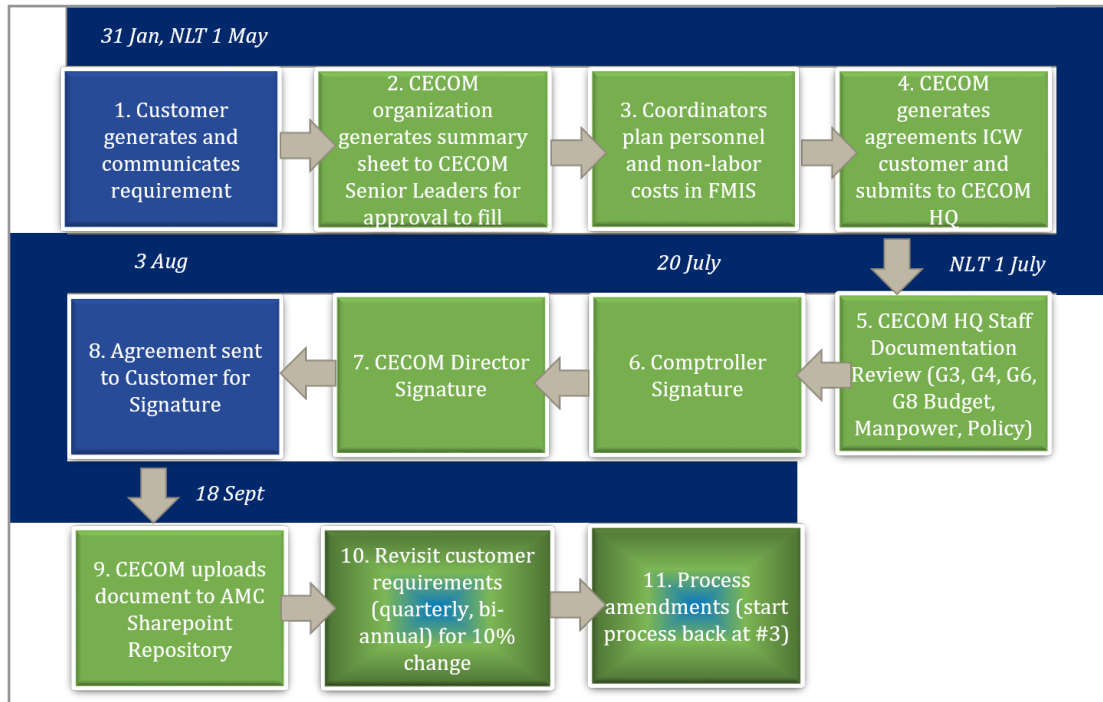
CECOM incurred labor charges for 62 samples before having an existing order and agreement in place. An Economy Act order does not exist unless a requesting agency, under the authority of the Economy Act, places an order or enters into an agreement with a servicing agency. Furthermore, 31 U.S.C. § 1501 states that an amount must only be recorded as an obligation when a binding agreement documented in writing or an order between two agencies exists.

In 62 of the 174 samples, CECOM established support agreements when it obtained signatures from the customers on DD Forms 1144, and included backdated start dates of the periods of performance on the form. In 61 of the backdated periods of performance, CECOM listed the start date as October 1 of the sample's related fiscal years. In the remaining predated instance, the backdated period of performance was November 6, 2017, for an FY 2018 sample. Although the periods of performance reflected dates earlier in the samples' fiscal years, binding agreements between CECOM and the customers were not effective until the customers signed the support agreements.

In the 62 samples, CECOM also had not received an initial MIPR before incurring labor charges, according to employees' timecards. The initial MIPR would indicate that the requesting agency had placed an order with CECOM. The lack of an effective DD Form 1144 and initial MIPR indicated that the samples had neither an agreement nor a purchase order before providing services to the customers. CECOM incurred labor charges related to those samples, ranging from 4 days to 291 days before receiving signed support agreements and MIPRs from the customers.

CECOM's Support Agreement Process Workflow, as shown in Figure 9, involves a timeframe that indicates an agreement should be sent to customers by August 3 during a given fiscal year, and that the support agreement should be uploaded into a repository by September 18.

Figure 9. Support Agreement Process Workflow and Timeline



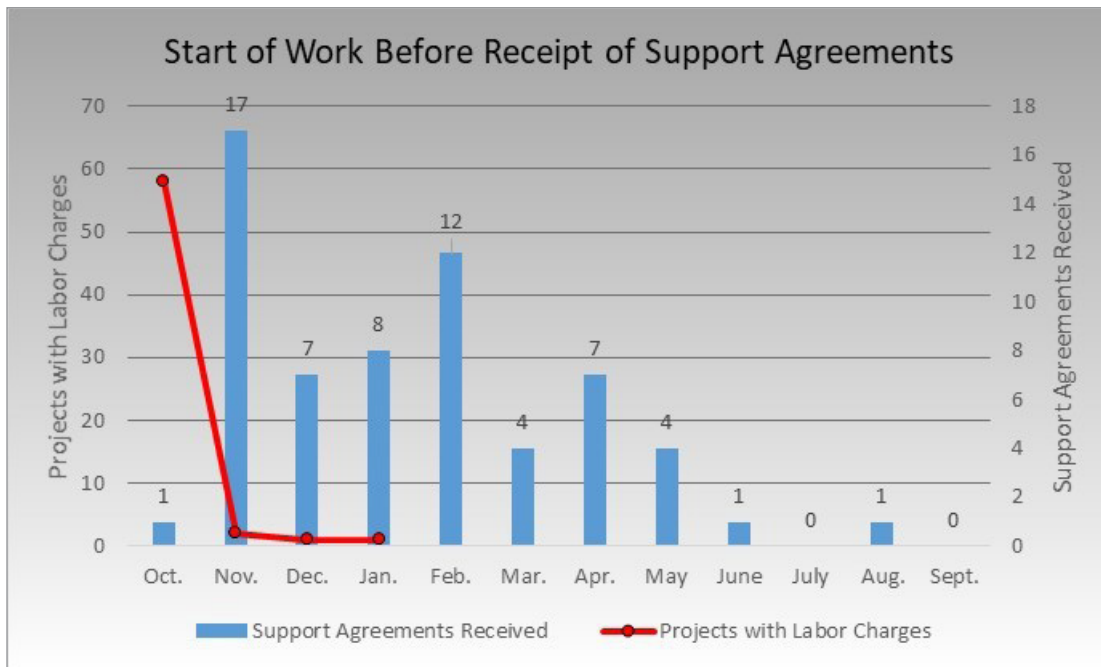
Legend

- FMIS** Financial Management Information Solution
- HQ** Headquarters
- ICW** In Coordination With
- NLT** Not Later Than

Source: CECOM G8.

For the 62 support agreements received after employees began work, Figure 10 shows that most of the employees began work in October, but CECOM received the majority of the agreements between November and May, which are after CECOM's internal timeframe. Had CECOM received agreements that adhered to its internal timeframes, this would have ensured that effective support agreements were in place before work began. The CECOM G8 Director should establish a process to identify and correct charges that were made to a WBS before CECOM received signed support agreements and orders.

Figure 10. Support Agreement Process Workflow and Timeline



Source: The DoD OIG.

CECOM’s internal controls did not prevent personnel from incurring labor charges on a WBS before the receipt of an order and establishment of an agreement. CECOM’s regulations permitted a support agreement to be effective on the date specified on the agreement, but the regulations do not prevent the predating of the effective date.²¹ Using backdated effective agreement dates falsely indicated to the assigned employees that they could charge work to the WBS as of the backdated effective dates, even though the established agreements had not been received. The CECOM Commander should update the command’s regulations to specify that support agreements become effective on the date of the last signature or the specified effective date, whichever is later, thereby requiring CECOM to rely more on its internal timeframes for obtaining signed agreements to determine effective dates.

CECOM’s “mission first” work environment allowed employees to begin work even if CECOM and the customer had not established a proper agreement or received an order. One CECOM employee stated, “Neither operations, nor customer requirements should be put on hold based on the timing of payments—they should be met regardless.” Another CECOM employee stated, “It is cultural. The customer just has to use the word ‘mission,’ and CECOM has to perform the work, regardless

²¹ CECOM Regulation 5-3, U.S. Army Communications-Electronics Command (CECOM) Command Agreements Program: “All agreements become effective on the date specified in the agreement. If there is not a specified date, it then becomes effective on the date of the last signature.”

if funding has been received.” AMC guidance provided an exception that allowed work to begin before establishing an agreement, which instructed the work to proceed without an initiated agreement so long as every effort was made to obtain a signature for up to 45 days.²² The CECOM G8 Director should implement training for employees to understand the potential violations of the Economy Act and the Purpose Statute when beginning work before establishing a binding agreement or receiving an order. The AMC Commander should update the command’s policies to require its subordinate commands to ensure that an agreement with funding exists before commencing work for a customer.

Lastly, employees working before having an established agreement and receiving an order compounded CECOM’s need for the use of assessments. In these instances, employees charged their hours to a cost center instead of the correct WBS because CECOM did not create the WBS until it had received the initial MIPR indicating an order. CECOM notified the employees that they needed to correct their timecards to properly allocate their hours to the relevant WBSs; however, not all hours were properly allocated. The hours that remained allocated to a cost center and yearend time constraints necessitated the G8’s use of the manual assessments without corrected timecards.²³ The CECOM G8 Director should establish a procedure for creating a WBS once the availability of customer funding can be certified, allowing employees to assign their productive hours to the correct WBS instead of a cost center.

Excess Funds Could Have Been Put to Better Use

Of the 174 samples tested for FY 2018 and FY 2019, CECOM retained \$7.8 million in excess funding from 104 samples via assessment transactions. Because there was no supporting documentation to substantiate actual costs and the need for these assessments, CECOM should have returned these funds to the customers. The customers could have used these funds for alternative purposes in either the current fiscal year or in future fiscal years, depending on the funds’ originally intended durations. The full \$7.8 million represents a potential monetary benefit related to unreturned excess funds that could have been put to better use.

²² U.S. Army Materiel Command (AMC) General Funds Reimbursable Concept of Operations (CONOPS): “When...the customer does not return a signed support agreement back to the supplying activity but work has been agreed upon that supplying activity shall continue to do everything in their power to obtain a signature, however if after 45 days no signature is provided that document shall be uploaded in AMC SharePoint with a one sided signature.”

²³ The G8 did not have the ability to adjust timecards directly on the behalf of employees, but the G8 was required to process related expenses before yearend.

Internal Control Weaknesses Create Potential for Unreliable Financial Information and Fraud

Due to the internal control weaknesses that exist within CECOM, CECOM's subcommands and customers cannot rely on the billing information provided to them by the G8. The Standards for Internal Control in the Federal Government, September 2014 (Green Book), defines internal controls as the processes that provide reasonable assurance that the objectives of an entity will be achieved. These weaknesses in internal controls allowed for unsupported transactions, either not documented or insufficiently documented, and inconsistent timekeeping practices, which resulted in low-quality data. Quality information, as defined by the Green Book, "is appropriate, current, complete, accurate, accessible, and provided on a timely basis." CECOM, as a subcommand of AMC, and the Department of the Army, is required to maintain documentation to support the Department of the Army Financial Statement audit. CECOM needs quality information to support the production of auditable financial statements for the Army and to provide decision makers with accurate and reliable financial information.

The Government Accountability Office's Yellow Book provides a list of conditions that are indicative of a heightened risk of fraud.²⁴ These fraud risk factors include, but are not limited to, inadequate monitoring of compliance with laws, regulations, and policies; lacking or nonexistent key documentation; and entity operations that are opportunistic for engaging in fraud. The internal control weaknesses that exist within CECOM create opportunities for employees to engage in fraudulent activity. CECOM's mission-first mentality also provides justification for circumventing internal controls. Fraud risk factors do not necessarily indicate that fraud exists, but are often present when fraud occurs.

The Green Book provides that management should consider the potential for fraud when identifying, analyzing, and responding to risks. The Green Book gives 11 examples of common categories of control activities, over half of which CECOM was deficient in within the scope of this audit, as shown in Figure 11 and indicated with the red "x."

²⁴ Government Auditing Standards 2018 Revision, July 2018 (Yellow Book), Chapter 8, Paragraph 8.75.

Figure 11. Examples of Common Categories of Control Activities

	• Top-level reviews of actual performance
✘	Reviews by management at the functional or activity level
✘	Management of human capital
	• Controls over information processing
	• Physical control over vulnerable assets
	• Establishment and review of performance measures and indicators
✘	Segregation of duties
✘	Proper execution of transactions
✘	Accurate and timely recording of transactions
	• Access restrictions to and accountability for resources and records
✘	Appropriate documentation of transactions and internal control

Source: Green Book.

CECOM was deficient in these categories in the following ways.

- Permitting employees to charge time incorrectly, requiring substantial reconciliation for labor charges, and not holding supervisors accountable for timekeeping inconsistencies, demonstrated the lack of reviews by management at the functional or activity level.
- Allowing work to begin prematurely demonstrated the lack of human capital management.
- Altering of original Acceptance MIPR documents, while keeping the accepting official's digital signature to validate the altered information, and processing the altered Acceptance MIPR documents demonstrated a weakness in the segregation of duties.
- Using millions of dollars in manual assessments, unsupported labor, and unsupported transfer activity demonstrated the lack of:
 - proper execution of transactions;
 - accurate and timely recording of transactions; and
 - appropriate documentation of transactions.

Furthermore, when asked about timekeeping inconsistencies within CECOM, a CECOM official stated, "There is no incentive for [government employees] to be forthcoming with the way they are portioning their time." In addition, when asked whether the CECOM official had ever witnessed questionable practices, the response was, "I have seen some practices that were questionable, but none with malicious intent." The CECOM official also indicated that CECOM has had problems with personnel accountability, which contributes to inaccurate timecards.

Potential Violations of the Economy Act, Purpose Statute, and Antideficiency Act

CECOM potentially violated the Economy Act, Purpose Statute, and ADA.

The Economy Act, 31 U.S.C. § 1535, permits agencies or units to contract with other agencies or units within the U.S. Government in order to procure goods or services. The Economy Act permits the ordering agency to pay for these goods or services in advance, so long as proper adjustments are made to these prepayments based on the actual cost of goods or services provided. CECOM could not support that the amounts charged to its customers reflected the actual costs incurred to provide the services. Therefore, CECOM was unable to show that the prepayments were adjusted to reflect the actual costs of the goods and services provided.

Additionally, CECOM may have violated the Purpose Statute, 31 U.S.C. § 1301. The Purpose Statute states that agencies can use funds only for the purposes outlined in the appropriation that originates the funds. CECOM commingled funds from WBSs with excess funding into a single account, and reallocated funds from the single account to WBSs with funding shortfalls. CECOM performed these transfers without maintaining an audit trail tracing the movement of the funds. The lack of an audit trail makes it impossible to determine whether funds taken from one type of appropriation, such as Operations and Maintenance or Research and Development, were transferred to WBSs with the same type of appropriation for the same agency.

Lastly, CECOM may have also violated the ADA, 31 U.S.C. §§ 1341 and 1517. The ADA prohibits any officer or employee of the U.S. Government from making or authorizing “an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.” Additionally, the Principles of Federal Appropriations Law Vol. 2, February 2006 (Red Book), states that although agencies have “some flexibility in determining costs, their determinations must be reasonable in order to avoid an augmentation.” The Red Book also states, “Failure to obtain reimbursement for all required costs in a reimbursable Economy Act transaction improperly augments the appropriations of the ordering agency.”

A G8 budget analyst described the use of assessments as a means to bring WBS balances to zero. The nature of these assessments is that they do not appear to be reasonably determined costs, but are arbitrary amounts that lack supporting documentation, bring account balances to zero, and commingle funds into central accounts. CECOM potentially violated the ADA when it used assessments to transfer funds from WBSs with excess funds to WBSs with funding shortfalls. The transfers allowed WBSs with shortfalls to accumulate costs greater than the

amounts approved or provided by the customer. Because the benefitting customers with shortfalls did not reimburse CECOM, the expenses may have exceeded their funding levels without the notification to the benefitting customers that CECOM was augmenting their funding. Therefore, CECOM potentially augmented the funding for the customers that received funds, and funds remaining in the commingled account also potentially augmented CECOM's own Operations and Maintenance appropriation. Furthermore, the ordering agency received no benefit from the originally provided funds.

Recommendations, Management Comments, and Our Responses

Summaries of management comments on the finding and potential monetary benefits, and our response are in Appendix C.

Recommendation 1

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) initiate a preliminary review of the potential Antideficiency Act violations resulting from our samples. The review should be completed within 4 months of the Assistant Secretary's direction to initiate the review, and the results of the preliminary review should be provided to the DoD Office of Inspector General.

Assistant Secretary of the Army (Financial Management and Comptroller) Comments

The Acting Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller), serving as the Senior Official Performing the Duties of the Assistant Secretary of the Army (Financial Management and Comptroller), agreed with the recommendation and requested that the Deputy Chief of Staff for Resource Management of AMC appoint an investigating officer to conduct a preliminary review of CECOM's use of customers' funds. The investigating officer must submit a preliminary report no later than May 3, 2021, to the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) concluding whether an ADA violation did or did not occur.

Our Response

The comments from the Acting Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller) addressed the specifics of Recommendation 1; therefore, the recommendation is resolved but remains open. We will close the recommendation when we verify that the preliminary review has been completed.

Recommendation 2

We recommend that the Commander of Army Materiel Command update the command's policies to require subordinate commands to establish a support agreement and certify the availability of customer funding before commencing work.

Army Materiel Command Comments

The Executive Deputy to the Commanding General, responding for the Commander of Army Materiel Command, agreed with the recommendation and stated that the applicable guidance will be updated.

Our Response

The comments from the Executive Deputy to the Commanding General addressed the specifics of Recommendation 2; therefore, the recommendation is resolved but remains open. We will close the recommendation when we verify that the guidance has been updated properly.

Recommendation 3

We recommend that the Commander of U.S. Army Communications-Electronics Command:

- a. Implement a training program to inform employees of the proper use of digital signatures, and implement a review of digital signatures to verify that they have been properly applied to documentation, such as Acceptance Military Interdepartmental Purchase Requests.**

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with the recommendation, stating that the CECOM G8 implemented a standard operating procedure regarding proper use of digital signatures effective FY 2021. In addition, the Commander stated that internal sampling and monitoring of budget analysts would be performed to promote overall audit readiness and compliance with the newly implemented procedures.

Our Response

Although we do not consider standard operating procedures to be the same as a training program, the comments from the CECOM Commander indicate corrective actions that address the intent of Recommendation 3a; therefore, the recommendation is resolved but remains open. We will close the recommendation upon verification of the digital signature standard operating procedures showing proper use of digital signatures, and validation that the employees are implementing and following those procedures.

- b. Update the command's regulations to clarify that effective dates on support agreements are the latter of the specified effective date or date of the last signature.**

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with the recommendation, stating that with the release of DoD Instruction 4000.19, "Support Agreements," December 16, 2020, CECOM will work to implement this recommendation, but notes that it will be a challenge to implement given limitations caused by customer mission requirements and fiscal realities.

Our Response

The comments from the CECOM Commander addressed the specifics of Recommendation 3.b; therefore, the recommendation is resolved but remains open. We will close the recommendation upon receipt of the updated regulations on support agreement effective dates.

- c. Establish processes to reduce the yearend number of productive hours not assigned to specific Work Breakdown Structures.**
 - 1. Require employees to update their timecards throughout the year to reflect the correct Work Breakdown Structures on which they are working in order to utilize automated calculations to determine expenses and reduce the need for manual assessments.**
 - 2. Require supervisors to identify and reconcile employees' productive hours not assigned to a specific Work Breakdown Structure on a biweekly basis.**

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with the recommendations. The Commander stated that CECOM would provide training for supervisors to reinforce the current command policy for proper charging and certification of time in the Automated Time and Attendance Production System.

Our Response

The comments from the CECOM Commander partially addressed the specifics of the Recommendations 3.c.1 and 3.c.2. While the comments implied that CECOM currently is implementing some of the recommendations, the recommendations state that CECOM must establish processes to require CECOM employees and CECOM supervisors to reconcile their time regularly and consistently. The current command policy in place does not meet the intent of this recommendation, because it addresses only the correct and proper recording of time before a supervisor certifies a timecard.

The command policy does not address a requirement for employees to update previously certified timecards to reflect the correct WBSs. The command policy also does not address a requirement for supervisors to identify timecards not reflecting a proper WBS, and ensuring that employees properly and timely update their timecards. Therefore, Recommendations 3.c.1 and 3.c.2 are unresolved and remain open. We request that the Commander provide or update command policy, specifically addressing an employee's need to properly and timely update timecards to reflect the correct WBS, and for supervisors to periodically identify and reconcile timecards that do not reflect a proper WBS.

Recommendation 4

We recommend that the Director of the U.S. Army Communications-Electronics Command Resource Management Directorate:

- a. Reduce the use of assessments without creating and maintaining supporting documentation with sufficient detail.**
 - 1. Establish a procedure for creating a Work Breakdown Structure once the availability of customer funding can be certified, allowing employees to assign their productive hours to the Work Breakdown Structures instead of a cost center.**
 - 2. Maintain supporting documentation that identifies:**
 - why the assessments were made;
 - what the assessments represent; and
 - how the assessments' actual costs were determined.
 - 3. Discontinue the process of using assessments and centralized accounts to hold excess funds, and instead:**
 - a. Transfer funds directly between Work Breakdown Structures using obligations and deobligations (provided the funds are for the same customer and the support agreement permits the transfer).**
 - b. Return excess funds to customers.**
 - c. Retain documentation identifying the nature, amounts, and approvals of transfers.**

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with Recommendation 4.a.1, but cited CECOM's reliance upon CECOM customers to provide timely receipt of funding in order to do so. The CECOM Commander also agreed with Recommendations 4.a.2 and 4.a.3 by stating that CECOM will work with CECOM Headquarters and CECOM

system program offices to address the future use of assessments. Lastly, the comments agree with Recommendation 4.a.3 as a whole, but for Recommendation 4.a.3.a, the comments add that the transferring of funds is the responsibility of CECOM's customers.

Our Response

The comments from the CECOM Commander on Recommendation 4.a.1 did not address all of the specifics of the recommendation. Recommendation 4.a.1 specified the establishing of a procedure to create WBSs upon the availability of certified customer funding, allowing employees to assign their productive hours to the WBS instead of a cost center. The comments do not address if such procedures have been or will be implemented, and instead put the responsibility on CECOM customers; therefore, this recommendation is unresolved and remains open. We request that the Commander describe how CECOM's current or planned procedures allow employees to assign their productive hours to WBSs instead of cost centers.

The comments from the CECOM Commander on Recommendation 4.a.2 addressed the specifics of the recommendation; therefore, this recommendation is resolved, but remains open. We will close the recommendation upon receipt of proof of sufficient supporting documentation for assessments.

The comments from the CECOM Commander on Recommendation 4.a.3.a did not address the specifics of the recommendation; therefore, this recommendation is unresolved and remains open. Recommendation 4.a.3.a is not related to funding transfers between CECOM and its customers, but to CECOM's use of assessments to indirectly transfer funds internally between WBSs, such as when one WBS has excess funding and another WBS has a shortage of funding. CECOM's customers are responsible for providing funding to CECOM, but CECOM creates and maintains the WBSs used to account for the receipt of the funds and how the funds are used. We request that the Commander describe the specific actions that CECOM has taken or will take to ensure that assessments are not used to transfer funds internally between WBSs, and if internal transfers between WBSs are still needed, the procedures involved with such transfers.

The comments from the CECOM Commander on Recommendations 4.a.3.b and 4.a.3.c addressed the specifics of the recommendations; therefore, these recommendations are resolved, but remain open. We will close the recommendations upon receipt of proof of timely return of excess funds to customers and proof of documentation that identifies the nature, the amounts, and the approvals of transfers.

- b. Provide substantiated actual labor charges.**
 - 1. Provide staff a thorough understanding and training on the General Fund Enterprise Business System's labor charge calculations and maintaining appropriate supporting documentation.**
 - 2. Maintain records of timecards to properly support the hours charged to each Work Breakdown Structure.**
 - 3. Retain reports of historical labor rates for at least 10 years before the rate is replaced in the General Fund Enterprise Business System.**

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with the recommendations, and stated that the command will ensure that all members of the G8 Budget Execution staff will be trained on the labor charge calculations within GFEBs, as well as on the documentation necessary to support transactions in accordance with the DoD FMR. The Commander also stated that the proper support of timecards is already being accomplished through use of ATAAPS, and that CECOM will include additional justification to better explain when cost transfers are needed. Lastly, the Commander stated that a 10-year history of historical rates is available in the General Fund Enterprise Business System.

Our Response

The comments from the CECOM Commander on Recommendation 4.b.1 address the specifics of the recommendation; therefore, the recommendation is resolved, but remains open. We will close the recommendation upon receipt of proof that training took place.

The comments from the CECOM Commander on Recommendation 4.b.2 do not fully address the specifics of the recommendation. The intent of the recommendation is to substantiate actual labor charges by the maintaining of records of timecards to support the CECOM G8's accounting of charges. The comments state that any outstanding hours allocated to customer accounts will be manually posted, and not updated in ATAAPS. This statement does not meet the intent of Recommendation 4.b.2 because there are no timecards in ATAAPS that show that the manual posting related to labor hours worked; therefore, this recommendation is unresolved and remains open. We request that the Commander specify how the manually posted labor hours can be accurately and properly attributed to their related WBSs.

The comments from the CECOM Commander on Recommendation 4.b.3 do not fully address the specifics of the recommendation. The intent of the recommendation is to substantiate actual labor charges by the maintaining of historical rates in

support of the CECOM G8's accounting of charges. The comments also state that the historical labor rates are available in GFEBS. This statement, however, is contrary to the G8 Financial Systems and Accounting Division Chief's claim that GFEBS maintains only one labor rate; therefore, Recommendation 4.b.3 is unresolved and remains open. We request that the Commander provide evidence of the 10 years of historical labor rates stored in GFEBS.

c. Implement procedures requiring the creation and maintenance of sufficient documentation to substantiate funding activities, indicating at a minimum:

- amount received or returned;
- date of the transaction;
- appropriation providing the funds;
- Work Breakdown Structure receiving the funds; and
- approval of the transfer.

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with the recommendation, but maintained that the current CECOM G8 Customer Funding/MIPR-Acceptance Process (448-2) is a working process. The CECOM Commander added that the command has fully implemented a two-level validation process, which became effective in FY 2021.

Our Response

The comments from the CECOM Commander indicated that the CECOM G8 Customer Funding/MIPR-Acceptance Process used during the period under audit met the intent of Recommendation 4.c; however, our testing revealed that the process did not require the level of detail that is needed to be considered sufficient documentation. The comments from the Commander indicated full implementation of a new process effective as of FY 2021; therefore, this recommendation is resolved but remains open. We will close the recommendation upon receipt of proof that the new process ensures that maintained documentation includes the minimum requirements listed.

d. Establish a process to identify and correct charges that were made to a Work Breakdown Structure before the receipt of an established support agreement and order.

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with the recommendation and stated that CECOM will make all efforts to ensure that customer funding is received timely and maintains pace with labor performed to avoid degradation in customer support.

Our Response

The comments from the CECOM Commander addressed the specifics of Recommendation 4.d; therefore, the recommendation is resolved, but remains open. We will close the recommendation upon receipt of documentation of an established process for identifying and correcting charges made before the receipt of an established support agreement and order.

- e. Implement a training program to inform employees of the potential violations of the Economy Act and the Purpose Statute when beginning work before establishing a binding agreement or receiving an order.**

U.S. Army Communications-Electronics Command Comments

The CECOM Commander agreed with the recommendation and stated that CECOM will implement training to correct reimbursable program execution, and to reinforce the command's processes to manage the reimbursable program, while also reinforcing Economy Act and Purpose Statute requirements, DoD Instruction 4000.19, and Army/AMC policies. The Commander stated that CECOM makes every effort to obtain signed agreements prior to the start of the new fiscal year and obtain customer funding in a manner that complies with the Economy and Anti-Deficiency Act, but cited the challenges of the reliance upon CECOM customers to provide timely receipt of funding.

Our Response

The comments from the CECOM Commander addressed the specifics of Recommendation 4.e; therefore, the recommendation is resolved, but will remain open. We will close the recommendation upon receipt of documentation of an implemented training program used to inform employees of potential violations of the Economy Act and the Purpose Statute when beginning work before establishing a binding agreement or receiving an order.

Appendix A

Scope and Methodology

We conducted this performance audit from January 2020 through January 2021 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 interviewed personnel from the G8, the CECOM Inspector General, and the CECOM Internal Review Office to obtain an understanding of CECOM's reimbursable customer billing processes and procedures. We also interviewed personnel from the G8 to determine the presence of risk factors associated with fraud. We held all meetings and interviews remotely in response to the COVID-19 pandemic.²⁵ We also obtained standard operating procedures from CECOM and AMC personnel documenting the billing processes and procedures.

The G8 personnel associated with our audit also worked remotely due to COVID-19. Despite the limitations faced by these personnel, they were able to provide us with a large volume of documentation, which enabled our audit to maintain its progression.

We received a list of FY 2018 and FY 2019 CECOM WBSs and related CECOM personnel charges from the G8. With the assistance of the Quantitative Methods Division (QMD), we statistically selected samples based on WBS rather than the support agreement. Although a support agreement can be composed of multiple WBSs, we examined the transactions applied at a WBS level. Our sample consisted of 206 WBSs out of a population of 3,006 WBSs.

We obtained the documentation necessary to support CECOM's billings for the reimbursable services related to the selected WBSs. This documentation included the Status of Funds Reports (SoFs); MIPRs (DD Form 448 and DD Form 448-2); ATAAPS timecards; Financial Management Information Solution plans; Name Annex Reports; signed DD Forms 1144; and Funding Allocation Worksheets.²⁶

²⁵ COVID-19 is an infectious disease that can cause a wide spectrum of symptoms. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President declared the COVID-19 pandemic a national emergency. A pandemic is a global outbreak of a disease that occurs when a new virus emerges to infect people and can spread between people sustainably.

²⁶ The Financial Management Information Solution is a command-approved system that CECOM uses to plan direct, reimbursable, and Army Working Capital Fund personnel assignments throughout the year.

A Funding Allocation Worksheet is a CECOM-developed tool used to track labor and non-labor charges associated with a particular WBS.

When discussing the supporting documentation with CECOM, our team learned that CECOM included WBSs in the population whose characteristics differed from the objective of our audit. We identified which of our sample items had these different characteristics. These samples involved foreign military sales, the Army Working Capital Fund, the MITRE Corporation, and private companies. Because these items did not relate to the audit objective, we excluded these samples from our review, which reduced our sample from 206 to 174 samples. The population total was also reduced from 3,006 to 1,597 WBSs.

We compared the SoFs for each WBS and the overall population's SoF to identify any instances in which the transactions listed and their related amounts did not match. Specifically, the transaction codes that we evaluated were the ALLOBJ (funding related), 9100 (assessments), 9300L (labor related charges and overhead), and 9010 (labor variances).

We reviewed 366 MIPRs (DD Form 448 and DD Form 448-2) and 171 support agreements (DD Form 1144) to identify the funded amounts for the WBS, contractual requirements, and the applicable laws and regulations. We recorded any instances in which the funded amounts recorded in the MIPRs did not match the ALLOBJ transaction amounts reported in the funded program's SoF, or where an amount reflected in the SoF did not have a supporting MIPR or other substantiating documentation.

We also reviewed the digital signatures on Acceptance MIPRs to determine whether the signatures were proper. We compared the digital signatures of Acceptance MIPRs to the date of the signatures on the corresponding requesting MIPRs. We classified a digital signature as improper if the Acceptance MIPR's digital signature showed a date stamp that was either before the requesting MIPR digital signature's date stamp, or identical to a prior Acceptance MIPR's digital signature.

We analyzed 19,026 timecards of 680 employees who had 1,142,020 hours of labor billed against WBSs in our sample. For our analysis, we used the timecards to identify hours charged to the WBS associated with the samples. We identified the labor and overhead rates for each employee charging hours to a WBS from the Name Annex Report or the Funding Allocation Worksheet. We applied these rates to the timecard hours to calculate the productive costs. To calculate the non-productive costs, we applied the rates to the leave taken, and prorated the amount based on the ratio of the hours the employees charged to a WBS and hours the employees worked elsewhere. We combined the non-productive and productive costs to determine the total labor costs billable for each employee. Lastly, we summed the total labor costs for each employee on a WBS to determine the total labor costs for each sample, and compared the sample's calculated labor

costs to the SoF's indicated labor costs (costs associated with the 9300L and 9010 transaction codes). We considered differences more than 10 percent to be unsupported, or unsubstantiated.

We also used the timecards to identify the dates first associated with labor costs. We compared these dates to the support agreements and MIPRs to determine WBSs in which employees began incurring expenses before an established agreement and before receipt of funding. For the support agreements (DD Forms 1144) relating to 171 samples, we used the dates of the last signatures on the agreements as the dates that the agreements were established. For the MIPRs, we used the request date of the first MIPR request for the sample item as the date that CECOM received the initial order request.

The CECOM reimbursable activity for FYs 2018 and 2019 consisted of a universe of transactions of \$135.4 million and \$160 million, respectively. During our audit, we tested funding activity, labor charges, and observed assessments. The figures related to the items tested are in the following table.

Table. Net Values of Items Tested (in Millions)

Fiscal Year	Value of MIPRs Tested	Value of Timecards Tested	Value of Assessments Tested
FY 18	\$50.1	\$42.6	\$6.0
FY 19	75.0	67.1	(0.4)
Total	\$125.1	\$109.7	\$5.6

Source: The DoD OIG.

Use of Computer-Processed Data

We used computer-processed data from GFEBs, ATAAPS, and the Financial Management Information Solution. CECOM generated the SoF data out of GFEBs onto an Excel spreadsheet. The SoF data related to the FY 2018 and 2019 populations, the Excel spreadsheets listed CECOM's:

- funded programs,
- WBSs,
- support agreement numbers,
- transaction codes, and
- summary amounts for the fiscal year.

We examined the population data to ensure that the parameters used to create the reports were reasonable. We also reviewed the population data for anomalies. We then provided the population data to QMD to create a statistical sample.

For our sample, CECOM personnel provided SoF data for each sample item. The SoFs for the sample items were similar to the FY 2018 and 2019 population SoFs, except the SoFs for the sample items included transaction dates as an additional field. In order to test the reliability of the sample data, we reconciled the SoFs of the sample items against the related population SoF. We used the SoFs from the sample items to evaluate the accuracy and reasonableness of the funding amounts, labor charges, and assessment amounts of the samples. We determined that the SoFs from the sample items were sufficiently reliable for our purposes because they reflected the data GFEBs used for tracking the funding levels and billed expenses.

We used all other computer-processed data for corroborating evidence; therefore, we determined that the data were sufficiently reliable for our purposes.

Use of Technical Assistance

We met with QMD representatives to determine the most efficient and effective sampling methodology. We provided QMD with our universe, and QMD provided us with a statistical sample.

We informed QMD of the required adjustment to our selected sample. After reviewing our results and considering the adjusted sample size, QMD determined that we could no longer project the results.

Prior Audit Coverage

No prior audit coverage has been conducted on CECOM's customer billings during the last 5 years.

Appendix B

Summary of Potential Monetary Benefits

Recommendation	Type of Benefit ¹	Amount of Benefit ²	Account
4.a.3.b	Internal Controls. Prevents CECOM from retaining funds in violation of the Economy Act, and using funds in violation of the Purpose Statute.	\$4,393,041.97	Operation and Maintenance, Army-0212020
		2,429,663.37	Other Procurement, Army-0212035
		684,028.99	Defense Working Capital Fund-0974930
		100,003.33	Defense Health Program-0970130
		58,705.51	Space Procurement, Air Force-0573023
		51,612.55	Research, Development, Test, and Evaluation, Army-0212040
		27,403.06	Procurement, Defense-Wide-0970300
		20,761.06	Operation and Maintenance, Defense-Wide-0970100
		9,460.50	Operation and Maintenance, Air Force-0573400
		7,639.13	Military Construction, Army-0212050
		1,742.54	Operation and Maintenance, Army National Guard-0212065
		53.00	Bonneville Power Administration-0964045 ³
	Total	\$7,784,115.01	

¹ Potential monetary benefits are funds that could be put to better use or questioned costs.

² The amount of the benefit represents the amount CECOM should have returned to the customer for better uses, or for the customer to return to the U.S. Treasury.

³ These are funds of the U.S. Army Corps of Engineers.

Source: The DoD OIG.

Appendix C

Management Comments on the Finding and Potential Monetary Benefits, and Our Responses

U.S. Army Communications-Electronics Command Comments on Violations of Statutes, Regulations, and Policies

The CECOM Commander provided comments to address statements in the report, stating that CECOM does not agree with the report's assertion that CECOM violated the Economy Act, Purpose Statute, or DoD FMR, as applicable during the periods reviewed in our audit. The CECOM Commander also stated that a further inquiry into possible ADA violations is unnecessary, as CECOM has acted in accordance with applicable law, regulation, and policy applicable at the time.

Our Response

We disagree with the CECOM Commander's comment that CECOM has acted in accordance with applicable laws and regulations applicable during the periods reviewed in our audit. We also disagree with the Commander's comment that further inquiry into possible ADA violations is unnecessary.

Violations of the DoD FMR due to the lack of supporting documentation and for the improper use of digital signatures when signing Acceptance MIPRs were discussed in our report. The existence of Economy Act violations and potential Purpose Statute and ADA violations primarily relate to multiple factors related to assessments, including:

- CECOM's lack of supporting documentation showing the basis for the assessments;
- CECOM's commingling and reallocation of assessments; and
- CECOM's inconsistent explanations regarding the nature of the assessments.

Unlike the term "labor expense," the term "assessment" does not provide a general indication of what the transaction represents or how the amount was likely determined. Rather, "assessment" is similar to the term "miscellaneous," and it is CECOM's responsibility to not only explain the nature of the assessments, but to provide evidence to substantiate the explanation.

CECOM's initial explanation regarding assessments claimed that the assessments were strictly related to timecards that GFEBs could not capture due to the yearend closure of the interface with the timekeeping system, ATAAPS. Although this

explanation would indicate a reasonable use of an assessment due to a technical limitation, it must be validated with supporting documentation, as the DoD FMR requires, which CECOM could not provide.

We attempted to corroborate CECOM's explanation with supporting documentation and a meeting with CECOM, where personnel discussed the supporting documentation provided for a specific sample item. CECOM was able to provide only a spreadsheet showing the amount of assessment, but could not provide details of how CECOM determined the amount, or what specific activities the assessment represented. When asked if anything else existed to support the assessment, CECOM personnel replied that nothing else existed. Therefore, we could not verify that the assessment related to hours that GFEBS would normally obtain from ATAAPS, such as which employees and how many hours related to the assessment, nor could we validate the assessment related to costs actually incurred for the sample item.

Further review of the assessments revealed that the assessments also occurred at periods not at yearend, indicating that CECOM personnel used them for reasons other than a yearend interface closure. We also observed that some assessments, although at yearend, were perfectly rounded dollar amounts, such as the \$380,000 reflected in Figure 3, indicating that the assessments may relate to something other than uncaptured labor hours from ATAAPS.

In addition to the aspects regarding the timing and amounts of the assessments, we discovered accounting details showing the use of a centralized account associated with the assessments. This discovery suggests that assessments may not be related to expenses incurred for the customer who was charged the assessment. If an assessment represented an expense for a particular customer, then there would be no need to move funding into a centralized holding account, as the funds would be considered already used.

During a subsequent meeting, we informed CECOM of our observations. CECOM personnel admitted that the balances remaining in accounts were simply zeroed out using the assessments, contradicting the initial ATAAPS explanation. CECOM personnel also confirmed that funds associated with an assessment were moved between a customer's account and a centralized account.

Although a portion of the assessments may relate to uncaptured labor expenses, CECOM's method of simply using a customer's account balance as the basis of an assessment's amount is not considered an actual expense or a reasonable estimate of an actual expense, violating the Economy Act and DoD FMR. The example related to Figure 3 demonstrates how unreasonable some of the amounts could

be; an assessment of \$380,000 is not a reasonable estimate of uncaptured yearend labor expenses for a single employee, especially when no supporting documentation existed for the basis of the assessment.

With respect to the Purpose Statute and ADA, each of our observations discussed could signify potential violations of these statutes. The overall amount associated with the assessments, in addition to the combination of our observations, however, compound the potential to such a degree that a further inquiry into the potential violations, particularly potential ADA violations, is not only warranted, but necessary.

Throughout our report, we provided evidence that supports the conclusion that CECOM violated the Economy Act and DoD FMR. The report also points to multiple potential Purpose Statute and ADA violations due to the way CECOM used assessments. CECOM's comments claim that CECOM did not violate the statutes or DoD FMR, but CECOM's comments do not refute, nor do they even address, the underlying reasons we determined that violations occurred or potentially occurred. Furthermore, the Acting Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller) agreed with, and has already initiated, the report's recommendation to conduct a further inquiry into the ADA violations.

U.S. Army Communications-Electronics Command Comments on Potential Monetary Benefits

The Commander does not agree that CECOM improperly retained \$7.8 million, instead of returning the funds to customers. The CECOM Commander provided comments to address methodology used for our audit, stating that the audit was performed using a random sampling of MIPRs within a support agreement rather than a sampling of support agreements, and claiming this approach differed from the original scope of the audit. The Commander also stated support agreements provide a more accurate accounting of customer funding and shows the entirety of the transactions which took place to support customers, whereas the numerous MIPRs under a given support agreement must be considered collectively

Our Response

We maintain that the \$7.8 million was improperly billed to customers by CECOM and should be returned to its customers. We disagree with the CECOM Commander's implication that our audit's methodology omitted information, which led us to inaccurate determinations. The comments misrepresent the relationship between MIPRs and support agreements, and create the false impression that our audit would have reached other conclusions had our sample been based on support agreements. The \$7.8 million relates to CECOM's process of commingling funds into

a centralized account using assessments, and not to MIPRs or support agreements. Accordingly, the distinction between a MIPR and support agreement would not affect the report's finding regarding the \$7.8 million.

Although it is accurate that a particular support agreement may involve numerous MIPRs, these MIPRs are connected to the WBSs of the support agreement, and a support agreement may involve multiple WBSs. The WBS is the mechanism used to track funding activities and expenses for a particular area of a support agreement.

Furthermore, contrary to the Commander's statement, we did not conduct our sampling based on MIPRs. Our sampling, as discussed in Appendix A, was conducted based on the WBS, which is directly tied into the accounting system of record for the Army, GFEBs. When presented with our sample, CECOM personnel did initially state that we should perform our sample based upon the support agreements instead, similar to the Commander's comments. CECOM personnel, however, agreed to move forward using the WBS as the basis for the sample.

We met with CECOM personnel and discussed the impact of using the support agreement as a basis. Because the transactions are recorded at the WBS level (which is the detail recorded within GFEBs), we agreed that we would still need to review transactions at the WBS level. As a result, although a support agreement basis would have reduced the sample size, the volume of supporting documentation would have been magnitudes greater, due to the significant increase of WBSs being reviewed.

We recognize using the WBS as the sampling basis means we did not have a holistic view of a given support agreement. Our audit objective, however, did not involve the entirety of a support agreement. Our audit objective focused on the billings of a support agreement, which is at the WBS level. Our findings and recommendations are similarly at the WBS level because they are based on the transactional activities of the support agreements. Additionally, as our report notes, the DoD FMR requires audit trails that aid in substantiating an agency's transactions.

Including these additional WBSs would not alter our findings and recommendations, because the additional WBSs would involve different transactions. For example, if we had included all of the omitted WBSs for the support agreements associated with our sample, it would not change the fact that certain transactions within our sample did not have supporting documentation or included improper signatures. Similarly, the \$7.8 million relates to transactions for specific WBSs, so reviewing transactions for other WBSs would not change the report's identification of the \$7.8 million as a potential monetary benefit.

Management Comments

Assistant Secretary of the Army (Financial Management and Comptroller)



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

SAFM-ZA

JAN 26 2021

MEMORANDUM THRU Auditor General, Department of the Army, 3101 Park Center Drive, Alexandria, Virginia 22302-1596

FOR Inspector General, Department of Defense, Financial Management and Reporting, 4800 Mark Center Drive, Alexandria, Virginia 22350-1500

SUBJECT: Command Reply – Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronic Command Billings to Customers (D-2020-D000FI-0076.000)

1. We appreciate the opportunity to submit a response to Recommendation 1 in the subject report. The audit recommended that: "Assistant Secretary of the Army (Financial Management and Comptroller) initiate a preliminary review of the potential Antideficiency Act violations resulting from the selected samples. The review should be completed within four months of the Assistant Secretary's direction to initiate the review, and the results of the preliminary review should be provided to the DoD Office of Inspector General."
2. We concur with this recommendation as written. On 5 January 2021, the Army initiated a new preliminary review. This investigation is being conducted by U.S. Army Materiel Command and the report of investigation is due to us on 3 May 2021. The results of this investigation will be shared with DoDIG.
3. The Army point of contact for this report is [REDACTED] who can be reached at [REDACTED], e-mail: [REDACTED].

Wesley C. Miller
Senior Official Performing the Duties of the
Assistant Secretary of the Army
(Financial Management and Comptroller)

Army Materiel Command



DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
4400 MARTIN ROAD
REDSTONE ARSENAL, AL 35898-5000

AMIR

19 FEB 2020


MEMORANDUM FOR Department of Defense Inspector General (DoDIG/ [REDACTED]), Program Director, Audit Financial Management and Reporting, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments to DoDIG Draft Report – Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers, Project: D2020-D000FI-0076.000

1. The U.S. Army Materiel Command has reviewed the subject draft report and concurs with recommendation two. We have also reviewed and endorse the comments and recommendations by the U.S. Army Communications-Electronics Command. Specific comments to each recommendation are included at the enclosure.

2. The U.S. Army Materiel Command point of contact is [REDACTED] or email: [REDACTED]

2 Encls
1. AMC G-8 Comments
2. CECOM Comments


LISHA H. ADAMS
Executive Deputy to the
Commanding General

Army Materiel Command (cont'd)



DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
4400 MARTIN ROAD
REDSTONE ARSENAL, AL 35898-5000

AMRM-F

MEMORANDUM FOR Director, Internal Review and Audit Compliance Office,
Headquarter, U.S. Army Materiel Command, 4400 Martin Road, Redstone Arsenal, AL
35898

SUBJECT: Army Materiel Command, Resource Management, Financial Operations
Division, Reply to the Department of Defense Inspector General Draft Report "Audit of
DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command
Billings to Customers"

1. Reference draft audit report "Audit of DoD Hotline Allegation Concerning U.S. Army
Communications-Electronics Command Billings to Customers" (Project No. D2020-
D000FI-0076.000).
2. The Army Materiel Command, Resource Management, Financial Operations Division,
has reviewed the results and recommendations in the subject draft report. We concur with
Recommendation #2 and provide additional comments in the enclosed.
3. The Army Materiel Command, Resource Management, Financial Operations Division,
has reviewed the recommendations addressed to U.S. Army Communications-Electronics
Command. We concur with their Recommendations.
4. My point of contact is the undersigned.



Division Chief,
Financial Operations Division

Army Materiel Command (cont'd)

**Army Materiel Command, Resource Management, Financial Operations Division,
Reply to the Department of Defense Inspector General Draft Report "Audit of DoD
Hotline Allegation Concerning U.S. Army Communications-Electronics Command
Billings to Customers" (Project No. D2020-D000FI-0076.000)**

EXECUTIVE SUMMARY

Purpose: To provide the initial Headquarters, U.S. Army Materiel Command response to recommendations identified by the Department of Defense Inspector General draft report "Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers" (Project No. D2020-D000FI-0076.000). One recommendation was identified for an Army Materiel Command response within the overall audit report. Below is the identified audit recommendations with the Army Materiel Command's concurrence and corrective actions to be implemented.

Draft Audit Report Recommendation #2: We recommend that the Commander of Army Materiel Command update the command's policies to require subordinate commands to establish a support agreement and certify the availability of customer funding before commencing work.

Army Materiel Command (AMC) concurs with the recommendation provided by the DoD-IG and will update the applicable guidance.

U.S. Army Communications-Electronics Command



DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY COMMUNICATIONS-ELECTRONICS COMMAND
BUILDING 6002, ROOM D2250
6585 SURVEILLANCE LOOP
ABERDEEN PROVING GROUND, MARYLAND 21005-1845

AMEL-CG

11 February 2021

MEMORANDUM FOR [REDACTED] Program Director for Audit Financial Management and Reporting, DoD Inspector General Office, [REDACTED]

SUBJECT: U.S. Army Communications-Electronics Command Comments to DoD Office of Inspector General (DoDIG) Draft Report titled: Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers (Project No. D2020-D000FI-0076.000)

1. The U.S. Army Communications-Electronics Command (CECOM) recognizes that the DoDIG is concerned with transparency and accountability within CECOM's reimbursable program. CECOM is committed to resolving the DoDIG's concerns.
2. CECOM concurs with (or concurs with comment) on all of the DoDIG audit recommendations. CECOM is committed to improving its reimbursable program and will take the necessary measures to resolve the DoDIG's concerns. However, CECOM does not concur with the DoDIG assertion that CECOM violated the Economy Act, Purpose Statute, or DoD FMR. CECOM implemented its reimbursable program in accordance with the Economy Act, Purpose Statute, DoD FMR, and applicable OSD, HQDA and AMC guidance. Thus, the recommendation to conduct further inquiry regarding possible Anti-Deficiency Act violations is unwarranted and unnecessary as CECOM has acted in accordance with applicable law, regulation, and policy applicable at the time.
3. CECOM, accordingly, does not concur with the finding that CECOM improperly retained approximately \$7.8M instead of returning this funding to customers. The DoDIG audit was conducted by reviewing a random sampling of individual MIPRs within a support agreement rather than reviewing the entire support agreement, which differed from the original scope of the audit. Reviewing information at the overarching support agreement level provides a holistic view of the funding agreements. It also provides a much more accurate accounting of customer funding because a concurrent review of all MIPRs under a given support agreement shows the entirety of the transactions that took place to support a given customer. CECOM's support agreements are funded by numerous MIPRs. The MIPRs under a given support agreement need to be considered together in order to provide a complete picture and accurate accounting.
4. CECOM has implemented internal processes and tools to assist in the management and governance of the reimbursable mission. CECOM will continue to reinforce these processes and tools to ensure the command's reimbursable mission is managed IAW all applicable statutory and regulatory guidelines. CECOM will also continue to increase

U.S. Army Communications-Electronics Command (cont'd)

AMEL-CG

SUBJECT: U.S. Army Communications-Electronics Command Comments to DoD Office of Inspector General (DoDIG) Draft Report titled: Audit of DoD Hotline Allegation Concerning U.S. Army Communications-Electronics Command Billings to Customers (Project No. D2020-D000FI-0076.000)

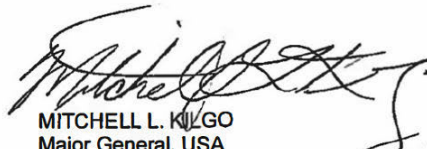
emphasis on support agreement documentation signatures before the start of the period of performance (PoP), ensure digital signatures are accurately applied, reinforce leadership focus in adherence to the Command's policies with respect to correct charging and certification of time in Automated Time Attendance and Production System (ATAAPS) and expand our documentation related to any cost transfers or assessments that are needed. Consistent adherence to CECOM's established processes will enable CECOM to continue to improve transparency and auditability of the program in the future.

5. For those challenges that are within CECOM's internal control, the Command is tackling these issues head-on through increased governance, separation of duties, and increased training. The establishment of command-wide processes and tools used to monitor the command's reimbursable program have matured over the last few years, resulting in greater visibility and increased ability to project costs. At the center of this process is the General Funds Execution Business System (GFEBs), which is the Army's financial system of record for general funds execution. However, GFEBs did not, and still does not, provide the level of fidelity necessary to link all aspects of a reimbursable program from individual planning through to execution.

6. Consistent adherence to this process and the use of tools and reporting will be the cornerstone of auditability in the future. The success of this process is reliant upon multiple factors: (1) complete and accurate understanding of a customer requirement before the start and throughout the FY, (2) proper planning of personnel throughout the year by pay period, (3) timely receipt of customer funding for support provided, (4) accurate logging of funding received against the correct reimbursable support agreement and (5) proper charging of time in ATAAPS by each employee, which is then certified by the supervisor of that employee.

7. CECOM is committed to improving management of its reimbursable program. Over the last few years, CECOM has deliberately and independently instituted measures to improve execution of its reimbursable program and mitigate risk through increased governance, separation of duties, and increased training. We remain dedicated to the resolution of shortfalls and alleviating concerns identified by the DoDIG audit.

8. My point of contact is [REDACTED], Deputy to the Commanding General,


MITCHELL L. KILGO
Major General, USA
Commanding

U.S. Army Communications-Electronics Command (cont'd)

RECOMMENDATIONS FOR AND COMMENTS FROM THE COMMANDER OF CECOM

RECOMMENDATION 3.a: Implement a training program to inform employees of the proper use of digital signatures, and implement a review of digital signatures to verify that they have been properly applied to documentation, such as Acceptance Military Interdepartmental Purchase Requests.

COMMAND COMMENTS 3.a:

Concur with recommendation. An SOP regarding proper use of digital signatures was implemented within CECOM G8 effective start of FY21. In addition, internal sampling will be performed as part of our overall audit readiness efforts to ensure budget analysts are abiding by this SOP.

RECOMMENDATION 3.b: Update the command's regulations to clarify that effective dates on support agreements are the latter of the specified effective date or date of the last signature.

COMMAND COMMENTS 3.b:

Concur with comment to this recommendation. With the release of the new DoDI 4000.19, ('Support Agreements' dated 16 Dec 2020), CECOM will work to implement this recommendation recognizing it will be a challenge to satisfy the limitations imposed with customer mission requirements and fiscal realities (e.g., receipt of customer funds on 1 OCT XX). However, note that CECOM was in compliance with HQDA policy ('Period of Performance for Reimbursable Agreements' dated 14 Jun 2016) that stated the opposite of this recommendation during the time period of this audit.

RECOMMENDATIONS 3.c: Establish processes to reduce the year-end number of productive hours not assigned to specific Work Breakdown Structures (WBS).

1. Require employees to update their timecards throughout the year to reflect the correct WBS' on which they are working in order to utilize automated calculations to determine expenses and reduce the need for manual assessments.
2. Require supervisors to identify and reconcile employees' productive hours not assigned to a specific WBS on a biweekly basis.

COMMAND COMMENTS 3.c:

Concur with recommendations. The current time and attendance process in place for CECOM reimbursable personnel is for employees to account for their time in ATAAPS at the specific customer-funded WBS level, if one exists. If one does not exist, the process is for time to be accounted for at the cost center level until a WBS is implemented based upon receipt of customer funds. Once that occurs, retroactive time cards will be processed when possible. When this is not possible (like at year-end), cost transfers will be executed to move applicable costs to the appropriate WBS.

CECOM's current time and attendance process requires each first line supervisor to ensure their employees time and attendance is correctly and properly recorded prior to certification.

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CECOM will provide training for supervisors to reinforce the command policy WRT proper charging and certification of time in ATAAPS.

RECOMMENDATIONS FOR AND COMMENTS FROM THE DIRECTOR OF THE U.S. ARMY COMMUNICATIONS-ELECTRONICS COMMAND RESOURCE MANAGEMENT DIRECTORATE

RECOMMENDATIONS 4a: Reduce the use of assessments without creating and maintaining supporting documentation with sufficient detail.

1. Establish a procedure for creating a WBS once the availability of customer funding can be certified, allowing employees to assign their productive hours to the WBS' instead of a cost center.
2. Maintain supporting documentation that identifies:
 - why the assessments were made;
 - what the assessments represent; and
 - how the assessments' actual costs were determined.
3. Discontinue the process of using assessments and centralized accounts to hold excess project funds, and instead:
 - a. Transfer funds directly between WBS' using obligations and deobligations (provided the projects are for the same customer and the support agreement permits the transfer).
 - b. Return excess funds to customers.
 - c. Retain documentation identifying the nature, amounts, and approvals of transfers.

COMMAND COMMENTS 4.a:

Concur with comment to this recommendation. Specific to Recommendation 4.a.1, we, like the rest of AMC, rely on the timely receipt of funding from our customers. Without the timely receipt of customer funding, we place our direct appropriations at risk, potentially resulting in unplanned growth to the Army's appropriated operations. To meet the intent of recommendations 4.a.2 and 4.a.3, CECOM will work with our higher headquarters and system program offices regarding future use of assessments.

Regarding excess customer funds, CECOM processes are to identify funds not earned against a support agreement as early as possible in the fiscal year in order to return unexecuted funding and provide our customers time to use these monies against unfunded requirements they may still have. In addition, CECOM manages funding for its reimbursable workload at the support agreement level. Transferring funds between funding documents is the responsibility of the customer via MIPR amendments. We often receive funds on multiple MIPRs for a single support agreement.

U.S. Army Communications-Electronics Command (cont'd)

RECOMMENDATION 4.b: Provide substantiated actual labor charges.

1. Provide staff a thorough understanding and training on the General Fund Enterprise Business System's (GFEBS) labor charge calculations and maintaining appropriate supporting documentation.
2. Maintain records of timecards to properly support the hours charged to each WBS.
3. Retain reports of historical labor rates for at least 10 years before the rate is replaced in the GFEBS

COMMAND RESPONSE 4.b:

Concur with recommendation. The command will ensure all members of the G8 Budget Execution staff are trained and have a full understanding on the labor charge calculations within GFEBS. Additionally, the staff will be trained on the documentation necessary to support transactions in accordance with the DoD FMR.

Proper support of timecards is being accomplished through the use of the DoD ATAAPS for staff time and attendance input, and supervisor approval of hours charged to each WBS or cost center. However, during year-end, the ATAAPS interface to GFEBS is shut down. After shut down, any outstanding hours to be allocated to customer accounts will be posted using the Manual Time Tracking process in GFEBS, which will not update the timecard in ATAAPS. If any hours are remaining at the cost center level after MTT shutdown, it will require a cost transfer (dollars only) to close out the reimbursable program. The only way to ensure full accounting of costs to a customer that is accurately reflected in ATAAPS is for 100% accountability for all employees and certifying officials to correctly charge fully funded customer WBS programs throughout the year, to include the accelerated pay process at year-end. CECOM will include additional justification to the Cost Transfer Request Form to better explain any cost transfers that are needed at year-end.

Regarding the 10 years of labor history, there is no action for CECOM to take. This data is available in GFEBS BI in the Detail Labor Report.

RECOMMENDATION 4.c: Implement procedures requiring the creation and maintenance of sufficient documentation to substantiate funding activities, indicating at a minimum:

- amount received or returned;
- date of the transaction;
- appropriation providing the funds;
- Work Breakdown Structure receiving the funds; and
- approval of the transfer

COMMAND COMMENTS 4.c

Concur with recommendation. In accordance with the CECOM G8 Customer Funding/MIPR-Acceptance Process (448-2), the MIPR and MIPR Acceptance maintain sufficient documentation that indicates the amount received or returned within a Sales Order, found in Block 8 of the MIPR Acceptance. The date of the transaction is located within Block 4 of the

U.S. Army Communications-Electronics Command (cont'd)

MIPR Acceptance. The MIPR has to be accepted within 10 working days from the time the funding is sent. The appropriation of funding, along with the WBS/funded program number, is located on the remarks section found in Block 13 in the MIPR acceptance. In addition, Block 16 indicates the authorized official's signature, which would include the Budget Analyst as well as the Team Lead for that program. Full implementation of the new process for two-level validation was put in place in FY21 as a result of the new GFEBS rule to split the Sales Order Approval and Sales Order certifier roles.

RECOMMENDATION 4.d: Establish a process to identify and correct charges that were made to a WBS before the receipt of an established support agreement and order.

COMMAND COMMENTS 4.d

Concur with comment to the recommendation. CECOM's reimbursable process does not allow for the recording of any costs against a WBS before initial customer funding is received. With that said, all efforts will be made to ensure that customer funding is received timely and maintains pace with labor performed to avoid degradation in customer support.

RECOMMENDATION 4.e: Implement a training program to inform employees of the potential violations of the Economy Act and the Purpose Statute when beginning work before establishing a binding agreement or receiving an order.

COMMAND COMMENTS 4.e

Concur with comment to the recommendation. CECOM will implement training regarding the correct execution of and to reinforce the command's processes to manage the reimbursable program. Training will reinforce Economy Act and Purpose Statute requirements and incorporate the new guidelines in DODI 4000.19 and Army/AMC policy derived from this DODI. CECOM makes every effort to obtain 1) signed support agreements prior to the start of the new FY and 2) customer funds as near to work start date as possible in order to comply with Economy Act and avoid Anti-Deficiency Act violations in all aspects of our operations. Our Command remains challenged to satisfy the limitations imposed by this guidance with customer mission requirements and fiscal realities. If/when funding is not received in a timely manner, degraded support to customers should be expected. However, the lack of timely receipt of customer funds does put additional strain on our direct appropriations to absorb unplanned costs arising from the customer's inability to provide funding in a timely manner.

POTENTIAL MONETARY BENEFITS

CECOM kept approximately \$7.8M instead of returning the funding to customers, who could potentially put the funds to a better use or return the funds to the U.S. Treasury.

COMMAND COMMENTS

CECOM does not agree with this assessment. Based on the methodology used in performing this audit and for the reasons cited in this response, there was no definitive determination that \$7.8M in funding was kept by CECOM as excess funding or improperly applied to other customer work efforts.

Acronyms and Abbreviations

ADA	Antideficiency Act
AMC	Army Materiel Command
APG	Aberdeen Proving Ground
ATAAPS	Automated Time and Attendance Production System
CECOM	U.S. Army Communications-Electronics Command
DoD FMR	Department of Defense Financial Management Regulation
GFEBs	General Fund Enterprise Business System
MIPR	Military Interdepartmental Purchase Request
QMD	Quantitative Methods Division
SoF	Status of Funds Report
WBS	Work Breakdown Structure



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