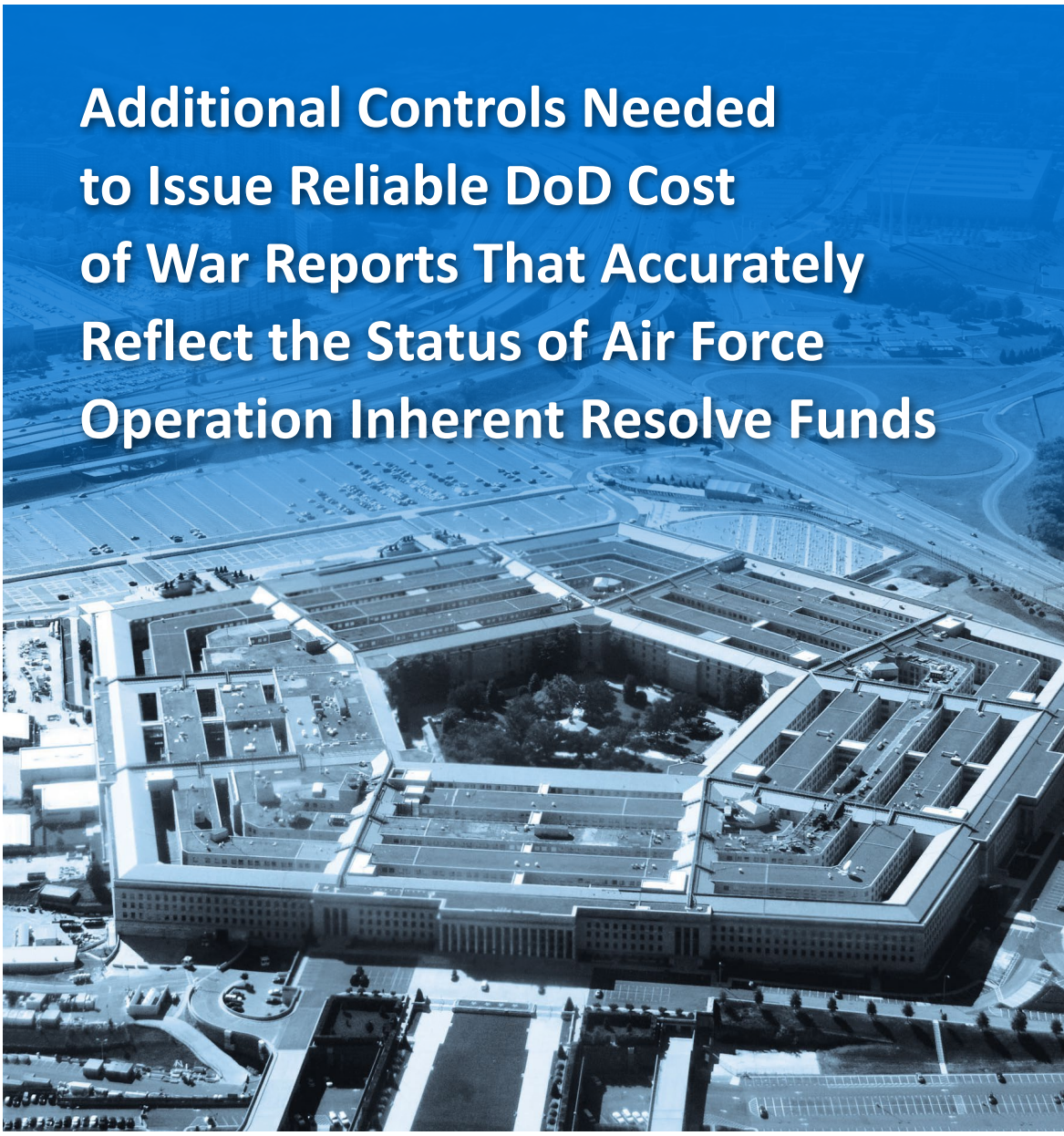
Report No. DODIG-2016-102

INSPECTOR GENERAL

U.S. Department of Defense

JUNE 23, 2016

Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds



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Results in Brief

Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds

June 23, 2016

Objective

We determined the accuracy of the Air Force's obligations and disbursements supporting Operation Inherent Resolve (OIR) as reported in the Cost of War (CoW) report. We also examined the CoW report to determine if it satisfied legal requirements to report financial information for contingency operations.

Findings

The Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller (SAF/FMB) inaccurately represented Air Force OIR costs in the third quarter FY 2015 CoW reports by underreporting $237.9 million in obligations and $209.9 million in disbursements. This occurred because SAF/FMB and Defense Finance and Accounting Service Enterprise Solutions and Standards (DFAS ESS) did not have adequate controls over the processing and reporting of Air Force OIR costs. Specifically, SAF/FMB and DFAS ESS did not:

- have processes in place to capture complete and accurate source data;
- update the business rules for the Contingency Operations Reporting and Analysis Service (CORAS) reporting systems to account for all OIR costs; and
- submit costs that matched the source data.

In addition, Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller)(Deputy Comptroller) personnel did not issue the FY 2015 CoW reports within the deadline required

Findings (cont'd)

by public law. This occurred because Deputy Comptroller personnel prioritized other tasks ahead of the CoW report and used manual processes to prepare the CoW report.

As a result, the Deputy Comptroller issued unreliable and outdated CoW reports, diminishing the relevance of the information provided to the Government Accountability Office and Congress. The reliability of Air Force OIR costs reported in the CoW report is at risk until SAF/FMB personnel develop and implement procedures to ensure complete and accurate source information, and DFAS ESS personnel update CORAS business rules. In addition, until the Deputy Comptroller allocates sufficient resources to issuing the CoW report, Deputy Comptroller may fail to issue a timely account of contingency operation costs.

Recommendations

Air Force officials should develop and implement standard operating procedures, which include operation-specific guidance, to ensure personnel enter necessary costs into CORAS and the Air Force officials should adjust CORAS to reflect accurate FY 2015 costs. In addition, DFAS ESS and Air Force officials should update CORAS business rules to ensure OIR costs are accurately reported. Either the Deputy Comptroller officials should coordinate with Congress to adjust the CoW reporting requirements, or the Deputy Comptroller officials should assign the resources necessary to issue the CoW report on time, automate preparing the CoW report, and revise overseas contingency operation reporting instructions for FY 2016 to meet public law reporting requirements.

Management Comments and Our Response

Comments from SAF/FMB and DFAS ESS addressed all specifics of the recommendations, and no additional comments are required. However, comments from the Director for Operations (Program/Budget), responding for the Deputy Comptroller, partially addressed the recommendation. Therefore, we request the Deputy Comptroller provide additional comments to this report. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller)	4.b	4.a, 4.c
Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller)		1.a, 1.b, 1.c, 1.d, 1.e, 2.a, 2.b, 2.c
Director, Defense Finance and Accounting Service Enterprise Solutions and Standards		3

Please provide Management Comments by July 8, 2016.

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

June 23, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DoD
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds (Report No. DODIG-2016-102)

We are providing this report for review and comment. The Air Force underreported third quarter FY 2015 Operation Inherent Resolve costs by $237.9 million in obligations and $209.9 million in disbursements, resulting in an unreliable Cost of War report. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. DoD Instruction 7650.03 requires that all recommendations be resolved promptly. SAF/FMB and DFAS ESS addressed all specifics of the recommendations. However, the Director for Operations (Program/Budget), responding for the Deputy Comptroller, agreed with the recommendations but did not describe the actions she would take for Recommendation 4.b. Therefore, we request additional comments on Recommendation 4.b by July 8, 2016, that include the actions the Deputy Comptroller will take.

Please send a PDF file containing your comments to audfmr@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945 (DSN 664-5945).

Lorin T. Venable

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

Contents

Introduction

Objective

We determined whether the Air Force had adequate accountability of the DoD funds supporting Operation Inherent Resolve (OIR) by determining the accuracy of obligations and disbursements, as reported in the Cost of War (CoW) report. In addition, we reviewed the CoW report to determine if it satisfied the legal requirements to report financial information for contingency operations. Appendix A documents the scope and methodology and prior audit coverage related to the objective.

Background

The "FY15 Joint Strategic Oversight Plan"[1] stated that in October 2014, the U.S. Central Command designated U.S. military operations in Iraq and Syria against the Islamic State of Iraq and the Levant as OIR and the Secretary of Defense designated OIR as an overseas contingency operation (OCO). On December 17, 2014, in accordance with Section 8L of the Inspector General Act of 1978, as amended, the Chair of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) designated the DoD Inspector General (DoD IG) as the Lead IG for OIR. The Lead IG is required to review and determine the accuracy of information provided by Federal agencies relating to:

- obligations and expenditures;
- costs of programs and projects;
- accountability of funds; and
- award and execution of major contracts, grants, and agreements in support of the contingency operation.[2]

Cost of War Report

Public Law 113-235[3] authorized $63.9 billion for the DoD in support of OCOs. It also requires DoD to report OCO costs for OIR, Operation Enduring Freedom (OEF),[4] and any named successor operations, monthly in the CoW report. As of the June 2015 CoW report, DoD reported $35.6 billion in total OCO obligations in FY 2015, including $3.2 billion of OIR obligations. Of the $3.2 billion in

[1] Lead Inspector General for Operation INHERENT RESOLVE, "FY 2015 Joint Strategic Oversight Plan," March 31, 2015.

[2] Inspector General Act of 1978, as amended, Section 8L, "Special Provisions Concerning Overseas Contingency Operations," (d)(2)(C).

[3] Public Law 113-235, "The Consolidated and Further Continuing Appropriations Act, 2015" Division C, Title IX, "Overseas Contingency Operations."

[4] Effective January 1, 2015, Operation Freedom's Sentinel (OFS) is the successor operation to OEF.

OIR obligations, the Air Force reported $1.2 billion. The CoW reports issued for third quarter FY 2015[5] reported $1.8 billion in OIR obligations, of which the Air Force reported $0.4 billion. DoD OIR disbursements for third quarter FY 2015 totaled $1.1 billion, of which the Air Force reported $0.3 billion.

The National Defense Authorization Act for Fiscal Year 2006[6] (FY 2006 NDAA) requires the Secretary of Defense to submit the CoW report to the Comptroller General no later than 45 days after the end of each reporting month. In addition, the DoD Financial Management Regulation[7] (DoD FMR) requires controls, accounting systems, and procedures to provide proper identification and recording of costs incurred to support contingency operations.

On November 13, 2014, the Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller) (Deputy Comptroller) personnel issued the FY 2015 Instructions for Overseas Contingency Operations Cost Reporting. The guidance required Air Force personnel to review, validate, and affirm the accuracy of data they submitted into the Contingency Operation Reporting and Analysis Service (CORAS)[8] as a fair representation of costs associated with each active contingency operation. It also required Air Force personnel to prepare and submit footnotes explaining certain variances in obligations. Deputy Comptroller and the Defense Finance and Accounting Service Enterprise Solutions and Standards (DFAS ESS) personnel create a CoW report for each month using data from CORAS.

The CoW report includes summary obligation and expenditure data for contingency operations, including OIR, and consists of two sections:

- Cost of War Update:
  - created by Deputy Comptroller personnel; and
  - consists of 14 pages of charts, graphs, and explanatory footnotes that summarize the data in the DoD Estimate of Cost of War Report.
- DoD Estimate of Cost of War Report:
  - created by DFAS ESS personnel;
  - includes summary obligation data from CORAS by component, appropriation, and operation; and

[5] April, May, and June 2015.

[6] Public Law 109-163, "National Defense Authorization Act for Fiscal Year 2006" section 1221, "War Related Reporting Requirements."

[7] DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 12, chapter 23, "Contingency Operations," section 230104, "DoD Policy Requirements."

[8] CORAS is an integrated system for reporting disaster and contingency efforts.

- contains detailed obligation and disbursement data for the Military Personnel (MILPERS) and Operation and Maintenance (O&M) appropriations, and the status of funds by appropriation for the most recent 3 years' appropriations.

Roles and Responsibilities

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller (SAF/FMB) personnel are responsible for the accuracy of the Air Force OIR data within CORAS. According to the FY 2015 OCO reporting guidance, their responsibilities included submitting all Air Force OCO monthly execution amounts for appropriations, budget activities, and budget line items using a cost breakdown structure or cost category[9] code into CORAS. SAF/FMB divides responsibilities for OCO monthly execution reporting by appropriation type including MILPERS; O&M; Procurement; and Research, Development, Test, and Evaluation (RDT&E).

SAF/FMB appropriation analysts submit actual costs, with the exception of MILPERS, which is an estimate. In addition, the Defense Departmental Reporting System—Budgetary (DDRS-B) automatically transmits other appropriation[10] costs directly into CORAS.

DFAS ESS personnel manage CORAS, including the automated transfer of financial data from DDRS-B into CORAS. DFAS ESS personnel use CORAS to generate the DoD Estimate of Cost of War Report, which DFAS ESS personnel submit monthly to the Deputy Comptroller's office.

Deputy Comptroller personnel complete the CoW report and issue it to the Government Accountability Office (GAO), the Office of Management and Budget (OMB), and Congress. Appendix B illustrates the flow of the Air Force's financial data from the source accounting systems to the CoW report and the timelines associated with the reporting process.

[9] The Cost Breakdown Structure classifies project costs into the lowest level of work breakdown structure, cost units and cost elements; and aids in efficient cost planning, cost controlling, and cost reduction.

[10] DDRS-B also automatically transmits costs for appropriations: Military Construction, Air Force; Operation and Maintenance, Air Force; and Operation and Maintenance, Air Force Reserve.

Review of Internal Controls

DoD Instruction 5010.40[11] requires DoD organizations to implement a comprehensive system of internal controls that reasonably assure programs are operating as intended and to evaluate the effectiveness of the controls. We identified that SAF/FMB and DFAS ESS did not have adequate controls to ensure Air Force OIR costs, as reported in the CoW report, were reliable or adequately supported. We also identified that the Deputy Comptroller did not have adequate controls to issue reliable CoW reports in a timely manner. We will provide a copy of the report to the senior officials responsible for internal controls within the Air Force, DFAS ESS, and Deputy Comptroller.

[11] DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

Air Force Underreported Operation Inherent Resolve Costs

SAF/FMB inaccurately represented Air Force OIR costs in the CoW reports issued for third quarter FY 2015 by underreporting $237.9 million in obligations and $209.9 million in disbursements.[12] Specifically, SAF/FMB personnel:

- underreported $237.8 million in obligations and $209.9 million in disbursements for MILPERS and O&M costs, including the Syria Train and Equip (ST&E) program, because SAF/FMB MILPERS and O&M analysts did not document and implement reporting processes to include complete and accurate source data, as required by the DoD FMR. In addition, SAF/FMB and DFAS ESS personnel did not update the CORAS business rules to properly assign the ST&E costs to OIR.
- excluded $51,798 in obligations for RDT&E costs because the guidance the procurement analyst followed did not detail the costs that should have been submitted to CORAS.
- adjusted OIR obligations and disbursements to allocate costs across contingency operations and to avoid reporting costs over the spending authority for each operation because the procurement analyst had inadequate guidance defining the process for submitting amounts that did not match the source data.

In addition, Deputy Comptroller personnel issued the FY 2015 CoW reports an average of 125 days after the reporting period, which did not comply with the FY 2006 NDAA 45-day requirement. This occurred because Deputy Comptroller personnel prioritized other tasks ahead of the CoW report, and used manual processes to prepare the summary tables and charts in the CoW report.

As a result, the Deputy Comptroller issued unreliable and outdated CoW reports, which diminished the relevance of the information provided to GAO for analyzing OCO execution rates and to Congress for their use in making budget decisions. Until SAF/FMB personnel develop and implement procedures to ensure complete and accurate source information, and DFAS ESS personnel update CORAS business rules, there is a significant risk that the Air Force OIR costs presented in the CoW report will continue to be unreliable. In addition, until the Deputy Comptroller allocates sufficient resources to issuing the CoW report, the CoW reports will continue to represent outdated contingency operations costs.

[12] The amounts are reported in net amounts.

Inaccurate OIR Data Reported in the Cost of War

SAF/FMB inaccurately represented Air Force OIR costs in the CoW reports issued for third quarter FY 2015 by underreporting $237.9 million in obligations and $209.9 million in disbursements. Specifically, SAF/FMB personnel underreported the O&M appropriation by $237.8 million in obligations and $209.8 million in disbursements; the MILPERS appropriation by $70,000 in obligations and disbursements; and the RDT&E appropriation by $51,798 in obligations. Table 1 shows the OIR amounts reported in the CoW reports by appropriation categories and the underreported amounts.

Table 1. Air Force Underreported OIR Amounts in the CoW Reports Issued for Third Quarter FY 2015

CoW Appropriations	Reported Obligations (millions)	Underreported Obligations (millions)	Reported Disbursements (millions)	Underreported Disbursements (millions)
O&M				
Flying Hours	$262.4	$198.9	$262.4	$198. 9
Other	104.9	37.1	46.5	9.8
ST&E	0.0	1.8	0.0	1.2
MILPERS				
Death Gratuity[1]	0.0	0.1	0.0	0.1
Other	11.0	0.0	11.0	0.0
Procurement	32.3	0.0	0.0	0.0
RDT&E[2]	0.0	0.1	0.0	0.0
Total[3]	**$410.7**	**$237.9**	**$319.9**	**$209.9**

[1] Reported amounts included $30,000 in Death Gratuity payments, $70,000 less than the required amount of $100,000.

[2] Underreported amounts included $51,798 in Administrative Fees.

[3] Totals may be different than the sum of the numbers due to rounding.

Source: Air Force data in the CoW reports, CORAS, Commanders' Resource Integration System (CRIS), DDRS-B, and SAF/FMB flying hour reports.

Inaccurate Flying Hour, Other Operation and Maintenance, Syria Train and Equip, and Death Gratuity Costs

SAF/FMB personnel underreported $237.8 million in obligations and $209.9 million in disbursements for MILPERS and O&M costs, including the ST&E program. Specifically, SAF/FMB personnel underreported:

- $198.9 million in flying hour obligations and disbursements,
- $37.1 million in obligations and $9.8 million in disbursements related to other O&M costs,[13]

[13] These amounts do not include flying hour and ST&E costs. See Table 3 for the cost categories included for O&M.

- $1.8 million in obligations and $1.2 million in disbursements related to ST&E program costs, and
- $70,000 in MILPERS death gratuity obligations and disbursements.

SAF/FMB personnel underreported these costs because they did not document and implement reporting processes to include complete and accurate source data, as required by the DoD FMR. The DoD FMR[14] states that each DoD Component must develop and publish a Standard Operating Procedure (SOP) or other supplemental guidance to address Component-specific items for cost reporting, including data source, monthly validation, and variance analysis. SAF/FMB should develop and implement standard operating procedures that include operation-specific guidance to ensure all necessary costs are consistently and accurately reported into CORAS. In addition, SAF/FMB should determine the extent of costs underreported in FY 2015 and adjust CORAS to reflect the correct cumulative costs.

SAF/FMB personnel underreported these costs because they did not document and implement reporting processes.

Flying Hour Costs

The O&M analyst submitted inaccurate flying hour cost estimates for April, May, and June 2015, resulting in $198.9 million in underreported obligations and disbursements for third quarter FY 2015. Table 2 shows the variance in the amounts reported for flying hour costs.

Table 2. OIR Flying Hour Actual and Reported Costs for Third Quarter FY 2015

Reporting Month	Actual Amount (millions)	Reported Amount (millions)	Variance Amount (millions)
April	$132.0	$87.5	$44.5
May	161.4	87.5	73.9
June	167.9	87.5	80.4
Total*	**$461.3**	**$262.4**	**$198.9**

* Totals may be different than the sum of the numbers due to rounding.
Source: SAF/FMB flying hour reports and CORAS.

According to the flying hour branch chief, the number of hours flown for OIR is based on the deployment assignments. To determine the flying hour costs, the flying hour budget analyst multiplied the number of OIR hours flown during the reporting period, as provided by the Office of the Air Force Deputy Chief of

[14] DoD FMR volume 12, chapter 23, "Contingency Operations" section 230904B, "Cost Reporting."

The O&M analyst submitted inaccurate flying hour cost estimates for each month during the third quarter FY 2015.

Staff for Operations, by the flying hour cost factors, which included aviation fuel, Government purchase card expenditures, consumables, and spares. The flying hour budget analyst provided these monthly costs to the O&M analyst for submission into CORAS. However, because the flying hour budget analyst did not provide the monthly flying hour costs in time for submission to CORAS, the O&M analyst submitted inaccurate flying hour cost estimates for each month during the third quarter FY 2015.

The O&M analyst did not have an SOP or guidance to establish procedures to follow when monthly flying hour costs were not available; therefore, the O&M analyst submitted the same amounts each month in error. In addition, without the SOP, the analyst did not have an established process to make corrections the following month. The O&M analyst stated that he intended to correct the April through June 2015 error by adjusting the September 2015 CORAS submission for third quarter FY 2015. However, as of March 22, 2016, the analyst still could not identify what portion of the $469 million adjustment applied to the third quarter amounts. SAF/FMB personnel should document and implement SOPs that ensure all necessary monthly costs are available before reporting deadlines. In addition, if actual costs are not available, the SOP should establish a process to estimate the flying hour costs for the current month and adjust the subsequent month to reflect actual costs.

Other O&M Costs

The O&M analyst also submitted other O&M costs into CORAS that did not reconcile to the accounting data in the Commanders' Resource Integration System (CRIS), resulting in $37.1 million in underreported obligations and $9.8 million in underreported disbursements. The Air Force used CRIS, a data repository of General Accounting and Finance System–Re-engineered (GAFS-R)[15] accounting data, to identify portions of the OIR obligation and disbursement financial data for submission into CORAS. However, the obligation and disbursement amounts that the O&M analyst submitted into CORAS were less than the full amount identified in CRIS. In addition, the analyst did not submit costs into CORAS for the new cost categories identified in CRIS. Therefore, the third quarter FY 2015 CoW reports did not accurately represent the other O&M obligations and disbursements.

The third quarter FY 2015 CoW reports did not accurately represent the other O&M obligations and disbursements.

[15] GAFS-R is a system that extends the capabilities of the accounting systems that are used by DFAS Columbus to manage, account for, and report status of funds allocated to the U.S. Air Force. GAFS-R includes transaction-level accounting data for U.S. Air Force General Funds and summary-level data for Working Capital Funds.

Table 3 shows the other O&M OIR obligation and disbursement amounts recorded in CRIS that the O&M analyst did not submit to CORAS, which resulted in underreported amounts for the CoW reports during the third quarter of FY 2015.

Table 3. Variances in Other O&M Costs From CRIS to CORAS Third Quarter FY 2015

O&M Cost Categories	Obligations (thousands)	Disbursements (thousands)
Temporary Duty/Additional Duty	$(362.3)	$(531.2)
Medical Support/Health Services	90.0	.00
Other Personnel Support	.00	(41.5)
Supplies and Equipment	(172.2)	(2,357.6)
Facilities/Base Support	(574.7)	(180.9)
Command, Control, Communications, Computer, and Intelligence (C4I)	(26,638.2)	(6.4)
General Support and Administrative Equipment	(9,460.9)	(6,654.7)
Airlift	(30.5)	(8.9)
Other Transportation	(0.2)	(2.2)
Net Amount Underreported*	$(37,149.1)	$(9,783.5)

* Totals may be different than the sum of the numbers due to rounding.
Source: Air Force data in CORAS and CRIS

SAF/FMB personnel did not have adequate procedures in place to identify and record costs properly.

The O&M analyst did not accurately report the other O&M costs because SAF/FMB personnel did not have adequate procedures in place to identify and record costs properly. The analyst modified amounts submitted into CORAS to ensure the CoW reporting amounts did not exceed the CORAS budget amounts. Furthermore, the analyst did not submit costs into CORAS for new cost categories identified in CRIS because he was not aware of the requirement or the ability to add new cost categories into CORAS. The O&M analyst did not have an SOP that detailed the required steps for establishing new cost categories for CORAS submission. In addition, he did not have guidance that outlined the appropriate actions to take if the submission amounts exceeded the Air Force planned amounts or if the amounts related to new cost categories. SAF/FMB personnel should document and implement SOPs that define parameters to submit obligation and disbursement amounts in CORAS that differ from the source data.

Syria Train and Equip Program Costs

The O&M analyst underreported third quarter FY 2015 OIR costs when he reported ST&E obligations of $1.8 million and disbursements of $1.2 million as OEF and Operation Freedom's Sentinel (OFS) obligations instead of OIR obligations. Public Law 113-235 authorized up to $500 million for the ST&E program,[16] which the Deputy Comptroller identified as OIR costs in the FY 2015 Instructions for Overseas Contingency Operation Cost Reporting. However, the O&M analyst did not ensure that OIR costs in the CoW report included ST&E program costs because he did not adequately identify all OIR contingency codes. Further, SAF/FMB and DFAS ESS personnel did not update the business rules within CORAS to accurately assign ST&E program costs as OIR costs.

The O&M analyst did not ensure that OIR costs in the CoW report included ST&E program costs.

To identify OIR costs, the O&M analyst searched CRIS for amounts under the OIR contingency code; however, the analyst excluded the ST&E transactions from the CORAS submission because he executed a search using only the contingency code for OIR. This limited the results to OIR transactions and excluded ST&E transactions. The analyst also stated that he was not aware of the requirement to report ST&E program costs in the CoW report and did not notice that the ST&E program costs were incorrect in CORAS. However, if the analyst had included the ST&E contingency code when searching CRIS for OIR data, the analyst could have identified that the data in CORAS from DDRS-B did not include ST&E for OIR. SAF/FMB personnel should document and implement SOPs that define parameters of the CRIS searches used to identify OIR costs and ensure all necessary contingency operation codes and appropriations are included in the source data. SAF/FMB personnel should determine the amount of FY 2015 ST&E costs allocated to OEF and OFS and adjust CORAS to report these costs as OIR.

Furthermore, the O&M analyst incorrectly reported ST&E program costs for OIR because DFAS ESS personnel did not update the business rules from DDRS-B to CORAS to report Air Force ST&E program costs as OIR costs. Every September, DFAS ESS personnel send the documented business rules to an Air Force assigned point of contact to confirm the rules are valid for all operations. DFAS ESS personnel did not update the business rules unless the Air Force point of contact

DFAS ESS personnel did not update the business rules from DDRS-B to CORAS to report Air Force ST&E program costs as OIR costs.

[16] According to Public Law 113-235, section 9016, the ST&E program is the military operation by the United States to provide assistance to defend Syrian people from the Islamic State of Iraq and the Levant; secure territory controlled by the Syrian opposition; protect the United States, its allies, and the Syrian people from terrorists in Syria; and promote conditions for a negotiated settlement to end the conflict in Syria.

provided a response justifying a change. For FY 2015, the SAF/FMB point of contact did not provide input related to the ST&E program. As a result, DFAS ESS did not update the business rules for ST&E costs and CORAS inaccurately assigned ST&E program costs to OEF and OFS. DFAS ESS and SAF/FMB should coordinate efforts to update the business rules of OIR data from DDRS-B to CORAS to ensure costs are complete and accurate, and assign responsibility for communicating any future changes.

MILPERS Death Gratuity Costs

The MILPERS analyst inaccurately allocated $30,000 to OIR for death gratuity costs instead of the required $100,000. The DoD FMR[17] states that the amount of each death gratuity payment is $100,000. In previous reporting periods, the analyst did not receive sufficient detail to determine which OCO should be charged for each payment; therefore, she allocated costs among all OCOs, with $10,000 per payment allocated to OIR. The analyst was notified of an OIR-specific death gratuity paid in April 2015; however, she continued to allocate only $10,000 of the total $100,000 to OIR. In addition, the analyst made an adjusting entry of $20,000 in June 2015 for two payments that were not allocated to OIR earlier in FY 2015. As a result, the MILPERS analyst underreported $70,000 in MILPERS obligations and disbursements during third quarter FY 2015.

The MILPERS analyst inaccurately allocated death gratuity costs for OIR because she did not account for the full amount of the death gratuity cost to the identified operation. The analyst used this process before FY 2015 because she could not identify where to assign the death gratuity costs; however, as of third quarter FY 2015, she was able to identify the respective contingency operation for each death. The analyst did not update guidance to document this process change and continued to use the allocation process to record death gratuity costs. However, this method did not comply with the DoD FMR,[18] which requires the MILPERS analyst to properly identify and record costs incurred in supporting OIR. SAF/FMB personnel should document and implement SOPs to ensure that actual costs are used when available. In addition, SAF/FMB personnel should determine the difference between the actual FY 2015 death gratuity costs and the amounts allocated within CORAS for each overseas contingency operation and adjust CORAS to report the actual costs.

[17] DoD FMR volume 7a, chapter 36, "Payments on Behalf of Deceased Members" section 360206, "Amounts Payable and Exemptions."

[18] DoD FMR volume 12, chapter 23, "Contingency Operations" section 230904B, "Cost Reporting."

RDT&E Costs Excluded From CoW Report

The procurement analyst excluded $51,798 in obligations for RDT&E costs associated with a contract's administrative fees. In May 2015, U.S. Cyber Command initiated a software project directly related to OIR. According to the analyst, U.S. Cyber Command did not have prior approval to use Air Force OCO RDT&E funds for the project. However, although U.S. Cyber Command recorded the obligations using OCO RDT&E funds, the analyst did not properly identify the obligations as OIR and excluded them from the CORAS submission. Though the analyst had an SOP, it did not provide guidance on which costs should be submitted to CORAS, and, as a result, the analyst only submitted OCO execution amounts for lines with pre-approved OCO RDT&E spending authority. SAF/FMB should define parameters under which personnel can report obligation and disbursement amounts into CORAS that are different from the source data. In addition, SAF/FMB personnel should determine the amount of FY 2015 RDT&E costs the analyst omitted from CORAS and adjust CORAS to report them.

U.S. Cyber Command did not have prior approval to use Air Force OCO RDT&E funds for the project.

Unsupported Change Management Process

Before the procurement analyst submitted costs to CORAS, he adjusted OIR obligations and disbursements to allocate costs across contingency operations and to avoid reporting costs over the spending authority for each operation. During third quarter FY 2015, the analyst changed OIR financial amounts obtained from CRIS, without any support or guidance to do so. The DoD FMR[19] requires documentation to support current period adjustments, including documentation of rationale for the adjustments and approval of the adjustments. Therefore, the procurement analyst should have maintained documentation to support his change management process. According to the analyst, if the costs in the accounting system were coded to the wrong contingency operation or exceeded spending authority, he manually adjusted the amounts in CORAS to reflect the correct contingency operation. The analyst monitored the original transactions in the source accounting system until a journal voucher moved the funds to the correct operation. If a journal voucher did not make the correction, then he manually matched the obligations and disbursements with the spending authority of the primary OCO operation and allocated the leftover amount to the OCO operation with a smaller spending authority.

If costs were coded to the wrong contingency operation or exceeded spending authority, the analyst manually adjusted the amounts to reflect the correct operation.

[19] DoD FMR volume 6a, chapter 2, "Financial Reports Roles and Responsibilities" section 020207, "Current Period Adjustments."

Although the analyst maintained an SOP, the SOP did not provide guidance for when changes could be made or how to document the changes. The procurement analyst did maintain a tracking spreadsheet to identify the changes made; however, he did not maintain the documentation to support the rationale for the changes or approval of the changes. Therefore, the analyst allocated these costs from OEF to OIR without any support or guidance, which resulted in changes to the amounts submitted to CORAS. Furthermore, the O&M analyst submitted data into CORAS that did not match the source data to keep reported costs under the budget amounts that the Air Force planned to execute. The analyst also lacked a formal change tracking mechanism. If the O&M analyst had a change tracking mechanism that required changes to be supported, documented, tracked, approved, and corrective action to be taken, he could have identified that the submissions into CORAS were not appropriate. SAF/FMB should define parameters under which personnel can report obligation and disbursement amounts into CORAS that are different from the source data. In addition, SAF/FMB should develop formal change tracking mechanisms that provide assurance that adjustments are supported, documented, tracked, approved, and corrective actions are implemented. All changes to source data should be included in this tracking mechanism.

CoW Report Not Issued In a Timely Manner by Deputy Comptroller

Deputy Comptroller personnel issued the FY 2015 CoW reports an average of 125 days after the reporting period, which did not comply with the 45-day requirement in the FY 2006 NDAA. Deputy Comptroller guidance for FY 2015 OCO cost reporting included monthly submission milestones for the Components, DFAS ESS, and Deputy Comptroller personnel to follow to meet the 45-day reporting requirement to Congress. According to the guidance, the Air Force had until the 18th day after the end of the reporting period to submit its OCO execution data to CORAS. In addition, the guidance required DFAS ESS to provide a draft copy of the DoD Estimate of Cost of War Report to Deputy Comptroller personnel for review and submit the final report, with supporting detail data files, by the end of the month. Appendix B illustrates the CoW reporting timelines, as required to comply with the FY 2006 NDAA.

According to Deputy Comptroller personnel, they reviewed the draft copy of the DoD Estimate of Cost of War Report each month and provided feedback to DFAS ESS and the Air Force on corrections to CORAS before finalizing that month's report. However, Deputy Comptroller personnel prioritized other tasks ahead of the CoW report and used manual processes to produce summary tables and charts in the final CoW report, which caused the reports to be issued after the 45-day reporting requirement.

Issuing CoW Reports Considered a Low Priority

Deputy Comptroller personnel did not issue the CoW reports in a timely manner because they prioritized other tasks ahead of the CoW report. The Deputy Comptroller's office stated that the individual responsible for preparing the CoW report was also responsible for integrating the Department's entire OCO budget for inclusion in the President's budget and the Secretary of Defense's budget hearings. In addition, the same individual was responsible for the disaster relief and humanitarian assistance lifesaving missions. They also stated that due to staffing cuts in recent years, the Deputy Comptroller did not have sufficient resources to ensure that the report was issued on time each month. The Deputy Comptroller's office explained that they have been moving resources around to keep the attention on the CoW report, but Congressionally mandated staff reductions have made it more challenging. As a result, the Deputy Comptroller's Office set aside completion of the CoW report, and focused on other higher-priority responsibilities such as completing budget submissions. To address these challenges, the Deputy Comptroller should either coordinate with Congress to adjust the FY 2006 NDAA 45-day reporting requirement or prioritize the completion of the CoW report to comply with this requirement and allocate the necessary resources accordingly. This coordination should include a discussion with Congress on the current legislative requirement to submit a CoW report 45 days after the end of each month and provide a justification for requiring more time to complete the monthly report or for changing the frequency of the report so that it can be issued less often.

Manual Process Slowed Completion of the CoW Report

Deputy Comptroller personnel did not issue CoW reports in a timely manner because they relied on a manual process to create the Cost of War Update section of the CoW report. This section contained summary tables, charts, and footnotes for the final report. According to the Deputy Comptroller analyst responsible for completing the Cost of War Update section, the analyst invested 40-60 work hours on this process, including as much as 8 hours on certain charts and graphs. After the report was completed, Deputy Comptroller personnel submitted the CoW report to OUSD(C) management for approval, which took anywhere from 10 to 30 days to complete, further delaying the report.

Management increased the reporting timeline from 45 days to 60 days in the FY 2016 Instructions for Reporting on the CoW, dated October 29, 2015, because of the manual processes to complete the report and the Deputy Comptroller's insufficient resources to devote to this task. However, this guidance does not comply with FY 2006 NDAA, which requires that the CoW report be issued 45 days after the close of the reporting period. In addition, Deputy Comptroller

Without increased staffing levels, management still did not expect to issue the CoW report within 60 days.

management acknowledged that, without increased staffing levels, management still did not expect to issue the CoW report within 60 days. The Deputy Comptroller personnel should examine options to automate the process to increase the efficiency of their resources and reduce the time required to complete the CoW report. DFAS ESS offered to modify the format of the CoW data to assist the Deputy Comptroller's efforts to automate the creation of the summary tables and charts. In addition, Deputy Comptroller personnel should reissue the FY 2016 Instructions for Reporting on the CoW to comply with the 45-day reporting requirement of the FY 2006 NDAA.

CoW Reports Were Unreliable

As a result of the Air Force underreporting OIR obligations and disbursements and the Deputy Comptroller's delays in issuing the CoW, the CoW reports were unreliable and outdated. The delays and underreporting diminished the relevance of the information provided to GAO for analyzing OCO execution rates and to Congress for making informed budget decisions. SAF/FMB personnel should implement process changes and DFAS ESS personnel should update CORAS business rules, which will result in more complete and accurate data. Until SAF/FMB and DFAS ESS personnel correct these deficiencies, there is a significant risk that the Air Force OIR costs presented in the CoW report will continue to be unreliable. In addition, Deputy Comptroller management has acknowledged that they issued the CoW report late, and they plan to review the utility of the tables and charts included in the CoW Update to determine if the process can be streamlined. However, until the Deputy Comptroller allocates sufficient resources to issuing the CoW report, the CoW reports will continue to be outdated and of limited use to GAO and Congress.

Air Force OIR costs presented in the CoW report will continue to be unreliable until the deficiencies are corrected.

DFAS Support for Air Force Overseas Contingency Operations Transactions

To ensure the accuracy and completeness of the OIR obligations and disbursements reported in the April, May, and June 2015 CoW reports, we requested the supporting documentation for 163 transactions[20] with an absolute value of $108.4 million. The transactions represented $100.2 million of the $730.6 million OIR net

[20] 163 transactions consisting of 104 obligations and 59 disbursements.

amount reported in the third quarter CoW report, and $8.2 million of the $6,653.2 million non-OIR obligation transactions in the source accounting systems. DFAS and Air Force personnel provided supporting documentation for 142 of the 163 transactions reviewed, with an absolute value of $106.6 million. For the remaining 21 transactions, DFAS personnel could not provide supporting documentation for 9 transactions, with an absolute value of $0.4 million. In addition, although DFAS personnel provided supporting documentation for the remaining 12 transactions, with an absolute value of $1.4 million, Air Force personnel did not provide sufficient information in the supporting documentation to determine whether the transactions were for OIR operations or another contingency operation.

Although the financial impact of the unsupported transactions was not material, the inability to support all transactions could continue to have a negative effect on Air Force's audit readiness efforts. For example, during the audit of the FY 2015 U.S. Air Force General Fund Schedule of Budgetary Activity,[21] an independent auditor identified control deficiencies related to the Air Force's lack of accurate and complete documentation to support obligations and disbursements, management and retention of supporting documentation, and its inability to provide supporting documentation to auditors in a timely manner. The independent auditor issued recommendations to correct these deficiencies. These recommendations, if applied, would address the OIR obligation and disbursement supporting documentation deficiencies that we identified. As a result, we are not issuing recommendations related to the supporting documentation control deficiencies.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments, we revised Recommendation 4.a to clarify the action needed to address completion of the CoW report in a timely manner.

Recommendation 1

We recommend that the Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller, develop and implement standard operating procedures that include

[21] DoD IG Report No. DODIG-2016-025, "Transmittal of the Disclaimer of Opinion on United States Air Force Schedule of Budgetary Activity for 2015," November 20, 2015. The independent auditors report contains a description of the control deficiencies and related recommendations on pages 27-39.

operation-specific guidance to ensure all necessary costs are consistently and accurately reported into the Contingency Operations Reporting and Analysis Service. The standard operating procedures should:

a. Establish reporting processes to ensure all necessary information is available before reporting deadlines. If actual costs are not available, a process should be developed for estimating the flying hour costs for the current month and adjusting the subsequent month to reflect actual costs.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB agreed, stating that each appropriation manager should establish an SOP and update annually. The estimated date for completing the SOPs is the end of July 2016. In addition, the O&M contingency reporter and DFAS have worked to establish two closeout dates for the CoW report in CORAS. The Deputy explained that the first closeout, on the 20th of the month, is for spend plans, checklists, and all costs recorded in the Air Force accounting system. On the 25th of the month, DFAS will reopen CORAS and the contingency reporter will load the fly-hour costs. He further explained that if actual fly-hour costs were not available, the contingency reporter would use a 3-month average cost and make corrections the following month.

b. Define parameters under which personnel can report obligation and disbursement amounts in the Contingency Operations Reporting and Analysis Service when the amounts are different from the source data.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB, agreed, stating that SAF/FMB is working with OUSD(C) to establish business rules for instances when manual adjustments are necessary. The Deputy stated that the business rules are intended to ensure each line item is accurately obligated and expended and, if needed, corrections to the accounting system data can be made early in the process. He further explained that SAF/FMB analysts also worked with DFAS to remap the source data for CORAS to ensure the way data is pulled for CORAS is the same as their process to match expense codes to cost category codes and match contingency operation codes to the reported operations in CORAS. The estimated completion date for corrections in CORAS is the end of July 2016.

c. Define the parameters of the Commanders' Resource Integration System searches used to identify Operation Inherent Resolve costs, ensuring all necessary costs are included, including contingency operation codes and appropriations.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB agreed, stating that the O&M appropriation manager remapped the operation codes to capture data more accurately, including Syria Train and Equip. The Deputy stated that the March 2016 report corrected 2016 O&M data for Syria Train and Equip, the estimated completion date to correct the 2015 O&M data is the May 2016 report, and the estimated completion date to correct the investment data is the July 2016 report. He also stated that the FMB Office is working with OUSD(C) to determine if OIR obligations using base funding should be included in the CoW report submission. If they are, the Air Force analysts already have CRIS search parameters in place to identify the costs.

d. Ensure that the Military Personnel analyst reports actual death gratuity costs related to Operation Inherent Resolve.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB, agreed, stating that MILPERS personnel created a process to ensure death gratuity costs are accurate. The Deputy also stated that FMB plans to document and implement SOPs to ensure actual costs are used when available. The estimated completion date is the end of July 2016.

e. Ensure all personnel responsible for reviewing draft Operation Inherent Resolve data have formal change tracking mechanisms that provide assurance that adjustments are supported, documented, tracked, approved, and corrective actions are implemented. All changes to source data should be included in this tracking mechanism.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB, agreed, stating that while the FMB Office documents adjustments made to execution data, it does not track corrective actions. According to the Deputy, SAF/FMB will create and implement a tracking mechanism for following up on all corrective actions and documenting the monthly execution. The estimated completion date is the end of July 2016.

Our Response

Comments from the Deputy SAF/FMB addressed all specifics of the Recommendations 1.a through 1.e, and no further comments are required.

Recommendation 2

We recommend that the Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller, determine the total costs underreported in FY 2015 and adjust the Contingency Operations Reporting and Analysis Service:

a. Determine the amount of FY 2015 Syria Train and Equip costs that were allocated to Operation Enduring Freedom and Operation Freedom's Sentinel and adjust the Contingency Operations Reporting and Analysis Service to report these costs as Operation Inherent Resolve costs.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB agreed, stating that the O&M analyst will correct the cumulative data for FY 2015 by the May 2016 report. According to the Deputy, SAF/FMB is working with DFAS to determine if specific CoW reports can or should be updated, or if recording the cumulative change is sufficient. In addition, he stated that the O&M appropriation manager remapped the data DFAS uses to pull information into CORAS.

Our Response

Comments from the Deputy SAF/FMB addressed all specifics of the recommendation, and no further comments are required.

b. Determine the difference between the actual FY 2015 death gratuity costs and the amounts allocated within the Contingency Operations Reporting and Analysis Service for each overseas contingency operation and adjust the Contingency Operations Reporting and Analysis Service to report the actual costs in each operation.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB agreed, stating that MILPERS personnel will determine if there is a difference between the actual costs and the amounts allocated in CORAS for FY 2015 death gratuity costs and adjust CORAS to report actual costs, if necessary, by the end of July 2016.

Our Response

Comments from the Deputy SAF/FMB addressed all specifics of the recommendation, and no further comments are required.

c. Determine the amount of FY 2015 Research, Development, Test, and Evaluation costs that were omitted and adjust the Contingency Operations Reporting and Analysis Service to report these costs.

Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller Comments

The Deputy SAF/FMB agreed, stating that SAF/FMB is currently working with OUSD(C) to determine whether OIR coded obligations using base funding should be included in the CoW report submission, such as the RDT&E issue noted in the report. The Deputy stated that if the FMB Office determines these costs must be included, the parameters already exist in the CRIS search and it will report the costs. The estimated completion date is the end of July 2016.

Our Response

Comments from the Deputy SAF/FMB addressed all specifics of the recommendation, and no further comments are required. Contingency operation cost reporting should be limited to the incremental costs of the operation. Specifically, this includes costs that are over and beyond baseline operations and personnel costs, regardless of the source of the funding. We expect that OUSD(C) guidance will provide further clarification on how to identify and correctly report incremental OCO costs for the CoW report.

Recommendation 3

We recommend that the Director, Defense Finance and Accounting Service Enterprise Solutions and Standards, in coordination with the Office of the Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller, update the business rules in the Contingency Operations Reporting and Analysis Service to ensure the contingency operation codes identified for Operation Inherent Resolve are complete and accurate; and assign responsibility for communicating any future changes.

Defense Finance and Accounting Service Enterprise Solutions and Standards Comments

The Director, DFAS ESS, agreed, stating that the Enterprise Financial Information Services team has been working with Air Force personnel to update business rules in CORAS for OIR. DFAS ESS plans to have the mappings updated by June 10, 2016,

for the May 2016 CoW report, with further validation of the mapping accuracy after the June 2016 report is generated. The Director stated that the Enterprise Financial Information Services team updated the CORAS mapping process for reporting to DFAS ESS and coordinated with the Air Force point of contact to ensure responsibilities are clear for any future changes. In addition, when changes in component POCs are provided or new CoW requirements occur, the DFAS Cost Reporting and Analysis team will forward this information to the Enterprise Financial Information Services team.

Our Response

Comments from the Director addressed all specifics of the recommendation, and no further comments are required.

Recommendation 4

We recommend that the Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller):

a. Coordinate with Congress to adjust the legal requirements related to the frequency and reporting timetable of the 2017 Cost of War reports or provide the resources necessary to review and issue the Cost of War report, prioritizing its completion to meet the submission deadline of 45 days after the reporting period.

Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller) Comments

The Director for Operations (Program/Budget), responding for the Deputy Comptroller (Program/Budget), OUSD(C), agreed, stating that the OUSD(C) is coordinating with Congressional staffers to adjust the frequency and reporting timeline of the 2017 CoW reports.

Our Response

Comments from the Director addressed all specifics of the recommendation, and no further comments are required.

b. Examine options for automating the preparation of the Cost of War report's summary charts and corresponding footnotes to complete them more efficiently and enabling the report to be issued by the submission deadline.

Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller) Comments

The Director for Operations (Program/Budget), responding for the Deputy Comptroller (Program/Budget), OUSD(C), agreed, stating that OUSD(C) is looking at ways to streamline the CoW report to help with the preparation of the report and maintain meaningfulness. The Director stated that because the CoW reporting is mostly analytical, it is not conducive to automating. The estimated completion date is July 1, 2017.

Our Response

The Director partially addressed the specifics of the recommendation. The Director agreed to look at ways to streamline the CoW report, but she did not state what actions that OUSD(C) personnel would take or provide any details on how they planned to streamline the process to complete the CoW report more efficiently and within deadlines. We request that the Deputy Comptroller provide comments on the final report to address actions planned or taken.

c. Revise the Fiscal Year 2016 Instructions for Reporting on the Cost of War guidance to align with Public Law 109-63, by stating that the final Cost of War report is due from the Program/Budget Office to the Office of Management and Budget, congressional offices, and the Government Accountability Office no later than 45 days after the reporting period.

Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller) Comments

The Director for Operations (Program/Budget), responding for the Deputy Comptroller (Program/Budget), OUSD(C), agreed, stating that instead of reissuing the FY 2016 guidance, OUSD(C) will issue the FY 2017 guidance early with a timeline that complies with the public law. The Director acknowledged that the FY 2016 guidance does not meet the Public Law 109-63 submission timelines. The estimated completion date is October 1, 2016.

Our Response

The Director addressed all specifics of the recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from October 2015 through May 2016 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 finding and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objectives.

We met with Deputy Comptroller, Air Force, DFAS, and GAO personnel to understand the processes and assess internal controls for obtaining and reviewing Air Force OIR costs, for submitting the data to CORAS for the CoW report, and for determining the relevancy of the CoW report. We interviewed:

- Deputy Comptroller personnel to understand their processes for reviewing the cost data in the draft DoD Estimate of Cost of War Report submitted by DFAS ESS, creating the CoW Update section of the report, and posting the final CoW report to the OMB portal.
- SAF/FMB analysts who submit MILPERS, O&M, Procurement, and RDT&E costs to understand their processes and internal controls in place related to receiving, reviewing, changing, and reporting OIR cost data into CORAS. We also spoke with additional Air Force financial management personnel to understand the processes and internal controls related to calculating flying hour costs and certain MILPERS costs.
- DFAS ESS personnel to understand their responsibilities over CORAS, including coordinating with the Defense Information System Agency for the file transfer from DDRS-B to CORAS of OCO funds status, obligations, and disbursements data. We also reviewed their processes for receiving cost data from the Components in CORAS; reviewing the data; and sending the DoD Estimate of Cost of War Report, as well as associated documents, to the Deputy Comptroller.
- Air Force Central Command personnel at Shaw Air Force Base, South Carolina, and Air Mobility Command personnel at Scott Air Force Base, Illinois, to understand the internal controls in place related to identifying, coding, reviewing, and reporting OIR costs at the base level.
- Deputy Comptroller (Budget and Appropriations Affairs) personnel to determine their processes for submitting the CoW report to Congress and responding to inquiries regarding the report's content.

- personnel from the GAO Defense Capabilities and Management team to determine how they use the CoW report in their work and their assessment of the report's usefulness.

We reviewed DoD FMR, Deputy Comptroller, and Air Force policy and guidance to determine whether Air Force personnel complied with applicable guidance for reporting OIR execution in CORAS.

Sampling Methodology

DFAS Columbus personnel provided our universe of GAFS-R data for all OCO transactions from April through June 2015. From the universe, we identified the obligation and disbursement transactions from which we would select samples for accuracy and completeness testing:

- 2,218 OIR obligation transactions totaling $100.4 million
- 2,846 OIR disbursement transactions totaling $56.5 million
- 100,144 non-OIR obligation transactions totaling $61.6 million

We tested the accuracy of the Air Force OIR obligations and disbursements reported in the April, May, and June 2015 CoW reports.

- We reviewed for reasonableness and consistency the cost estimation methodology Air Force SAF/FMB personnel used to report MILPERS and Operations TEMPO flying hours data in CORAS. We did not review the source system transactions that were the basis for their monthly calculations.
- We analyzed a nonstatistical sample of 45 of the 2,218 GAFS-R obligation transactions. We obtained and reviewed the source documentation for the transactions to determine if they were recorded accurately, with the correct OCO code, and were adequately supported.
- We analyzed a nonstatistical sample of 45 of the 2,846 GAFS-R disbursement transactions. After dividing the universe of GAFS-R disbursement transactions into 5 groups, based on transaction amount, we created the nonstatistical sample by randomly selecting 45 disbursement transactions to test. Specifically, we selected:
    - 13 disbursements valued at over $100,000
    - 12 disbursements valued over $10,000 but less than $100,000
    - 10 disbursements valued over $0 but less than $10,000
    - 5 disbursements valued less than $0 but more than -$10,000
    - 5 disbursements valued less than -$10,000

We obtained and reviewed the source documentation for the transactions to determine if they were recorded accurately, with the correct OCO code, and were adequately supported.

- We reviewed the supporting documentation for 28 journal voucher adjustment transactions, consisting of 14 obligations and 14 disbursements, recorded by DFAS in GAFS-R that were coded as OIR costs, to determine if they were accurately identified as OIR.

To test the universe of GAFS-R OIR transactions for completeness, we performed a control test using a statistical sample of 45 of the 100,144 non-OIR obligations. We examined the source documentation for each transaction to determine whether each was accurately coded as supporting OFS instead of OIR.

Use of Computer-Processed Data

To perform this audit, we used OCO GAFS-R, CRIS, DDRS-B, and CORAS data from third quarter FY 2015 to determine if OIR costs reported in the CoW report were accurate and complete. We reviewed internal control documentation related to each of these systems and performed a data reliability assessment on the GAFS-R, CRIS, and CORAS data. We validated the reliability of this data by comparing the data in all related systems and researching all variances. We compared OIR transactions in GAFS-R (the source accounting system) to the same month's data within the various systems involved in the reporting process and identified the cause of any variances. Specifically, we compared:

- total OIR transactions in GAFS-R data to the CRIS data to determine if CRIS contained all source transactions;
- CRIS obligation and disbursement data to CORAS data;
- DDRS-B data to CORAS data, for those O&M appropriations that were automatically fed from DDRS-B; and
- total OCO amounts in CORAS to the CoW report totals.

We further validated the reliability of the GAFS-R data by comparing 163 obligation and disbursement transactions to source documentation to verify transactions were accurately recorded. The computer-processed data we used were sufficiently reliable to support the audit finding and conclusions in this report.

Use of Technical Assistance

During the audit, the Quantitative Methods Division (QMD) provided technical assistance designing and assessing samples of GAFS-R data; however, we are not projecting the results of the sample testing.

Prior Coverage

During the last 5 years, the GAO and the DoD IG issued three reports discussing OCO cost reporting. Unrestricted GAO reports can be accessed at http://www.gao.gov. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/pubs/index.cfm.

GAO

Report No. GAO-10-562R, "Opportunities to Improve Controls over Department of Defense's Overseas Contingency Operations Cost Reporting," May 2010

DoD IG

Report No. DODIG-2015-025, "Independent Auditor's Report on the Air Force General Fund FY 2014 and FY 2013 Basic Financial Statements," November 2014

Report No. D-2011-090, "Cost of War Data for Marine Corps Contingency Operations Were Not Reliable," July 2011

Appendix B

Cost of War Reporting Process

Air Force Base Level

Air Force personnel at the base operating level process OIR obligations and disbursements into the source accounting systems. The Air Force uses a contingency operations code of QA or YC to identify OIR transactions within the accounting systems. These OIR transactions are uploaded daily from the source systems into GAFS-R. This same data are uploaded into DDRS-B and CRIS, a data repository of accounting data.

SAF/FMB

Air Force SAF/FMB analysts are required to submit the summary obligations and disbursements they obtain from CRIS and the flying hours budget analyst into CORAS by the 18th day of the month following the reporting period. They also input cost estimates for the MILPERS appropriation. As part of this responsibility, SAF/FMB appropriation analysts submit all Air Force OIR monthly execution amounts for appropriations, budget activities, and budget line items using a cost category code in CORAS. SAF/FMB divides responsibilities for OCO monthly execution reporting by appropriation type: MILPERS, O&M, Procurement, and RDT&E. In addition, DDRS-B automatically transmits summary costs for Military Construction, Air Force; Operation and Maintenance, Air Force; and Operation and Maintenance, Air Force Reserve directly into CORAS.

DFAS ESS

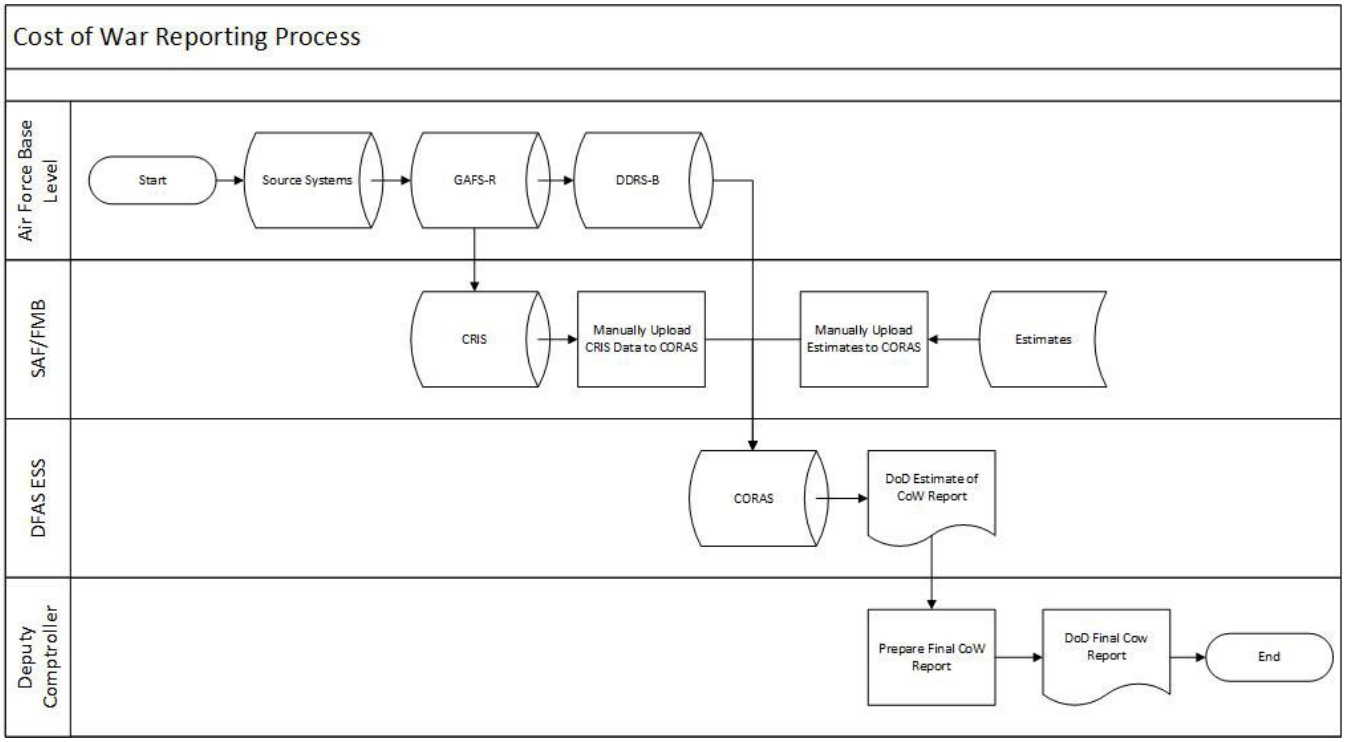
DFAS ESS personnel manage CORAS, including the automated transfer of financial data from DDRS-B into CORAS. They use CORAS to generate the DoD Estimate of Cost of War Report, footnote narratives, and other summary reports they are required to submit monthly to the Deputy Comptroller's office. DFAS ESS personnel are required to submit draft and final versions of the DoD Estimate of Cost of War Report by the 23rd and 27th days of the following month, respectively.

Deputy Comptroller

Deputy Comptroller personnel manually create 14 pages of charts, graphs, and explanatory footnotes, using the DoD Estimate of Cost of War Report as well as other data submitted by DFAS ESS, and combine it with the DoD Estimate of Cost of War Report to create the final CoW report. Deputy Comptroller personnel submit the final CoW report to Deputy Comptroller management for review and approval. Once approved, Deputy Comptroller personnel issue the final CoW report to GAO,

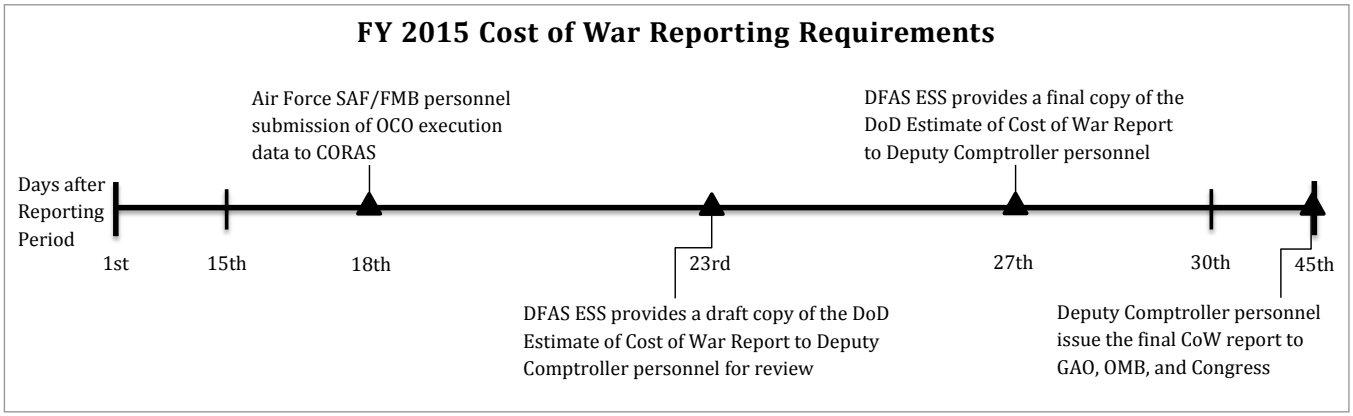
OMB, and Congress. Deputy Comptroller personnel are required to issue the final CoW report within 45 days of the end of the reporting period. Figure 1 below documents the Air Force Cost of War reporting process for OIR while Figure 2 below documents the associated reporting timelines as required to comply with the FY 2006 NDAA.

Figure 1. Cost of War Reporting Process for OIR



Source: DoD OIG.

Figure 2. Cost of War Reporting Timelines



Source: DoD OIG.

Management Comments

Deputy Comptroller (Program/Budget), Under Secretary of Defense (Comptroller)

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

COMPTROLLER
(Program/Budget)

MAY 23 2016

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
(ATTN: [redacted])

SUBJECT: DRAFT Report Project No. D2016-D000JB-0029.000 Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds

This is the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) response to the DoD Inspector General (DoD IG) draft report D2016-D000JB-0029.000, "Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds." The Department appreciates the DoD IG's work on this engagement, as well as the opportunity to review and comment on this draft report.

The OUSD(C) concurs with comment on the three DoD IG recommendations Attached is DoD's proposed response to the subject report. My point of contact for this action is [redacted] who can be reached at [redacted] or by e-mail at [redacted]

Monique Dilworth
Director for Operations

Attachment:
As Stated

Deputy Comptroller (Program/Budget), Under Secretary of Defense (Comptroller) (cont'd)

DISCUSSION DRAFT OF A PROPOSED REPORT
PROJECT NO. D2016-D000JB-0029
ADDITIONAL CONTROLS NEEDED TO ISSUE RELIABLE DOD COST OF WAR REPORTS THAT ACCURATELY REFLECT THE STATUS OF AIR FORCE OPERATION INHERENT RESOLVE FUNDS

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C) COMMENTS TO THE DOD INSPECTOR GENERAL RECOMMENDATIONS

The following OUSD(C) responses are provided to the respective DoD Inspector General recommendations:

Recommendation 4 (a): *Provide the resources necessary to review and issue the Cost of War report, prioritizing its completion in order to meet the submission deadline of 45 days after the reporting period.*

Response: Concur with comment. The OUSD(C) is informally coordinating with congressional staffers to have the frequency and reporting timeline of the 2017 Cost of War report adjusted to meet workload demands and still have usefulness.

Recommendation 4 (b): *Examine options for automating the preparation of the Cost of War report's summary charts and corresponding footnotes to complete them more efficiently and enabling the report to be issued by the submission deadline.*

Response: Concur with comment. Although the Cost of War reporting actions taken at OUSD(C) are largely analytical, and therefore not conducive to automating, the OUSD(C) are looking at ways to streamline the report to ease preparation and preserve meaningful content.

Recommendation 4 (c): *Revise the Fiscal Year 2016 Instructions for Reporting on the Cost of War guidance to align with Public Law 109-63, by stating that the final Cost of War report is due from the Program/Budget Office to the Office of Management and Budget, congressional offices, and the Government Accountability Office no later than 45 days after the reporting period.*

Response: Concur with comment. The OUSD(C) acknowledges the Fiscal Year (FY) 2016 Cost of War guidance does not meet Public Law 109-63 submission timelines. The OUSD(C) will not reissue the FY 2016 guidance but will instead issue the FY 2017 guidance early with a timeline that conforms to the legislation.

ATTACHMENT

Deputy Assistant Secretary for Budget, Assistant Secretary of the Air Force Financial Management and Comptroller

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

MAY 2 7 2016

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DoDIG)

FROM: SAF/FMB

SUBJECT: U.S. Air Force Response to DoDIG Project No. D2016-D000JB-0029.000, 2 May 2016, entitled *Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds*

The Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller has reviewed the subject project and endorses the attached responses. My point of contact is [redacted] and he can be reached by phone at [redacted], or e-mail at [redacted].

JAMES F. MARTIN, JR., Maj Gen, USAF
Deputy Assistant Secretary (Budget)

Attachments:
Tab 1 - SAF_FMB Response to D2016-D000JB-0029.000

Deputy Assistant Secretary for Budget, Assistant Secretary of the Air Force Financial Management and Comptroller (cont'd)

Recommendation 1

We recommend that the Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller, develop and implement standard operating procedures that include operation-specific guidance to ensure all necessary costs are consistently and accurately reported into the Contingency Operations Reporting and Analysis Service. The standard operating procedures should:

Response: Agree – SAF/FMB agrees that each appropriation manager should establish a Standard Operating Procedure (SOP) and update this annually to ensure data is being captured accurately and appropriately. The estimated completion date for SOPs is EOM July 2016.

a) Establish reporting processes to ensure all necessary information is available before reporting deadlines. If actual costs are not available, a process should be developed for estimating the flying hour costs for the current month and adjusting the subsequent month to reflect actual costs.

Response: Agree – O&M Contingency Reporter has worked with DFAS to establish two closeout dates for the Cost of War report in CORAS. In the first closeout, on approximately the 20th of the month, spend plans, checklists and final input for all costs recorded in the Air Force accounting system, CRIS 1002 end of month position. Once the fly hour analyst has received and provided the fly hour cost data, approximately the 25th of the month, DFAS reopens CORAS for fly hour costs to be loaded. If actual costs are not available, the Contingency Reporter will take an average of the last three months of fly hour costs. This will be annotated on the upload sheet and corrected the following month.

b) Define parameters under which personnel can report obligation and disbursement amounts in the Contingency Operations Reporting and Analysis Service when the amounts are different from the source data.

Response: Agree - SAF/FMB is aware of the discrepancies that exist between certain line items in the source data as compared to the reported data. We are currently working with the Office of the Under Secretary of Defense (Comptroller) to establish business rules that would apply for circumstances to which manual adjustments are necessary. These occurrences are rare. Business process rules will be established to ensure each line item is accurately obligated and expended against the correct line of accounting. If necessary, corrections to the data in the accounting system will be made early in the process to ensure the data retrieved for reporting is accurate. Our analysts worked with DFAS to remap the source data for CORAS to ensure the way data was being pulled for CORAS matches the Air Force mapping for both expense codes to CBS codes and ESP codes to reported operations in CORAS. Estimated completion date for corrections in CORAS is EOM Jul 2016.

Deputy Assistant Secretary for Budget, Assistant Secretary of the Air Force Financial Management and Comptroller (cont'd)

c) Define the parameters of the Commanders' Resource Integration System searches used to identify Operation Inherent Resolve costs, ensuring all necessary costs are included, including contingency operation codes and appropriations.

Response: Agree – The search parameters utilized by SAF/FMB retrieved all costs associated specifically with the Operation Inherent Resolve mission; however, Syria Train & Equip costs are captured under a separate code and were not captured previously. Our O&M Appropriation Manager remapped the operation code signifiers to capture data more accurately. The end of month March report corrected 2016 O&M data for Syria Train and Equip. The estimated completion date for O&M corrections to the 2015 data is the EOM May 2016 report. Investment corrections are projected to be complete by EOM July 2016.

We are currently working with the Office of the Under Secretary of Defense (Comptroller) to determine whether or not obligations using "Base" funding which have been ESP coded for Operation Inherent Resolve should be included in the Cost of War submission. If it is determined that these costs must be included, the parameters for the Commanders' Resource Integration System search already exist.

d) Ensure that the Military Personnel analyst reports actual death gratuity costs related to Operation Inherent Resolve.

Response: Agree - MILPERS has since created an internal process to ensure Death Gratuity obligations and disbursements are accurate. In addition, MILPERS plans to document and implement SOPs to ensure actual costs are used when available. The expected completion date is EOM July 16.

e) Ensure all personnel responsible for reviewing draft Operation Inherent Resolve data have formal change tracking mechanisms that provide assurance that adjustments are supported, documented, tracked, approved, and corrective actions are implemented. All changes to source data should be included in this tracking mechanism.

Response: Agree – While the monthly Cost of War report documents adjustments made to execution data, it does not track corrective actions. FMB will create and implement a tracking mechanism to ensure follow-through on all corrective actions and document monthly execution. The estimated completion date is EOM July 2016.

Deputy Assistant Secretary for Budget, Assistant Secretary of the Air Force Financial Management and Comptroller (cont'd)

Recommendation 2

We recommend that the Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller, determine the total costs underreported in FY 2015 and adjust the Contingency Operations Reporting and Analysis Service:

a) Determine the amount of FY 2015 Syria Train and Equip costs that were allocated to Operation Enduring Freedom and Operation Freedom's Sentinel and adjust the Contingency Operations Reporting and Analysis Service to report these costs as Operation Inherent Resolve costs.

Response: Agree – The O&M Appropriation Manager remapped the data DFAS uses to pull the information in CORAS and provided this to DFAS in March 2016. The O&M analyst will correct the cumulative data for FY 2015 by the end of month May report. They are working with DFAS to determine if specific Cost of Wars can/should be updated or if the cumulative change is sufficient.

b) Determine the difference between the actual FY 2015 death gratuity costs and the amounts allocated within the Contingency Operations Reporting and Analysis Service for each overseas contingency operation and adjust the Contingency Operations Reporting and Analysis Service to report the actual costs in each operation.

Response: Agree - MILPERS will review FY2015 Death Gratuity cost and amounts allocated within CORAS to determine if there is a difference between the actual costs in each operation and will adjust CORAS to report actual costs, if necessary. The expected completion date is EOM July 16.

c) Determine the amount of FY 2015 Research, Development, Test, and Evaluation costs that were omitted and adjust the Contingency Operations Reporting and Analysis Service to report these costs.

Response: Awaiting further guidance - We are currently working with the Office of the Under Secretary of Defense (Comptroller) to determine whether or not obligations using "Base" funding which have been ESP coded for Operation Inherent Resolve should be included in the Cost of War submission as was the case with the noted Research, Development, Test and Evaluation costs noted in the report. The Air Force currently only reports investment obligations and expenditures in line items where an Overseas Contingency Operation appropriated line item exists. If it is determined that these costs must be included, the parameters for the Commanders' Resource Integration System search already exist and costs will be reported accordingly. The estimated completion date for this action is EOM July 2016.

Defense Finance and Accounting Service, Enterprise Solutions and Standards

DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249-0201

MEMORANDUM FOR PROGRAM DIRECTOR, FINANCIAL MANAGEMENT AND REPORTING DIRECTORATE

SUBJECT: Management Comments to DODIG Draft Audit Report Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air Force Operation Inherent Resolve Funds (Project Number D2016-D000JB-0029.000), dated May 2, 2016

The Defense Finance and Accounting Service is providing management comments to recommendation 3 for subject draft report.

My point of contact for additional information is [redacted].

KNIGHT.EDNA.JO.[redacted]

Edna J. Knight
Director, Enterprise Solutions and Standards

Attachment:
As stated

www.dfas.mil

Defense Finance and Accounting Service, Enterprise Solutions and Standards (cont'd)

Final Report Reference

Management Comments to DODIG Draft Audit Report Additional Controls Needed to Issue Reliable DoD Cost of War Reports That Accurately Reflect the Status of Air force Operation Inherent Resolve Funds (Project Number D2016-D000JB-0029.000), dated May 2, 2016

Recommendation 3: We recommend that the Director, Defense Finance and Accounting Service Enterprise Solutions and Standards, in coordination with the Office of the Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force Financial Management and Comptroller, update the business rules in the Contingency Operations Reporting and Analysis Service to ensure the contingency operation codes identified for Operation Inherent Resolve are complete and accurate; and assign responsibility for communicating any future changes.

Management Comments: Concur. Since January 16, 2016, the ESS, Enterprise Financial Information Services (EFIS) team has been proactively engaged with the Air Force to update the business rules in CORAS for OIR. We are targeting to have the mappings updated for May 2016 reporting no later than June 10, 2016. Further validation of mapping accuracy will be conducted once the Cost of War (CoW) reports are generated EOM June 2016. The EFIS team also updated the process for the way CORAS mapping updates should be reported to DFAS ESS and coordinated with the new Air Force point of contact (POC) to ensure responsibilities are clear for communicating any future changes. Reference TAB B CORAS SOP_Fiscal Year End.

Omitted because of length

In addition, the Cost Reporting and Analysis team will forward information to EFIS when Components provide us with a change in their POCs; as well as forward new Cost of War operation requirements that could impact the CORAS business rules. Reference TAB C FY 16 COW Reports.

Omitted because of length

Estimated Completion Date: July 30, 2016

Acronyms and Abbreviations

CORAS	Contingency Operations Reporting and Analysis Service
CoW	Cost of War
CRIS	Commanders' Resource Integration System
DDRS-B	Defense Departmental Reporting System – Budgetary
DFAS ESS	Defense Finance and Accounting Service Enterprise Solutions and Standards
FMR	Financial Management Regulation
GAFS-R	General Accounting and Finance System – Re-engineered
GAO	Government Accountability Office
MILPERS	Military Personnel
NDAA	National Defense Authorization Act
O&M	Operation and Maintenance
OCO	Overseas Contingency Operations
OEF	Operation Enduring Freedom
OFS	Operation Freedom's Sentinel
OIR	Operation Inherent Resolve
OMB	Office of Management and Budget
OPTEMPO	Operations TEMPO
RDT&E	Research, Development, Test, and Evaluation
SAF/FMB	Deputy Assistant Secretary for Budget, Office of the Assistant Secretary of the Air Force for Financial Management and Comptroller
SOP	Standard Operating Procedure
ST&E	Syria Train & Equip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U.S. Department of Defense

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Media Contact
public.affairs@dodig.mil; 703.604.8324

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