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United States  
Department of Defense



## Supplemental Funds Used for Medical Support for the Global War on Terrorism

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### **Acronyms**

BUMED	Bureau of Medicine and Surgery
DFAS	Defense Finance and Accounting Service
DHP	Defense Health Program
FAD	Funding Authorization Document
GWOT	Global War on Terrorism
MHS	Military Health System
MTF	Military Treatment Facility
TMA	TRICARE Management Activity
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer



INSPECTOR GENERAL  
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March 6, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)/CHIEF FINANCIAL OFFICER  
ASSISTANT SECRETARY OF DEFENSE (HEALTH  
AFFAIRS)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
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NAVAL INSPECTOR GENERAL  
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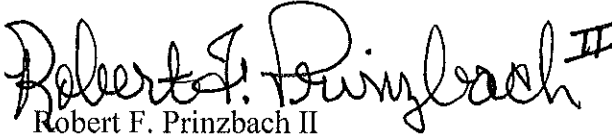
SUBJECT: Report on Supplemental Funds Used for Medical Support for the Global War  
on Terrorism (Report No. D-2008-059)

We are providing this report for review and comment. We considered comments from the Assistant Secretary of Defense (Health Affairs), the Army, and the Air Force when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We consider comments from the Assistant Secretary of Defense (Health Affairs) to be fully responsive on Recommendations 2.a., 2.b., and 2.d. We consider comments on Recommendations 1. and 2.c. to be partially responsive and request additional comments by May 5, 2008.

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

We appreciate the courtesies extended to the staff. Questions should be directed to Michael A. Joseph at (757) 872-4801, extension 223, or Mr. Timothy J. Tonkovic at (757) 872-4763. See Appendix B for the report distribution. The team members are listed inside the back cover.

  
Robert F. Prinzbach II  
Acting Assistant Inspector General  
Readiness and Operations Support



## Department of Defense Office of Inspector General

Report No. D-2008-059

March 6, 2008

(Project No. D2007-D000LF-0032.000)

### Supplemental Funds Used for Medical Support for the Global War on Terrorism

#### Executive Summary

**Who Should Read This Report and Why?** DoD military and civilian personnel who are involved in the management of supplemental funds to support the Global War on Terrorism medical mission should read this report. It discusses the recording and reporting of Global War on Terrorism supplemental fund obligations for the Military Health System.

**Background.** The medical mission of the DoD Military Health System is to enhance our Nation's security by providing health care to support the full range of military operations while sustaining the health of eligible beneficiaries. The Military Health System supports contingency operations for the Global War on Terrorism. To sustain contingency operations, Congress provides supplemental funds to cover contingency costs above those in baseline budgets. For FY 2006, the Military Health System received \$1.15 billion in supplemental funds.

DoD Supplemental and Cost of War Execution Reports, hereafter referred to as Cost of War reports, provide the monthly and cumulative incremental costs incurred by DoD Components and other organizations. DoD policy defines incremental costs as those costs that would not have been incurred had the contingency operation not been supported.

**Results.** The Military Department Surgeons General did not consistently report obligations of Global War on Terrorism supplemental funds by mission as required by the TRICARE Management Activity. The missions are Military Health System categories used by the TRICARE Management Agency to request, justify, and execute Global War on Terrorism supplemental funds. Without accurate and consistent reporting of Global War on Terrorism supplemental fund obligations, DoD has no assurance that the Military Health System used funds for the missions for which they were requested. Additionally, DoD cannot ensure that the amounts reported in the FY 2006 Defense Health Program Cost of War report are accurate and complete. To improve the reporting of Global War on Terrorism supplemental fund obligations, we recommend that personnel from the Office of the Assistant Secretary of Defense (Health Affairs) work with personnel from the Military Department Surgeons General offices and Military Department financial management offices to develop the best solution for recording and reporting supplemental fund obligations by mission or other category deemed appropriate. The solution should be coordinated with the steering group established by the Under Secretary of Defense (Comptroller)/Chief Financial Officer to oversee the improvement of the DoD Cost of War reporting process. We also recommend that the Assistant Secretary of Defense (Health Affairs) establish a working group to develop policies and procedures for identifying supplemental funds on funding documents,

standardizing definitions and criteria for classifying Global War on Terrorism obligations, and applying incremental costing to Global War on Terrorism transactions. We identified a material internal control weakness in the recording and reporting of Global War on Terrorism supplemental fund obligations for the Military Health System. See the Finding section of the report for the detailed recommendations.

**Management Comments and Audit Response.** A draft of this report was issued on November 26, 2007. The Assistant Secretary of Defense (Health Affairs) concurred with the audit finding and conclusions and stated that his office is working closely with the other DoD Components to correct deficiencies related to recording and reporting Global War on Terrorism supplemental obligations. The Assistant Secretary also agreed that a material weakness exists concerning the recording and reporting of Global War on Terrorism supplemental fund obligations within the Military Health System. The Assistant Secretary determined that recording and reporting Global War on Terrorism obligations by mission is the best solution and stated that Military Health System Global War on Terrorism analysts have met to establish standard mission descriptions for use by the Military Health System in recording and reporting Global War on Terrorism obligations. The Assistant Secretary also agreed to convene a working group to develop guidance outlining policy and procedures for recording and reporting obligations of Global War on Terrorism supplemental funds for the Military Health System.

Although not required, the Army and Air Force Surgeons General also provided written comments to the report. The Army Surgeon General concurred with the recommendations and stated that his office provides detailed Global War on Terrorism funding guidance; however, that guidance does not outline procedures for identifying Global War on Terrorism funding on Funding Authorization Documents by mission. Additionally, the Army Surgeon General stated that, since 2004, his office has requested the Army Audit Agency to perform independent audits of controls over Global War on Terrorism funds. The Air Force Surgeon General concurred with the finding and stated that his office is working to establish new cost centers that will allow more precise Global War on Terrorism accounting and tracking of obligations by mission category. The Air Force Surgeon General also mentioned his office's participation in a working group with representatives from the Army, Navy, and TRICARE Management Activity to develop consistent policies and procedures for recording and reporting Global War on Terrorism supplemental fund obligations.

We request that the Assistant Secretary of Defense (Health Affairs) provide additional comments on the results of efforts to coordinate the best solution for recording and reporting Global War on Terrorism supplemental fund obligations with the steering group established by the Under Secretary of Defense (Comptroller). We also request that the Assistant Secretary provide additional comments regarding his position on the current capabilities of the accounting system used by the Army Medical Command and a projected date when the best solution will be fully implemented. We request that the Assistant Secretary provide the guidance and criteria established to date related to the procedures for determining and documenting incremental costing of Global War on Terrorism supplemental funds and provide an estimated date when the completed standard guidance will be published. We request the Assistant Secretary provide comments on the final report by May 5, 2008. See the Review of Internal Controls section for a discussion of the material weakness discussed in this report. See the Finding section of the report for a discussion of management comments on the recommendations; see the Management Comments section of the report for the complete text of the comments.

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## Background

The Office of the Assistant Secretary of Defense (Health Affairs) expressed concerns over the reporting and use of Global War on Terrorism (GWOT) supplemental funding by the Military Health System (MHS). This report discusses the use of supplemental funds for medical support to GWOT. Specifically, the report addresses the recording and reporting of obligations of GWOT supplemental funds for the MHS and guidance on the use of those funds.

**Military Health System.** The medical mission of the DoD MHS is to enhance DoD and our Nation's security by providing health support for the full range of military operations while sustaining the health of eligible beneficiaries. The MHS provides worldwide medical and dental services to the active forces and other eligible beneficiaries.

**Global War on Terrorism.** Following the terrorist attacks of September 11, 2001, the United States initiated military operations to combat terrorism. Operation Iraqi Freedom and Operation Enduring Freedom are military operations related to Iraq and Afghanistan, respectively. Operation Noble Eagle is the effort to defend the United States from further terrorist attacks. These and other operations worldwide are collectively referred to as GWOT. The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C]/CFO) considers GWOT a contingency operation and requests funds from Congress for GWOT through emergency supplemental and bridge appropriations.

Supplemental appropriations are additional budget authority given to DoD beyond original annual estimates for DoD programs or activities that are too urgent to be postponed until the next regular appropriation. Bridge funds are added to annual appropriations to make money available at the beginning of the fiscal year until supplemental appropriations are made available. For FY 2006, MHS did not receive bridge funds, but did receive supplemental funds.

**Cost of War Reports.** The Defense Finance and Accounting Service (DFAS) is responsible for preparing monthly status reports known as "Supplemental and Cost of War Execution Reports," hereafter referred to as Cost of War reports. Cost of War Reports provide the monthly and cumulative incremental costs incurred by the Military Departments and other DoD Components. DFAS published 12 consolidated Cost of War reports for FY 2006. The consolidated reports are shown in Table 1.

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**Table 1. Consolidated Cost of War Reports for  
FY 2006 as of September 30, 2006**

1. FY 2003 Appropriations (Fourth Year Execution)
2. FY 2004 Appropriations (Third Year Execution)
3. FY 2004 Title IX Appropriation (Third Year Execution)
4. FY 2005 Appropriations (Second Year Execution)
5. FY 2005 Afghanistan Security Forces Fund (Second Year Execution)
6. FY 2005 Coalition Support Fund (Second Year Execution)
7. FY 2005 Iraq Security Forces Fund (Second Year Execution)
8. FY 2005 Title IX Appropriation (Second Year Execution)
9. FY 2006 Appropriations
10. FY 2006 Afghanistan Security Forces Fund
11. FY 2006 Iraq Security Forces Fund
12. FY 2006 Supplemental and Cost of War Execution Report (DoD Total)

The consolidated Cost of War reports include individual reports for each Military Department, Defense Agency, DoD Component, and other organizations such as the TRICARE Management Activity (TMA) that obligated GWOT funds for Operations Iraqi Freedom, Noble Eagle, and Enduring Freedom or for other GWOT initiatives such as the Coalition Support Fund and the Afghanistan Security Forces Fund. TMA reports monthly GWOT supplemental fund obligations to DFAS in the Defense Health Program (DHP) Cost of War report. The FY 2006 DHP Cost of War report is included in the FY 2006 Appropriations consolidated (Cost of War) report. For FY 2006, TMA reported cumulative costs of \$1.09 billion in GWOT supplemental fund obligations.

**GWOT Supplemental Funds for the MHS.** For FY 2006, the MHS received \$1.15 billion in supplemental funds in support of GWOT. The MHS received a total of \$ 2.15 billion in GWOT supplemental and bridge funds for FYs 2003 through FY 2005. To estimate the cost of contingency operations, DoD uses the Contingency Operations Support Tool model. The model uses information derived from actual DoD-wide expenditures from prior contingency operations to estimate current operational and support costs for deploying units. For requirements determinations, TMA uses the medical planning section of the model to develop MHS requirements for contingency operations. Model information is updated from previous MHS GWOT mission costs. TMA also works with the Military Department Surgeons General to refine the model estimates and, if necessary, identify additional requirements. For FY 2006, TMA based its GWOT supplemental fund request on nine missions included in the model and an additional six that the Military Department Surgeons General and TMA identified as relevant. Table 2 shows the FY 2006 DHP GWOT supplemental fund request by mission.

**Table 2. FY 2006 DHP GWOT Supplemental Funding Request**  
(in millions)

<u>Mission</u>	<u>Amount</u>
Pre and Post Deployment Medical Activities <sup>1</sup>	\$ 186.2
Medical Operations Outside of Theater <sup>1</sup>	36.9
Aeromedical Evacuation <sup>1</sup>	7.2
Medical Backfill of Deployed Staff <sup>1</sup>	192.6
Non-Military Treatment Facility Support Activities <sup>1</sup>	16.7
Mobilized Reserve Component Medical Care <sup>1</sup>	583.4
Armed Services Blood Program <sup>1</sup>	13.4
Deployment Health Support Directorate <sup>1</sup>	6.4
Post Deployment Health Reassessments <sup>1</sup>	68.0
Care of the Dead <sup>2</sup>	.0
Active Duty Casualty Care <sup>2</sup>	.0
Operation Noble Eagle <sup>2</sup>	.0
Army Modularity <sup>2</sup>	42.8
Joint Medical Workstation <sup>2</sup>	.0
Medical Situational Awareness in the Theater <sup>2</sup>	<u>.0</u>
<b>Total</b>	<b>\$ 1,153.6</b>

<sup>1</sup> One of nine missions included in the Contingency Operation Support Tool model in support of the MHS request for GWOT supplemental funds. Personnel from the Office of Management and Budget, USD(C)/CFO, Military Departments, and TMA developed the missions.

<sup>2</sup> One of six missions developed outside the Contingency Operation Support Tool model by TMA and the Military Department Surgeons General.

## Criteria

DoD Regulation 7000.14-R, "DoD Financial Management Regulation," Chapter 23, "Contingency Operations," September 2005, provides financial policy for military contingency operations. DoD policy requires that controls, accounting systems, and procedures provide proper identification and recording of costs incurred in supporting contingency operations. Chapter 23 is not intended to address wartime activities or unique circumstances that require U.S. military forces to be placed on a wartime footing. Costs associated with contingency operations are limited to incremental costs or those costs over and above baseline costs for training, operations, and personnel. Each DoD Component participating in a contingency operation is required to establish a unique special program code in their accounting systems to capture costs. Additionally, each organization that supports a contingency operation shall capture related obligations in its accounting system at the lowest possible level of the organization. When actual costs are not available, an auditable methodology should be established and documented for capturing costs.

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## Objectives

Our overall audit objective was to determine whether GWOT supplemental funds for the pre and post deployment medical activities<sup>1</sup> and medical backfill of deployed staff<sup>2</sup> missions were properly justified and whether sufficient controls on their use were implemented. To satisfy the objective, we intended to statistically sample and determine the appropriateness of GWOT supplemental fund obligations for pre and post deployment medical activities and medical backfill of deployed staff missions.

Because no central database of MHS obligations of GWOT supplemental funds by mission exists from which to select a sample, we shifted the focus of the audit away from the appropriateness of supplemental fund obligations to the adequacy of reporting of supplemental fund obligations by mission. We continued to emphasize the process for recording and reporting pre and post deployment medical activities and medical backfill of deployed staff missions; however, we broadened the scope of our work to encompass the recording and reporting of all 15 missions shown in Table 2. We also evaluated the process TMA uses for reporting supplemental fund obligations by mission in the FY 2006 DHP Cost of War report. See Appendix A for a discussion of the audit scope and methodology and for prior audit coverage related to the audit topic.

## Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

We identified a material weakness in the recording and reporting of GWOT supplemental fund obligations for MHS as defined by DoD Instruction 5010.40. Internal controls were not adequate to ensure accurate, consistent, and uniform reporting of pre and post deployment medical activities, medical backfill of deployed staff, and other mission obligations by the Military Department Surgeons General. Only Army Military Treatment Facilities (MTFs) were required to submit monthly reports on obligations in support of GWOT missions. The Army MTF reporting systems were manual, and no automated capability existed at Army MTFs for reporting GWOT supplemental fund obligations by mission. Navy and Air Force MTFs did not maintain manual or automated

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<sup>1</sup> Pre and post deployment obligations include medical examinations, special immunizations, optical fabrication, special mandated laboratory tests, health assessments and information, prophylaxis, deployment platform labor costs, and incremental costs for supplies and equipment to support deployment activities.

<sup>2</sup> Medical backfill obligations include the costs to replace medical personnel deployed in support of contingency operations. Costs include travel, per diem, and lodging for contracted or civilian medical personnel.

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systems for reporting supplemental fund obligations by mission. Implementation of the recommendations will improve the accuracy and reliability of the Cost of War reports, will provide MTFs a mechanism for accurately tracking and recording GWOT supplemental fund obligations by mission, and will provide a better link between budget justification and execution. We will provide a copy of the report to the senior official responsible for management controls in the offices of the USD(C)/CFO, TMA, DFAS, the Military Department Assistant Secretaries for Financial Management and Comptroller, and the Military Department Surgeons General.

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# Recording and Reporting Obligations of Global War on Terrorism Supplemental Funds for the Military Health System

The Military Department Surgeons General do not consistently report GWOT supplemental fund obligations by the missions required by TMA. Reporting of supplemental fund obligations needs improvement because:

- Military Department financial systems are not able to record and report supplemental fund obligations by the missions that TMA uses to request, justify, and support the execution of supplemental funds; and
- guidance is inconsistent and incomplete on the use and application of supplemental funds.

Without accurate and consistent reporting of supplemental fund obligations by mission, DoD has no assurance that MHS used funds for the missions for which they were intended. Additionally, DoD could not ensure that the amounts reported in the FY 2006 DHP Cost of War report were accurate and complete.

## Focus of Site Visits

At each MTF visited, we focused on pre and post deployment medical activities and medical backfill of deployed staff missions and determined the level of detail available to support the reporting of GWOT supplemental fund obligations. Pre and post deployment medical activities and medical backfill of deployed staff are 2 of the 15 missions required for reporting supplemental fund obligations during FY 2006. For FY 2006, the Army and Navy reported financial information for 10 missions, and the Air Force, 7 missions.

## Military Department Financial Systems

Pre and post deployment medical activities, medical backfill of deployed staff, and other mission obligations were not consistently reported to TMA, and TMA cannot ensure the accuracy of the amounts reported in the FY 2006 DHP Cost of War report.

**TMA Mission Reporting Requirements.** Reporting of GWOT supplemental fund obligations needs improvement, in part because Military Department financial systems are not compatible with TMA mission reporting requirements. The Military Department financial systems are able to track how much is obligated for GWOT-related activities for MHS only after personnel assign a GWOT contingency code to financial transactions. Moreover, the Military

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Department financial systems classify GWOT supplemental fund obligations by standard accounting categories such as contracts, supplies, civilian pay, and equipment instead of by mission, as required by TMA. The systems do not capture the information needed to report obligations by the pre and post deployment medical activities, medical backfill of deployed staff, and other missions TMA uses to request and justify supplemental funds it reports in the DHP Cost of War report.

GWOT supplemental fund obligations by MHS are made from the same Operation and Maintenance account that funds regular baseline operations. Because it was not possible to identify the obligations in the Military Department accounting systems by mission, each Surgeon General office developed its own process and method for allocating and reporting obligations.

The Army Surgeon General required Army MTFs to report GWOT supplemental fund obligation amounts by mission each month. The Army Surgeon General also issued guidance requiring each Regional Medical Command or Subordinate Medical Command to certify that those reports were an accurate and reasonable representation of MTF support of GWOT. At the two Army MTFs visited, personnel had developed manual systems that tracked and classified GWOT supplemental fund obligations by transaction and by mission. At those locations, we were able to identify how much was obligated in support of pre and post deployment medical activities, medical backfill of deployed staff, and other missions. Without the manual tracking systems, we would not have been able to identify individual GWOT obligations by mission.

The Navy Surgeon General used overall information about obligations of GWOT supplemental funds for MHS to judgmentally allocate obligations to 10 of the 15 missions. The Air Force Surgeon General also judgmentally allocated obligations to 6 of the 15 missions and conducted periodic data calls to Major Commands and MTFs to obtain obligations on a seventh mission, medical backfill of deployed staff. Neither the Navy Surgeon General nor the Air Force Surgeon General maintained an auditable methodology for determining obligations by mission or required reporting of monthly obligations by mission. None of the Navy or Air Force MTFs we visited maintained a manual system that identified how funds were obligated for pre and post deployment medical activities, medical backfill of deployed staff, or other missions during FY 2006. Table 3 shows the FY 2006 GWOT supplemental fund obligations that the Military Departments reported to TMA and the obligations recorded in the Military Department accounting systems.

**Table 3. Military Department FY 2006 GWOT Supplemental Fund Obligations**  
(in millions)

<u>Military Department</u>	<u>Reported to TMA</u>	<u>Identified in Accounting System</u>	<u>Difference</u>
Army	\$ 424.01	\$ 424.01	\$ .00
Navy	71.70	71.66	.04
Air Force	83.19	72.59	10.60

GWOT supplemental fund obligations for MHS reported by the Army accounting system were consistent with the amounts reported to TMA. The Navy Bureau of Medicine and Surgery (BUMED) was originally unable to provide an all-inclusive listing of GWOT supplemental fund obligations from its accounting system. We met with BUMED personnel, who identified additional GWOT supplemental fund obligations that originally had been recorded as baseline obligations. BUMED subsequently issued FY 2007 guidance emphasizing the importance of identifying GWOT supplemental fund obligations in the accounting system. After BUMED and Navy MTFs recoded baseline obligations and made other changes, BUMED identified \$71.66 million in GWOT supplemental fund obligations.

The Air Force accounting system identified \$10.60 million less in GWOT supplemental fund obligations for MHS than what was reported to TMA. The Air Force Surgeon General issued an e-mail on May 9, 2006, to Major Command resource managers stating that GWOT supplemental fund obligations should be coded for the GWOT contingency to the maximum extent possible in the accounting system. This occurred more than 7 months into FY 2006. As a result, the Air Force could not provide reasonable assurance that the amounts reported to TMA were an accurate representation of what was actually obligated in the Air Force accounting system. This result further emphasizes the importance of accurate and complete reporting of GWOT supplemental fund obligations in the accounting system.

**MTF Reporting.** Because the Military Department accounting systems do not record GWOT supplemental fund obligations by mission, we compared total FY 2006 GWOT supplemental fund obligations at the six MTFs visited with the amounts that the MTFs received (Table 4).



**Table 4. FY 2006 GWOT Supplemental Funding and Obligations Identified in Accounting Systems**

(in millions)

<u>MTF</u>	<u>Funding Received</u>	<u>Obligations</u>	<u>Difference</u>
Eisenhower Army Medical Center, Fort Gordon, GA	\$ 22.89	\$ 23.85	\$ (.96)
Madigan Army Medical Center, Fort Lewis, WA	35.97	35.93	.04
Naval Hospital Pensacola, Pensacola, FL	2.91	4.54	(1.63)
Naval Hospital Camp Lejeune, Camp Lejeune, NC	4.79	8.47	(3.68)
59th Medical Wing, Lackland Air Force Base, TX	27.13	24.36	2.77
88th Medical Group, Wright-Patterson Air Force Base, OH	8.52	7.89	.63

Accounting systems at three MTFs showed that GWOT supplemental funds were not fully obligated during FY 2006. The other three MTFs recorded GWOT supplemental fund obligations in excess of GWOT supplemental funds received. Those MTFs may have had to reprioritize baseline needs to support beneficiary care and simultaneously satisfy GWOT requirements.

**GWOT Supplemental Fund Reporting by Mission.** Without accurate and consistent reporting of GWOT supplemental fund obligations by mission, DoD has no assurance that MHS used GWOT supplemental funds for the missions for which they were requested. For FY 2006, TMA received \$1.15 billion in GWOT supplemental funds and reported \$1.09 billion in GWOT supplemental fund obligations to DFAS. Table 5 shows the FY 2006 GWOT supplemental fund obligations reported to DFAS, by mission.

**Table 5. FY 2006 GWOT Supplemental Funds  
Requested and Reported by Mission**  
(in millions)

<u>Mission</u>	<u>Funds Requested</u>	<u>Obligations Reported</u>	<u>Difference</u>
Pre and Post Deployment Medical Activities	\$ 186.20	\$ 152.70	\$ 33.50
Medical Operations Outside of Theater	36.90	44.24	(7.34)
Aeromedical Evacuation	7.20	6.38	.82
Medical Backfill of Deployed Staff	192.60	158.77	33.83
Non-Military Treatment Facility Support Activities	16.70	20.62	(3.92)
Mobilized Reserve Component Medical Care	583.40	506.40	77.00
Armed Services Blood Program	13.40	11.45	1.95
Deployment Health Support Directorate	6.40	6.25	.15
Post Deployment Health Reassessments	68.00	40.56	27.44
Care of the Dead	.00	2.36	(2.36)
Active Duty Casualty Care	.00	60.63	(60.63)
Operation Noble Eagle	.00	40.85	(40.85)
Army Modularity	42.80	37.22	5.58
Joint Medical Workstation	.00	1.00	(1.00)
Medical Situational Awareness in the Theater	<u>.00</u>	<u>.41</u>	<u>(.41)</u>
<b>Total</b>	<b>\$ 1,153.60</b>	<b>\$ 1,089.84</b>	<b>\$ 63.76</b>

Unlike the Army, the Navy and the Air Force did not implement a manual tracking system of GWOT obligations, by mission, at MTFs. As a result, the Navy and the Air Force could not provide reasonable assurance that amounts reported to TMA, by mission, were properly categorized. As discussed later in the report, the lack of clear guidance on how to classify and use GWOT supplemental funds can impact the accuracy of Army, Navy, and Air Force obligations reported to TMA.

The USD(C)/CFO stated that Operation Noble Eagle estimates would not be included in the GWOT supplemental fund request for FY 2006. Congress approved FY 2006 GWOT supplemental funds for MHS based on the requested amounts shown in Table 5. However, as identified in Table 5, TMA reported \$40.85 million in costs associated with Operation Noble Eagle as part of the total

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\$1,089.84 million in GWOT supplemental fund obligations. Additionally, TMA used the excess \$63.76 million of GWOT supplemental funds for unfunded non-GWOT projects. As a result, DoD has no assurance that GWOT supplemental funds were used for the missions for which the funds were requested.

Accurate and timely GWOT financial information gives TMA and the Surgeons General the information necessary to manage the budgeting and execution of GWOT supplemental funds. If mission reporting is to be the basis for requesting, justifying, and executing GWOT supplemental funds, Military Departments must have a consistent process or methodology for accurately, completely, and uniformly reporting obligations of GWOT supplemental funds by mission. Representatives from TMA and the Surgeons General should work with financial management personnel in each Military Department to determine the best solution for accounting and recording obligations of GWOT supplemental funds by mission or other category deemed appropriate.

**Under Secretary of Defense (Comptroller)/Chief Financial Officer Initiative.**

On January 18, 2007, the USD(C)/CFO issued a memorandum stating that improvements are needed in the DoD Cost of War reporting process. The USD(C)/CFO directed DFAS to create a standard reporting process and established a steering group to oversee the effort. To support the effort, the USD(C)/CFO required the Services to:

- Identify by each Cost Breakdown Structure (CBS) line on the Cost of War reports if the data can be extracted from the accounting systems based on the data elements currently available.
- Determine all source systems that house data unique to the cost categories reported for the GWOT and determine what systems have the capability to directly send source data for the purposes of reporting to DFAS based on the current CBS elements.
- For systems that cannot directly feed source data for GWOT reporting to DFAS, determine what data elements and processes are needed to directly interface at the CBS element reporting levels.
- Determine necessary actions to comply with standards, policies, and business processes required to utilize standard data identifiers and outline the plan for implementation.
- Identify requirements for mapping the current accounting data elements to the CBS for the purpose of GWOT reporting. Focus should be placed on establishing requirements to eliminate work in collecting report data.

In March 2007, the steering group began the process of resolving policy, system, and procedural issues that affect Cost of War reporting. This process should improve the overall accuracy of Cost of War reporting for DoD. Personnel from TMA, from the Military Department Surgeons General offices, and from Military Department financial management offices should develop a solution for recording and reporting supplemental fund obligations by mission or other appropriate category. The solution should be coordinated with the steering group established by the USD(C)/CFO.

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## Guidance on Using GWOT Supplemental Funds

TMA can enhance the reliability of recording and reporting GWOT supplemental fund obligations by improving guidance. Current guidance does not require identification of GWOT supplemental funds on Funding Authorization Documents (FADs), clearly explain how to determine the incremental cost of GWOT supplemental fund obligations, or clearly and consistently define missions for GWOT supplemental fund obligations.

**Financial Management Regulation.** DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” September 2005, delineates financial policy and procedures for military contingency operations and states that DoD Components do not normally budget for contingency operations. DoD 7000.14-R also states:

DoD policy requires that controls, accounting systems, and procedures provide, in financial records, proper identification and recording of costs incurred in supporting contingency operations.

**TRICARE Management Activity.** TMA issued “Fiscal Year 2006 DHP Funding Guidance” for MHS on January 13, 2006. The guidance requires the Services to provide monthly status reports using the Cost of War report format. Additionally, the guidance requires the Military Departments to report cumulative GWOT obligations by mission. TMA has not issued formal guidance requiring that FADs clearly identify GWOT supplemental funds, outlining procedures for allocating costs to transactions that may require the use of both supplemental and baseline funds (incremental costing), defining missions, or classifying GWOT supplemental fund obligations by mission.

**Department of the Army.** The U.S. Army Medical Command issued “Fiscal Year (FY) 2006 Global War on Terrorism (GWOT) Funding Guidance and Budget” on December 9, 2005. The guidance provides procedures for executing financial management functions in support of GWOT. The guidance states that all obligations must be in support of tasks, missions, or activities that would not otherwise have been undertaken if not for the war (incremental costing). The Army guidance retitles and further defines the missions used by TMA, discusses criteria for assigning GWOT obligations to specific missions, and requires the coding of obligations with specific contingency codes. The guidance requires all Army MTFs that incur GWOT obligations to submit monthly GWOT cost reports by mission. However, Army guidance does not discuss identification of GWOT funding on FADs or outline procedures for allocating costs to transactions that may require the use of both supplemental and baseline funds.

**Department of the Navy.** BUMED issued “Fiscal Year 2006 (FY 2006) Supplemental Financial and Logistics Guidance for BUMED Activities” on September 28, 2005. The guidance primarily focuses on baseline operations. However, the enclosures provide limited guidance on GWOT operations, including the coding of obligations. The guidance does not discuss the identification of GWOT funding on FADs, criteria for assigning GWOT obligations to specific missions, procedures for allocating costs to transactions

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that may require the use of both supplemental and baseline funds, or the reporting of GWOT supplemental fund obligations by mission to BUMED.

**Department of the Air Force.** Air Force Instruction 65-601, Volume 1, “Financial Management, Budget Guidance and Procedures,” March 2005, requires all Air Force Major Commands and installation financial management offices to assign codes to costs incurred for contingency operations. We were unable to locate Air Force Surgeon General guidance discussing the identification of GWOT funding on FADs, criteria for assigning GWOT obligations to specific missions, procedures for allocating costs to transactions that may require the use of both supplemental and baseline funds, or the need to report GWOT supplemental fund obligations by mission to the Air Force Surgeon General.

**Funding Authorization Documents.** TMA and Military Department guidance does not require identification of GWOT supplemental funds on FADs. In some cases, TMA generated FADs that did not clearly indicate whether funds were GWOT supplemental or baseline operating funds or identify the mission for which the GWOT supplemental funds were intended. FADs that transferred funds from the Offices of the Surgeons General to the Army and Air Force MTFs we visited did not clearly identify the mission for which the funds were intended. Additionally, some of the FADs commingled baseline operating and GWOT supplemental funds on the same document. As a result, neither the Military Department Surgeons General nor MTFs were sure for which mission the funds were intended.

TMA provided an example of an FY 2007 FAD with language that clearly identified GWOT supplemental funds and the mission for which those funds were intended. The FAD also included specific language that stated:

All activities in receipt of this supplemental funding must accurately account and track execution for audit purposes of all funds within their control. In addition, all activities must ensure execution of supplemental funds is reported on a monthly basis through their component commands. Any and all FAD narrative pertaining to any amount of money must accompany same in all subsequent FAD distributions.

Although TMA has initiated corrective action in FY 2007, policy requiring that the above language be included on all FADs and that GWOT supplemental funds be clearly identified on FADs was not included in the FY 2007 DHP funding guidance.

The Army established FY 2006 funding thresholds and reimbursed MTFs for GWOT supplemental fund obligations the MTFs had made using baseline operating funds. Reimbursements to Army MTFs were based on MTF GWOT supplemental fund obligations, by mission, that Regional Medical Commands certified during monthly reporting to the Army Surgeon General. The two Navy MTFs visited had FADs that clearly identified the amount associated with a specific mission. However, Navy guidance did not require Navy MTFs to report obligations by mission. At the two Air Force MTFs, the GWOT FAD trail was incomplete, and funds were not clearly identified as GWOT or by specific mission. MHS needs guidance requiring that FADs clearly identify funds as GWOT supplemental or baseline.

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**Inconsistencies in Recording and Reporting GWOT Supplemental Fund Obligations.** DoD could not ensure that the amounts reported in the FY 2006 DHP Cost of War report were accurate or complete. Current guidance does not provide procedures to assist MTFs in determining whether GWOT supplemental fund obligations should be funded incrementally with GWOT supplemental funds, baseline funds, or a combination thereof. Incremental costs exceed the DoD Components' appropriations and would not have been incurred had the contingency operation not been supported. The examples that follow describe instances in which MTFs purchased items or services that may be used for a combination of GWOT and non-GWOT purposes.

- One MTF purchased 11 laptop computers with GWOT supplemental funds for a training facility that has a dual mission of supporting graduate medical education and training soldiers who provide medical care during combat.
- One MTF renovated its blood donation center with GWOT supplemental funds. The MTF collects blood donations for use in its facility or for use at other MTFs. The MTF also collects blood donations for overseas shipment in support of Operation Enduring Freedom and Operation Iraqi Freedom.
- One MTF renovated its dining facility with GWOT supplemental funds. The dining facility is used by MTF personnel, MHS beneficiaries, and other eligible patrons.

Following are examples of MTFs inconsistently using GWOT supplemental or baseline funds for similar purposes.

- Some MTFs charged GWOT supplemental funds for immunizations given to active-duty personnel, regardless of whether soldiers were deploying in support of a contingency operation. Other MTFs considered immunizations a part of normal readiness and used baseline funds.
- One MTF charged baseline funds for post deployment screenings instead of charging GWOT supplemental funds. Another MTF used GWOT supplemental funds for post deployment screenings.

Guidance also is needed to define and clarify missions that should be supported with GWOT supplemental funds. We identified inconsistencies in how resource managers classified GWOT supplemental fund obligations by mission. Two examples follow.

- A resource manager identified contracted nursing positions to support a surge of returning soldiers as medical backfill. The positions were not to support nurses who deployed, but were to provide casualty care for a surge of returning soldiers. There was confusion at the MTF on which mission this obligation

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would apply to. The MTF did not receive GWOT supplemental funds to support the active-duty casualty care mission.

- A resource manager considered GWOT supplemental fund obligations in support of pre and post deployment medical activities and obligations in support of post deployment health reassessment activities<sup>3</sup> to be similar, and classified both types of activities under the post deployment health reassessment mission. Pre and post deployment medical activities and post deployment health reassessment are separate missions, and obligations should be reported accordingly. The MTF did not receive GWOT supplemental funds to support the pre and post deployment medical activities mission.

Because of scope limitations discussed in Appendix A, we were unable to quantify the effect the above inconsistencies had on the FY 2006 DHP Cost of War report. Inconsistencies in obligations made with GWOT supplemental funds, baseline funds, or a combination thereof, along with misclassification of GWOT supplemental fund obligations by MTF personnel, can result in reporting misstatements. TMA should issue guidance on the appropriate use and classification of GWOT supplemental fund obligations. Improved guidance will improve the reliability of GWOT supplemental fund recording and reporting by mission or other appropriate category and provide increased accuracy in the DHP Cost of War report.

## Other Matter of Interest

In addition to the above problems with reporting GWOT supplemental fund obligations, we found that the delayed receipt of GWOT supplemental funds caused difficulties in managing GWOT supplemental funds.

Congress approved the FY 2006 GWOT supplemental fund appropriation on June 15, 2006, or about 9 months into the fiscal year. As a result, MHS received its first allocation of GWOT supplemental funds 3 months before the obligation authority expired. The delayed receipt of GWOT supplemental funds caused MTFs to forward fund or “cash flow” GWOT obligations with baseline operating funds.

MTFs we visited were required to accept financial risks because GWOT supplemental fund obligations were made from baseline operating funds for about 9 months of the fiscal year. Without timely receipt of supplemental funds, the sharing of GWOT and operational requirements can affect MTF operations. For example, MTFs contracted for medical backfill services during the last remaining days of the fiscal year. Delayed medical backfill contracting can result in misstated DHP Cost of War reports because medical contracts were funded in FY 2006, but most of the medical services were received in FY 2007.

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<sup>3</sup> These activities include providing mental health assessments, evaluations, and treatment for active-duty and reserve component personnel 3 to 6 months after deployment.

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MTFs are required to fund GWOT requirements and their day-to-day baseline operations for most of the fiscal year using baseline funds. As a result, the FY 2006 DHP Cost of War report included GWOT supplemental and baseline obligations. Delayed receipt of GWOT supplemental funds can expose MTFs to financial risk. Because MHS cannot control the timing of supplemental appropriations, we are not making recommendations in this area. However, opportunities exist to better account for and execute GWOT supplemental funds by enabling MTFs to make contracting decisions that result in the best value, reduce the negative effect on day-to-day baseline operations, and ensure accurate recording and reporting in the DHP Cost of War report.

## **Conclusion**

If TMA considers mission-based reporting important to requesting, justifying, and executing GWOT supplemental funds, it is essential that the Military Departments' financial systems report GWOT supplemental fund obligation information accurately and consistently. Currently, the Military Departments provide monthly GWOT supplemental fund obligation reports to TMA. TMA then adds to and compiles GWOT supplemental fund obligations and forwards the results to DFAS. DFAS compiles the GWOT supplemental fund obligations for all of DoD and issues monthly consolidated Cost of War reports. Because of inconsistent reporting of GWOT supplemental fund medical obligations by mission, there is no assurance that MTFs used GWOT supplemental funds for the missions for which they were requested. Additionally, inconsistencies in the use of supplemental funds and the misclassification of GWOT supplemental fund obligations can result in over- or underreporting of those obligations. Accurate and complete reporting will provide reasonable assurance that GWOT supplemental funds are budgeted and spent for their intended purpose and that the DHP Cost of War report provides accurate and up-to-date reporting of GWOT supplemental fund obligations.

## **Management Comments on the Finding**

The ASD(HA) concurred with the draft report's conclusions. The ASD(HA) agreed that a material weakness exists concerning the recording and reporting of GWOT supplemental fund obligations within MHS. The ASD(HA) stated that his staff is working closely with the other DoD Components to correct deficiencies attendant to recording and reporting GWOT supplemental obligations.

In comments on the draft report, the Army Surgeon General stated that the Army Medical Command is the largest user of GWOT funds and has worked diligently to establish and mandate accountability of GWOT funds. The Army Surgeon General stated that the Army Audit Agency has performed audits of the use of supplemental funds at Army MTFs. The Army Audit Agency reports listed in Appendix A were completed at the request of the Army Surgeon General.



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## Recommendations, Management Comments, and Audit Response

**We recommend that the Assistant Secretary of Defense (Health Affairs):**

**1. Coordinate with personnel from the Military Department Surgeons General offices and Military Department financial management offices to determine the best solution for recording and reporting obligations of Global War on Terrorism supplemental funds for the Military Health System by mission or other category deemed appropriate. The best solution should be coordinated with the steering group established by the Under Secretary of Defense (Comptroller)/Chief Financial Officer.**

**ASD(HA) Comments.** The ASD(HA) concurred, stating that DoD Component accounting systems do not capture the information needed to request and justify supplemental funds the DoD Components report in the Defense Health Program Cost of War report. The ASD(HA) stated that three TMA accounting systems and the Army Medical Command accounting system currently meet the requirements needed to properly account for GWOT funding and execution. The ASD(HA) stated that BUMED is now working on updating its accounting system to include all DHP GWOT missions. ASD(HA) personnel met with all MHS Component GWOT analysts in November 2007 to establish standard MHS mission descriptions for use in recording and reporting GWOT obligations. The ASD(HA) stated that there are nine missions included in the DoD Contingency Operations Support Tool and, when appropriate, additional missions with descriptions will be added to accommodate new and unique costs that are in support of contingency operations.

**Audit Response.** We consider the ASD(HA) comments and planned actions partially responsive. We note that the ASD(HA) has determined that GWOT missions are the best solution for recording and reporting GWOT obligations. The efforts to establish standard MHS mission descriptions should assist MHS in capturing the information needed to accurately report GWOT supplemental fund obligations. However, the ASD(HA) did not discuss the results of his efforts to coordinate the best solution for recording and reporting GWOT supplemental fund obligations with the steering group established by the USD(C)/CFO. We request that the ASD(HA) provide the results of those coordination efforts.

We agree that the different DoD Component accounting systems must contain unique accounting codes to enable MTFs to record and report GWOT supplement fund obligations by mission. However, at the time of our visits, the Army Medical Command accounting system did not track GWOT funding and execution by mission. At the MTFs visited, the Army GWOT supplemental fund obligation reports were manually prepared, and an Army-wide automated reporting capability by mission did not exist. We request that the ASD(HA) further explain how the Army Medical Command accounting system provides the capability to account for GWOT funding and execution by mission. We note that the Army comments support our position that this capability does not currently exist. We also request that the Assistant Secretary provide a projected date when the Military Department Surgeons General accounting systems will be able to capture, record, and report GWOT supplemental fund obligations by mission.

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**Military Department Comments.** Although not required, the Army and Air Force Surgeons General commented on Recommendation 1. The Army Surgeon General stated that, in order to automate the process for tracking and classifying GWOT obligations, it would need to establish functional cost account codes with the Defense Finance and Accounting Service. Such a process would enable the Army to record and report GWOT supplemental fund obligations, by mission, to TMA. The Air Force Surgeon General stated that his office is working with Air Force financial management personnel to establish new cost centers that will allow more precise GWOT accounting and permit the tracking of obligations by mission category. The Air Force Surgeon General estimated those efforts would be completed by January 31, 2008.

**2. Convene a working group to develop Military Health System guidance outlining policy and procedures for recording and reporting obligations of Global War on Terrorism supplemental funds for the Military Health System. The guidance should:**

**a. Require Funding Authorization Documents to clearly identify Military Health System Global War on Terrorism supplemental funds.**

**Management Comments.** The ASD(HA) concurred. He stated that, in FY 2007, MHS changed the instructions on all GWOT FADs to include specifics on tracking, executing, and reporting obligations for all GWOT supplemental funding. Additionally, the ASD(HA) stated that this updated FAD guidance was also included in the FY 2007 and in the draft FY 2008 Funding Guidance Letters. MHS Components were instructed to ensure that all MHS activities that receive supplemental funding properly track, monitor, and report execution of funds within their control.

Although not required, the Army Surgeon General and Air Force Surgeon General provided comments on Recommendation 2. On Recommendation 2.a., the Army Surgeon General stated that it currently provides detailed guidance as part of its fiscal funding guidance and separate GWOT funding guidance. The Army Surgeon General stated that recording a separate functional cost account code on FADs, for each mission, would identify GWOT funding issued to Army activities.

The Air Force listed several corrective actions. The first was participation in a working group with representatives from the Army, Navy, and TMA to develop consistent policies and procedures for recording and reporting GWOT supplemental fund obligations. Additional corrective actions included identifying mission categories on Funding Authorization Documents, drafting a policy letter with instructions on managing GWOT funds, and establishing new responsibility centers or cost centers for more precise and visible GWOT accounting. In addition, the Air Force Surgeon General recommended that TMA establish a separate code for contingency operations.

**Audit Response.** The comments from the ASD(HA), the Army, and the Air Force are fully responsive.

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**b. Provide MHS-wide standard definitions and criteria, to the extent possible, for classifying obligations of Global War on Terrorism supplemental funds for the Military Health System by mission or by the category determined in Recommendation 1.**

**Management Comments.** The ASD(HA) concurred, stating that DHP mission descriptions were updated by MHS GWOT analysts in November 2007. Each analyst was encouraged to ensure widest dissemination of the DHP mission definitions and descriptions.

**Audit Response.** The comments from the ASD(HA) are fully responsive.

**c. Establish procedures for determining and documenting incremental costing of Global War on Terrorism transactions.**

**Management Comments.** The ASD(HA) concurred, stating that developing, and instituting standard definitions and criteria for classifying GWOT obligations will be an ongoing task. The ASD(HA) stated that MHS components are working to determine activities and missions where MHS-wide guidance would be appropriate.

**Audit Response.** The ASD(HA) comments partially satisfy the intent of the recommendation. We request that the ASD(HA) provide the guidance and criteria established to date regarding the procedures for determining and documenting incremental costing of GWOT supplemental funds. We also request that the ASD(HA) provide an estimated date when the guidance will be issued.

**d. Require Military Treatment Facilities to track obligations of Global War on Terrorism supplemental funds for the Military Health System by mission or by the category determined in Recommendation 1.**

**Management Comment.** The ASD(HA) concurred.

**Audit Response.** The comments from the ASD(HA) are fully responsive.

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## Appendix A. Scope and Methodology

We conducted this performance audit from December 2006 through September 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

The audit focused on the process used by Military Department Surgeons General and MTF personnel to record and report medical obligations in support of GWOT. We reviewed laws, policies, and guidance dated from 1996 through 2007 relating to contingency operations and the procedures for accounting for supplemental funds. We assessed the effectiveness of the process used by the Surgeon General for each Military Department for recording and reporting GWOT supplemental fund obligations, and we evaluated the procedures used for reporting obligations by mission to TMA. We also documented the procedures TMA uses for summarizing medical supplemental fund obligations.

We contacted or met with representatives from the USD(C)/CFO, the Military Department Assistant Secretaries for Financial Management and Comptroller, the Office of the Assistant Secretary of Defense (Health Affairs), TMA, the Military Department Surgeons General, and six MTFs. During those visits, we obtained background information and summary information on GWOT supplemental funds for MHS. We also coordinated the results of the audit with DFAS personnel.

We judgmentally selected two MTFs each from the Army, Navy, and Air Force using GWOT financial information provided to us by the Military Department Surgeons General. From each Military Department, we obtained FY 2006 total GWOT supplemental fund obligations. Using the information provided by the Surgeons General, we developed a summary of pre and post deployment and medical backfill obligations by MTF. MTFs were selected by ranking total GWOT supplemental fund obligation information provided to us by Surgeon General personnel. We also considered previous audit work by the Military Department audit organizations and the geographical locations of each MTF. Using that information, we judgmentally selected two MTFs each in the Army, Navy, and Air Force for review. One of the Navy MTFs was located at a Marine Corps installation.

At the six MTFs, we used a two-phased approach to evaluate the recording and reporting of GWOT supplemental fund obligations. The first phase involved documenting the process MTFs used to record GWOT supplemental fund obligations for pre and post deployment medical activities and medical backfill of deployed staff missions. Because a central database of GWOT supplemental fund obligations by mission did not exist, we documented the process MTFs use to report all GWOT supplemental fund obligations. The second phase involved the judgmental selection of individual obligations at each MTF. For each judgmentally selected obligation, we obtained available documentation that was used to justify and support the obligation. We also evaluated the process the

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Military Department Surgeons General use for reporting GWOT supplemental fund obligation information to TMA and documented the process TMA uses for reporting GWOT supplemental fund obligations to DFAS.

**Limitations to Audit Scope.** Our original objective was to sample FY 2006 medical GWOT supplemental fund obligations. We initially selected pre and post deployment and medical backfill mission obligations for evaluation. Our intent was to statistically sample pre and post deployment and medical backfill obligations. Because a centralized database of medical GWOT obligations by mission did not exist, we instead focused on the abilities of the Military Department medical accounting systems to report GWOT supplemental fund obligations by mission.

**Use of Computer Processed Data.** We relied on data from the Army's Standard Financial System, the Navy's Standard Accounting and Reporting System, and the Air Force's General Accounting and Finance System to judgmentally select GWOT supplemental fund obligations. During the audit, we performed limited reliability tests on the accuracy of the financial information reported in the FY 2006 DHP Cost of War report. We also performed limited reliability testing of obligations by reconciling them to source documentation such as approval documents and contractual documents. The coding, classification, and recording inconsistencies discussed in this report were a result of incomplete and inconsistent procedures. We did not assess the overall accuracy or reliability of the systems used to report information to TMA, and our conclusions were not dependent on the accuracy of those systems that were used to process GWOT supplemental fund obligations.

**Use of Technical Assistance.** Personnel from the Quantitative Methods Directorate provided technical support for this project. The report did not use significant quantitative methods nor did it present any statistical results.

**Government Accountability Office High Risk Area.** The Government Accountability Office (GAO) has identified several high-risk areas in DoD. This report provides coverage of the DoD Financial Management high-risk area.

## Prior Coverage

Since 2003, the Army Audit Agency (AAA) has issued four reports discussing medical GWOT supplemental funding in MHS:

AAA Report No. A-2007-0095-FFH, "FY 06 Supplemental Funding for the Global War on Terrorism: U.S. Army Medical Command," March 2007

AAA Report No. A-2007-0039-FFP, "Global War on Terrorism Supplemental Funding, Tripler Army Medical Center," December 2006

AAA Report No. A-2007-0033-FFH, "Medical Funding for the Global War on Terrorism: U.S. Army Medical Command," December 2006

AAA Report No. A-2005-0098-FFH, "Medical Funding for the Global War on Terrorism: U.S. Army Medical Command," February 2005

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## **Appendix B. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Personnel and Readiness  
Assistant Secretary of Defense (Health Affairs)  
Director, Program Analysis and Evaluation  
Director, Defense Finance and Accounting Service

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Manpower and Reserve Affairs)  
Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Non-Defense Federal Organization**

Office of Management and Budget

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Oversight and Government Reform  
House Subcommittee on Government Management, Organization, and Procurement,  
Committee on Oversight and Government Reform  
House Subcommittee on National Security and Foreign Affairs,  
Committee on Oversight and Government Reform





# Assistant Secretary of Defense (Health Affairs) Comments



THE ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, DC 20301-1200

JAN 16 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL  
DIRECTOR, HEALTH CARE DIVISION  
(READINESS AND OPERATIONS SUPPORT)

SUBJECT: Draft Report on Supplemental Funds Used for Medical Support for the  
Global War on Terrorism (Project No. D2007-D000LF-0032.000)

Thank you for the opportunity to review and provide comments on the draft,  
"Report on Supplemental funds Used for Medical Support for the Global War on  
Terrorism," dated November 26, 2007.

I concur with the draft report's conclusions and recommendations. Additionally, I  
agree with the Department of Defense (DoD) Inspector General's assertion that a material  
weakness exists concerning recording and reporting Global War on Terrorism (GWOT)  
supplemental fund obligations within the Military Health System. We are working  
closely with other DoD components, primarily through the GWOT Cost of War  
Improvement Project, to correct deficiencies attendant to recording and reporting GWOT  
supplemental obligations.

Please direct questions to my project officers on this effort, Mr. Bill Curley  
(Functional) at (703) 681-4664 and Mr. Gunther Zimmerman (Audit Liaison) at (703)  
681-3492.

A handwritten signature in black ink, appearing to read "S. Ward Casscells".

S. Ward Casscells, MD

Attachment:  
As stated

**DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT REPORT –  
DATED NOVEMBER 26, 2007  
(Audit #D2007-D000LF-0032.000)**

**Agency Comments Final Report “Supplemental Funds Used for Medical Support  
for the Global War On Terrorism”**

**DEPARTMENT OF DEFENSE COMMENTS**

**Recommendation 1:** We recommend that the Assistant Secretary of Defense (Health Affairs) (ASD (HA)) coordinate with personnel from the Military Department Surgeons General offices and Military Department financial management offices to determine the best solution for recording and reporting obligations of Global War on Terrorism (GWOT) supplemental funds for the Military Health System (MHS) by mission or other category deemed appropriate. The best solution should be to coordinate with the steering group established by the Under Secretary of Defense (Comptroller)/Chief Financial Office.

**Department of Defense (DoD) Response:** Concur. Component accounting/reporting systems do not capture the information needed to report obligations by the pre- and post-deployment medical activities, medical backfill of deployed staff, and other missions the TRICARE Management Activity (TMA) uses to request and justify supplemental funds it reports in the Defense Health Cost of War report. Within the MHS, there are six different, non-interoperable accounting systems. Each of these systems must contain unique accounting codes to enable MHS activities to capture GWOT funding and execution by mission category. Four of these accounting systems, TMA (three systems) and Army Medical Command (MEDCOM), currently meet the requirements needed to properly account for GWOT funding and execution. The Navy Bureau of Medicine and Surgery team is now working on updating their accounting system to include all Defense Health Programs (DHP) GWOT missions. Ultimately, implementation of a Standard Financial Information Structure and Service modernization of financial systems is fundamental to correcting this material weakness.

To address other deficiencies, a meeting was held with all MHS component GWOT analysts on November 13, 2007, to establish standard MHS mission descriptions for use in recording and reporting GWOT obligations. There are nine missions included within the DoD Contingency Operations Support Tool that form the basis for all contingencies. When appropriate, the MHS, in coordination with the Office of the Under Secretary of Defense (Comptroller), will add additional missions with descriptions to accommodate new and unique activities/costs that are in support of contingency operations.

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**Recommendation 2:** Convene a working group to develop guidance outlining policy and procedures for recording and reporting obligations of GWOT supplemental funds for the MHS. The guidance should:

- a. Require Funding Authorization Documents to clearly identify MHS supplemental funds by mission or by the category determined in Recommendation 1.
- b. Provide MHS-wide standard definitions and criteria, to the extent possible, for classifying obligations of GWOT supplemental funds by mission or by the category determined in Recommendation 1.
- c. Establish procedures for determining and documenting incremental costing of GWOT transactions.
- d. Require military treatment facilities to track GWOT supplemental fund obligations for the MHS by mission or by the category determined in Recommendation 1.

**DoD Response:**

- a. Concur. In Fiscal Year (FY) 2007, the MHS changed the narrative instructions on all GWOT Supplemental Funding Authorization Documents (FAD) to include specific instructions on tracking, executing, and reporting obligations for all GWOT Supplemental funding. This updated FAD guidance was also included in the FY 2007 and in the draft 2008 Funding Guidance Letters. MHS Components are instructed to ensure **all** MHS activities in receipt of GWOT Supplemental funding properly track, monitor, and report execution of funds within their control.
- b. Concur. DHP GWOT mission descriptions have been updated by the MHS team which met on November 13, 2007. Each component representative was educated and encouraged to ensure widest dissemination of the DHP missions and descriptions. Additionally, the ASD (HA) GWOT Analyst conducted a presentation at the October 2007 Air Force Medical Resource Management Conference. Additional briefings and training will continue in 2008.
- c. Concur. Developing and instituting standard definitions and criteria for classifying GWOT obligations will be an ongoing task. Each MHS component has unique activities and organizational funding structures between readiness and peacetime missions. Where appropriate, the MHS will develop standard guidance and criteria for the uses of GWOT supplemental funding. Currently, the MHS components are tasked to determine activities and missions where MHS-wide guidance would be appropriate. We will meet again near the end of January 2008 to begin the process of developing MHS-wide guidance, where applicable.
- d. Concur. No Comments.

# Department of the Army Comments



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
MANPOWER AND RESERVE AFFAIRS  
111 ARMY PENTAGON  
WASHINGTON DC 20310-0111

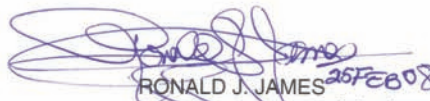
FEB 26 2008

SAMR-PO

MEMORANDUM FOR: U.S. Army Audit Agency, Audit Liaison, ATTN: SAAG-PMO-L, 3101 Park Center Drive, Alexandria, VA 22302-1596

SUBJECT: DoDIG Draft Report, Supplemental Funds Used for Medical Support for the Global War on Terrorism, DoDIG Code D2007-D000LF-0032.000, dated 26 November 2007

1. Reference memorandum, DASG-IRO, Office of the Surgeon General (OTSG), 12 Feb 2008, subject as above.
2. Thank you for the opportunity to review this report. I concur with the Office of The Surgeon General (OTSG) response to the Department of Defense Inspector General (DoDIG) Draft Report, Code D2007-D000LF-0032.000 (Supplemental Funds Used for Medical Support for the Global War on Terrorism).
3. The Secretariat point of contact is Colonel (Dr.) James A. Polo. He can be reached at (703) 693-1909, or by e-mail: james.polo@us.army.mil.

  
RONALD J. JAMES 26 FEB 08  
Assistant Secretary of the Army  
(Manpower and Reserve Affairs)



DEPARTMENT OF THE ARMY  
HEADQUARTERS, U.S. ARMY MEDICAL COMMAND  
2050 WORTH ROAD  
FORT SAM HOUSTON, TEXAS 78234-6000



REPLY TO  
ATTENTION OF

MCIR

12 FEB 2008

MEMORANDUM THRU ARMY AUDIT AGENCY, AUDIT LIAISON, ATTN:  
SAAG-PMO-L, 3101 PARK CENTER DRIVE, ALEXANDRIA, VA 22302-1596

FOR US DEPARTMENT OF DEFENSE INSPECTOR GENERAL, HEALTH CARE  
DIVISION, ATTN: ANNA MARTIN, 111 CYBERNETICS WAY, SUITE 110,  
YORKTOWN, VA 23693

SUBJECT: DoDIG Draft Report, Supplemental Funds Used for Medical Support for the  
Global War on Terrorism, DoDIG Code D2007-D000LF-0032.000

1. We appreciate the opportunity to review this report.
2. We concur with the report's two recommendations. Enclosed are some additional comments for your consideration when preparing the final report.
3. My point of contact for this action is MAJ David Marquez, Resource Management Directorate, US Army Medical Command, commercial 210-295-2847 or DSN 421-2847, email: [David.A.Marquez@amedd.army.mil](mailto:David.A.Marquez@amedd.army.mil).

FOR THE COMMANDER:

Encl

  
WILLIAM H. THRESHER  
Chief of Staff



DODIG DRAFT REPORT – DATED NOVEMBER 26, 2007  
DODIG CODE D2007-D000LF-0032.000, "Supplemental Funds Used for Medical  
Support for the Global War on Terrorism"

Office of The Surgeon General of the Army Comments on Recommendations Directed  
to  
the Assistant Secretary of Defense (Health Affairs)

**DODIG Recommendation 1:** Coordinate with personnel from the Military Department Surgeons General offices and Military Department financial offices to determine the best solution for recording and reporting obligations of Global War on Terrorism (GWOT) supplemental funds for the Military Health System (MHS) by mission or other category deemed appropriate. The best solution should be coordinated with the steering group established by the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

**OTSG Response:** Concur. As stated in the report, the Army Medical Treatment Facilities (MTFs) have developed manual systems that track and classify GWOT supplemental fund obligations by transaction and mission. However, in order to automate this process, the Army would need to establish with the Defense Finance and Accounting Service (DFAS) through the Assistant Secretary Army, Financial Management and Comptroller, functional cost account (FCA) codes for each of the TRICARE Management Activity (TMA) GWOT missions. This would allow both Army and TMA to pull obligations by mission at the program element level and by object class in much the same way that Traumatic Brain Injury and Psychological Health obligations are currently tracked.

**Recommendation 2:** Convene a working group to develop MHS guidance outlining policy and procedures for recording and reporting obligations of GWOT supplemental funds for the MHS. The guidance should: (a) Require Funding Authorization Documents (FADS) to clearly identify MHS GWOT supplemental funds, (b) Provide MHS-wide standard definitions and criteria, to the extent possible, for classifying obligations of GWOT for the MHS by mission or by the category determined in Recommendation 1, (c) Establish procedures for determining and documenting incremental costing of GWOT transactions, (d) Require MTFs to track obligations of GWOT supplemental funds for MHS by mission or by the category determined in Recommendation 1.

**OTSG Response:** Concur. Annually, the Army provides very detailed guidance as a part of its general fiscal guidance and its separate GWOT funding guidance. However, it does not outline procedures for identifying GWOT funding on FADs by mission. This can be corrected by using separate FCA codes for each GWOT mission and, subsequently, annotating the FCA code on each outgoing FAD to Army activities. This procedure of annotating the FCA code should also apply to incoming FADs from TMA.

**ADDITIONAL COMMENTS**

The US Army Medical Command (MEDCOM) is the largest user of Defense Health Program GWOT funding and we have diligently worked toward establishing and mandating proper accountability of GWOT contingency funds. As stated in the report,

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DODIG DRAFT REPORT – DATED NOVEMBER 26, 2007  
DODIG CODE D2007-D000LF-0032.000, "Supplemental Funds Used for Medical  
Support for the Global War on Terrorism"

Office of The Surgeon General of the Army Comments on Recommendations Directed  
to  
the Assistant Secretary of Defense (Health Affairs)

Army MTFs that DoDIG visited were able to track and classify GWOT supplemental fund obligations by transaction and mission. We believe it is worth mentioning in the report that at MEDCOM's request, the US Army Audit Agency audited Supplemental Funding for GWOT every year from Fiscal Year (FY) 04 through FY 07. In addition, MEDCOM had implemented management controls that showed MEDCOM's commitment to good stewardship of GWOT contingency funding.

# Department of the Air Force Comments



**DEPARTMENT OF THE AIR FORCE**  
**HEADQUARTERS UNITED STATES AIR FORCE**  
**WASHINGTON DC**

23 January 2008

MEMORANDUM FOR TECHNICAL DIRECTOR, AUDIT FOLLOWUP & GAO AFFAIRS  
OFFICE OF THE INSPECTOR GENERAL

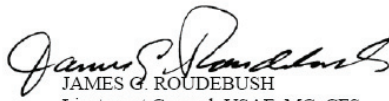
FROM: HQ USAF/SG  
1780 Air Force Pentagon  
Washington, DC 20330-1780

SUBJECT: Follow-up on DoDIG Draft Report, Supplemental Funds for Medical Support for the Global War on Terror, November 26, 2007, DoDIG Project No. D2007-D000LF-0032.000

Thank you for the opportunity to provide an update regarding corrective actions taken in response to the DoDIG Draft Report, Supplemental Funds for Medical Support for the Global War on Terror. I concur with the findings and the following corrective actions are underway:

- a. A working group has been established with representatives from Air Force, Army, Navy and TMA to develop consistent policies and procedures for recording and reporting Global War on Terror (GWOT) supplemental fund obligations.
- b. All GWOT Funding Authorization Documents are clearly identified by mission category.
- c. A policy letter was drafted providing instructions on managing GWOT funds, including:
  - (1) Clarification of which obligations qualify for GWOT supplemental funds
  - (2) Definitions of GWOT mission categories
  - (3) How to distinguish between baseline costs and incremental costs due to GWOT
  - (4) How to account for obligations that have both GWOT and non-GWOT purposes
- d. HQ USAF/SGY is working with HQ USAF/FM to establish new Responsibility Center/Cost Centers (RC/CCs) that will allow more precise GWOT accounting and provide visibility to obligations by mission category at every level. The estimated completion date is 31 January 2008.
- e. HQ USAF/SGY recommended that TMA establish a separate fund code for contingency operations to discontinue commingling of funds and improve GWOT accounting accuracy.

My point of contact for this issue is Maj Ted Woolley, AFMOA/SGYB, 703-681-6619, DSN 761-6619, or [Ted.Woolley@pentagon.af.mil](mailto:Ted.Woolley@pentagon.af.mil).

  
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# Inspector General Department of Defense

