



AGREED-UPON PROCEDURES REPORT

FOR

**THE TASK FORCE FOR BUSINESS
AND STABILITY OPERATIONS IN
AFGHANISTAN**

APRIL 30, 2015

Submitted By:



WASHINGTON HEADQUARTERS SERVICES**AGREED-UPON PROCEDURES REPORT
THE TASK FORCE FOR BUSINESS AND
STABILITY OPERATIONS IN AFGHANISTAN****Table of Contents**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Washington Headquarters Services
The Task Force for Business and Stability Operations in Afghanistan

INTRODUCTION

In 2010, The Task Force for Business and Stability Operations (TFBSO) began operations in Afghanistan aimed at creating economic opportunities for people in order to increase stability, reduce violence, and restore economic normalcy in areas suffering from unrest and insurgency. The TFBSO was funded with Overseas Contingency Operations (OCO) funding by the Department of Defense (DoD), US Army Central (ARCENT). WHS received funding from ARCENT, on a reimbursable basis, for TFBSO operations. WHS also operated as a fund certifier and financial service provider for the task force. Williams Adley applied certain agreed-upon procedures to the financial and other records of The Task Force for Business and Stability Operations in Afghanistan (TFBSO) for the period August 1, 2011 through December 31, 2014 pertaining to funds received, accounts payable, open travel encumbrances, and payroll encumbrances due and payable at the cessation of operations.

The procedures, which were agreed to by the Washington Headquarters Services (WHS), Financial Management Division (FMD), were performed solely to assist WHS's management in determining whether TFBSO transactions were supported by proper documentation and compliant with the legislative and fiscal guidelines set forth by the Department of Defense Financial Management Regulations (FMR) for each area reviewed.

Because the procedures did not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the TFBSO's financial information, nor do we express any form of assurance on (1) the TFBSO's or WHS's overall compliance with laws, federal regulations or DoD policies and procedures, or (2) the overall effectiveness with which the TFBSO carried out its mission. Had we performed additional procedures or conducted an audit in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

OBJECTIVES

In accordance with the agreed-upon procedures approved by WHS, the objectives of this engagement were to review supporting documentation to reconcile and validate balances for transactions selected. We were further required to verify whether TFBSO was compliant with legislative and fiscal guidelines by ensuring that TFBSO financial transactions were conducted in accordance with the National Defense Authorization Acts for FY 2011 through FY 2014 and with DoD fiscal guidance and applicable directives, regulations, and applicable policy memoranda.

The specific objectives were to determine:

- if TFBSO complied with the fiscal and legislative guidelines;
- that funds received were adequately supported by documentation as required by fiscal and DoD guidelines;
- that accounts payable were valid and adequately supported;
- that TFBSO payroll encumbrances due at cessation of operations were valid and supported by adequate documentation;
- that TFBSO outstanding travel encumbrances were valid, properly supported and compliant with applicable guidelines.

SCOPE AND METHODOLOGY

We applied the agreed-upon procedures to TFBSO financial and other records for the period August 1, 2011 through December 31, 2014. Generally, the procedures consisted of (1) interviewing and observing WHS and TFBSO personnel, (2) inspecting and substantiating, on a test basis, documentation supporting funds received, accounts payable, payroll encumbrances and open travel encumbrances, and (3) re-performing certain procedures and calculations. We performed tests of TFBSO compliance with certain provisions of laws, federal regulations, and DoD policies and procedures. We selected test samples using a judgmental approach with bias for larger dollar transactions.

Our agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Section 2 for the purpose for which this report has been requested or for any other purpose.

SUMMARY OF RESULTS

- **Funds Received:** Based on the information provided, WHS received \$539,540,899 of reimbursable funding from ARCENT for TFBSO operations during the period August 1, 2011 through December 31, 2014. We requested supporting documentation for all reimbursable funds received and prepared a schedule to reconcile, validate and verify that funds were processed in accordance with federal and legislative guidelines. We reviewed all pertaining funding documentation and were able to properly reconcile and validate \$539,540,899 of reimbursable funding received during the period under review for TFBSO's mission. However, we noted errors in the completion of six out of 60 funding documents reviewed.
- **Accounts Payable:** We obtained a population of unliquidated accounts payable totaling \$150,365,066 as of January 21, 2015 and selected a sample of 45 transactions totaling \$87,404,573. For each transaction selected, we requested the funding documentation, a complete DD Form 250 or another applicable receiving report, and the applicable invoice in

order to validate and reconcile the remaining payable amount. We obtained and reviewed the detailed general ledger transactions for each sample selected but we were unable to verify invoices or receiving reports for transactions selected. As a DoD entity, WHS's payables are processed through the Wide Area Workflow (WAWF), a system external to WHS. As a customer to this system, WHS properly relies on the controls surrounding WAWF's matching and payables validation process, which include the electronic housing of required invoices and receiving reports. Liquidations are interfaced directly into WHS's financial system (GL). Given WHS's reliance on WAWF and its 3-way match process, we utilized the funding document and the general ledger detail in order to calculate the accuracy of the unliquidated payable balance. By back tracking the liquidations to the original funding documents, we were able to reconcile the payables balances to the general ledger for 39 out of 45 transactions selected. We were unable to verify six transactions totaling \$5,532,590 due to unavailable funding documentation.

- **Payroll Encumbrances Due and Payable:** We requested and obtained the payroll reconciliation and cost transfer documentation for TFBSO's pay periods 03, 04 and 08 of FY 2015 to reconcile and validate open payroll encumbrances due at cessation of TFBSO operations. We re-performed the reconciliation for each pay period and verified that the costs transferred agreed with what was paid out by the Defense Civilian Personnel System (DCPS). Through our review, we noted that the reconciliation for PP04 was not correct and the amount transferred was understated by \$5,482. This error was communicated to WHS payroll personnel and it was corrected during field work.
- **Open Travel Encumbrances:** We obtained a population of all open and unliquidated travel encumbrances totaling \$610,746 and selected a sample of 45 transactions totaling \$214,888 to reconcile and validate the unliquidated amounts. TFBSO's travel is processed via the Defense Travel System (DTS), a DoD department-wide travel system used outside of WHS. Although the financial transactions are interfaced into WHS's financial system, EBAS-D, the supporting documentation resides within DTS. As a DoD entity, WHS relies on the DTS system controls for processing travel encumbrances and liquidations. Although an acceptable practice, the DoD FMR Vol. 9 Ch.8 identifies the certifying officers as responsible for the accuracy and validity of travel transactions. WHS was able to provide supporting documentation for two transactions amounting to \$1,131. However, due to time constraints, and other challenges, WHS was unable to provide supporting documentation for 43 of the 45 travel transactions totaling \$213,757. As such, we were unable to reconcile and validate the sample of unliquidated travel encumbrances due to unavailable supporting documentation.

Detailed testing procedures and results obtained for each of the focus areas are documented in Section 2 of this report.

VIEWS OF RESPONSIBLE OFFICIALS

We provided the WHS management with a draft of this report for their review and comments. Relevant verifiable information provided by WHS during the exit conference has been incorporated into this report, however, WHS did not provide formal written response for inclusion in this report.

LIMITATIONS AND RESTRICTIONS

The results of our procedures are limited to the period August 1, 2011 through December 31, 2014. We began performing our procedures on February 6, 2015, and we completed our procedures and conveyed our findings to WHS management on April 23, 2015. Accordingly, we accept no responsibility to update this report for events and transactions occurring after April 23, 2015. This report relates only to matters referred to herein and does not extend to any financial or performance reports pertaining to TFBSO or WHS taken as a whole.

This report is intended solely for the use of WHS and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Williams, Adley & Company-DC, LLP

Washington, DC
April 23, 2015

WASHINGTON HEADQUARTERS SERVICES**AGREED-UPON PROCEDURES REPORT
THE TASK FORCE FOR BUSINESS AND
STABILITY OPERATIONS IN AFGHANISTAN****SECTION 2****AGREED-UPON PROCEDURES AND RESULTS****A. Test Procedures for Funds Received**

Our test procedures were to:

1. Obtain WHS approved policies and procedures.
2. Prepare and document a process walkthrough of the types of reimbursable activity at TFBSO. Determine how funding requirement numbers were calculated and obtain and record the names of document(s) and system(s) used to complete the receivable process. Document our understanding of the accounts receivable process in a summary work paper and conclude about the reasonability of WHS policies and procedures.
3. Obtain documentation of all funds received from August 1, 2011 through December 31, 2014, including at a minimum: Military Interdepartmental Purchase Request (MIPR) number, amount, and date.
4. Prepare a schedule of funds received and review supporting documentation to substantiate balances by performing the following procedures:
 - i. Verify that the DD Form 448 (MIPR) Funding Document contains the following:
 - a. Statutory/Funding authority clearly stated
 - b. MIPR number plus Basic or Amendment number
 - c. Appropriation and line of accounting
 - d. Requesting Agency Name and Address
 - e. Budget Point of Contact name, phone number and email
 - f. Must be marked as reimbursable (Category I), Cannot be Direct Site (Category II)
 - g. Funding Amount
 - h. Period of Performance – Required in agreement with the Defense Federal Acquisition Regulation Supplemental (DFARS) 253.208-1: The MIPR must include a realistic (estimated) time of delivery/performance. If the period of performance is uncertain, verbiage such as “Date of award plus 12 months” is recommended.

- i. Signature and date signed
 - j. Accounting Station Number
 - k. Purpose of funding (Bona Fide Need – may be contained in Part B). Is Bona-Fide need clearly documented on the funding document in the fiscal year in which funding is issued?
5. Determine if a DD Form 448-2, Acceptance MIPR, was completed properly in accordance with the requirements established in DFARS 253.208-2 DD Form 448-2 as prescribed in Subpart 208.70.

RESULTS

Based on the information provided, WHS received \$539,540,899 of reimbursable funding from ARCENT for TFBSO operations during the period August 1, 2011 through December 31, 2014. We requested supporting documentation for all reimbursable funds received and prepared a schedule to reconcile, validate and verify that funds were processed in accordance with federal and legislative guidelines. We were able to properly reconcile and validate \$539,540,899 of reimbursable funding received; however, we noted errors in the completion of six of the funding documents reviewed.

Condition: Six DD Form 448-2s were inaccurately completed as specified by regulation. The exceptions noted are listed in Table 1.

Table 1 – Inaccurately Completed Funding Documents

MIPR No.	Amount	Exceptions Noted
MIPR2A38CT0002 AMD6	\$11,905,964	The DD 448-2 lists the amount in box 5 as \$107,615,964 which is incorrect. The correct amount that should have been noted was \$11,905,964.
MIPR1H38CT0025 AMD2	\$3,500,000	The DD 448-2 was incorrectly completed. The amendment number on column A noted the document as AMD01 instead of AMD02.
MIPR2A38AA0001 AMD6	\$41,600,000	The DD 448-2 lists the amount in box 5 as \$116,000,000 which is the total amount that has already been accepted plus the new amount being added in amendment 6. The correct amount for AMD6 should have been noted as \$41,600,000.
10251351 AMD4	\$11,100,000	On the MIPR in Box 6, Amend No, it says 3. However, the description and totals contain amendment 4.
MIPR 0010423966 AMD4	\$7,500,000	The DD 448-2 is dated 12/24/13 and was signed on 12/27/13. However, the electronic signature is time stamped as 2/27/14.
MIPR 0010423966 AMD7	(\$5,200,000)	The itemized list of amendments in the DD 448-2 is labeled incorrectly. The itemized list notes 6 amendments instead of 7. Consequently the entire listing of amendments and related amounts were inaccurately documented.

Criteria: *Defense Federal Acquisition Regulation Supplement 253.208-2 DD Form 448-2, Acceptance of MIPR*, provides instructions on the accurate completion of DD Form 448-2 and requires accepting entities to properly and accurately complete a DD Form 448-2 for all MIPR amendments involving an adjustment of funds or delivery schedule, or if requested by the requiring department.

Effect: Inaccurate completion of funding documentation may lead to errors in proper recording of funds received in the financial system.

Recommendation: WHS should implement a more effective review and approval process for the completion of DD Form 448-2 to reduce the risk of error and inaccurate documentation.

B. Test Procedures for Accounts Payable

Our test procedures were to:

1. Meet with WHS and TFBSO personnel and obtain and review the Accounts Payable policies and procedures, including validation, authorization and financial recording.
2. Obtain the recipient's listing of accounts payable transactions.
3. Select a judgmental sample of non-payroll or travel transactions based on the selection methodology described in the sampling plan and request supporting documentation.
4. Determine the following for accounts payable transactions using the sample selected:
 - a. Were payables supported by adequate funding documentation as required by the DoD FMR Vol. 4 Ch. 9 and other applicable regulation (MIPR, IAA, or MOD)?
 - b. Did the TFBSO responsible personnel properly complete a DD Form 250, or another type of receiving report, to denote proper acceptance of goods/services?
 - c. Did the vendor provide an adequate invoice that included date, specific quantities for goods and/or services rendered, amount owed, and terms of payment?
 - d. Were payables for allowable costs in agreement with the obligating document (MIPR, IAA or other binding agreement)?
 - e. Is the payable amount within the funding limits established by the obligating document (i.e. did entity verify that sufficient funds are available to cover payable amount)?
5. For the sample selected, determine if the final invoice has been received and whether the remaining unliquidated balance should be de-obligated for Task Force close out.

RESULTS

We obtained a population of unliquidated accounts payable totaling \$150,365,066 as of January 21, 2015 and selected a sample of 45 transactions totaling \$87,404,573. For each transaction

selected, we requested the funding documentation, a complete DD Form 250 or another applicable receiving report, and the applicable invoice in order to validate and reconcile the remaining payable amount. We obtained and reviewed the detailed general ledger transactions for each sample selected but we were unable to verify invoices or receiving reports for transactions selected. As a DoD entity, WHS's payables are processed through the Wide Area Workflow (WAWF), a system external to WHS. As a customer to this system, WHS properly relies on the controls surrounding WAWF's matching and payables validation process, which include the electronic housing of required invoices and receiving reports. Liquidations are interfaced directly into WHS's financial system (GL). Given WHS's reliance on WAWF and its 3 way match process, we utilized the funding document and the general ledger detail in order to calculate the accuracy of the unliquidated payable balance. By back tracking the liquidations to the original funding documents, we were able to reconcile the remaining payables balances to the general ledger for 39 out of 45 transactions selected. We were unable to verify six transactions totaling \$5,532,590, due to unavailable funding documentation.

Condition: We were unable to substantiate proper funding documentation for 6 out of 45 sampled accounts payable transactions totaling \$5,532,590. Funding documentation was not provided for the transactions noted below in Table 2.

Table 2 – Accounts Payable - Missing Funding Documentation

Total Obligation	Expense	Unliquidated Amount	Document Number
\$5,797,266	\$5,482,983	\$314,282	DHAC20003
\$4,204,548	\$3,737,376	\$467,172	DHAC40151
\$3,652,249	\$2,834,776	\$817,473	DHAC20003
\$3,508,717	\$-	\$3,508,717	DHAC30388
\$403,000	\$-	\$403,000	DHAC30285
\$208,050	\$-	\$21,944	DHAC30058

Criteria: *FMR Volume 4, Chapter 9, Section 090201* specifies that amounts recorded as accounts payable must be supported by documentation that clearly shows the basis for the amount recorded as a payable (e.g., purchase order or contract, and proof of receipt), and the terms upon which payment is to be made.

Additionally, the DoD FMR clarifies that the basis for recording accounts payable must be a receiving report that clearly shows the quantities and dates goods and property were received and accepted, or services were satisfactorily performed and accepted. As defined by Federal Acquisition Regulation (FAR) 2.101, a receiving report is written evidence that indicates Government acceptance of supplies delivered or services satisfactorily performed.

FMR Volume 4, Chapter 9 Section 090202 requires DoD entities to have all documentation readily available for review by procurement personnel, auditors, and DoD Component's financial management personnel.

Cause: Prior to 2012, WHS used a different accounting system from which data was migrated into EBAS-D. After this migration to EBAS-D, WHS has been challenged to find support, such as funding documents, for some transactions because there is no way to effectively search the system for specific documents. Further, WHS indicates that there is no effective way to search for supporting documentation in the system without having to examine each individual document attached to a transaction.

Effect: We are unable to validate the accounts payable for six transactions totaling \$5,532,590, per WHS records. For these six transactions, we were unable to determine if they were specified as reimbursable.

Recommendation: We recommend that WHS implement a process to properly maintain all supporting documentation for each transaction in order to be able to adequately support amounts in its financial system. Additionally, as a fund certifying service provider, WHS should require and ensure that their customers, such as TFBSO, submit electronic documentation to support all financial activity to be processed through WHS's system. WHS should also develop and implement policies and procedures to ensure that the required supporting documentation is maintained effectively, is readily accessible, and complete.

C. Test Procedures for Payroll Encumbrances

Our test procedures were to:

1. Through inquiry and review of policies and procedures, document our understanding of TFBSO personnel and payroll processes including hiring and termination procedures, time and attendance, reporting and authorization.
2. Obtain and review the listing of personnel assigned to the TFBSO. Select the last two processed pay periods and the upcoming payroll period for testing and perform the following steps:
 - a. Verify the Defense Civilian Pay System (DCPS) payroll reconciliation by re-performing the reconciliation for each pay period selected and documenting any differences noted.
 - b. Verify that the reconciliation was reviewed and approved prior to processing of the cost transfer.
 - c. Obtain TFBSO cost transfer supporting documentation for the payroll periods under review and agree the payroll reconciliation amount to the value in the cost transfer supporting documentation.
 - d. Confirm that the amount generated by DCPS for TFBSO personnel agrees to the amount recorded in EBAS-D for the pay period under review.

- e. Determine if the cost transfer was processed in a timely manner as specified by regulation.

RESULTS

We obtained the payroll reconciliation and cost transfer documentation for TFBSO's pay periods 03, 04 and 08 for FY 2015 to reconcile and validate open payroll encumbrances due at cessation of TFBSO operations. We re-performed the reconciliation for each pay period and verified that the costs transferred agreed with what was paid out by the DCPS. We noted that the reconciliation for PP04 was not correct and the amount transferred was understated by \$5,482. This error was communicated to WHS payroll personnel and corrected during field work.

Condition: The TFBSO payroll reconciliation for FY15 PP04 was not properly completed and cost transferred for this pay period was understated by \$5,482. The error was corrected during our field work. We obtained a screen shot of the system and verified that the amount was correctly posted to PP04.

Criteria: *WHS Standard Operating Procedures (SOP) for Overseas Contingency Operations (OCO)/Civilian Expeditionary Workforce (CEW) Cost Transfer Process* requires that payroll costs be aligned to their unique organizational responsibility code (ORC) to capture costs and ensure that a detailed cost listing is provided to include employee names, ORC, object class codes, pay description, hours, and payroll costs for relevant pay period ending (PPE) date for each pay period (PP).

Cause: During pay period 04, one employee was paid for hazard pay for FY 2013 and FY 2014. WHS erroneously excluded this amount from the PP04 cost transfer for TFBSO personnel.

Effect: The TFBSO payroll amount transferred for FY15 pay period 04 did not agree to the amount paid through the DCPS by \$5,482. TFBSO had a remaining outstanding amount to reimburse WHS for. The error was corrected during our field work.

Recommendation: WHS should ensure that payroll reconciliations are accurately completed and that management thoroughly reviews amounts paid out by DCPS versus costs to be transferred by ORC. A comprehensive review will help mitigate any inadvertent exclusion of amounts to be transferred.

D. Test Procedures for Open Travel Encumbrances

Our test procedures were to:

1. Through inquiry and review of policies and procedures, obtain and document our understanding of TFBSO process for processing travel requests and liquidations. Interview TFBSO and WHS personnel and document our understanding in a summary work paper.
2. Obtain a complete listing of open travel encumbrances for the period under review and select a judgmental sample for testing.
3. For the sampled travel costs, review travel and transportation charges to determine whether they are adequately supported and approved. Perform the following tests:
 - a. Obtain the travel request from DTS and determine if travel costs were for an allowable purpose;
 - b. Expenses complied with federal travel regulations and DoD regulations;
 - c. Travel expense report was prepared timely (within 5 days of return from travel);
 - d. Travel expense report was properly approved;
 - e. Travel expense report was supported by adequate documentation (e.g. hotel receipt, car rental receipt, etc.).
 - f. Determine if final travel voucher has been submitted and if remaining balance should be de-obligated.

RESULTS

We obtained a population of all open and unliquidated travel encumbrances totaling \$610,746 and selected a sample of 45 transactions totaling \$214,888 to reconcile and validate the amounts. TFBSO's travel is automatically processed via the Defense Travel System (DTS), a DoD department-wide travel system used outside of WHS. Although the financial transactions are automatically interfaced into WHS's financial system, EBAS-D, the supporting documentation resides within DTS. As a DoD entity and customer to this system, WHS relies on the DTS system controls for processing travel encumbrances and liquidations. Although an acceptable practice, the DoD FMR Vol. 9 Ch.8 identifies the certifying officers as responsible for the accuracy and validity of travel transactions. WHS was able to provide supporting documentation for two transactions amounting to \$1,131. However, due to time constraints and other challenges, WHS was unable to provide supporting documentation for 43 of the 45 travel transactions totaling \$213,757.

Condition: WHS and TFBSO were unable to provide supporting documentation for 43 out of the 45 TFBSO open travel encumbrances selected for test work.

Criteria: *DoD 7000.14-R Financial Management Regulation Volume 9, Chapter 8 Section 080101* identifies the disbursing officer (DO) accountable for all travel payments. The guidance further makes the certifying officer responsible for the accuracy and propriety of payments to include ensuring that travel statements and claims are accurate and properly supported.

DoD 7000.14-R Financial Management Regulation Volume 9, Chapter 8 Section 080101, Subsection J, Supporting Documents requires travelers to submit expense statements or other declarations, when required, supporting travel claims by including the following documents:

- Travel Orders
- Government-Procured Transportation Documents
- Unused Government-Procured Transportation Documents
- Receipts for the unused portion of transportation documents to the travel claim
- Statements for Common Carrier Reimbursement
- Unused Tickets
- Actual Expense Authorization

Cause: DTS interfaces with EBAS-D to provide financial travel transactions. However, the relevant supporting documentation for travel obligations and liquidations reside within DTS. Although WHS and TFBSO could have pulled the supporting documentation for the transactions selected from DTS, time constraints and insufficient resources hindered their ability to do so. Further, WHS does not have a process in place to ensure that these documents are retained in the EBAS-D system for their customers upon completing fund certification.

Effect: We were unable to substantiate the unliquidated travel amounts or determine whether proper supporting documentation and approvals were completed for each travel transaction selected.

Recommendation: As a service provider and fund certifier for other DoD entities, WHS should establish a process to ensure that all transactions are adequately supported. The WHS should coordinate with DTS to determine the most efficient and effective way to establish an audit trail for open travel encumbrances and ensure that support is readily available for audit purposes.