

Naval Audit Service



Audit Report



Department of the Navy Acquisition and Disbursing Checks and Balances at Camp Lemonier, Djibouti, Africa

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N2009-0041
30 July 2009

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MEMORANDUM FOR DISTRIBUTION

Subj: **DEPARTMENT OF THE NAVY ACQUISITION AND DISBURSING CHECKS AND BALANCES AT CAMP LEMONIER, DJIBOUTI, AFRICA (AUDIT REPORT N2009-0041)**

Ref: (a) SECNAVINST 7510.7F, "Department of the Navy Internal Audit"
(b) NAVAUDSVC memo 7510 N2008-NAA000-0125.000, dated 26 Feb 08
(c) NAVAUDSVC memo 7510 N2008-NFA000-0126.000, dated 26 Feb 08

1. We have completed the subject audit in accordance with reference (a), announced by references (b) and (c). The Commander, United States Africa Command provided management responses for their recommendations and also for the recommendations directed to the Commander, United States Naval Forces Africa; Commander, Navy Region Europe, Africa, and Southwest Asia; and Naval Supply Systems Command. The summarized responses, along with our comments, are in Section A of this report. The complete text of the management responses is included in the Appendix to this report. Section B provides the status of the recommendations, along with target completion dates for agreed-to actions.

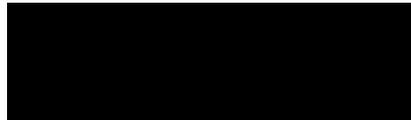
2. The planned actions in management's responses satisfy the intent of the recommendations. Recommendations 5-7, 9, 11, and 16-19 are considered open pending completion of agreed-to corrective actions and are subject to monitoring in accordance with reference (a). Since corrective actions have been taken for Recommendations 1-4, 8, 10, and 12-15, they are considered closed, with no further action required.

3. For the open recommendations, a written status report on the actions taken should be sent in electronic format (Microsoft Word or Adobe Acrobat file) to the Assistant Auditor General for Research, Development, Acquisition and Logistics Audits, XXXXXXXX. XXXXXXXXXXXXXXXXXXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXXXXXXXXXXXXXX, either upon completion of agreed-to actions or within 30 days after the target completion date. Please be sure the electronic version is on letterhead and includes a scanned signature.

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**Subj: DEPARTMENT OF THE NAVY ACQUISITION AND DISBURSING
CHECKS AND BALANCES AT CAMP LEMONIER, DJIBOUTI, AFRICA
(AUDIT REPORT N2009-0041)**

4. Any request for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy, as required by reference (a). This audit is subject to follow up in accordance with reference (a).
5. We appreciate the cooperation, courtesies, and professional assistance extended to our auditors during this audit effort.



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Section A:

Results of Audit

Reason for Audit

The objective of the audit was to verify that Department of the Navy (DON) checks and balances for acquisitions and disbursements was in place to detect, deter, and prevent fraud, waste, and abuse in compliance with Federal, Department of Defense (DoD) and DON acquisition and disbursing requirements.

This audit effort was a follow-on to the Secretary of the Navy's acquisition task force visits in October 2007 and January 2008 to Bahrain and Camp Lemonier, Djibouti, (CLDJ) Africa, respectively, to identify vulnerabilities to fraud, waste, and abuse. We also included a limited review of the ethics program for the Combined Joint Task Force-Horn of Africa (CJTF-HOA). Based on our review, we found CJTF-HOA was compliant with ethics requirements.

Synopsis

This report provides written audit results and recommendations that address significant internal control weaknesses in the oversight and management of the contracting and disbursing operations at CJTF-HOA in Djibouti, Africa. These internal control weaknesses have significantly impacted CJTF-HOA's ability to provide reasonable assurance to DoD and DON leadership that internal control objectives are being achieved in the following categories:

- Effectiveness and efficiency of operations, including the use of the entity's resources;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

According to the Government Accountability Office's (GAO's) "Standards for Internal Controls in the Federal Government," internal controls serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Our limited-scope audit of the CJTF-HOA contracting and Naval Support Activity (NSA) and Personnel Support Detachment (PSD) Bahrain disbursing operations at Camp Lemonier showed that the overall operational environment is highly conducive to allowing fraud, waste, and abuse to go either undetected or not reported in timely manner. The GAO's internal control standards provide reasonable assurance regarding prevention, or prompt detection

of, unauthorized acquisition, use, or disposition of an agency's assets. Further, these standards provide the minimum level of quality acceptable for internal controls in the Government. These standards include:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communications; and
- Monitoring.

These standards apply to all aspects of an agency's operations: programmatic, financial, and compliance. In implementing these standards, management is responsible for developing the detailed policies, procedures, and practices to fit their agency's operations and to ensure that they are built into an integral part of operations. Internal controls help Government program managers achieve desired results through effective stewardship of public resources. However, we found that United States Central Command (USCENTCOM), CJTF-HOA, Naval Supply Systems Command (NAVSUP), Navy Region Southwest Asia (CNRSWA), Fleet and Industrial Supply Center Sigonella Naval Regional Contracting Department Naples (FISCSI NRCD Naples), NSA Bahrain Commercial Bill Payment Office (CBPO), and PSD Bahrain Disbursing Office had not sufficiently implemented these internal control standards nor provided sufficient oversight over contracting and disbursing operations supporting the CJTF-HOA mission. For instance, we found the following significant internal control weaknesses:

- CJTF-HOA had not established a Managers' Internal Control (MIC) Program to identify control weaknesses that could adversely affect the organization's ability to meet its internal control objectives;
- CJTF-HOA had not implemented a sufficient Hotline Program to combat fraud, waste, and mismanagement;
- CJTF-HOA contracting officials did not sufficiently support decisions or include all relevant documentation in contract files for 41 contract actions, valued at \$2.7 million, as required by the Federal Acquisition Regulation (FAR);
- CJTF-HOA contracting officials inappropriately awarded 15 personal services contracts, valued at \$249,134, prohibited by FAR;
- CJTF-HOA operated without an authorized contract with Memphis Travel for official Government travel, expending \$6.4 million for the 18-month period ending March 2008, without any clear understanding of the terms, conditions, and cost for travel services, contrary to FAR;

- CJTF-HOA purchase cardholders did not sufficiently support decisions and maintain relevant documentation in purchase card files for 20 actions totaling \$163,440;
- CJTF-HOA had not performed security background investigations to determine whether Host Country and Third Country Nationals (TCN/HCN) who were awarded contracts had any ties to, and/or relationships with, any terrorist organizations and countries supporting terrorist organizations;
- CJTF-HOA and PSD Bahrain Disbursing Office had not established formal policies and procedures or effective controls addressing cash management for Paying Agents (PAs); and
- NSA Bahrain CBPO made \$14 million in commercial payments that lack the minimum documentation for a valid payment.

As a result, internal controls within CJTF-HOA's contracting and NSA and PSD Bahrain's disbursing functions were not operating as intended, and were not achieving expected outcomes at CLDJ. The detailed results of our audit work are presented in Summary of Audit Results. We briefed the Commander and Deputy Commander CJTF-HOA on the preliminary audit results and conclusions on 11 April 2008 and 16 April 2008. We also discussed our preliminary audit results and conclusions with Commander, Navy Region Southwest Asia (CNRSWA), the Secretary of Navy Checks and Balances Task Force, and with Deputy Naval Inspector General on 26 March, 1 May, and 6 May 2008, to keep them informed of our audit progress and facilitate discussion.

Background

The CJTF-HOA mission is to conduct unified action in the combined joint operations area of the Horn of Africa to:

- Prevent conflict;
- Promote regional stability;
- Protect U.S. and Coalition Interests; and
- Prevail against extremism.

The CJTF-HOA is a major subordinate command that formerly reported to USCENTCOM. CJTF-HOA now reports to the newly-established United States Africa Command (USAFRICOM) as of 1 October 2008. On 8 October 2008, USAFRICOM designated the United States Naval Forces Africa (USNAVFORAF) Command as the lead component for logistics and contracting, as well as the lead service for common-user logistics for CJTF-HOA. Also, Commander Navy Region Europe, Africa, Southwest

Asia (CNREURAFSWA), formerly Commander Navy Region Europe (CNRE), is the supporting region to USNAVFORAF assuming operational and administrative control of CLDJ.

As the Executive Agent, DON has provided contracting and disbursing operations support to CJTF-HOA. NAVSUP, via the FISCSI NRCN Naples, delegated contract authority to CJTF-HOA. As of 11 September 2008, NAVSUP amended CJTF-HOA's contract authority by assigning contract authority directly to CJTF-HOA from NAVSUP. CNRSWA had provided disbursing support for commercial payments via Naval Support Activity Bahrain CBPO to CJTF-HOA. However, as of 8 October 2008, the responsibility has been transferred to CNREURAFSWA. PSD Bahrain Disbursing Office provides disbursing support for CJTF-HOA's PAs, and for military and civilian personnel cash and travel requirements at CLDJ.

Audit Results

Combined Joint Task Force-Horn of Africa (CJTF-HOA) Checks and Balances

Manager's Internal Controls

We found CJTF-HOA had not established a MIC Program to evaluate and report on the effectiveness of internal controls throughout the organization and make corrections when necessary, as required by DoD Instruction 5010.40. This occurred because:

(1) USCENTCOM did not provide the necessary oversight to ensure CJTF-HOA had established a MIC Program; and (2) CJTF-HOA had not assigned a manager, nor established written policy delineating roles and responsibilities for implementing a MIC Program.

Without a MIC Program in place, CJTF-HOA could not provide reasonable assurance that internal controls over their procurement, contract administration, and disbursing functions were operating as intended and were achieving expected outcomes. The lack of a MIC Program creates an environment conducive to fraudulent activity or improper use of funds. Effective internal controls serve to safeguard assets and help to prevent and detect errors and fraud, and ensure goods and services were properly procured and received. However, because of the lack of internal controls, CJTF-HOA could not provide reasonable assurance that:

- The CJTF-HOA contingency contracting office properly awarded and administered contracts and maintained required supporting documentation;

- The NSA Bahrain CBPO and PSD Bahrain Disbursing Office properly authorized commercial payments and maintained the supporting documentation; and
- CJTF-HOA and PSD Bahrain Disbursing Office had established cash management controls over PAs to prevent and detect fraud, waste, and abuse.

To further compound the internal control weaknesses, we found the internal control oversight accountability and responsibilities of USCENTCOM, CJTF-HOA, NAVSUP, CNRSWA, FISCSI NRCN Naples, NSA Bahrain and PSD Bahrain for contracting and disbursing functions were not clearly defined in a formal plan or guidance. This lack of a formal plan has created an ineffective control environment within the contracting and disbursing operations. Management has the fundamental responsibility to develop and maintain an effective internal control environment. To ensure clear internal control oversight accountability and responsibility over CJTF-HOA contracting and disbursing operations, USAFRICOM, CJTF-HOA, NAVSUP, FISCSI NRCN Naples, CNREURAFSWA, and PSD Bahrain should use a memorandum of agreement to define specific roles and responsibilities of each of the commands.

The lack of internal controls resulted in either no audit trail, or in a complex audit trail, which hindered the search for supporting documents, as identified during our audit. Ineffective internal controls also can result in missing or insufficient contracting and commercial payment documentation. We found these internal control weaknesses during our review of CJTF-HOA contracting and disbursing operations. During our audit, CJTF-HOA began taking action to establish a MIC Program. In an e-mail dated 28 May 2008 to the Naval Audit Service, the CJTF-HOA Chief Contracting Officer provided an update on CJTF-HOA efforts in establishing a MIC Program. These efforts included:

- Review of resources available in establishing a (MIC) Program for CJTF-HOA;
- Development of a draft MIC program instruction for CJTF-HOA; and
- Development of a draft assessable unit document identifying each assessable unit, risk factor, responsible manager, and scheduled and actual dates for reviews.

Further, in subsequent communication, CJTF-HOA representatives provided the following additional improvement efforts:

- The MIC Program was established by the Contingency Contracting Office (CCO), CJTF-HOA IG Office, and the Comptroller Office;
- MIC program instructions have been sent to USAFRICOM for review;

- Assessable units have been established and monitored on a monthly or quarterly basis; and
- The first statement of assurance will be provided to USAFRICOM in Fiscal Year (FY) 2009.

We have not audited the sufficiency of this improvement initiative by CJTF-HOA, but recognize CJTF-HOA's efforts to take action.

Hotline Program

We found CJTF-HOA did not establish an active Hotline publicity campaign using local newspapers, official notices, posters, telephone directories, and other media, nor had they implemented marketing programs to encourage employees to identify and report fraud, waste, abuse, and mismanagement in DoD programs and operations, as required by DoD Instruction (DoDI) 7050.01, "Defense Hotline Program," dated 17 December 2007. The CJTF-HOA Inspector General (IG), at the time of our audit, acknowledged CJTF-HOA had not implemented an effective Hotline publicity campaign and marketing programs. As a result of our audit, CJTF-HOA has taken action to implement a Hotline publicity campaign. In an e-mail dated 12 August 2008, a CJTF-HOA representative reported that posters are on display throughout Camp Lemonier and Hotline procedures are covered during every Theater Specific Individual Readiness Training (TSIRT) event for new arrivals. Further, in subsequent communication, CJTF-HOA informed us that information on how to access the Hotline and its purpose runs continuously on the Commander's public information television channel.

The DoD Hotline program is designed to strengthen and focus efforts to combat fraud, waste, and mismanagement throughout DoD by providing an alternative to the normal chain of command. CJTF-HOA and Navy supporting commands must make every effort to maximize the talents of all of their members, spend every dollar wisely, correct systemic problems, and take appropriate corrective or disciplinary measures against those who abuse the system. The Hotline is a valuable asset in reaching this goal. To be effective, the program requires all personnel to be vigilant against the possibility of illegal or improper acts, and to report to the chain of command, or any IG, any improprieties in this regard.

Recommendations and Corrective Actions

Summarized management responses are presented below, along with our comments on those responses. The Office of the Commander, USAFRICOM provided a consolidated management response for all recommendation addressees. The complete text of management responses is in the Appendix.

We recommend that the USAFRICOM:

Recommendation 1. Require CJTF-HOA to develop and implement a management control program to evaluate and report on the effectiveness of operating activities and functions as required by DoDI 5010.40.

Management response to Recommendation 1. Concur. CJTF-HOA and Camp Lemonier, Djibouti, with assistance from CNREURAFSWA and CNE-C6F, have established MIC programs for each respective department assigned. Action was completed on 1 July 2009.

Naval Audit Service comment on response to Recommendation 1. Action taken by USAFRICOM, CJTF-HOA, CNREURAFSWA, and CNE-C6F meet the intent of the recommendation. The recommendation is closed.

Recommendation 2. Require CJTF-HOA to develop a local Hotline publicity campaign and marketing programs to encourage employees to identify and report fraud, waste, abuse, and mismanagement in DoD programs and operations as required by DoDI 7050.01.

Management response to Recommendation 2. Concur. USAFRICOM Resources recommend programs be funded at component level. USAFRICOM IG states a local Hotline is in place. Additionally, the CJTF-HOA publicity campaign includes: AFN public service announcements, DoD Hotline posters, and Plan of the Week notification on a weekly basis. Action was completed in January 2009.

Naval Audit Service comment on response to Recommendation 2. Action taken by USAFRICOM and CJTF-HOA meet the intent of the recommendation. The recommendation is closed.

Recommendation 3. Establish and implement internal controls and oversight activities to ensure CJTF-HOA establishes and maintains effective MIC and Hotline programs.

Management response to Recommendation 3. Concur. USAFRICOM Resources recommend programs be managed at component level. USAFRICOM IG stated, as noted in the response to Recommendation 1, both CJTF-HOA and Camp Lemonier, Djibouti established MIC programs. Action was completed 1 July 2009.

Naval Audit Service comment on response to Recommendation 3. Action taken by USAFRICOM and CJTF-HOA meets the intent of the recommendation. The recommendation is closed.

We recommend that the USNAVFORAF, Department of Navy's Executive Agent for CJTF-HOA, in conjunction USAFRICOM:

Recommendation 4. Clarify, in writing, each organization's distinct responsibilities to ensure proper internal control, oversight, and accountability over contracting and disbursing operations supporting CJTF-HOA's mission.

Management response to Recommendation 4. Concur. CJTF-HOA and Camp Lemonier, Djibouti will require a Primary and Alternate MIC Coordinator for each command; a letter from each Commander will clarify in writing the distinct responsibilities of each coordinator, as well as each department. Action was completed on 1 June 2009.

Naval Audit Service comment on response to Recommendation 4. Action taken by USAFRICOM and CJTF-HOA meet the intent of the recommendation. The recommendation is closed.

Acquisition

NAVSUP delegated procurement authority to CJTF-HOA via the FISCSI NRCN Naples and Commander, U.S. Naval Forces Central Command (COMUSNAVCENT), up to \$1 million for any contract to be awarded and performed, or purchase to be made, anywhere Outside the Continental United States (OCONUS) for acquisitions of supplies or services that are to be used to support a contingency operation or to facilitate defense against, or recovery from, nuclear, biological, chemical or radiological attack. Procurement authority, as granted to CJTF-HOA, is limited to the following thresholds and methods of purchase:

- Authority to execute purchase orders up to \$1,000,000 OCONUS;
- Authority to establish Blanket Purchase Agreements (BPAs) and place calls not to exceed \$1,000,000 against those agreements;
- Authority to issue firm fixed-priced delivery/task orders under Indefinite Delivery Type Contracts, Federal Supply Schedules, and General Services Administration schedules up to maximum ordering limitation, or \$500,000, whichever is lower;
- Authority to establish a Government-Wide Commercial Purchase Card program for micro-purchases up to \$25,000 for purchases and use within OCONUS; and
- Authority to use the purchase card as a method of payment up to \$1,000,000 to pay for written, oral, and electronic delivery orders when so authorized in the contract; purchase order; and calls against BPAs when so designated in the agreements.

Our audit focused on whether sufficient internal controls were implemented to ensure CJTF-HOA acquired goods and services in accordance with applicable procurement laws and regulations. We found CJTF-HOA did not fully comply with applicable procurement laws and regulations for 41 of 41 contracts and 20 of 20 purchase card transactions reviewed. This condition occurred because the nine contracting officers deployed to Djibouti during our audit did not have the needed experience and training to operate in a contingency contracting environment. For seven of nine contracting officers, this was their first assignment as a contracting officer. The average time of actual contracting experience ranged from 0 to 5 years. According to the CJTF-HOA Strength Management Personnel Officer, CJTF-HOA competes with other U.S. combatant commands and/or task forces located in Iraq and Afghanistan for qualified contracting personnel to fill their military billets. The Strength Management Personnel Officer stated CJTF-HOA does not have first priority when filling critical billets. As a result, the Strength Management Personnel Officer stated CJTF-HOA does not always get the best qualified individuals to fill critical billets to support their mission.

All nine contracting officers had completed either Defense Acquisition Workforce Improvement Act contracting certification level I or II and held warrants to obligate the Government. Despite the level of training and certifications held by CJTF-HOA contracting officers, they lacked the necessary contracting skills to prepare and maintain sufficient documentation for market research, price negotiation memorandums, and justification and approvals for the contracts reviewed (see “Contract File Documentation”).

These issues were further exacerbated by the workload requirements and the absence of any contract specialists to support the contracting officers. CJTF-HOA contracting officers are assigned one or more countries within CJTF-HOA Area of Responsibility (AOR), as well as Camp Lemonier base support operation requirements. These contracting officers are responsible for the entire contract process from cradle to grave. This includes contract award, administration, and travel to their assigned African countries, which may take a day or more to reach. This ultimately impacts their contract workload. For instance, one contracting officer told us that while on travel status, their other contract workload comes to a stop until they return to the office.

CJTF-HOA contracting officers turn over every 6 months, which created a lack of corporate knowledge of on-going contract actions. CJTF-HOA contracting personnel assigned to Djibouti during our audit visit were unfamiliar with contracting folders and could not answer basic questions or explain why required information was missing. Due to the short length of the military tours, contracts may be administered by two or more contracting officers. The frequent and total turnover made it very difficult to hold anyone accountable for performance on the contracts awarded and administered by CJTF-HOA.

USCENTCOM, CJTF-HOA, and FISCSI NRCN Naples did not provide sufficient management oversight of CJTF-HOA operations. Specifically, senior officials did not implement oversight monitoring activities and develop a formal plan to ensure CJTF-HOA complied with applicable procurement laws and regulations. This is critical, given the dynamic contingency operating environment, constant staffing turnover, and the different commands involved in the contract management process.

In a memorandum dated 31 August 2006, NAVSUP authorized FISCSI NRCN Naples to delegate contracting authority to CJTF-HOA. The memorandum, in conjunction with the contract authority, stated that CJTF-HOA and FISCSI NRCN Naples shall establish a schedule for Procurement Performance Management Assessment Program (PPMAP) reviews and GCPC reviews, and conduct those reviews. The memorandum stated that the initial review should be scheduled in the November 2006 timeframe. However, a review did not occur until 14 months later, in January 2008, primarily due to staffing issues (i.e., finding the right personnel with sufficient contracting experience in order to conduct an effective review).

The PPMAP team conducted their review and concluded the overall operation and management of the procurement function at the Djibouti Contingency Contracting Office, Horn of Africa, was being performed in a satisfactory manner. Although the PPMAP team rated the overall procurement function as satisfactory, the team did conclude that the purchase card program was unacceptable and this rating automatically generated a suspension of purchase card activities. Also, CJTF-HOA was required to hold a “stand-down” to review and evaluate recommendations and provide training and develop a Plan of Action and Milestones to address deficiencies. According to NAVSUP representatives, a procurement analyst from NAVSUP was on site to provide training and help CJTF-HOA address the findings. However, we take exception to the PPMAP’s final assessment of CJTF-HOA’s procurement operations because of the significance of the contracting issues identified by their review. Further, given the similar and additional internal control procurement weaknesses identified by our audit, and the vulnerabilities facing CJTF-HOA’s contracting and disbursing operations identified by the Secretary of the Navy (SECNAV) Task Force, we believe PPMAP should have assessed CJTF-HOA’s procurement operations as unsatisfactory. We attribute the rating of “satisfactory” to the weaknesses of the rating system outlined in NAVSUP Instruction 4200.82D. The instruction allows ratings of procurement operations to be either satisfactory or unsatisfactory, which does not provide for an intermediate-level rating. Also, the instruction does not provide clear criteria for selecting the appropriate rating to reflect the actual condition of the procurement operation. This leaves the final assessment for the activity’s procurement operation to the discretion of the PPMAP team. NAVSUP representatives acknowledged the findings had to be egregious for the review team to provide a final assessment of unsatisfactory for an activity’s procurement operations. Also, NAVSUP representatives told us that they are reluctant to provide an unsatisfactory rating because the procurement authority would be revoked, prohibiting a command from

normal operations. In our opinion, this rating system has become essentially a single rating system of satisfactory. As such, this single rating system does not sufficiently inform DoD and DON management of the activity's actual performance and compliance with procurement policies and regulations. Therefore, the Assistant Secretary of the Navy (Research Development and Acquisition) (ASN (RDA)) needs to issue Navy-wide policy requiring multi-level performance ratings for PPMAP reviews, to include criteria that supports the selection of the appropriate ratings and accurately reflects the activity's performance and compliance with procurement policies and regulations.

As a result, CJTF-HOA could not demonstrate, for any of the 41 contracts and 20 purchase card transactions reviewed, that they received and paid for the quality and services in accordance with procurement laws and regulations. CJTF-HOA began taking action in this area during the audit. Specifically, in subsequent communication with CJTF-HOA, they stated that the process for certifying invoices has changed. Each Contracting Officer ensures that their customers certify that goods/services were received, and then signs off on the invoice for payment. The CCO Chief or Deputy Chief of Contracts then reviews every invoice before submission for payment. However, we have not audited the sufficiency of this improvement initiative by CJTF-HOA. Due to the structural and systematic nature of some of the internal control weaknesses, CJTF-HOA will continue to face vulnerabilities to contracting fraud, waste, and abuse.

Procurement Performance Management Assessment Program (PPMAP)

ASN (RDA) has taken necessary steps to improve the PPMAP process to ensure proper oversight and management of DON contracting activities. To address these PPMAP weaknesses, ASN (RDA) has taken the following steps:

- Established a PPMAP council, chaired by ASN (RDA), to ensure consistency, discipline, and accountability within the PPMAP process; and
- Issued SECNAV Instruction 4200.37, "Organic Department of Navy (DON) Procurement System Oversight and Management." The intent of this instruction was to provide guidance and mechanisms for each Head of Contracting Activity (HCA) in executing oversight and review responsibilities of subordinate contracting organizations, with the objective of minimizing vulnerabilities to fraud, waste, and abuse while balancing risk. The instruction requires the PPMAP Council to develop a rating system for use by PPMAP teams, and annually review the system to ensure continued effectiveness.

Further, an ASN (RDA) representative told us, they are in process of developing a multiple-level performance rating system for PPMAP reviews. The new rating system will be incorporated into a new Navy-wide PPMAP instruction and guidebook. The

ASN (RDA) representative told us the PPMAP instruction and guidebook should be completed by the end of FY 2009.

Contract File Documentation

CJTF-HOA's contracting personnel did not maintain contract documentation as required by Federal Acquisition Regulation (FAR) 4.801, "General." FAR requires that documentation in contract files be sufficient to constitute a complete background of the acquisition process, support contract actions, provide information for reviews and investigations, and furnish essential facts in the event of litigation or Congressional inquiries. For all 41 contracting actions reviewed, valued at \$2.7 million, the contract files were missing one or more of the following contract file elements:

- 35 of 41 did not have market research results;
- 24 of 41 did not have price reasonableness determinations;
- 8 of 41 did not have justifications and approvals (where applicable), and an additional 10 did not have sufficient documentation for justifications and approvals;
- 33 of 41 did not have contracting officer appointment letters (where applicable);
- 40 of 41 did not have quality assurance plans or surveillance plans (where applicable); and
- None of the 41 had surveillance reports monitoring the progress of contractor performance or verifying the receipt and quality of the services and goods.

When asked about missing contract documentation, the contracting officers were unfamiliar with contracting folders and could not answer basic questions or explain why required information was missing. We attributed this to constant turnover of contracting officers every 6 months. This constant staffing turnover resulted in the loss of corporate knowledge related to ongoing contracts. As such, it is critical that the contract documentation in the files shall be sufficient to constitute a complete history of the transaction for the purposes of:

- Providing a complete background as a basis for informed decisions at each step in the acquisition process;
- Supporting actions taken;
- Providing information for reviews and investigations; and
- Furnishing essential facts in the event of litigation or Congressional inquiries.

Further, when supporting data was included, it was often insufficient. We reviewed market research documentation, price reasonableness determinations, and the justification and approval documents (where applicable) for 41 contract actions to determine the sufficiency of the documents in accordance with FAR.

Market Research. FAR Part 10, “Market Research,” requires that market research be conducted for procurements. Market research allows the Government to determine how many contractors are capable of fulfilling the Government requirement, as well as promoting more competition for the requirement. Six of the 41 contract actions reviewed had documentation that showed market research was performed. However, we found that only three of six contract actions had documentation that market research performed met the intent of FAR.

Price Reasonableness Determination. FAR Part 15.402, “Pricing Policy,” requires that contracting officers must purchase supplies at fair and reasonable prices. As such, FAR 15.406-3, “Documenting the Negotiation,” states that the contracting officer shall document, in the contract file, the principal elements of the negotiated agreement. The documentation should include the purpose of the negotiation and a description of the acquisition, identify the contractor and the representative from the Government, identify the current status of any contractor systems and whether cost or pricing data were required, and include a summary of the contractor proposal. Of the 17 contract actions with price reasonableness determination information, only 1 had the documentation, as required by the FAR, Price Negotiation Memorandum (PNM), showing that a price reasonableness determination was conducted. The PNM prepared for this action contains sufficient information to conclude that the price paid was fair and reasonable.

Justification and Approval. FAR 6.303-2, “Content,” requires that each justification shall contain sufficient facts and rationale to justify the use of the specific authority cited, and a description of the market research conducted. CJTF-HOA’s contracting officers did not ensure justification and approvals for sole source awards were sufficiently supported. Of the 18 sole source contract actions requiring justifications and approvals, none had complete or sufficient supporting documentation.

Personal Services Contracts

CJTF-HOA inappropriately awarded 15 personal service contracts with 15 individuals, valued at \$249,134, with contract end dates ranging from March 2007 through December 2008. Three of the 15 personnel service contracts did not have a period of performance. FAR 37.104, “Personal Services Contracts,” identifies a personal service contract by the employer-employee relationship established between the Government and contractor personnel. That happens when contractor personnel are under relatively continuous supervision and control by a Government officer or a Government employee. FAR continues by stating that, when that type of relationship occurs, the Government is

normally required to obtain its employees by direct hire under competitive appointment or other procedures required by civil service laws. Awarding personal service contracts evades the law unless Congress specifically authorized the acquisition by statute. In addition, FAR provides descriptive elements that should be used as a guide in assessing whether a proposed contract is personal in nature. Those elements include: performance on site; services applied directly to the integral effort of agencies or an organizational subpart in furtherance of assigned function or mission; and inherent nature of the service, or the manner in which it is provided, reasonably requires directly or indirectly, Government direction or supervision of contractor employees.

All 15 contracts were awarded to Third and Host Country Nationals (TCN/HCN) for translator services and were personal service contracts. For example, these contracts for translators contained language in the statements of work (SOW) that would create an employee and employer relationship. Specifically:

- “As directed.” This condition, as a part of a work task in a SOW, connotes a personal services situation in which the contractor is placed under direct supervision.
- “Assist.” This word also connotes personal services. It infers working side-by-side (and) being subject to supervision.

Further, we observed two contractors working in the CJTF-HOA Contracting Office performing their duties side-by-side with military personnel, using Government-supplied tools, giving the appearance of an employer-employee relationship. The two contractors’ work products, such as contract documentation, reports, and e-mail, were not clearly marked as contractor products. One of the contractors was certifying vendor invoices for payment to include their own invoice for payment. This function is clearly an inherently Governmental function, and contractors certifying any invoice for payment, especially their own, is improper. As such, these contracts are violations of 31 U.S. Code (USC) Section (Sec) 1342. 31 USC Sec 1342 prohibits accepting voluntary services for the United States, or contracting for personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property. These contracts should be terminated.

Personnel could have been hired as Government employees. If the individuals are still required, they should be hired using procedures required by civil service laws or an applicable statutory exception using an appropriate contract.

According to CJTF-HOA representatives, the CJTF-HOA CCO has conducted training with senior level CJTF-HOA personnel and with Contracting Officer Representatives on what constitutes a personal services contract. Additionally, the SOW used for any

interpreter/translator contract was reworked to clearly delineate the deliverables expected of vendors when they enter into these contracts.

Furthermore, we found no evidence of background investigations being performed for the TCN/HCN translators who were awarded contracts, to determine whether these individuals had criminal records, conflicts of interest, or any ties, and/or relationships, to any terrorist organizations and countries supporting terrorist organizations. We find this to be a significant security weakness in that these translators have access to CJTF-HOA operations and documentation, which could be shared with individuals and/or organizations without the need to know. For instance, at least two translators have access to CJTF-HOA's internal computer network. We discussed this issue with CJTF-HOA representatives who acknowledged background investigations were not being performed for the translators. CJTF-HOA needs to initiate immediate background investigations on current translators to determine security risks to CJTF-HOA.

As a result of our audit, CJTF-HOA CCO and the Naval Criminal Investigative Service are developing a security screening process that will address the TCN/HCN translator contractors. According to CJTF-HOA representatives, any person hired to serve as an interpreter/translator is now vetted through the Camp Lemonier Security Officer. While conducting full background investigations and reinvestigations cannot guarantee the elimination of such security risks, it should increase the likelihood that serious problems that could compromise U.S. security interests will be uncovered.

Foreign Travel Agency

CJTF-HOA operated without a written contract using Memphis Travel Agency on a sole source basis for official Government travel, expending \$6.4 million for the 18-month period ending March 2008. CJTF-HOA operated without any clear understanding of the terms, conditions, and costs for travel services. No one with contracting authority authorized the use of Memphis Travel Agency. Also, CJTF-HOA Comptroller certified, and the PSD Bahrain CBPO made payment, without evidence of a written agreement authorizing such service. To make matters worse, there was no evidence a background investigation was performed of the foreign travel agency to determine whether this contractor had any ties, and/or relationships, to any terrorist organizations and countries supporting terrorist organizations. According to 31 USC, Sec 1501, a binding agreement between an agency and another person (including an agency) shall be in writing to be recorded as an obligation of the United States Government. However, when we asked CJTF-HOA officials about the contract for official Government travel within the CJTF-HOA area of responsibility, they were: (1) unable to provide a contract, (2) unaware if a contract had been established, and (3) uncertain about which CJTF-HOA official was responsible for monitoring the contract. After inquiring with several different CJTF-HOA officials, we were provided with an e-mail from the foreign travel

agency titled “Memorandum of Understanding” (MOU), dated 11 April 2008, which stated the foreign travel agency does not have a contract with CJTF-HOA.

As a result of our audit, CJTF-HOA has taken steps to address these internal control weaknesses. CJTF-HOA, in an e-mail dated 13 August 2008, stated they established a FAR/Defense Federal Acquisition Regulation (DFAR) compliant bilateral agreement on 16 April 2008. They have written a new, comprehensive Performance Work Statement (PWS). They placed a Request for Information in the local newspaper. Based on their review of the local vendors, they did not have confidence that the local vendors could process the travel efficiently or effectively, so they decided to continue to use the foreign travel agency. We have not audited the sufficiency of these improvement initiatives done by CJTF-HOA.

Government Commercial Purchase Card Program (GCPC)

The GCPC established at CLDJ did not have sufficient internal controls and oversight to ensure potentially abusive, improper, or unauthorized transactions would be promptly detected. We limited the scope of the number of transactions reviewed to include the personnel still working at CJTF-HOA during our visit and high risk transactions. For the 20 transactions reviewed, valued at \$163,440, we used our data analysis division to target transactions more susceptible to fraud, waste, and abuse. There were no unauthorized purchase card transactions. However, all 20 files had one or more of the following internal control weaknesses:

- Incomplete Purchase Card log;
- Lack of supporting documentation for the purchase, receipt, and acceptance;
- Certification for payment without supporting documentation; and
- Insufficient semiannual reviews by the Agency Program Coordinator.

Details of each noncompliance with GCPC guidelines follow.

Purchase Card Log. CJTF-HOA cardholders’ purchase card logs did not have some of the required information supporting the decision to use the card for each individual transaction. Specifically, the purchase card logs were missing required elements including: (1) item receipt dates, (2) the name of the individual receiving the item, (3) item credits, (4) item disputes, and (5) items paid for but not received (indicating payment and confirmation). Without this required information, there is no clear audit trail documenting the procurement support for the decision to use the card, or any required special approvals that may have been obtained.

Supporting Documentation. We found that 12 (60 percent) of the 20 transactions reviewed, ranging from \$3,394 to \$15,854, did not contain sufficient documentation to support payment for purchases of such items as computers, software, electronic equipment, and business and support services. Specifically, 12 of the purchase transactions were missing invoices. According to NAVSUP Instruction 4200.99, the purchase card log and supporting documentation should provide an audit trail supporting the decision to use the card and any required special approvals that were obtained. We questioned the Approving Official (AO) about the missing invoices for these transactions. According to the AO, the invoices were in the purchase files at the time of payment, but the AO could not provide us an explanation as to why the invoices were missing. The legitimacy of the 12 transaction payments is questionable given the absence of the missing invoices.

Receipt and Acceptance. We found that 13 (65 percent) of the 20 transactions reviewed, ranging from \$3,787 to \$18,900, did not have sufficient receipt and acceptance documentation. Specifically, 8 of the 13 transactions were missing the receipt and acceptance form. For the remaining 5 transactions, the receipt and acceptance forms were included in the purchase card files, but the forms were incomplete (i.e., missing signatures, dates, and item descriptions). We also found no physical evidence the AO had validated any of the 20 transactions to ensure proper receipt and acceptance of goods. NAVSUP Instruction 4200.99 requires appropriate receipt and acceptance documentation to accompany the monthly purchase card statement for review by the AO. Additionally, the Instruction requires the AO to ensure proper receipt, acceptance, and inspection is accomplished on all items. Receipt and acceptance documents assist personnel in reconciling ordered quantities to those quantities actually received and also demonstrate whether the ordering and receiving individual was the same person.

AO Payment Certification. We found that all 20 transactions, ranging in value from \$3,394 to \$18,900, were certified for payment by the AO even though supporting documentation such as purchase logs, invoices, receiving, and acceptance documentation was not available or complete to provide a complete audit trail documenting the procurement. According to NAVSUP Instruction 4200.99, the AO is required to verify that the transaction documentation is appropriate and complete prior to certification for payment. The approving official is the first line of defense against misuse, abuse, and fraud, and is responsible for verifying supporting transaction documentation and ensuring proper receipt, acceptance, and inspection is accomplished on all items before certifying payment.

Semiannual Reviews. We found that the Agency Program Coordinator's (APC's) semiannual review conducted for the time period from 20 September 2007 to 19 March 2008, did not provide assurance that internal procedures, internal controls, and purchase card transactions were in compliance with DON GCPC guidance. For instance, for the same time period, our audit identified weaknesses in the following areas of

CJTF-HOA GCPC: purchase card logs, supporting documentation, and the certification of payments. However, the APC's semiannual review had only identified CJTF-HOA was not in compliance with receipt and acceptance procedures, and did not provide any explanation or details on why they were not compliant. Moreover, the APC could not provide supporting documentation for semiannual reviews regarding: (1) what transactions were reviewed, (2) what methodologies were used to evaluate internal procedures and management controls, and (3) the results of the review.

Further, the CJTF-HOA contracting office was not aware of this review of their program and had not received any feedback from the APC about any program weaknesses. It should be also noted that the APC has never been to Camp Lemonier to evaluate the CJTF-HOA GCPC. Without conducting sufficient reviews or communicating the results, GCPC personnel can not effectively strengthen internal procedures and management controls to detect improper, fraudulent, wasteful, and abusive transactions.

According to CJTF-HOA representatives, the GPCP has been overhauled since our March-April 2008 audit visit. They told us that the Deputy Chief of Contracts took over duties as the AO for the program, and instituted a 100 percent review of all GCPC purchase files, utilizing a checklist of required actions and documentation to verify that each purchase and file is compliant. Also, CJTF-HOA representatives told us that two CCO policy and procedure instructions were implemented in May 2008, and all card holders were trained in March and May 2008.

Recommendations and Corrective Actions

Summarized management responses are presented below, along with our comments on those responses. The Office of the Commander, USAFRICOM provided a consolidated management response for all recommendation addressees. The complete text of management responses is in the Appendix.

We recommend that USNAVFORAF in conjunction with NAVSUP:

Recommendation 5. Develop and implement a plan to provide the necessary internal management controls and oversight activities over the CJTF-HOA procurement function to ensure current and future contracts, including contracts for travel services, are appropriately awarded and administered, and all contract documentation is prepared and maintained in accordance with FAR and DFAR as discussed in the finding.

Management response to Recommendation 5. Concur. NAVSUP (FISCSI) responded that CJTF-HOA has provided the following tools and procedures in order to provide Contracting Officers clear step-by-step guidance on issuing contracts and providing reference to and amplifying existing NAVSUP policy.

(1) Tools:

- (a) A list of all applicable regulations, instructions, and policy letters have been placed on CJTF-HOA's share drive folder under the Contingency Contracting Office (CCO) Policies and Procedures.
- (b) An electronic database of all the regulations, instructions, and policy letters for easy reference have been placed on CJTF-HOA's share drive folder under the Contingency Contracting Office (CCO) Policies and Procedures.
- (c) Templates for commonly used contract types have been placed on CJTF-HOA's share drive folder under "Contracting Documents and Template." This will ensure that all applicable laws, regulations, and instructions are followed and the file is properly documented.

(2) Procedures:

- (a) CJTF-HOA has implemented a contract Standard Operation Procedures (SOP) to perform second-level review of the contract file prior to award or immediately following award if awarded in field to ensure they contain all required documentation in accordance with all applicable regulations and contracting instructions.
- (b) CJTF-HOA has developed a SOP requiring the implementation of the NAVSUP Quality Assurance Self-Assessment Program (QASA).

Actions estimated to be completed by 27 August 2009.

CJTF-HOA response to Recommendation 5. Concur. This is a very broad-based recommendation. We believe this is answered by FISC doing the quarterly reviews along with the better-defined dollar thresholds for internal review requirements. The CJTF-HOA Contingency Contracting Office (CCO) has Policy and Procedures Instructions (PPIs) to establish internal controls over our contracting process. There are currently 23 instructions covering internal procedures such as Purchase Request Tracking Logs, Managing Blanket Purchase Agreements to Contract Closeouts, and one is currently in process requiring file documentation. These PPIs help ensure that the CCO has properly awarded and administered contracts. Defense Travel System (DTS) is expected to come online through Commercial Travel Office Bahrain; therefore, this will remain open pending DTS coming online.

Naval Audit Service comment on response to Recommendation 5. Action planned by NAVSUP (FISCSI) and CJTF-HOA, when fully implemented, will meet the intent of this recommendation.

Recommendation 6. Develop and implement a plan to provide the necessary management controls and oversight activities over the Government Purchase Card Program supporting CJTF-HOA to ensure compliance with NAVSUP 4200.99 instruction.

Management response to Recommendation 6. Concur. NAVSUP (FISCSI) responded that CJTF-HOA has provided the following tools and procedures in order to provide Contracting Officers clear step-by-step guidance on issuing contracts and providing reference and amplifying existing NAVSUP policy.

(1) Tools:

(a) A list of all applicable regulations, instructions, and policy letters has been placed on CJTF-HOA's share drive folder under the "Government Purchase Card Program."

(b) An electronic database of all the regulations, instructions, and policy letters for easy reference has been placed on CJTF-HOA's share drive folder under "Government Purchase Card Program."

(c) Checklists for the actions required to each purchase card program participant based on his/her role to ensure that all applicable laws, regulations, and instructions are followed and the file is properly documented have been placed on CJTF-HOA's share drive folder under "Government Purchase Card Program."

(2) Procedures:

(a) CJTF-HOA has implemented a purchase card SOP to perform a second-level review of the purchase card file prior to the purchase card buy or immediately following the purchase card buy if made in the field.

(b) CJTF-HOA has developed a SOP requiring the implementation of an internal quality assurance review of purchase card files based on critical elements outlined in NAVSUPINST 4200.82D for PPMAP reviews.

Actions estimated to be complete by 27 August 2009.

CJTF-HOA response to Recommendation 6. Concur. This recommendation has been addressed by the movement of AO responsibilities. All incoming Purchase Requisitions are being routed directly to the AO prior to work load assignment among card holders. Training is conducted regularly with Card Holders to ensure program is meeting standards outlined in NAVSUP 4200.99. All transactions are certified each month to ensure proper file maintenance is being met. Semiannual reviews are conducted by the APC whom is stationed in Naples, Italy. Copies of such reviews will be requested and maintained on file within the program binder. The program files have been updated to consist of CH and AO training/designations. Certification files to consist of monthly certifications. Program Binder to consist of related instructions and Semiannual review copies. Action completed on 31 January 2009.

Naval Audit Service comment on response to Recommendation 6: Action planned by NAVSUP (FISCSI) and CJTF-HOA, when fully implemented, will meet the intent of this recommendation.

Recommendation 7. Establish policies and standard operating procedures for the CJTF-HOA contracting function to fix responsibilities and accountability and provide for continuity of operations when personnel rotate in and out of the function.

Management response to Recommendation 7. Concur. CJTF-HOA plans to issue the following policy memoranda/SOPs directly related to the contracting functions of CJTF-HOA:

Consolidated and current listing of main assignments and collateral duties thereby establishing accountability and command visibility; Self-Assessment Plan to identify procurement and acquisition metrics tailored on CJTF-HOA specific mission needs; End-Of-The Tour Practices to establish procedures to re-assign the pending actions for employees leaving the office to new employees and to ensure the exchange of information regarding the status of pending actions before the employee leaves the office. Action estimated to be completed by 30 September 2009.

Naval Audit Service comment on response to Recommendation 7: Action planned by NAVSUP (FISCSI) and CJTF-HOA, when fully implemented, will meet the intent of this recommendation.

Recommendation 8. Require CJTF-HOA to terminate all existing personal service contracts at the end of their current contract periods, and ensure that future contracts establish the appropriate “arms-length” relationship between the contractors and Government personnel.

Management response to Recommendation 8. Concur. CJTF-HOA has reviewed all contracts and rewritten to definitize service requirements and have eliminated any contract language that could be construed to suggest personal services.

We have also provided training to managers who have contract employees in their office to prevent inadvertent personal services activity. Action was completed 13 April 2009.

CJTF-HOA response to Recommendation 8. Concur. The Contracting Office did a very comprehensive review of the contracts and renegotiated many of them to remove troublesome language for all FY 2009 contracts, as well as inserting language in each of the Contracting Officer Representative letters that Camp Lemonier had been acquired by the U.S. Navy from the United States Marines. The long-term vision will be to hire all of the host country nationals working on Camp Lemonier when a personnel office is set up to manage host country nationals. Chief, CCO contacted the CJTF-HOA J1 Personnel Officer and the Camp Personnel Officer about establishing a camp personnel office to hire host country nationals. They have been talking with Naples HRO, but nothing is definite. Action was completed on 31 January 2009.

Naval Audit Service comment on response to Recommendation 8. Action taken by NAVSUP (FISCSI) and CJTF-HOA meet the intent of the recommendation. The recommendation is closed.

Recommendation 9. Require CJTF-HOA to conduct background investigations, in conjunction with Naval Criminal Investigative Service (NCIS), to determine whether current and future Third Country Nationals and Host Country Nationals (TCN/HCN) who were awarded contracts, have any ties, and/or relationships, to any terrorist organizations and countries that support terrorist organizations.

Management response to Recommendation 9. Concur. CJTF-HOA will contact NCIS and jointly establish a plan of action for the most efficient and effective way to satisfy this recommendation. We plan to explore the establishment of a database if NCIS doesn't already have one in place. We will ensure Contracting Officers review and implement FAR Subpart 50.2 – Support Anti-terrorism by Fostering Effective contracting officers Technologies Act of 2002. We plan to implement a process and/or SOP that will provide a list of all CJTF-HOA contractors to NCIS annually for review and/or investigation as necessary. Action estimated to be complete by 3 August 2009.

CJTF-HOA Response to Recommendation 9. Concur. Camp Lemonier now performs security vettings for all TCNs/HCNs working for CJTF-HOA and Camp Lemonier. For downrange operations, CJTF-HOA J2X (Intelligence) scrutinizes all our contracts and performs a periodic review of the vendor list. If they find a contractor of interest, they investigate. Action was completed on 31 January 2009.

Naval Audit Service comment on response to Recommendation 9: Action planned by NAVSUP (FISCI) and CJTF-HOA, when fully implemented, will meet the intent of this recommendation.

Recommendation 10. Establish controls to ensure contractor personnel do not perform inherently Governmental functions, and provide for proper separation of duties for acquisition and payment of goods and services.

Management response to Recommendation 10. Concur. CJTF-HOA has completed a review and rewrite of all contracts and operating procedures to ensure inherently governmental functions are not performed by contractors. An SOP was developed to formally separate pay agent and acquisition functions. Also, training was provided to each pay agent, field ordering officer, purchasing agent, and contracting officer on separation of duties. Action was completed on 13 April 2009.

CJTF-HOA comment on Recommendation 10. The certification is the KOs signature on the invoice itself. Despite this, we still changed the CCO policy so that our LN no longer signs the CCO letters. They are to be signed by the CCO, Deputy CCO, or other senior contracting officer.

Naval Audit Service comment on response to Recommendation 10. Action taken by NAVSUP (FISCSI) and CJTF-HOA meets the intent of the recommendation. The recommendation is closed.

Recommendation 11. Establish a pre-deployment, targeted training program for contracting personnel assigned to contingency operations, addressing contract award and administration responsibilities, functions, and oversight.

Management response to Recommendation 11. Concur. CJTF-HOA has either implemented or plans to implement the following training plan:

(1) Any new contracting personnel assigned to CJTF-HOA are required to take the Continuous Learning Course (CLC) 114 “Contingency Contracting Officer Refresher” prior to deployment, if the basic CON 234 “Contingency Contracting” was taken more than 6 months prior. In addition, a list of

pre-deployment training requirements will be forwarded to incoming contract personnel as soon as they receive confirmation that they are reporting to CJTF-HOA.

(2) CJTF-HOA will prepare an operating manual to distribute to new contracting personnel prior to their deployment. The manual shall provide an overview of the specific circumstances of working in the HOA area, a description of the main requirements applicable to contracting in contingency areas, and address the hot topics identified by the NAVAUDSVC report and shall be updated as necessary to include new issues.

(3) CJTF-HOA has developed a contract training session for personnel to complete within 1 week of their arrival date. The training provides new contracting personnel an opportunity to discuss the operating manual with a contracting officer experienced in HOA field/operations and on all applicable internal policy memoranda/SOPs.

Actions estimated to be complete by 30 September 2009.

CJTF-HOA comments to Recommendation 11. Chief, CCO instituted a welcome aboard letter and list of the training requirements and read-ahead orders that are sent out as soon as we are notified about incoming personnel reporting to CCO Djibouti.

Naval Audit Service comment on response to Recommendation 11. Action planned by NAVSUP (FISCI) and CJTF-HOA, when fully implemented, will meet the intent of this recommendation.

We recommend USAFRICOM, in conjunction with USNAVFORAF, the Department of Navy's Executive Agent for CJTF-HOA:

Recommendation 12. Evaluate alternatives to the current staffing process, including the feasibility of increasing tour lengths and utilizing civilian personnel to provide needed continuity, that will provide for sufficient numbers of qualified contract award and administration, disbursing office, and oversight personnel to perform those functions effectively, and establish a plan of actions and milestones for implementing the selected alternative and the required funding to implement the selected alternative.

Management response to Recommendation 12. Concur. FY 2011 Global Force Management (GFM) submission to the NAVSUP Budget Submitting Office (BSO) validated requirements to establish billet structure for Camp Lemonier-Djibouti (CLDJ) Contracting Detachment. Current HOA Contracting Detachment

will perform only HOA Contracting function. CLDJ Contracting Detachment is increasing in current GFM manpower requirements.

AFRICOM OPL/RES comments to Recommendation 12. As Camp Lemonier and CJTF-HOA's are further refined, AFRICOM will monitor and support Naval Forces Africa's collaborative efforts to develop a plan and implement staffing structure that supports mission requirements for Camp Lemonier and CJTF-HOA. Staffing plans will need to complement the developed contracting strategy for meeting mission demands, with the ultimate goal of developing processes reflective of an enduring mission.

Naval Audit Service comment on response to Recommendation 12. Action taken and planned by CNE C6F and CJTF-HOA meets the intent of the recommendation. We consider this recommendation closed as of 13 May 2009, when CJTF-HOA provided us with master timeline for FY 2010-2011 GFM.

Disbursing

PSD Bahrain and Naval Support Activity (NSA) CBPO, both located in Bahrain, provide disbursing support, via a Deputy Disbursing Officer (DO), to CJTF-HOA at CLDJ. The PSD Deputy DO disburses cash to Paying Agents (PAs) for the purpose of making cash payments to contractors and vendors for goods and services, cashes personnel checks for military and civilian personnel, and processes travel claim payments. The NSA Deputy DO makes payments to vendors and contractors via Electronic Fund Transfers (EFTs) and checks.

We reviewed the internal controls over cash management and commercial payments made by these two disbursing offices to determine whether payments were properly supported and recorded. DoD Financial Management Regulation (FMR) defines financial management responsibilities for DoD components. DoD FMR also defines the requirement for supporting payments made to vendors and contractors. The DoD FMR, Volume 10, specifically prescribes the policy for:

- Ensuring the vendors and contractors are entitled to payments for materials and services delivered to the Government;
- Ensuring timely disbursements to vendors or contractors; and
- Preparing payment vouchers and keeping contract, disbursement, and accounting records complete and accurate.

We found that the internal controls over cash management and commercial payments made by two disbursing detachment offices, NSA and PSD Bahrain, supporting CJTF-HOA were not sufficient for cash management and commercial payment support. These conditions occurred because:

- CJTF-HOA and PSD Bahrain Disbursing Office had not established formal policies and procedures or effective controls addressing cash management controls;
- CJTF-HOA comptroller and NSA Bahrain disbursing personnel did not have sufficient experience and training;
- NSA and PSD Bahrain did not provide sufficient management oversight of the disbursing operations supporting CJTF-HOA; and
- CJTF-HOA comptroller and NSA and PSD Bahrain disbursing staff turnover every 6 to 12 months, creating an absence of corporate knowledge of disbursing operations.

As a result, the two disbursing offices made 528 payments that lacked the minimum documentation for valid payments, such as properly prepared receiving reports, invoices, and certified vouchers. The 528 payments came from a portion of payments reviewed. For PSD Bahrain, 2,183 payments were reviewed and for NSA, 547 payments were reviewed, for a total of 2,730. Payments that were not properly supported did not provide the necessary assurance that funds were used as intended. Details of each disbursing office's noncompliance with commercial payment and DoD FMR cash management guidelines follow.

Personnel Support Detachment Bahrain Disbursing Office

PAs. The Unit Commander of the CJTF-HOA's Civil Affairs or Seabee team appointed a member of the unit to be a PA, acting as an agent of the PSD Deputy Disbursing Officer (DDO) located at Camp Lemonier. The PSD DDO provides cash to the PAs to acquire goods and services utilizing the Standard Form 44 (SF-44), which is documented by a DD Form 1081 (Statement of Agent's Officers Account). The PAs are required to return no less than every 30 days to liquidate vouchers and funds on hand. According to CJTF-HOA personnel, there are 50 to 60 PAs throughout Africa with approximately \$1 million to make cash payments utilizing the SF-44 for goods and services such as tools, building supplies, phone cards, fuel, translators, security, Internet, and cleaning.

According to FAR 13.306, agencies shall provide sufficient safeguards regarding the control of forms, and account for purchases utilizing the SF-44 procurement process.

The SF 44, "Purchase Order - Invoice - Voucher," is a multipurpose pocket-size purchase order form designed primarily for on-the-spot, over-the-counter purchases of supplies and nonpersonal services while away from the purchasing office or at isolated activities. It also can be used as a receiving report, invoice, and public voucher. CJTF-HOA's Civil Affairs and Seabee teams utilized the SF-44 for their operations in African countries, to include locations in Djibouti, where a contracting and disbursing office is not located, to acquire goods and services using cash.

We reviewed the CJTF-HOA's cash management controls over PAs utilizing the SF-44 to determine whether sufficient safeguards were in place to prevent and detect fraud, waste, and abuse. We found that the CJTF-HOA and PSD Bahrain Disbursing Office had not established the necessary internal controls for CJTF-HOA PA processes using SF-44 to acquire goods and services. CJTF-HOA created a PA Standard Operating Procedure (SOP) memorandum addressing only the scope and performance of a PA, which is well-intended. However, CJTF-HOA and the PSD Bahrain Disbursing Office had not established formal policies and procedures or effective controls addressing cash management controls, leaving this area vulnerable to fraud, waste, and abuse.

Specifically, we found they had not established the necessary internal control activities in protecting cash as shown in the following areas: Selection of PAs; Separation of Duties; Validation of SF-44s; Cash Verification; and Cash Requirements.

Details of each internal control weakness follow.

Selection of PAs. CJTF-HOA and PSD Bahrain Disbursing Office did not perform any type of background investigation of potential PAs. We consider that an internal control weakness. According to GAO's "Standards of Internal Controls," internal controls serve as the first line of defense in safeguarding vulnerable assets, such as cash, in preventing and detecting errors and fraud. CJTF-HOA's PAs are responsible for managing large sums of cash to acquire goods and services. For instance, one PA was responsible for managing cash totaling \$125,000 without any type of background investigation into their personal and financial history. CJTF-HOA representatives told us they select PAs based solely on military rank and maturity. We disagree with these selection criteria because they do not provide sufficient internal control and oversight activities to protect cash. To reduce this risk for potential fraud, waste, and abuse, the CJTF-HOA and the PSD Bahrain Disbursing Office should make a thorough investigation of the selectee to ensure that the individual is of unquestionable integrity. They should also examine personnel records and talk to the individual and other persons as necessary. In addition, a credit report should be obtained. Without conducting a background investigation, CJTF-HOA and PSD Bahrain Disbursing Office would not be aware of individuals under extreme financial and personal pressures. These individuals, as PAs, pose a significant risk because of access to cash and the lack of oversight.

Separation of Duties. We reviewed 2,183 SF 44 transactions valued at \$1.1 million for the period of July 2007 through December 2007. We found insufficient separation of duties in 495 (23 percent) of the 2,183 transactions reviewed. For those 495 transactions, the purchaser and paying agent were the same, as evidenced by signatures on the documents, and for 5 transactions, the purchaser, seller, and paying agent were the same person. This is contrary to FAR 13.306.

Validation of SF-44s. CJTF-HOA and the PSD Bahrain Disbursing Office did not perform physical validation to verify the legitimacy of vendors' receipts, vendors' signatures, and actual purchases of goods and services by the PAs. The only review performed of the PAs' purchases occurred when they returned to liquidate the funds. However, this process does not include representatives verifying the authentication of the vendors' receipts, vendors' signatures, and actual purchase of goods and services vendor receipt. We consider physical validation to be a critical internal control activity addressing the risk of fraud, waste, and abuse. Without physically validating vendor's legitimacy and goods and services, this creates an environment conducive to fraud, waste, and abuse, because PAs are often operating hundreds of miles away in a foreign country without sufficient oversight by CJTF-HOA.

Cash Verification. CJTF-HOA and the PSD Bahrain Disbursing Office did not perform surprise verification of cash held under the accountability of the PAs. The DDO responsible for disbursing the funds to PAs acknowledged these types of reviews should be occurring to deter fraud, waste, and abuse. CJTF-HOA, in coordination with the PSD Bahrain Disbursing Office, needs to establish internal control and oversight activities, such as cash verification, to help reduce the risk of fraud, waste, and abuse.

Cash Requirements. We found that PAs were being advanced cash funds that exceeded the minimum requirement and were not returning within 30 days to have their vouchers and funds liquidated as required. For instance, we found that, on average, PAs were returning with an average of 40 percent of the funds they were advanced, and returning 72 days after the funds were advanced to have their funds and vouchers liquidated. The 24 PAs reviewed were advanced a total of \$432,749 and returned \$200,692 (46 percent) of the funds advanced. For instance, one PA returned after 135 days with \$25,860 (86 percent) of the \$30,000 that was advanced, and another PA returned after 65 days with \$83,800 (67 percent) of the \$125,075 that was advanced (see Exhibit C for details of the other PAs). According to DoD FMR 7000.14R Volume 5, cash on hand must be kept to the minimum necessary to meet normal requirements. We also found some cases where PAs returned with zero funds. This gives the appearance that the exact amount of funds was spent for their projects. For example, Agent 22 in Exhibit C spent exactly \$10,000. While the expenditures may be appropriate in such cases, we believe CJTF-HOA should also review zero-balance transactions for validity to prevent potential fraud, waste, and abuse.

Based on the results of the initial 24 PAs, we expanded our review to determine if there was a pattern of PAs carrying cash exceeding the minimum amount as practical to accomplish the mission. We reviewed 101 cash advances made to PAs, totaling approximately \$2 million for the 6-month period ending 31 December 2007. Of the 101 cash advances, we found PAs returned \$695,041 (34 percent) of the funds they were advanced. See Exhibit D for breakdown of funds returned.

These conditions occurred because USCENTCOM, CJTF-HOA, and PSD Bahrain Disbursing Office had not provided the necessary oversight to ensure cash management controls and accountability were in place to protect cash entrusted to PAs from fraud, waste, and abuse. Also, CJTF-HOA and the PSD Bahrain Disbursing Office had not performed any assessments and/or studies to identify cashless alternatives to their reliance on cash resources. As a result, the CJTF-HOA and PSD Bahrain Disbursing Office personnel had taken on increased personal risk for the excess funds in the possession of PAs, and funds are more susceptible to fraud, waste, and abuse.

Recommendations and Corrective Actions

Summarized management responses are presented below, along with our comments on those responses. The Office of the Commander, USAFRICOM provided a consolidated management response for all recommendation addressees. The complete text of management responses is in the Appendix.

We recommend USNAVFORAF, in conjunction with USAFRICOM, require CJTF-HOA to:

Recommendation 13. Establish and implement the following internal controls and oversight activities to protect cash:

- a. Perform financial and personal history background reviews of existing and potential PAs to assess potential vulnerabilities;
- b. Perform physical validation to verify legitimacy of vendors' receipts, vendors' signatures, and actual purchases of goods and services by the PAs;
- c. Perform surprise verifications of cash held under the accountability of the PAs;
- d. Establish formal policies and procedures addressing internal controls over cash for the entire Paying Agent process, and use those policies to establish oversight and approval responsibilities and to separate duties for acquisition and receipt of, and payment for, goods and services; and
- e. Establish necessary internal controls to ensure PAs return no less than every 30 days to liquidate vouchers and funds on hand. When circumstances require and justify returning after a longer period, require written justification be

provided to support the decision, approved by an oversight official, and kept on file at PSD.

Management response to Recommendation 13a. Concur. We agree there should be background reviews of the PAs. However, because of our limited resources to perform and lack of expertise to evaluate background reviews in our forward-deployed environment, this is not feasible. Since deployed groups are usually quite small (typically 15 or fewer personnel), which limits choices for PA selection, pay agents are selected by Mission Commanders based on their knowledge of the individual and assessment of their character. This approach, coupled with improvements made in PA training, positive efforts to minimize the amount of cash held by PAs, and the fact many PAs have undergone a security clearance background investigation, help mitigate this potential vulnerability.

Management response to Recommendation 13b. Concur. CJTF-HOA uses three sets of reviewer eyes on PA transactions: CCO, CJ-8 and the Disbursing Officer. Each reviews the transaction documentation submitted by PAs during the monthly reconciliation process.

Management response to Recommendation 13c. Concur. We agree that there should be surprise verifications of cash held by the PAs; however, this is a difficult task in the HOA AOR. Further, CJ-8 is not resourced with sufficient personnel to conduct such verifications for PAs dispersed across an area roughly the size of the United States. Travel in the AOR is challenging due to the distances involved, minimal flight frequencies and oftentimes arduous ground transportation situations. We believe that PAs settling their accounts approximately every 30 days must substitute for surprise cash verifications. We also believe this approach, coupled with improvements we have made in PA training, and positive efforts to minimize the amount of cash held by PAs, will further improve the accountability over cash. This procedure was implemented as of December 2008.

Management response to Recommendation 13d. Concur. CJ-8 has developed written policies and procedures for the Pay Agent program which include the following:

- Policy and Procedure Instruction (PPI) 09-02 – Paying Agent Process at CJTF-HOA. Details CJ-8 responsibilities for the program, including PA training and appointment, and includes a process flowchart detailing steps taken from request for a PA through relief.
- Request for Pay Agent. Letter request for appointment of a PA.

- Pay Agent Training. A 30-slide PowerPoint training document for new PAs.
- Paying Agents Standard Operating Procedures. Specific instructions relating to the scope and performance of PA duties.
- Appointment as Paying Agent. Written appointment and acceptance as PA.

Management response to Recommendation 13e. Concur. Paying Agents Standard Operating Procedures paragraph 4.e. (10) directs PAs to liquidate vouchers and funds on hand to the DDO every 30 days.

Naval Audit Service comment on response to Recommendation 13. Due to unique circumstances (i.e. limited resources, size of CJTF-HOA's AOR, minimal flight frequencies and arduous ground transportation situations), we believe that the actions taken by USNAVFORAF, USAFRICOM and CJTF-HOA meet the intent of the recommendation. The recommendation is closed.

Recommendation 14. Develop and implement an acquisition strategy to minimize, to the greatest extent possible, the use of cash down range. If there is a requirement for use of cash, then conduct an evaluation of current and future cash requirements with the overall goal of reducing cash entrusted to PAs to meet the minimum necessary for mission requirements.

Management response to Recommendation 14. Concur. Significant portions of the Horn of Africa economy continue to operate on a cash-only basis due to limited economic and financial system development. Consequently, we have found that many vendors, especially those in non-urban deployment locations, are unable to accept payment by check or EFT.

The Contingency Contracting Office will require payment by EFT or check for vendors capable of receiving them. Other vendors, typically those outside urban areas, must continue to be paid in cash. However, CJTF-HOA has taken aggressive steps to minimize the amount of cash carried by PAs. The first paragraph on page 21 [now the last paragraph on page 26] of the audit report mentions that CJTF-HOA represented to NAVAUDSVC that at one point 50 to 60 PAs held about \$1 million in operating funds throughout the AOR. As of April 15, 2009, our records indicate CJTF-HOA had 29 PAs holding approximately \$262,000, representing a 50 percent reduction in the number of PAs and a 74 percent reduction in funds held. The largest amount of cash was \$36,000, and the average amount held by a PA was reduced by approximately 50 percent, from about \$18,000 to \$9,000.

Naval Audit Service comment on response to Recommendation 14. The action taken by USNAVFORAF, USAFRICOM, and CJTF-HOA to reduce the number of PAs and the amount of cash they hold, plus the requirement for payment by EFT or check when possible, meet the intent of the recommendation. The recommendation is closed.

Naval Support Activity Bahrain Commercial Bill Payment Office

Commercial Payments

The internal controls over commercial payments made by the NSA Bahrain Commercial Bill Payment Office (CBPO) located at Camp Lemonier were not sufficient to support commercial payments. We reviewed 547 vouchers, valued at \$31 million, to determine whether they had the minimum documentation for a valid payment, such as receiving reports, invoices, and certified vouchers. Of 547 commercial payments, 359 had one or more of the following errors regarding payment support documentation:

- **Receiving Reports.** CJTF-HOA personnel did not include documentation of the receipt of goods or services for 112 (31 percent) of the 547 vouchers reviewed valued at \$14 million. For instance, 72 vouchers, valued at \$1.2 million, were missing receiving reports for Government air travel. The payments were to a foreign travel agency; however, we could not identify whether travel actually occurred or if travel charges were accurate. According to DoD FMR, Volume 10, Chapter 1, and FAR 32.905 “Payment Documentation Process,” all invoice payments must be supported by a receiving report. DoD FMR, Volume 10, Chapter 8 states that vouchers should not be certified for payment before receipt of all supporting documents, including the receiving report. It also requires the disbursing office to review supporting documents on a periodic basis to ensure that those documents are available for review, and provide a copy of the receiving report to the accounting office. Without a receiving report, there is no evidence that the requesting organization received the goods or services purchased. The legitimacy of the payment is unsupportable given the absence of this supporting document.
- **Invoices.** CJTF-HOA personnel did not include vendor invoices supporting the amount paid for 8 vouchers, valued at \$433,903. FAR 32.905 states that payments should be based on receipt of a proper invoice. DoD FMR, Volume 10, Chapter 8 states that vouchers should not be certified for payment before receipt of all supporting documentation, including the invoice. It also requires that a copy of

the invoice be provided to the accounting office. As a result, we could not determine whether the vendor was legally entitled to payment.

- **Voucher Validations.** For 318 vouchers, valued at \$27 million, CJTF-HOA personnel did not indicate that the voucher was validated. Voucher validation is required by DoD FMR, Volume 5, Chapter 11. Specifically, the voucher should identify whether the voucher has been validated by completing the Paid By (or Brief) block with the paying office location, DSSN, and business date of payment. Without the voucher indicating validation, the disbursing officer may be unable to verify payment was made and could potentially make a duplicate payment.
- **Methods of Disbursement.** For 113 vouchers, CJTF-HOA personnel did not identify the methods of disbursement, valued at \$ 11.8 million. Disbursement method is required by DoD FMR, Volume 5, Chapter 11. Specifically, the voucher should identify whether the method of disbursement was electronic funds transfer, U.S. Treasury check, or cash. Without the method of disbursement on the voucher, the audit trail for the payment becomes difficult to follow.
- **Progress and Advance Payments.** We found CJTF-HOA approved and authorized 21 progress payments, totaling \$6.4 million, and 7 advance payments totaling \$305,988. We found that, in some cases, progress payment calculations submitted by contractors were not verified for accuracy and were incorrect. Additionally, some advance payments for construction projects were made after the contract was awarded at the request of the contractor, with no evidence justifying the advance payments. Other financing methods may have been available instead of using advance payments. Details are as follows:

Progress Payments. Three of the 21 payments were for a total of \$109,184 more than the contractors were entitled to receive for the amount of progress stated during the life of the contract. This was caused by miscalculations and amounts not being verified as accurate. The payments were miscalculated by the contractors when submitting payment requests for percentage of completion and the reviewer did not verify the calculations. We were not able to determine if they resulted in overall overpayments on the contracts because the contracts had not reached completion at the time of our review.

One of the 21 payments was an overpayment of \$12,875 on the total contract where the contractor was overpaid because of a miscalculation in the remaining amount of the contract. Whoever reviewed the request for payment performed conversion calculations to U.S. dollars when it was already stated in U.S. dollars. This resulted in an overpayment which should be recouped from the contractor.

Thirteen of the 21, totaling \$686,252, did not have supporting documentation to show what percentage of the work was completed, or to show that previous payments were deducted from the requested amount.

Advance Payments. Six of the 7 advance payments, totaling \$207,938, did not have sufficient documentation to show they were reviewed to determine the propriety of advancing funds.

These conditions occurred because CJTF-HOA and NSA Bahrain CBPO did not implement effective and consistent internal controls, provide sufficient oversight to ensure that vendor payments were properly supported, or detect and correct erroneous payments. Neither command had provided sufficient training on regulatory requirements for commercial payments to the CJTF-HOA comptroller nor NSA Bahrain CBPO disbursing personnel deployed to CLDJ. We interviewed former NSA Bahrain CBPO DDOs and the current CJTF-HOA comptroller assigned to Camp Lemonier during our audit. They acknowledged they had not received sufficient disbursing and accounting training before deployment to perform their duties. According to an NSA Bahrain representative, the recently hired disbursing officer for NSA Bahrain has had sufficient training. However, we have not audited the sufficiency of this training.

The majority of the disbursing and comptroller personnel were active duty service members who did not have the proper experience or training and should not have been assigned to the positions. Active and Reserve service members deployed to contingency comptroller and disbursing stations require sufficient experience and training to perform their duties properly. Insufficient training has contributed to internal control deficiencies relating to preparation of documents supporting vendor and contractor payments identified by our audit. According to an NSA Bahrain representative, this problem is attributed to the fact that the Navy does not have an effective Individual Augmentee screening and assignment process that ensures qualified personnel, with required Navy Enlistment Codes or officer subspecialty codes, are assigned to disbursing and comptroller positions.

Secondly, NSA Bahrain CBPO had not performed post-payment examination reviews of their detachment office located at Camp Lemonier. A post-payment examination is defined as an administrative review that takes place following the payment of a voucher. Some specific areas that shall be examined include, but are not limited to the:

- Propriety of the voucher;
- Legality of the disbursement; and

- Accuracy of the facts stated in the vouchers and supporting records.

The DDO was mailing all original vouchers and supporting documentation to NSA Bahrain CBPO every month. However, the NSA Bahrain CBPO DO was not reviewing the disbursing information mailed by the DDO. We found, during our visit, the mailed boxes containing the disbursing vouchers and supporting documentation were not opened by anyone from NSA Bahrain CBPO. While FMR, Volume 5, does not identify the frequency of the post-payment reviews, in our opinion, they should be performed monthly to ensure that payment errors are promptly identified, training is provided in areas where problems are recurrent, and progress in correcting problems can be tracked. As a result, NSA Bahrain's disbursing functions are not operating as intended and are not achieving expected outcomes. For instance, NSA Bahrain CBPO Detachment Office made eight duplicate payments, valued at \$12,780 because invoices were submitted for eight different individual travelers. As a result, the travel agency was overpaid \$12,780 and these funds need to be recouped.

Recommendations and Corrective Actions

Summarized management responses are presented below, along with our comments on those responses. The Office of the Commander, USAFRICOM provided a consolidated management response for all recommendation addressees. The complete text of management responses is in the Appendix.

We recommend that CNREURAFSWA:

Recommendation 15. Establish and implement a pre-deployment training program for comptroller and disbursing personnel being deployed to CJTF-HOA addressing disbursing operations and requirements to include contract payments and accountability, and provide oversight to ensure the program is effectively implemented.

Management response to Recommendation 15. Concur. CNREURAFSWA (N8) has already implemented a pre-deployment training aide for both comptroller and disbursing personnel being deployed to Djibouti. A major contributor to the training aide will be to bring all deployed personnel comptroller and disbursing staff to Naples to receive familiarization. Compliance date was February 2009.

Naval Audit Service comment on response to Recommendation 15. The action taken by CNREURAFSWA meets the intent of the recommendation. The recommendation is closed.

Recommendation 16. Establish Standard Operating Procedures, and internal controls for implementing them, for the CBPO for processing and approving for commercial payments.

Management response to Recommendation 16. Concur. Standard Operating Procedures (SOP) will be established for CNREURAFSWA, which now includes Djibouti and Bahrain. Action estimated to be completed by 3 August 2009.

Naval Audit Service comment on response to Recommendation 16. The action, when fully implemented by CNREURAFSWA, will meet the intent of the recommendation.

Recommendation 17. Establish and implement internal controls and oversight activities, in conjunction with CJTF-HOA and CBPO Naples, to ensure vendor payments are properly supported and erroneous payments are detected and corrected.

Management response to Recommendation 17. Concur. A MIC program is being developed for CJTF-HOA; once established, internal controls will be identified between CJTF-HOA and CBPO Naples to ensure vendor payments are properly supported as well as detecting erroneous payments. Action estimated to be completed by 3 August 2009.

Naval Audit Service comment on response to Recommendation 17. The actions taken by CNREURAFSWA, CJTF-HOA and CBPO Naples, when fully implemented, will meet the intent of the recommendation.

Recommendation 18. Establish policy, procedures, and internal controls, and provide oversight to ensure that post-payment examinations are conducted, and perform any on-site reviews of their disbursing detachment office.

Management response to Recommendation 18. Concur. As mentioned in response to Recommendation 17, a MIC Program is being established. In addition, CJTF-HOA will provide a Cash Verification Board (CVB) to commence a quarterly audit of both Commercial Bill Pay and Disbursing. Expected completion date is 15 July 2009 for MIC Program, Quarterly audit from CVB is in effect now, completed 1 June 2009.

Naval Audit Service comment on response to Recommendation 18. The actions taken by CNREURAFSWA and CJTF-HOA meet the intent of the recommendation. In subsequent communication, AFRICOM provided an updated target completion date of 2 August 2009. This recommendation is open.

Recommendation 19. Recoup refunds, in conjunction with CJTF-HOA, for the overpayment totaling \$12,780 relating to eight duplicate invoices made to the foreign travel agency, and an overpayment of \$12,875 to the contractor on contract N3654A-07-C-1008.

Management response to Recommendation 19. Concur. Overpayments totaling \$12,780 have been recouped, check dated 20 January 2009 received. This is now considered closed. The other amount of \$12,875 is being worked by EURAFSWA and trying to recoup. Action estimated to be completed by 30 September 2009.

Naval Audit Service comment on response to Recommendation 19: The action taken by CNREURAFSWA meet the intent of the recommendation, which is considered open. Action will be considered closed once all funds have been recouped.

Section B:

Status of Recommendations

Rec. No.	Page No.	Subject	Status ¹	Action Command	Target Completion Date	Interim Target Completion Date ²
1	7	Require CJTF-HOA to develop and implement a management control program to evaluate and report on the effectiveness of operating activities and functions as required by DoDI 5010.40.	C	USAFRICOM	07/01/09	
2	7	Require CJTF-HOA to develop a local Hotline publicity campaign and marketing programs to encourage employees to identify and report fraud, waste, abuse, and mismanagement in DoD programs and operations as required by DoDI 7050.01.	C	USAFRICOM	01/31/09	
3	7	Establish and implement internal controls and oversight activities to ensure CJTF-HOA establishes and maintains effective MIC and Hotline programs.	C	USAFRICOM	07/01/09	
4	8	Clarify, in writing, each organization's distinct responsibilities to ensure proper internal control, oversight, and accountability over contracting and disbursing operations supporting CJTF-HOA's mission.	C	USNAVFORAF, in conjunction with USAFRICOM	06/01/09	
5	18	Develop and implement a plan to provide the necessary internal management controls and oversight activities over the CJTF-HOA procurement function to ensure current and future contracts, including contracts for travel services, are appropriately awarded and administered, and all contract documentation is prepared and maintained in accordance with FAR and DFAR as discussed in the finding.	O	USNAVFORAF, in conjunction with NAVSUP	08/27/09	
6	20	Develop and implement a plan to provide the necessary management controls and oversight activities over the Government Purchase Card Program supporting CJTF-HOA to ensure compliance with NAVSUP 4200.99 instruction.	O	USNAVFORAF, in conjunction with NAVSUP	08/27/09	
7	21	Establish policies and standard operating procedures for the CJTF-HOA contracting function to fix responsibilities and accountability and provide for continuity of operations when personnel rotate in and out of the function.	O	USNAVFORAF, in conjunction with NAVSUP	09/30/09	

¹ / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress

² If applicable.

Rec. No.	Page No.	Subject	Status ¹	Action Command	Target Completion Date	Interim Target Completion Date ²
8	21	Require CJTF-HOA to terminate all existing personal service contracts at the end of their current contract periods, and ensure that future contracts establish the appropriate "arms-length" relationship between the contractors and Government personnel.	C	USNAVFORAF, in conjunction with NAVSUP	04/13/09	
9	22	Require CJTF-HOA to conduct background investigations, in conjunction with Naval Criminal Investigative Service (NCIS), to determine whether current and future Third Country Nationals and Host Country Nationals (TCN/HCN) who were awarded contracts, have any ties, and/or relationships, to any terrorist organizations and countries that support terrorist organizations.	O	USNAVFORAF, in conjunction with NAVSUP	08/03/09	
10	23	Establish controls to ensure contractor personnel do not perform inherently Governmental functions, and provide for proper separation of duties for acquisition and payment of goods and services.	C	USNAVFORAF, in conjunction with NAVSUP	04/13/09	
11	23	Establish a pre-deployment, targeted training program for contracting personnel assigned to contingency operations, addressing contract award and administration responsibilities, functions, and oversight.	O	USNAVFORAF, in conjunction with NAVSUP	09/30/09	
12	24	Evaluate alternatives to the current staffing process, including the feasibility of increasing tour lengths and utilizing civilian personnel to provide needed continuity, that will provide for sufficient numbers of qualified contract award and administration, disbursing office, and oversight personnel to perform those functions effectively, and establish a plan of actions and milestones for implementing the selected alternative and the required funding to implement the selected alternative.	C	USAFRICOM in conjunction with USNAVFORAF	5/13/09	

Rec. No.	Page No.	Subject	Status ¹	Action Command	Target Completion Date	Interim Target Completion Date ²
13	29	<p>Require CJTF-HOA to establish and implement the following internal controls and oversight activities to protect cash:</p> <p>Perform financial and personal history background reviews of existing and potential PAs to assess potential vulnerabilities;</p> <p>Perform physical validation to verify legitimacy of vendors' receipts, vendors' signatures, and actual purchases of goods and services by the PAs;</p> <p>Perform surprise verifications of cash held under the accountability of the PAs;</p> <p>Establish formal policies and procedures addressing internal controls over cash for the entire Paying Agent process, and use those policies to establish oversight and approval responsibilities and to separate duties for acquisition and receipt of, and payment for, goods and services; and</p> <p>Establish necessary internal controls to ensure PAs return no less than every 30 days to liquidate vouchers and funds on hand. When circumstances require and justify returning after a longer period, require written justification be provided to support the decision, approved by an oversight official, and kept on file at PSD.</p>	C	USNAVFORAF, in conjunction with USAFRICOM	12/31/08	
14	31	<p>Require CJTF-HOA to develop and implement an acquisition strategy to minimize, to the greatest extent possible, the use of cash down range. If there is a requirement for use of cash, then conduct an evaluation of current and future cash requirements with the overall goal of reducing cash entrusted to PAs to meet the minimum necessary for mission requirements.</p>	C	USNAVFORAF, in conjunction with USAFRICOM	04/15/09	
15	5	<p>Establish and implement a pre-deployment training program for comptroller and disbursing personnel being deployed to CJTF-HOA addressing disbursing operations and requirements to include contract payments and accountability, and provide oversight to ensure the program is effectively implemented.</p>	C	CNREURAFSWA	02/28/09	
16	36	<p>Establish Standard Operating Procedures, and internal controls for implementing them, for the CBPO for processing and approving for commercial payments.</p>	O	CNREURAFSWA	08/03/09	

Rec. No.	Page No.	Subject	Status ¹	Action Command	Target Completion Date	Interim Target Completion Date ²
17	36	Establish and implement internal controls and oversight activities, in conjunction with CJTF-HOA and CBPO Naples, to ensure vendor payments are properly supported and erroneous payments are detected and corrected.	O	CNREURAFSWA	08/03/09	
18	6	Establish policy, procedures, and internal controls, and provide oversight to ensure that post-payment examinations are conducted, and perform any on-site reviews of their disbursing detachment office.	O	CNREURAFSWA	08/02/09	
19	37	Recoup refunds, in conjunction with CJTF-HOA, for the overpayment totaling \$12,780 relating to eight duplicate invoices made to the foreign travel agency, and an overpayment of \$12,875 to the contractor on contract N3654A-07-C-1008.	O	CNREURAFSWA	09/30/09	

Exhibit A:

Pertinent Guidance

The Office of Management and Budget (OMB) Circular No. A-123, “**Management’s Responsibility for Internal Control**,” December 2004, provides guidance to Federal managers for improving the accountability and effectiveness of Federal programs and operations. The circular states that management is responsible for developing and maintaining effective internal controls (ICs). Effective internal controls provide assurance that significant weaknesses in the design or operation of internal controls that could adversely affect the agency’s ability to meet its objectives would be prevented or detected in a timely manner. Internal control standards and the definition of internal controls are based on GAO’s “Standards for Internal Control in the Federal Government,” (the Standards), November 1999.

The Standards provide the framework for establishing and maintaining internal controls within the Federal Government. The Standards state that internal controls, which are synonymous with management controls, serve as the first line of defense in safeguarding assets. The Standards state that good internal controls require the organizational structure to clearly define key areas of authority and responsibility and establish appropriate lines of reporting. The Standards also cite reviews of performance by top-level management as an example of a control activity.

Department of Defense (DoD) Directive 5010.40, “**Managers’ Internal Control (MIC) Program Procedures**,” January 2006, implements OMB Circular No. A-123 and the Standards and establishes DoD policy for internal controls. The policy requires that a MIC Program be established to review, assess, and report on the effectiveness of ICs in the Department of Defense. The MIC Program shall identify and promptly correct ineffective ICs.

The Federal Acquisition Regulation (FAR), April 2008, is the primary regulation for use by all Federal Executive agencies in their acquisition of supplies and services with appropriated funds. The Defense Federal Acquisition Regulation (DFAR) implements FAR to provide additional guidance for military components.

DoD Financial Management Regulation 7000.14-R, (DoD FMR) May 2008, implements and complies with the Treasury Financial Manual and the Joint Financial Management Improvement Program. It governs all DoD disbursing policy by establishing and enforcing requirements, principles, standards, responsibilities, procedures, practices, and liability for disbursing officers (DOs), certifying officers, and accountable officials throughout DoD.

Exhibit B:

Scope and Methodology

Scope

Our limited-scope audit was conducted from 26 February 2008 to 27 March 2009. This report consolidates the results of two audits addressing contracting and disbursing operations for Combined Joint Task Force-Horn of Africa (CJTF-HOA) located at Camp Lemonier, Djibouti, Africa. We discussed the audit results with representatives from the CJTF-HOA from March 2008 through November 2008; and representatives from Navy Region Southwest Asia, Naval Support Activity (NSA) Bahrain Commercial Bill Payment Office (CBPO), and Personnel Support Detachment (PSD) Bahrain Disbursing Office from 9 March 2008 through 26 March 2008. We discussed the audit results with representatives from the United States Africa Command and Commander Navy Region Europe, Africa, Southwest Asia in December 2008.

Methodology

We reviewed Department of Defense and Department of the Navy (DON) policies and procedures applicable to acquisition, contracting, and disbursing. We judgmentally selected a total of 41 contracts (selected to get a cross-section of contract action types) valued at \$2.7 million, and 20 high-value purchase card transactions, valued at \$163,440, awarded and performed during Fiscal Year 2007 through March 2008. We reviewed contract actions for sufficiency of documentation (the statement of work, price negotiation memorandum, and the justification and approval) in accordance with FAR guidelines. We held interviews with CJTF-HOA, NSA Bahrain CBPO and PSD Bahrain Disbursing personnel to understand the disbursing and contracting operations and obtained disbursing and contract documentation from offices located at Camp Lemonier, and NSA and PSD Bahrain. We also interviewed representatives from Commander, Navy Installations Command to obtain an understanding of DON's role and responsibilities in supporting CJTF-HOA.

The audit was conducted 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.

Federal Managers Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. Recommendations 1 through 20 address issues related to the internal control over acquisition and disbursing operations Outside the Continental United States (OCONUS), supporting the CJTF-HOA at Camp Lemonier. In our opinion, the weaknesses noted in this report may warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

Exhibit C:

Table A – Paying Agent Returned Funds Analysis

Table A. PA Returned Funds Analysis

	Funds Advanced	Funds Returned	Return (Percentage)	Days with Funds
Agent 1	\$20,000.00	\$18,756.52	94%	33
Agent 2	\$2,000.00	\$1,850.00	93%	32
Agent 3	\$5,000.00	\$4,620.00	92%	95
Agent 4	\$30,000.00	\$25,860.00	86%	135
Agent 5	\$3,000.00	\$2,358.00	79%	121
Agent 6	\$15,375.00	\$10,747.00	70%	164
Agent 7	\$9,000.00	\$6,082.00	68%	68
Agent 8	\$125,075.00	\$83,800.00	67%	65
Agent 9	\$13,000.00	\$7,458.08	57%	51
Agent 10	\$29,350.00	\$16,668.62	57%	61
Agent 11	\$10,000.00	\$5,009.00	50%	165
Agent 12	\$10,000.00	\$3,788.54	38%	75
Agent 13	\$8,000.00	\$2,733.00	34%	1
Agent 14	\$8,000.00	\$2,589.00	32%	137
Agent 15	\$16,600.00	\$2,795.78	17%	56
Agent 16	\$35,000.00	\$4,029.95	12%	49
Agent 17	\$18,500.00	\$914.00	5%	60
Agent 18	\$1,000.00	\$47.73	5%	43
Agent 19	\$6,000.00	\$234.85	4%	71
Agent 20	\$54,800.00	\$350.00	1%	43
Agent 21	\$694.08	\$0.00	0%	11
Agent 22	\$10,000.00	\$0.00	0%	161
Agent 23	\$900.00	\$0.00	0%	11
Agent 24	\$1,455.00	\$0.00	0%	13
Totals	\$432,749.08	\$200,692.07		
Average		46%	40%	72

Exhibit D:

Table B – Expanded Paying Agent Funds Returned Analysis

Table B. Expanded PA Funds Returned Analysis

Percent Range of Funds Returned	Number of Agents within Range	Total Funds Advance	Total Funds Returned (percent)
75 to 100 percent	25	\$463,905	\$443,784(96%)
50 to 74 percent	6	\$41,500	\$23,271 (56%)
25 to 49 percent	19	\$406,457	\$145,846 (36%)
1 to 24 percent	37	\$832,427	\$82,126 (10%)
No funds returned	14	\$274.829	\$14.34 (0%)
Total	101	\$2,019,118	\$695,041 (34%)

Exhibit E:

List of Acronyms

ASN(RDA)	Assistant Secretary of the Navy (Research, Development and Acquisition)
CJTF-HOA	Combined Joint Task Force-Horn of Africa
COMUSNAVCENT	Commander, U.S. Naval Forces Central Command
DoD	Department of Defense
DON	Department of the Navy
FISCSI NRCN Naples	Fleet and Industrial Supply Center Sigonella Naval Regional Contracting Detachment Naples
MIC	Manager's Internal Controls
NAVSUP	Naval Supply Systems Command
NSA	Naval Support Activity
OCONUS	Outside the Continental United States
PSD	Personnel Support Detachment
USAFRICOM	United States Africa Command
USCENTCOM	United States Central Command
USNAVCENT	United States Naval Forces Central Command

Appendix:

Consolidated Management Response From Headquarters, United States Africa Command

-----Original Message-----

From: [REDACTED] [mailto:[REDACTED]]
Sent: Friday, July 10, 2009 10:48
To: [REDACTED] CIV NAVAUDSVC - SES
Cc: [REDACTED] NAVAUDSVC
Subject: Response to Audit Report

[REDACTED]
Attached is the audit response, will mail original.

V/r NOTE NEW PHONE NUMBER BELOW

[REDACTED]
[REDACTED]
Chief, AFRICOM Contracting
Multinational Logistics Branch
Directorate of Operations and Logistics
HQ US Africa Command
Stuttgart, Germany
DSN: [REDACTED]
COM: + [REDACTED]
FAX: X- [REDACTED]
[REDACTED]
[REDACTED]

FOIA (b)(6)

Headquarters, United States Africa Command did not include a date on their management responses. Therefore, we regard the date of the e-mail transmitting the responses to us (at left) as the "cover date" for the responses.

FOIA (b)(6)

FOIA (b)(6)

FOIA (b)(6)



**HEADQUARTERS
UNITED STATES AFRICA COMMAND
Unit 29951
APO AE 09751**

From: Deputy Director, Operations and Logistics

To: Assistant Auditor General for Research, Development, and Acquisition Audits

Subj: Naval Audit Service Draft Audit Report on Department of Navy Acquisition and Disbursing Checks and Balances at Camp Lemonnier, Djibouti, Africa (N2008-NAA000-0125/0126)

Ref: NAVAUDSVC memo 7510/N2008-NAA000-0125/0126 of 27 Mar 09

1. We have reviewed reference (a), and enclosure (1) provides our comments to Recommendations 1 through 19. Our comments are a consolidation of input that we received from all affected parties of this report.

2. Our point of contact for this audit is [REDACTED], [REDACTED], email [REDACTED]. Please call or email [REDACTED] if you have any questions. Thanks you for your support.

[REDACTED]

[REDACTED]
Brig Gen, USAF
Deputy Director for Operations and Logistics

Encl: U.S. Africa Command comments to subject draft audit report

FOIA (b)(6)

FOIA (b)(6)

Enclosure

Recommendation 1. Require CJTF-HOA to develop and implement a management control program to evaluate and report on the effectiveness of operating activities and functions as required by DoDI 5010.40.

AFRICOM Resources Response - (Concur) No comment.

AFRICOM IG Response- (Concur) CJTF-HOA and Camp Lemonnier, Djibouti, with assistance from CNREURAFSWA and CNE-C6F, are establishing Manager's Internal Control (MIC) Programs for each respective department assigned. Completed 1 July 2009.

Recommendation 2. Require CJTF-HOA to develop a local Hotline publicity campaign and marketing programs to encourage employees to identify and report fraud, waste, abuse, and mismanagement in DoD programs and operations as required by DoDI 7050.01.

AFRICOM Resources Response – (Concur) Recommend programs be funded at component level.

AFRICOM IG Response - (Concur) A local Hotline is in place. Additionally, the CJTF-HOA publicity campaign includes: AFN public service announcements, DoD Hotline posters and Plan of the Week (POW) notification on a weekly bases. Completed January 2009.

Recommendation 3. Establish and implement internal control oversight activities to ensure CJTF-HOA establishes and maintains effective MIC and Hotline programs.

AFRICOM Resources Response - (Concur) Recommend programs be managed at component level.

AFRICOM IG Response - (Concur) As noted in the response to Recommendation 1, both CJTF-HOA and Camp Lemonnier, Djibouti are in the process of establishing Manager's Internal Control Programs. Completed 1 July 2009.

Recommendation 4. Clarify, in writing, each organization's distinct responsibilities to ensure proper internal control, oversight, and accountability over contracting and disbursing operations supporting CJTF-HOA's mission.

AFRICOM IG - (Concur) CJTF-HOA and Camp Lemonnier, Djibouti will require a Primary and Alternate MIC Coordinator for each command; a letter from each Commander will clarify in writing the distinct responsibilities of each coordinator, as well as each department. Completed 1 June 2009.

Recommendation 5. Develop and implement a plan to provide the necessary management controls and oversight activities over the CJTF-HOA procurement function to ensure current and future contracts, including contracts for travel services, are appropriately awarded and administered, and all contract documentation is prepared and maintained in accordance with FAR and DFAR as discussed in the finding.

FISCSI Response - (Concur) CJTF-HOA has provided the following tools and procedures in order to provide Contracting Officers clear step-by-step guidance on issuing contracts and providing reference and amplifying existing NAVSUP policy.

1) Tools:

a) A list of all applicable regulations, instructions, and policy letters have been placed on CJTF-HOA's share drive folder under the Contingency Contracting Office (CCO) Policies and Procedures.

b) An electronic database of all the regulations, instructions, and policy letters for easy reference have been placed on CJTF-HOA's share drive folder under the Contingency Contracting Office (CCO) Policies and Procedures.

c) Templates for commonly used contract types have been placed on CJTF-HOA's share drive folder under "Contracting Documents and Template". This will ensure that all applicable laws, regulations and instructions are followed and the file is properly documented.

2) Procedures:

a) CTJF HOA has implemented a contract Standard Operation Procedures (SOP) to perform second level review of the contract file prior to award or immediately following award if awarded in field to ensure they contain all required documentation in accordance with all applicable regulations and contracting instructions.

b) CJTF-HOA has developed a SOP requiring the implementation of the NAVSUP Quality Assurance Self-Assessment Program (QASA).

Estimated completion date 27 August 2009.

CJTF-HOA CCO Response – (Concur) This is a very broad based recommendation. We believe this is answered by FISC doing the quarterly reviews along with the better defined dollar thresholds for internal review requirements. The CJTF HOA Contingency Contracting Office (CCO) has Policy and Procedures Instructions (PPIs) to establish internal controls over our contracting process. There are currently 23 instructions covering internal procedures such as Purchase Request Tracking Logs, Managing Blanket Purchase Agreements to Contract Closeouts, and one is currently in process requiring file documentation. These PPIs help ensure that the CCO has properly awarded and administered contracts. DTS is expected to come online through CTO Bahrain, therefore this will remain open pending DTS coming online.

Recommendation 6. Develop and implement a plan to provide the necessary management controls and oversight activities over the Government Purchase Card Program supporting CJTF-HOA to ensure compliance with NAVSUP 4200.99 instruction.

FISCSI Response - (Concur) CJTF-HOA has provided the following tools and procedures in order to provide Contracting Officers clear step-by-step guidance on purchases made using the Government Purchase Card and providing reference and amplifying existing NAVSUP policy.

1) Tools:

a) A list of all applicable regulations, instructions, and policy letters have been placed on CJTF-HOA's share drive folder under "Government Purchase Card Program".

b) An electronic database of all the regulations, instructions, and policy letters for easy reference has been placed on CJTF-HOA's share drive folder under "Government Purchase Card Program".

c) Checklists for the actions required to each purchase card program participant based on his/her role to ensure that all applicable laws, regulations and instructions are followed and the file is properly documented have been placed on CJTF-HOA's share drive folder under "Government Purchase Card Program".

2) Procedures:

a) CJTF-HOA has implemented a purchase card SOP to perform a second level review of the purchase card file prior to the purchase card buy or immediately following the purchase card buy if made in the field.

b) CJTF-HOA has developed a SOP requiring the implementation of an internal quality assurance review of purchase card files based on critical elements outlined in the NAVSUPINST 4200.82D for PPMAP reviews.

Estimated completion date 27 August 2009.

CJTF-HOA CCO Response – (Concur) This recommendation has been addressed by the movement of AO responsibilities. All incoming Purchase Requisitions are being routed directly to the AO prior to work load assignment among card holders. Training is conducted regularly with Card Holders to ensure program is meeting standards outlined in the NAVSUP 4200.99. All transactions are certified each month to ensure proper file maintenance is being met. Semi Annual reviews are conducted by the APC whom is stationed in Naples Italy. Copies of such reviews will be requested and maintained on file within the program binder. The program files have been updated to consist of CH and AO training/designations. Certification files to consist of monthly certifications. Program Binder to consist of related instructions and Semi-Annual review copies. Completed 31 January 2009 .

Recommendation 7. Establish policies and standard operating procedures for the CJTF-HOA contracting function to fix responsibilities and accountability and provide for continuity of operations when personnel rotate in and out of the function.

FISCSI Response - (Concur) CJTF-HOA plans to issue the following policy memoranda/SOPs directly related to the contracting functions of CJTF-HOA

Consolidated and current listing of main assignments and collateral duties thereby establishing accountability and command visibility; Self-Assessment Plan to identify procurement and acquisition metrics tailored on CJTF-HOA specific mission and needs; End-Of-The-Tour Practices to establish procedures to re-assign the pending actions for employees leaving the office to new employees and to ensure the exchange of information regarding the status of pending actions before the employee leaves the office. Expected completion date 30 Sep 2009.

Recommendation 8. Require CJTF-HOA to terminate all existing personal service contracts at the end of their current contract periods, and ensure that future contracts establish the appropriate "arms-length" relationship between the contractors and Government personnel.

FISCSI Response - (Concur) CJTF-HOA has reviewed all contracts and rewritten to definitize service requirements and have eliminated any contract language that could be construed to suggest personal services.

We have also provided training to managers who have contract employees in their offices to prevent inadvertent personal services activity. Completed 13 April 2009.

CJTF-HOA CCO Response – (Concur) The Contracting Officer did a very comprehensive review of the contracts and renegotiated many of them to remove troublesome language for all FY09 contracts, as well as inserting language in each of the Contracting Officer Representative letters that Camp Lemonnier had been acquired by the US Navy from the United States Marines. The long term vision will be to hire all of the Host Country Nationals working on Camp Lemonnier when a personnel office is set up to manage HCNs. Chief, CCO contacted the CJTF-HOA J1 Personnel Officer, and the Camp Personnel officer, about establishing a camp personnel office to hire host country nationals. They have been talking with Naples HRO but nothing is definite. Completed 31 January 2009.

Recommendation 9. Require CJTF-HOA to conduct background investigations, in conjunction with Naval Criminal Investigative Service (NCIS), to determine whether current and future Third Country Nationals and Host Country Nationals (TCN/HCN) who were awarded contracts, have any ties, and/or relationships, to any terrorist organizations and countries that support terrorist organizations.

FISCSI Response - (Concur) CJTF-HOA will contact NCIS and jointly establish a plan of action for the most efficient and effective way to satisfy this recommendation. We plan to explore the establishment of a database if NCIS doesn't already have one in place. We will ensure Contracting Officers review and implement FAR Subpart 50.2 -- Support Anti-terrorism by Fostering Effective contracting officers Technologies Act of 2002. We plan to implement a process and/or SOP that will provide a list of all CJTF-HOA contractors to NCIS annually for review and/or investigation as necessary. Expected completion date 3 August 2009.

CJTF-HOA CCO Response – (Concur) Camp Lemonnier now performs security vetting for all TCNS/HCNs working for CJTF HOA and Camp Lemonnier. For downrange operations, the J2X scrutinizes all of our contracts and performs a periodic review of the vendor list. If they find a contractor of interest they investigate. Completed 31 January 2009.

Recommendation 10. Establish controls to ensure contractor personnel do not perform inherently Governmental functions, and provide for proper separation of duties for acquisition and payment of goods and services.

FISCSI Response - (Concur) CJTF-HOA has completed a review and rewrite of all contracts and operating procedures to ensure inherently governmental functions are not performed by contractors. A SOP was

developed to formally separate pay agent and acquisition function. Also, training was provided to each pay agent, field ordering officer, purchasing agent, and contracting officer on separation of duties. Completed 13 April 2009.

ADDITIONAL COMMENTS FROM CJTF-HOA CCO –The certification is the KO's signature on the invoice itself. Despite this, we still changed the CCO policy so that our LN no longer signs the CCO letters. They are to be signed by either the CCO, Deputy CCO or other senior contracting officer.

Recommendation 11. Establish a pre-deployment, targeted training program for contracting personnel assigned to contingency operations, addressing contract award and administration responsibilities, functions, and oversight.

FISCSI Response - (Concur) CJTF-HOA has either implemented or plans to implement the following training plan:

1) Any new contracting personnel assigned to CJTF-HOA is required to take the Continuous Learning Course (CLC) 114 "Contingency Contracting Officer Refresher" prior to deployment, if the basic CON 234 "Contingency Contracting" was taken more than 6 months prior. In addition, a list of pre-deployment training requirements will be forwarded to incoming contract personnel as soon as they receive confirmation that they are reporting to CJTF-HOA

2) CJTF-HOA will prepare an operating manual to distribute to new contracting personnel prior to their deployment. The manual shall provide an overview of the specific circumstances of working in the HOA area, a description of the main requirements applicable to contracting in contingency areas, and address the hot topics identified by the NAVAUDSVC Navy report and shall be updated as necessary to include new issues.

3) CJTF-HOA has developed a contract training session for personnel to complete within one week of their arrival date. The training provides new contracting personnel an opportunity to discuss the operating manual with a contracting officer experienced in HOA field/operations and on all applicable internal policy memoranda/SOPs.

Expected completion date 30 September 2009.

ADDITIONAL COMMENTS FROM CJTF-HOA CCO – Chief, CCO instituted a welcome aboard letter and list of the training requirements and read-ahead orders that are sent out as soon as we are notified about incoming personnel reporting to CCO Djibouti.

Recommendation 12. Evaluate alternatives to the current staffing process, including the feasibility of increasing tour lengths and utilizing civilian personnel to provide needed continuity, that will provide for sufficient numbers of qualified contract award and administration, disbursing office, and oversight personnel to perform those functions effectively, and establish a plan of actions and milestones for implementing the selected alternative and the required funding to implement the selected alternative.

CNE C6F Response - (Concur) FY11 Global Force Management (GFM) submission to the NAVSUP Budget Submitting Office (BSO) validated requirements to establish billet structure for Camp Lemonnier – Djibouti (CLDJ) Contracting Detachment. Current HOA Contracting Detachment will perform only HOA Contracting function. CLDJ Contracting Detachment is increasing in current GFM manpower requirements.

AFRICOM OPL/RES Response - As Camp Lemonnier and CJTF-HOA's mission and nature are further refined Africa Command will monitor and support Naval Forces Africa's collaborative efforts to develop a plan and implement the staffing structure that supports mission requirements for Camp Lemonnier and CJTF-HOA. Staffing plans will need to complement the developed contracting strategy for meeting mission demands, with the ultimate goal of developing processes reflective of an enduring mission.

Recommendation 13. Establish and implement the following internal controls and oversight activities to protect cash:

- a. Perform financial and personal history background reviews of existing and potential PAs to assess potential vulnerabilities;
- b. Perform physical validation to verify legitimacy of vendors' receipts, vendors' signatures, and actual purchases of goods and services by the PAs;
- c. Perform surprise verifications of cash held under the accountability of the PAs;
- d. Establish formal policies and procedures addressing internal controls over cash for the entire Paying Agent process, and use those policies to establish oversight and approval responsibilities and to separate duties for acquisition and receipt of, and payment for, goods and services; and
- e. Establish necessary internal controls to ensure PAs return no less than every 30 days to liquidate vouchers and funds on hand. When circumstances require and justify returning after a longer period, require written justification be provided to support the decision, approved by an oversight official, and kept on file at PSD.

CJTF –HOA Resources & Requirements CJ-8 Response –

a. (Concur) We agree there should be background reviews of the PAs. However, because of our limited resources to perform and lack of expertise to evaluate background reviews in our forward-deployed environment, this is not feasible. Since deployed groups are usually quite small (typically 15 or fewer personnel) which limits choices for PA selection, pay agents are selected by Mission Commanders based on their knowledge of the individual and assessment of their character. This approach, coupled with improvements made in PA training, positive efforts to minimize the amount of cash held by PAs and the fact many PAs have undergone a security clearance background investigation help mitigate this potential vulnerability.

b. (Concur) Perform physical validation to verify legitimacy of vendors' receipts, vendors' signatures, and actual purchases of goods and services by the PAs.

CJTF-HOA uses 3 sets of reviewer eyes on PA transactions: CCO, CJ-8 and the Disbursing Officer. Each reviews the transaction documentation submitted by PAs during the monthly reconciliation process.

c. (Concur with Comments) We agree that there should be surprise verifications of cash held by the PAs, however, this is a difficult task in the HOA AOR. Further, CJ-8 is not resourced with sufficient personnel to conduct such verifications for PAs dispersed across an area roughly the size of the United States. Travel in the AOR is challenging due to the distances involved, minimal flight frequencies and oftentimes arduous ground transportation situations. We believe that PAs settling their accounts approximately every 30 days must substitute for surprise cash verifications. We also believe this approach, coupled with improvements we have made in PA training, and positive efforts to minimize the amount of cash held by PAs will further improve the accountability over cash. This procedure was implemented as of December 2008.

d. (Concur) Establish formal policies and procedures addressing internal controls over cash for the entire Paying Agent process, and use those policies to establish oversight and approval responsibilities and to separate duties for acquisition and receipt of, and payment for, goods and services.

CJ-8 has developed written policies and procedures for the Pay Agent program which include the following:

- Policy and Procedure Instruction (PPI) 09-02 - Paying Agent Process at CJTF-HOA. Details CJ-8 responsibilities for the program,

including PA training and appointment, and includes a process flowchart detailing steps taken from request for a PA through relief.

- Request for Pay Agent. Letter request for appointment of a PA.
- Pay Agent Training. A 30 slide PowerPoint training document for new PAs.
- Paying Agents Standard Operating Procedures. Specific instructions relating to the scope and performance of PA duties.
- Appointment as Paying Agent. Written appointment and acceptance as PA.

e. (Concur) Establish necessary internal controls to ensure PAs return no less than every 30 days to liquidate vouchers and funds on hand. When circumstances require and justify returning after a longer period, require written justification be provided to support the decision, approved by an oversight official, and kept on file at PSD.

Paying Agents Standard Operating Procedures paragraph 4. e. (10) directs PAs to liquidate vouchers and funds on hand to the DDO every 30 days.

AFRICOM RESOURCES Response - The responsible disbursing offices should retain the lead for these functions, with inputs from stakeholders.

Recommendation 14. Develop and implement an acquisition strategy to minimize, to the greatest extent possible, the use of cash down range. If there is a requirement for use of cash, then conduct an evaluation of current and future cash requirements with the overall goal of reducing cash entrusted to PAs to meet the minimum necessary for mission requirements.

CJTF –HOA Resources & Requirements CJ-8 Response –

(Concur) Develop and implement an acquisition strategy to minimize, to the greatest extent possible, the use of cash down range.

Significant portions of the Horn of Africa economy continue to operate on a cash only basis due to limited economic and financial system development. Consequently we have found that many vendors, especially those in non-urban deployment locations, are unable to accept payment by check or EFT.

The Contingency Contracting Office will require payment by EFT or check for vendors capable of receiving them. Other vendors, typically those outside urban areas, must continue to be paid in cash. However, CJTF-HOA has taken aggressive steps to minimize the amount of cash carried by PAs. The first paragraph on page 21 of the audit report mentions that CJTF-HOA represented to NAVAUDSVC that at one point 50 to 60 PAs

held about \$1 million in operating funds throughout the AOR. As of April 15, 2009, our records indicate CJTF-HOA had 29 PAs holding approximately \$262,000, representing a 50% reduction in the number of PAs and a 74% reduction in funds held. The largest amount of cash was \$36,000, and the average amount held by a PA was reduced by approximately 50%, from about \$18,000 to \$9,000.

AFRICOM RESOURCES Response - The supporting contracting activities, with inputs from stakeholders, should develop these types of acquisition strategies.

Recommendation 15. Establish and implement a pre-deployment training program for comptroller and disbursing personnel being deployed to CJTF-HOA addressing disbursing operations and requirements to include contract payments and accountability, and provide oversight to ensure the program is effectively implemented.

CNE C6F Response - (Concur) CNREURAFSWA (N8) has already implemented a pre-deployment training aide for both comptroller and disbursing personnel being deployed to Djibouti. A major contributor to the training aide will be to bring all deployed personnel comptroller and disbursing staff to Naples to receive familiarization. Compliance date was February 2009.

Recommendation 16. Establish Standard Operating Procedures, and internal controls for implementing them, for the CBPO for processing and approving for commercial payments.

CNE C6F Response - (Concur) Standard Operating Procedures (SOP) will be established for CNREURAFSWA, which now includes Djibouti and Bahrain. Expected completion date is 3 August 2009.

Recommendation 17. Establish and implement internal controls and oversight activities, in conjunction with CJTF-HOA and CBPO Naples, to ensure vendor payments are properly supported and erroneous payments are detected and corrected.

CNE C6F Response - (Concur) Manager's Internal Controls (MIC) is being developed for CJTF-HOA, once established, internal controls will be identified between CJTF-HOA and CBPO Naples to ensure vendor payments are properly supported as well as detecting erroneous payments. Expected completion date is 3 August 2009.

Recommendation 18. Establish policy, procedures, and internal controls, and provide oversight to ensure that post-payment examinations are conducted, and perform any on-site reviews of their disbursing detachment office.

CNE C6F Response - (Concur) As mentioned in response recommendation 17, a MIC Program is being established. In addition, CJTF-HOA will provide a Cash Verification Board (CVB) to commence a quarterly audit of both Commercial Bill Pay and Disbursing. Expected completion date is July 15, 2009 for MIC Program, Quarterly Audit from CVB is in effect now. Completed 1 June 2009.

Recommendation 19. Recoup refunds, in conjunction with CJTF-HOA, for the overpayment totaling \$12,780 relating to 8 duplicate invoices made to the foreign travel agency, and an overpayment of \$12,875 to the contractor on contract N3654A-07-C-1008.

CNE C6F Response - (Concur) Overpayments totaling \$12,780 has been recouped, check dated 20 Jan 09 received. This is now considered closed. The other amount of \$12,875 is being worked by EURAFSWA and trying to recoup. Expected completion date 30 September 2009.

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