
July 1, 2005



Joint Warfighting and Readiness

DoD Execution of the Warsaw
Initiative Program
(D-2005-085)

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Acronyms

ASD(ISP)	Assistant Secretary of Defense (International Security Policy)
DSCA	Defense Security Cooperation Agency
GAO	Government Accountability Office
NATO	North Atlantic Treaty Organization
O&M	Operation and Maintenance
OSD	Office of the Secretary of Defense
PfP	Partnership for Peace
PIMS	Partnership for Peace Information Management System
RDT&E	Research, Development, Test, and Evaluation
SOP	Standard Operating Procedure
WI	Warsaw Initiative



INSPECTOR GENERAL
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July 1, 2005

MEMORANDUM FOR COMMANDER, UNITED STATES EUROPEAN COMMAND
GENERAL COUNSEL OF THE DEPARTMENT OF
DEFENSE
ASSISTANT SECRETARY OF DEFENSE
(INTERNATIONAL SECURITY POLICY)

SUBJECT: Report on DoD Execution of the Warsaw Initiative Program (Report
No. D-2005-085)

We are providing this report for review and comment. We considered management comments from the Acting Assistant Secretary of Defense for International Security Policy and the United States European Command when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Acting Assistant Secretary of Defense for International Security Policy comments were responsive, however, we request that the Acting Assistant Secretary of Defense for International Security Policy provide comments on revised Recommendation 1.a. by August 15, 2005. The United States European Command comments were partially responsive. We will follow up with the United States European Command on the potential need for additional corrective action after the Acting Assistant Secretary of Defense for International Security Policy establishes criteria for determining reimbursable costs for Warsaw Initiative funds.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to AudLS@dodig.osd.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 Mr. Robert F. Prinzbach II at (703) 604-8907 (DSN 664-8907) or to Mr. Dennis L. Conway at (703) 604-9172 (DSN 664-9172). See Appendix C for the report distribution. The team members are listed inside the back cover.


Michael A. Joseph
Acting Assistant Inspector General
for Readiness and Logistics

Office of the Inspector General of the Department of Defense

Report No. D-2005-085
(Project No. D2004LG-0143)

July 1, 2005

DoD Execution of the Warsaw Initiative Program

Executive Summary

Who Should Read This Report and Why? Civil service and uniformed officers responsible for developing and executing policy for the Warsaw Initiative program should read this report. The report discusses possible additional legislative authorities that might provide benefits to DoD implementation of the Warsaw Initiative program. Also, the report discusses the need to develop and issue guidance that will ensure consistent execution of the Warsaw Initiative program by the combatant commands.

Background. In January 1994, the North Atlantic Treaty Organization (NATO) launched the Partnership for Peace program, which provides assistance to countries seeking cooperative military and peacekeeping relations with NATO. On July 7, 1994, in Warsaw, Poland, President Clinton announced his commitment to provide U.S. assistance to new democratic countries for the purpose of advancing Partnership for Peace goals. That speech led to development of the Warsaw Initiative program. The Warsaw Initiative program is a U.S. program that the Departments of State and Defense manage to advance closer relations and military interoperability between NATO and countries committed to democratic principles. President Clinton requested that Congress commit \$100 million in FY 1996 to the program; Congress has funded the Warsaw Initiative program each year since FY 1996.

Within DoD, multiple offices oversee management and implementation of the Warsaw Initiative program. The Assistant Secretary of Defense (International Security Policy) is responsible for development, coordination, and oversight of policy and other activities related to the Warsaw Initiative program. Under the direction of the Assistant Secretary of Defense (International Security Policy), the Defense Security Cooperation Agency manages the program. DoD combatant commanders and program managers are responsible for executing the Warsaw Initiative program funds provided by the Defense Security Cooperation Agency.

Results. DoD executed the Warsaw Initiative program using existing authorities under sections 168, 1051, and 2010, title 10 of the United States Code. However, other legislation exists that may benefit DoD in executing the Warsaw Initiative program. Examples of other legislation are the NATO Participation Act of 1994 and the NATO Enlargement Facilitation Act of 1996. In addition, DoD issued draft guidance in 1998 for executing the Warsaw Initiative program. However, DoD cancelled that guidance and did not issue any other guidance outlining policies and procedures for executing the Warsaw Initiative program.

As a result, program managers responsible for executing the Warsaw Initiative program may not be using existing statutory authorities to the fullest extent. Also, combatant commanders were inconsistently executing Warsaw Initiative funds and were not always maintaining documentation that could support payments for expenses.

The Assistant Secretary of Defense (International Security Policy) should request that the DoD General Counsel evaluate and assess applicability of other existing statutory authorities—such as the NATO Participation Act of 1994 and the NATO Enlargement Facilitation Act of 1996—to the Warsaw Initiative program. Also, the Assistant Secretary of Defense (International Security Policy) should develop and issue guidance, to include the appropriate statutory authorities, that provides consistent policies and procedures for executing the Warsaw Initiative program. Also, the Command and Control Director of the U.S. European Command should initiate action to reimburse the Warsaw Initiative fund for entertainment costs and the publication expense of a ten year history of a U.S. European Command exercise. (See the Finding section of the report for the detailed recommendations.)

Hotline Allegation. This audit was initiated in response to an allegation made to the Defense Hotline regarding the use of Warsaw Initiative funds to establish a new facility for the Partnership for Peace Information Management System. The Defense Hotline allegation stated that “hundreds of thousands of dollars” were inappropriately redirected from Partnership for Peace funds to establish a new facility. That allegation was partially substantiated because Partnership for Peace funds were used to pay for modification of a building in Belgium. Although Partnership for Peace Information Management System officials designated non-Partnership for Peace funding for the building modifications, Partnership for Peace funds totaling \$36,193.48 were used. During our audit, Partnership for Peace Information Management System officials initiated an accounting adjustment to move the charge to the correct funding account. (See Appendix B for a summary of the allegation.)

Management Comments and Audit Response. The Acting Assistant Secretary of Defense (International Security Policy) concurred with the recommendation to issue guidance for the Warsaw Initiative program. We revised our recommendation requesting a legal review and request that the Acting Assistant Secretary provide comments by August 15, 2005, on the revised Recommendation 1.a.

The U.S. European Command’s Deputy Director of Strategy, Policy, and Assessments concurred with the recommendation to make accounting adjustments for entertainment costs, and non-concurred with the recommendation to reimburse the publication costs. We have revised the recommendation based on management comments, but will defer requesting further comments on the revised recommendation until the Acting Assistant Secretary of Defense (International Security Policy) establishes criteria for determining reimbursable costs for the Warsaw Initiative program. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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Background

The North Atlantic Treaty. The North Atlantic Treaty (the Treaty) was signed in April 1949 by the United States, Canada, and 10 European countries. The Treaty created a political framework for an international alliance and obligated its members to the prevention or repulsion of aggression should it occur against one or more of the treaty countries.

Article 10 of the Treaty allows other European countries to enter the Treaty if the country agrees to its principles and if members unanimously agree to accept the country. Between 1949 and 1994, 4 European countries entered into the Treaty, bringing the total number of North Atlantic Treaty Organization (NATO) members to 16.

NATO Partnership for Peace Program. In January 1994, NATO launched the Partnership for Peace (PfP) program, which provides assistance to countries who want to develop cooperative military and peacekeeping relations with NATO. The overarching goal of PfP, as defined by the member countries of NATO, is to enhance stability and security throughout Europe and Eurasia by forging strong partnerships between the NATO Alliance and partner countries. Partnerships are based on practical cooperation and commitment to democratic principles. Full participation in PfP is essential for countries that want to join NATO because the partnership allows those countries to develop interoperability with NATO forces and to prepare their force structure and capabilities for possible future membership.

Since the inception of PfP, 30 countries have been involved in the program. Of those 30, 10 countries have joined NATO. In March 1999, the Czech Republic, Hungary, and Poland joined NATO and in March 2004, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia became full NATO members. The total number of members is now 26.

In June 2004, NATO held its 17th Summit meeting in Istanbul, Turkey, at which participants discussed the future of the PfP program and the progress of the remaining 20 PfP countries. At that summit, Albania, Croatia, and the former Yugoslav Republic of Macedonia were recognized for their efforts in striving for NATO membership. NATO pledged to continue to assist those countries in their reform efforts. The participants also agreed that the NATO PfP program would shift its focus to PfP countries in the Caucasus (Armenia, Azerbaijan, and Georgia) and Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan).

U.S. Warsaw Initiative Program. On July 7, 1994, in Warsaw, Poland, President William J. Clinton announced his commitment to provide U.S. assistance to new democratic countries for the purpose of advancing PfP goals. The announcement led to development of the Warsaw Initiative program, a U.S. program that the Department of State and DoD manage to advance closer relations and military interoperability between NATO and PfP countries. President Clinton requested that Congress commit \$100 million in FY 1996 for the program. To support the program, the Department of State requested \$60 million and DoD requested \$40 million in their FY 1996 budgets. Each year

since FY 1996, Congress has funded the Warsaw Initiative (WI) program and DoD has expended between \$37 million and \$49 million. As of March 2004, 15 of the 20 PfP countries were deemed eligible to receive support according to Defense Security Cooperation Agency (DSCA) officials. The remaining five countries—Austria, Finland, Ireland, Sweden, and Switzerland—are considered advanced countries and, therefore, capable of financing their own participation in conferences and exercises.

DoD Roles and Responsibilities. The Under Secretary of Defense for Policy is responsible for overall implementation and oversight of the DoD WI program. Within that organization, the Assistant Secretary of Defense (International Security Policy) (ASD[ISP]) is responsible for the development, coordination, and oversight of policy for the WI program.

DSCA manages the WI program and budgets Defense funds for the program through its Operation and Maintenance (O&M) account. As the WI program manager, DSCA manages and administers the WI program funds to the combatant commands and other DoD program managers. DSCA officials stated that they also perform biannual reviews to reconcile the financial records of the program and to discuss any policy issues. The combatant commands and DoD program managers are responsible for execution of the WI program. For FY 2003, DoD spent approximately \$47.7 million in support of the WI program. The U.S. European Command, U.S. Central Command, and the U.S. Joint Forces Command received WI program funds of \$19.0 million, \$4.5 million, and \$1.6 million, respectively. The remaining \$22.6 million was used for various DoD programs, such as the PfP Information Management System (PIMS) and the Regional Airspace Initiative.

Objectives

Our overall audit objective was to evaluate the DoD role in supporting the PfP¹ program. Specifically, we evaluated the DoD management and execution of the WI program and the processes used to ensure that program funds were used for their intended purposes. In addition, we reviewed the Defense Hotline allegation concerning the use of WI program funds to construct a new facility for the PIMS. See Appendix A for a discussion of the scope and methodology, a review of the management control program, and prior coverage related to the audit objectives. See Appendix B for a discussion of the Defense Hotline allegation.

¹ DoD provides support to the PfP program through the WI program.

DoD Execution of the Warsaw Initiative Program

DoD executed the WI program using existing authorities under sections 168, 1051, and 2010, title 10 of the United States Code. However, other legislative authorities exist that may further benefit DoD in executing the WI program. In addition, although DoD issued previous draft guidance in 1998 on the WI program, DoD has since cancelled that guidance and not issued a formal directive outlining policies and procedures for executing the WI program. Those conditions occurred because DoD did not identify a need for a review of existing legislative authorities and determined that existing informal guidance was sufficient for execution of the WI program. As a result, DoD may not be obtaining the full benefit of existing legislation applicable to the WI program, and combatant commands are inconsistently executing WI policies and procedures.

Criteria

DoD implemented the WI program using existing statutory authorities under title 10. The following sections in title 10 primarily allow for the payment of incremental costs for developing countries to attend conferences, multilateral and bilateral exercises, and seminars that enhance the security interests of the United States. In addition, the statutory authorities in title 10 allow for the payment of U.S. costs for activities that encourage democratic orientation of the military forces of other countries.

10 U.S.C. 168. According to section 168, title 10, United States Code (10 U.S.C. 168), amended on February 10, 1996, the Secretary of Defense may conduct military-to-military contacts and comparable activities designed to encourage a democratic orientation of the military forces of other countries. To carry out the program, title 10 states that funds appropriated and made available for carrying out the authorized activities may be used for, among other things, U.S. activities and expenses for military liaisons and traveling contact teams as well as for seminars and conferences held in the theater of operations. Expenses include transportation, translation, administrative expenses, and personnel expenses for DoD civilian and military personnel related to those activities.

10 U.S.C 1051. According to 10 U.S.C. 1051, the Secretary of Defense may pay the travel, subsistence, and similar personal expenses of military personnel of a developing country in connection with attendance of such personnel at a bilateral or regional conference, seminar, or comparable meeting if it is determined that the attendance of personnel is in the interest of national security. Authorized expenses may be paid on behalf of personnel from a developing country only in connection with travel within the combatant command's area of responsibility, to Canada or Mexico, or to the combatant command headquarters if the headquarters is located in the United States. The Secretary of Defense may also pay such other expenses in connection with conferences, seminars, or similar meetings that are considered in the interest of national security. Public Law 107-314, "Bob Stump

National Defense Authorization Act for FY 2003,” December 2, 2002, amended 10 U.S.C. 1051 to also allow travel expenses for Defense personnel of developing PFP countries to the territory of any of the countries that are also participating in the NATO PFP program or the territory of any NATO member country.

10 U.S.C 2010. According to 10 U.S.C. 2010, amended on November 18, 1997, the Secretary of Defense may pay the incremental expenses incurred by a developing country as a direct result of participating in a bilateral or multilateral military exercise with the United States if the exercise is undertaken primarily to enhance U.S. security interests. Incremental expenses are defined as reasonable and proper costs of the goods and services that are consumed by a developing country as a direct result of that country’s participation, including rations, fuel, training ammunition, and transportation. The Secretary of Defense must also determine that participation by that country is necessary for achieving the exercise objective and that the objective could not have been achieved unless the incremental expenses incurred by that country were provided. In addition, the Secretary of Defense shall establish by regulation accounting procedures that ensure funds are properly expended.

DoD Implementation of the WI Program

Existing Legislative Authorities. According to ASD(ISP) personnel, when appropriating funds for the WI program Congress indicated that existing statutory authorities should be used to implement the program. ASD(ISP) personnel considered sections 168, 1051, and 2010 in title 10 as the existing statutory authorities for executing that program.

Subsequent to our draft report, however, ASD(ISP) officials provided additional documents that showed a series of discussions between DoD officials, including the General Counsel, on which statutory authorities DoD should use to implement the WI program and whether additional authorities for executing the program should be requested from Congress. DoD determined that the flexibilities in executing the WI program using the existing legislative authorities would suffice. As a result, the consensus was that DoD did not require additional authorities through new legislation.

Draft SOP for the Administration of the WI Program. The Draft Standard Operating Procedure (Draft SOP) was developed on February 15, 1998, on the basis of 10 U.S.C. 1051 and 10 U.S.C. 2010. The Draft SOP stated that funds are intended solely to pay the costs incurred by PFP countries and may not be used to pay the expenses for the United States, NATO allies, or non-PFP countries, even if those expenses are directly associated with participating in a PFP event. The Draft SOP also stated that proper files and record keeping must be maintained and include a continuity file for newly assigned personnel on how previous exercises were accomplished.

The Draft SOP stated that the SOP is the guidance the field should use until the final version is completed. However, the Draft SOP was never finalized and subsequently rescinded. In April 2004, during a WI conference, DSCA officials stated that the Draft SOP should no longer be used as guidance. ASD(ISP) and

DSCA officials stated that they rescinded the Draft SOP because they considered it cumbersome. Although still providing answers to questions, ASD(ISP) officials have not provided any formal written guidance in the form of a directive to execute the program and combatant command officials stated that because no written directive existed, they were still using the Draft SOP.

Existence of Other Possible WI Legislative Authorities

Although DoD executed the WI program using existing statutory authorities granted under title 10, other legislative authorities exist that may provide additional benefits to DoD in executing the WI program. Such additional legislation may benefit DoD through its designation of countries and entities eligible to receive development funds and include the NATO Participation Act of 1994 (the 1994 Act) and the NATO Enlargement Facilitation Act of 1996 (the 1996 Act).

The 1994 Act provides statutory authority to establish a program to offer assistance to PFP countries transitioning to NATO. Also, the 1996 Act expands the 1994 Act and designates specific countries for assistance. Those Acts may also apply to the DoD-managed WI program.

NATO Participation Act of 1994. The 1994 Act was established under title II of the International Narcotics Control Corrections Act of 1994. The legislation states that the “sense of Congress” was that active PFP countries should be invited to become NATO members if they are in a position to further the principles of the Treaty and contribute to the security of the region. The legislation authorizes the President to establish a program that provides assistance for emerging countries if a determination is reached that such countries are full and active PFP participants, have made significant progress toward democratic control of their armed forces, and are likely to further the principles of the Treaty to enhance security.

The 1994 Act states that the program must facilitate transition to membership by supporting and encouraging joint planning, training, military exercises, and greater interoperability. The 1994 Act identifies the types of security assistance allowed. That assistance includes the transfer of excess Defense articles, international military education and training, and the Foreign Military Financing program. The President is required to provide a report that describes the assistance provided under the 1994 Act or what the Government provided to facilitate transition of PFP countries to full NATO membership.

NATO Enlargement Facilitation Act of 1996. The 1996 Act was established within the Omnibus Consolidated Appropriations Act of 1997, under title VI of the “Foreign Operations, Export Financing, and Related Programs Appropriations Act.” The 1996 Act states that U.S. policy is to actively assist emerging democracies in Central and Eastern Europe so that they may eventually qualify for NATO membership as well as ensure that they are fully aware of and capable of assuming the costs and responsibilities of NATO membership. The 1996 Act states that the U.S. Government should expand support for military exercises and peacekeeping initiatives between and among those countries. That legislation also designates Poland, Hungary, the Czech Republic, and Slovenia as countries

eligible to receive assistance under the program established by the 1994 Act. The 1996 Act also provides that the President may designate other emerging democracies in Central and Eastern Europe as eligible to receive assistance if those countries have expressed a desire to join NATO, are strategically significant to an effective NATO defense, and meet other criteria outlined in the 1994 Act.

The 1996 Act also authorized that \$60 million be appropriated in FY 1997 for the program established by the 1994 Act, which would be made available through Foreign Military Financing and the International Military Education and Training programs that were already established under existing statutory authorities. The legislation directed that funds be made available from prior appropriation acts for that particular fiscal year for implementation of two OSD programs—PIMS and the Regional Airspace Initiative. Those funds were described as any fiscal year funds made available under the 1994 Act with respect to countries eligible for assistance, or, during FY 1997, under any Act to carry out the WI program. In FY 1999 and FY 2002, Congress designated additional countries, including Estonia, Latvia, Lithuania, Romania, and Slovakia, as eligible to receive assistance under the 1994 Act.

Because of potential benefits, a legal determination should be requested to determine applicability of statutes related to the WI program and not contained in title 10 of the United States Code. We believe that DoD may benefit from the use of other statutory authorities available to support DoD WI activities, such as the 1994 Act and the 1996 Act. Therefore, the ASD(ISP) should request that the DoD General Counsel evaluate the two existing statutory authorities and determine if benefits could be derived from applying them to the WI program.

Guidance Issued for Execution of the WI Program

The ASD(ISP) is responsible for oversight of policy developed for the PfP program. However, ASD(ISP) officials have not developed formal written guidance designed to ensure consistent implementation of the PfP program among the combatant commands. In fact, the Draft SOP from 1998 was rescinded in April 2004. Combatant commands were subsequently directed to execute the WI program using existing authorities under title 10.

Without formal guidance on implementing the WI program, combatant commands have used broad interpretations of title 10, informal guidance such as the Draft SOP, and briefing charts to help implement the program. Although in April 2004, DSCA informed the combatant commands not to use the Draft SOP, combatant command officials had no other guidance with which to determine the appropriate use of funds and, therefore, most continued to use the Draft SOP. The lack of guidance has prevented the combatant commands from having clearly defined roles and responsibilities on both the level of oversight and the maintenance of supporting documentation. Clearly defined roles and documentation responsibilities for the combatant commands are critical because of the rotation of military personnel.

WI Expenditures by Combatant Commanders

The combatant commands did not consistently execute the WI program because they did not have formal guidance that outlined policies and procedures. As a result, multiple definitions of developing countries existed, and WI program funds were used to pay for costs that might have more appropriately been paid through other programs. With the exception of the U.S. European Command, documentation that the combatant commands provided was not sufficient to determine whether WI expenditures were reasonable and proper.

Definitions of Developing Countries. Personnel from ASD(ISP), DSCA, and the combatant commands provided multiple definitions of developing countries. Under 10 U.S.C. 1051 and 10 U.S.C. 2010, eligibility of a country to receive WI program funds is subject to broad interpretation. ASD(ISP) officials stated that DSCA and ASD(ISP) used the definition of developing countries outlined by the World Bank. However, both DSCA and U.S. European Command officials provided different definitions of developing countries. A DSCA official stated in response to a discussion draft of this report that DSCA determines which countries are developing based on two criteria: (1) the country's membership in PfP and (2) the country's eligibility to receive Foreign Military Financing funds. In addition, the U.S. European Command, in formal comments to the draft report, stated that the U.S. Agency for International Development list is used to determine which countries are "developing."

Using the ASD(ISP) and DSCA definitions, each country receiving WI program funds would be eligible for assistance. However, using the definition of "developing" countries identified by the U.S. European Command (the U.S. Agency for International Development list), nine PfP countries² within the U.S. European Command area of responsibility that received funds from the PfP program would not be eligible³. Since January 2003, the U.S. European Command requested \$10.9 million⁴ for the nine countries to participate through FY 2004 in U.S. European Command PfP conferences, exercises, and seminars. According to ASD(ISP) officials, the U.S. Agency for International Development list was not used for defining "developing countries" and therefore, all countries receiving funds that the U.S. European Command requested were eligible. However, because of the lack of formal guidance, contradicting answers were given by personnel from ASD(ISP), DSCA, and the combatant commands. A formal written directive on the execution of the PfP program should be developed and distributed to the appropriate agencies and commands.

Application of Funds by the Combatant Commands. The combatant commands (and different offices within those commands) did not consistently apply WI program funds. Specifically, some combatant commands used WI

² The nine countries not identified on the U.S. Agency for International Development's list are Bulgaria, Estonia, Latvia, Lithuania, Romania, Russia, Slovakia, Slovenia, and Ukraine.

³ The U.S. Agency for International Development uses the Organization for Economic Cooperation and Development Part I of the Development Cooperation Directorate list to define a developing country.

⁴ Budget requests for FYs 2003 and 2004 were used instead of actual amounts received for consistency purposes.

program funds to pay for expenses such as U.S. Military travel and other expenses related to PfP events when the use of other funds, such as official representation funds and traditional combatant command activity funds, might have been more appropriate. Official representation funds are funds allowing for payment of costs that extend official courtesies to guests for the purpose of maintaining the standing and prestige of the United States and DoD. Official representation funds may provide payment for expenses such as official receptions, dinners, and mementos. Also, the expenditure of traditional combatant command activity funds is primarily governed by 10 U.S.C. 168, "Military-to-Military Contacts and Comparable Activities," February 10, 1996, and allows for military-to-military contacts and activities designed to encourage a democratic orientation of defense establishment and military forces of other countries. Specifically, 10 U.S.C. 168 allows for such things as conferences and seminars as well as the personnel expenses for DoD civilian and military participation in those events.

Payment for U.S. Military Travel. The combatant commands and two directorates within the U.S. European Command use different fund types to pay for U.S. Military travel associated with PfP events, such as exercises or seminars. The U.S. Joint Forces Command and the Plans and Policy Directorate of the U.S. European Command did not consider U.S. Military travel associated with the planning or managing of PfP conferences, exercises, and seminars to be an allowable WI expenditure.⁵ The Draft SOP stated that WI program funds were intended for PfP countries so those countries could attend PfP events. The funds are not intended to pay expenses for the U.S. or other NATO participants. U.S. Joint Forces Command officials stated that traditional combatant command activity funds were used to pay for U.S. Military travel expenses. An official from the U.S. European Command Office of the Comptroller stated that other funds, such as the traditional combatant command activity funds, were available to pay for U.S. Military travel.

U.S. Central Command and the Command and Control Directorate of the U.S. European Command determined that U.S. Military travel, in association with planning or managing PfP events, was an allowable WI expense. U.S. Central Command officials each stated that when U.S. Military personnel were responsible for planning and managing of an event, WI program funds were used to pay for travel to conferences, seminars, and exercises. U.S. Central Command personnel stated that they believed those expenditures were an allowable use of WI program funds under 10 U.S.C. 168. In FY 2003, the Command and Control Directorate of the U.S. European Command paid approximately \$70,000 in WI program funds for U.S. Military travel in conjunction with the planning of the Combined Endeavor exercise. According to 10 U.S.C. 1051, 10 U.S.C. 2010, and the Draft SOP, the use of other funds may have been more appropriate to pay for U.S. Military travel expenses.

Payment of U.S. Event Costs. Each combatant command, as well as directorates within the U.S. European Command, used different types of funds to pay for U.S. costs associated with hosting a PfP conference, exercise, or seminar. Those

⁵ The Plans and Policy Directorate of the U.S. European Command used WI program funds to pay for the travel of U.S. Military personnel responsible for the administration of the WI program.

costs included expenses incurred for administrative and supply, contractor support, or facility rental fees.

The Plans and Policy Directorate of the U.S. European Command did not use WI program funds to pay for the costs associated with hosting an event. The Draft SOP states that WI program funds are intended for PfP countries to attend PfP events and not intended to pay the expenses of U.S. or other NATO participants. Although the Plans and Policy Directorate officials of the U.S. European Command had no visibility over funds other than WI program funds, an official from the Office of the Comptroller at the U.S. European Command stated that funds such as the traditional combatant command activity funds were available to pay for U.S. event costs.

The U.S. Joint Forces Command, the U.S. Central Command, and the Command and Control Directorate of the U.S. European Command did use WI program funds to pay for U.S. costs associated with hosting a PfP event. The U.S. Joint Forces Command officials stated that costs associated with an annual seminar were considered incidental expenses because the non-WI eligible participants were either subject matter experts or presenters at the seminar. According to the Draft SOP and 10 U.S.C. 1051, those expenditures were allowable.

Combined Endeavor is an annual exercise of the Command and Control Directorate of the U.S. European Command. U.S. European Command has been sponsoring the exercise since 1995. Because no formal DoD guidance exists, the Command and Control Directorate spent in FY 2003 \$4.1 million of WI program funds to pay for the U.S. portion of the exercise costs. However, only \$218,000 of that \$4.1 million was directly attributable to PfP country incremental expenses, such as lodging, meals, and travel expenses. Of the remaining \$3.9 million, approximately \$1.2 million was used for the salaries, travel, and other costs associated with the six contractors whose sole responsibility was to manage the annual exercise. Other exercise costs included administrative expenses, conference room facilities, and other contract support.

The Draft SOP states that WI program funds are intended solely to pay PfP country costs and may not be used to pay U.S., NATO, or non-PfP country expenses, even if those expenses are directly associated with participating in a PfP event. Using a broad interpretation of the 10 U.S.C. 2010 definition of incremental expenses for an exercise, a portion of the costs could be considered goods or services consumed by a PfP country, such as renting a conference room or event transportation expenses. Because 50 percent of the Combined Endeavor participants in 2003 were countries eligible to receive WI program funds, 50 percent of the U.S. exercises costs, or \$1.9 million, could be considered an allowable use of WI program funds. However, because other NATO and non-WI eligible countries also participated and benefited from the exercise, the remainder of those costs might have more appropriately been funded by other sources.

U.S. Central Command officials also stated that they used WI program funds to pay for U.S. costs associated with hosting a PfP exercise. Because of the lack of documentation for FY 2003, determining which U.S. costs were paid using WI program funds is not possible. However, in its FY 2005 budget, the U.S. Central Command planned to use WI program funds for expenses such as administrative

supplies, conference facilities, and local transportation associated with U.S. PfP events.

Payments for Entertainment Expenses. The Command and Control Directorate of the U.S. European Command and the U.S. Joint Forces Command used WI program funds to pay for entertainment expenses during U.S. PfP events. During the Combined Endeavor exercise, the Command and Control Directorate used WI program funds in the amounts of \$497 and \$1,200, respectively, to pay for a guided city tour and musical entertainment. The U.S. Joint Forces Command identified that WI program funds in the amount of approximately \$12,400 were used for opening and closing ceremonies. The Draft SOP stated that WI program funds cannot be used to pay for official representation fund-related expenses. Specifically, the Draft SOP stated that for WI program funds to be used, the “expenses would have to be reasonable and directly related to the exercise rather than purely social functions.” Because the costs for the opening and closing ceremonies are not directly related to the participation of the developing country in the seminar, the U.S. Joint Forces Command initiated corrective action. On October 19, 2004, the U.S. Joint Forces Command transferred the \$12,400 in charges from the WI fund to the official representation fund.

Payments for Miscellaneous Expenses. On the basis of our interpretation of 10 U.S.C. 168, 10 U.S.C. 2010, and subsequent guidance from the Office of the DoD General Counsel, use of WI program funds to pay miscellaneous expenses may not be allowable. Specifically, miscellaneous expenses included items such as OSD-sponsored studies, an exchange program, and costs for a publication entitled “Combined Endeavor 10 Year History,” all of which may have been an inappropriate use of WI program funds.

OSD Programs. WI program funds were used to support OSD-sponsored studies and an exchange program that facilitate PfP country interoperability with U.S. and NATO forces. DSCA cited 10 U.S.C. 168 among the statutory authorities that allow the use of WI program funds for those programs. Examples of OSD programs include Command, Control, Communication, and Computers studies and the Logistics Information Exchange program. Command, Control, Communication, and Computer studies assess the interoperability of partner country command and control systems with U.S. forces, identify weaknesses, and propose corrective action. The Logistics Information Exchange is a program that organizes exchanges to familiarize PfP countries with NATO logistics doctrine, policies, and practices.

On the basis of our interpretation of 10 U.S.C. 168 and discussions with representatives from the Office of the Deputy General Counsel (Fiscal), DoD, and the Office of the Chairman of the Joint Chiefs of Staff, Legal Counsel, the OSD-sponsored studies would not be considered authorized activities under 10 U.S.C. 168 and expenses for those would not, therefore, be allowable. The representative from the Office of the Chairman of the Joint Chiefs of Staff, Legal Counsel further stated that using 10 U.S.C. 168 would most likely not be an appropriate authority for the expenditure of any WI program funds.

Publication Costs. In July 2003, the Command and Control Directorate of the U.S. European Command signed a military interdepartmental purchase request asking for \$240,000 from the WI fund in order to provide engineering and

technical services for the Combined Endeavor 2003 exercise. The request was to provide funding for the publication of the “Combined Endeavor 10 Year History.” In discussions held with representatives from the Office of the Deputy General Counsel (Fiscal), DoD, and the Office of the Chairman of the Joint Chief’s of Staff, Legal Counsel, on applicability of 10 U.S.C. 2010, the use of WI funds for publication costs may be improper. According to 10 U.S.C. 2010, only the payment of costs directly resulting from a country’s participation in an exercise are permitted; therefore, the publication costs should not have been paid using WI program funds. However, U.S. European Command officials stated that the publication costs were allowable under 10 U.S.C. 168. According to discussions with representatives from the Office of the Chairman of the Joint Chiefs of Staff, Legal Counsel, however, 10 U.S.C. 168 would most likely not be an appropriate authority for the expenditure of any WI program funds.

During our audit, documentation of the total costs of publication was not provided, however, on January 24, 2005, the European Command stated that not all of the \$240,000 was expended on publication costs. A receipt for \$5,032.87 in publication costs was provided. We recommend that the European Command reimburse the WI fund for the total costs of publication of the “Combined Endeavor 10 Year History.”

Combatant Command Documentation

With the exception of the U.S. European Command, documentation the combatant commands provided was not sufficient to determine whether WI payments were reasonable and proper. The DoD Financial Management Regulation states that all accountable officers are responsible for implementing a system of internal controls for a payment process that minimizes errors. Specific to the WI program, the Draft SOP stated that proper file maintenance and record keeping must be conducted. The Plans and Policy Directorate of the U.S. European Command used an automated system to provide the authorizing official, the certifying official, and the WI program manager with the visibility necessary to ensure that source documentation was sufficient to determine whether payments were proper and reasonable. Although the U.S. Joint Forces Command maintained documentation, for three exercises the documentation was not sufficient to support PfP country travel expenditures. The U.S. Central Command did not maintain documentation to allow proper oversight of the WI program. Without adequate documentation, the U.S. Joint Forces Command and the U.S. Central Command could not support whether all of the expenses paid were reasonable and appropriate.

The U.S. Joint Forces Command. The U.S. Joint Forces Command established accounting procedures and maintained documentation that generally provided sufficient data to determine whether WI program funds were properly expended. However, for reimbursement of travel expenses, we could not find adequate documentation verifying the accuracy of reimbursements for three exercises. For example, the U.S Joint Forces Command received an invoice from a vendor for lodging, meals, and services that totaled approximately \$116,000. The U.S. Joint Forces Command did not have documentation that could support whether U.S. personnel or non-eligible WI countries also participating in the event were

included on the invoice. Although the subordinate command and vendor subsequently provided additional documentation, the documentation was not sufficient to determine whether the costs incurred were only for PfP country travel expenses.

The U.S. Central Command. The U.S. Central Command issued funding authorization documents to the U.S. Embassy within each PfP country. Thus, the responsibility of certifying and disbursing funds was placed on U.S. Embassy personnel. As a result, the WI program manager for the U.S. Central Command did not have supporting documentation for WI expenses for FY 2003. The U.S. Central Command also could not provide documentation because the WI program manager and comptroller personnel were new and unable to locate documentation from their predecessors. The Draft SOP stated that proper records, including documentation that substantiates obligation and disbursement of funds as well as a continuity file for newly assigned personnel, should be maintained and serve as a mechanism for internal controls to monitor the execution of funds. Without oversight of those payments, U.S. Central Command could not determine whether WI payments were appropriate and reasonable.

Conclusion

DoD legal counsels have issued conflicting opinions on which statutes should be used to execute the WI program. Therefore, ASD(ISP) officials should request that the DoD General Counsel issue a legal determination on the most appropriate statutory authorities to use in executing the WI program. Regardless of the legislative authorities used, ASD(ISP) needs to develop formal written guidance on the policies and procedures for executing the WI program. Without that written guidance, combatant commands will continue to inconsistently execute the WI program and broadly interpret authorities for identifying which costs can and cannot be paid for from WI program funds. The guidance should identify the appropriate roles and responsibilities for the combatant commands, provide for consistent and proper application of funds, and address documentation requirements for supporting WI expenditures.

Management Comments on the Finding and Audit Response

Management Comments. On January 18, 2005, we received comments from the Acting ASD(ISP) on the draft report. The Acting Assistant Secretary nonconcurrent with the finding and expressed concern with our understanding of the WI program. On January 24, 2005, we received comments from the Deputy Director of Strategy, Policy, and Assessments of the U.S. European Command on the draft report. The Deputy Director partially concurred with the finding and identified concerns on our interpretations on whether certain costs were allowable.

Audit Response. In response to comments by the Acting ASD(ISP) and the Deputy Director of Strategy, Policy, and Assessments, we revised our draft report to better reflect key aspects of the WI program and revised our recommendations accordingly.

Revised Recommendations. As a result of management comments, we revised draft Recommendations 1.a., 1.b., and 2.

1. We recommend that the Assistant Secretary of Defense for International Security Policy:

a. Request a legal determination on whether Public Law 103-447, title II, “NATO Participation Act of 1994” (1994 Act), November 2, 1994, and Public Law 104-208, title VI, “NATO Enlargement Facilitation Act of 1996” (1996 Act), September 30, 1996, can be used as legislative authorities for executing the Warsaw Initiative program.

b. Develop formal written guidance on the policies and procedures for executing the Warsaw Initiative program. At a minimum, the guidance should:

(1) Identify the existing legislative authorities applicable to the Warsaw Initiative program.

(2) Define the roles and responsibilities for Warsaw Initiative program managers.

(3) Establish criteria for determining reimbursable costs for expenses, such as military travel, conferences, exercises, entertainment, and publications.

(4) Establish procedures for documenting reimbursement costs as allowable and reasonable.

ASD(ISP) Comments. The Acting ASD(ISP) agreed with Recommendation 1.b. and stated that guidance will be issued by July 2005. We request comments from the Acting Assistant Secretary on our revised Recommendation 1.a. in this final report.

2. We recommend that the Command and Control Director of the U.S. European Command initiate an accounting adjustment to transfer the \$1,697 used for entertainment expenses and the total cost for publication expenses for the Combined Endeavor 10 Year History from the Warsaw Initiative fund to the correct funding allocation.

U.S. European Command Comments. The U.S. European Command’s Deputy Director of Strategy, Policy, and Assessments partially concurred with the recommendations. The Deputy Director stated that corrective actions will be taken to transfer the guided tour expenses and musical entertainment expenses to the correct funding accounts. However, the Deputy Director stated that the command’s judge advocate determined that publication expenses were an allowable expense according to 10 U.S.C. 168 as a military-to-military engagement tool. In addition, the Deputy Director stated that the amount paid on publication expenses was \$5,032.87, and not the \$240,000 cited in the report.

Audit Response. The comments provided by the Deputy Director of Strategy, Policy, and Assessments are partially responsive. After the ASD (ISP) establishes criteria for determining reimbursable costs (Recommendation 1.b.3.), we will follow up with the Command and Control Director of the U.S. European

Command to determine whether the total cost expended for publication should be reimbursed to the WI fund.

Appendix A. Scope and Methodology

We reviewed statutory authorities and DoD policies and procedures used to execute the WI program. Specifically, we reviewed President Clinton's speech made in Warsaw, Poland, on July 1994; congressional memorandums and reports; 10 U.S.C. 168, 1051, and 2010; the 1994 Act; the 1996 Act; the European Security Act of 1998, and other public laws. We also reviewed various DoD directives and informal guidance. In addition, we reviewed Defense Hotline documentation concerning the use of WI program funds to construct a new facility for PIMS. The documentation reviewed was dated from July 1994 through October 2004.

We conducted interviews with officials from the offices of the Under Secretary of Defense (Comptroller), the OSD General Counsel, the Joint Staff, ASD(ISP), the U.S. Joint Forces Command, the U.S. European Command, the U.S. Central Command, the Air Force general counsel, the U.S. Mission to NATO, Defense Finance and Accounting Service, DSCA, the PIMS Program Management Office, the PIMS Processing Center, and the PFP Coordination Cell.

We reviewed budget and allocation documentation, contracts, military interdepartmental purchase requests, spreadsheets, and memorandums during FY 2003 and FY 2004 for DSCA and the combatant commands. At the combatant commands and PIMS Program Management Office, we identified accounting procedures and obtained and analyzed documentation, including vouchers, invoices, payment instruction forms, and funding authorizations. Also, we reviewed receipts for payments using WI program funds for PFP events, such as exercises, conferences, seminars, or similar meetings. We performed this audit from April 2004 through May 2005 in accordance with generally accepted government auditing standards.

Limitations. Because of resource constraints, we were unable to visit and obtain documentation maintained at U.S. Embassies to verify whether disbursements were adequate and appropriate.

Use of Computer-Processed Data. We relied on limited computer-processed data to perform this audit. The use of computer-processed data was limited to data provided from the U.S. European Command on the automated creation and routing of payment requests for the WI program. Although we did not perform a formal reliability assessment of the computer-processed data, we did not find errors between the computer-processed data and the supporting payment documentation that would preclude the use of computer-processed data to meet the audit objective or that would change the conclusions in this report.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require that DoD organizations 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.

Scope of the Review of the Management Control Program. We reviewed the adequacy of management controls at ASD(ISP) and DSCA. Specifically, we reviewed the authorities, policies, and procedures that ASD(ISP) and DSCA established for executing the WI program. We reviewed ASD(ISP) and DSCA management's self-evaluation.

Adequacy of Management Controls. We identified a material management control weakness within DoD as defined by DoD Instruction 5010.40. Specifically, DoD did not issue finalized guidance to establish policies and procedures for the execution of the program. As a result, ASD(ISP) personnel and the combatant commands used broad interpretations of 10 U.S.C. 168, 1051, and 2010 to execute the WI program. The recommendations, if implemented, will provide clear guidance for combatant commands to execute the program. A copy of this report will be provided to senior officials within the office of the Under Secretary of Defense for Policy for the formation and implementation of DoD management controls.

Adequacy of Management's Self-Evaluation. ASD(ISP) officials stated that they do not identify specific programs as part of their management's self-evaluation. Therefore, ASD(ISP) and DSCA did not identify the WI program as an assessable unit.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Office of the Inspector General (DoD OIG) have issued two reports related to the PFP program. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/audit/reports>.

GAO

GAO Report No. GAO-01-734, "NATO, U.S. Assistance to the Partnership for Peace," July 2001

DoD IG

DoD IG Report No. 04-INTEL-03 (U), "Intelligence Systems Support Office's Management of Travel, Other Funds, and Contract Policies," January 20, 2004

Appendix B. Defense Hotline Allegation on Warsaw Initiative Funding

Allegation. Hundreds of thousands of dollars were inappropriately redirected from PfP to be used for the establishment of a new facility for the PIMS.

Results. The allegation was partially substantiated. We found that \$36,193.48 of WI program funds, not “hundreds of thousands of dollars,” was used to pay for modification of a building in Belgium. However, PIMS officials had originally designated non-WI funding for the modifications. During our audit, when PIMS officials identified that WI program funds had been used to pay for the modification, they initiated an accounting adjustment and moved the charges to the correct funding account.

Background. PIMS was established to provide information management and communications infrastructure to participating members of the NATO PfP community. Specifically, PIMS is designed to facilitate collaborative development and sharing of information among participants on a day-to-day basis, as well as through information technology support to conferences, workshops, and exercises.

For FY 2003, PIMS received \$14.2 million in WI program funds. The PIMS Program Office headquarters is at Fort Washington, Maryland, and the PIMS Processing Center is located at Daumerie Caserne, Belgium, which is the central site outside the continental United States for communications, connectivity, and system support. UNISYS, the prime contractor for PIMS, inhabits a building in Brussels, Belgium, located next to NATO Headquarters. PIMS had an informal agreement with the Air Force’s Office of General Counsel to modify and cohabit a portion of its office space in the UNISYS building in Brussels.

Types of Funds. The UNISYS contract contains funds from several different sources. The UNISYS contract and its associated modifications contained a total of seven separate Accounting Classification Reference Numbers (accounting classifications), each funded through different Air Force and OSD appropriation accounts. The following table shows the accounting classifications for the UNISYS contract and information on the types of funds associated with the separate accounting classifications.

Funding Sources for Contract Accounting Classifications		
<u>Accounting Classification</u>	<u>Appropriation</u>	<u>Type of Funds</u>
AA	97 03 0100	OSD O&M
AB	57 3 3400	Air Force O&M
AC	57 2 3600	Air Force research, development, test, and evaluation (RDT&E)
AD	97 03 0100	OSD O&M
AE	57 3 3600	Air Force RDT&E
AF	97 3 0100	OSD O&M
AG	97 3 0400	OSD RDT&E

The first two digits of the appropriation indicate the source of the funds. The appropriations beginning with a “97” indicate that the appropriation is from OSD. Funds beginning with a “57” are Air Force appropriations. The next number (or numbers) in the appropriation represent the fiscal year and the next four numbers indicate the type of funding. For example, the OSD appropriations, “0100” represents O&M funds and “0400” represents RDT&E funds. Within the Air Force, “3600” represents RDT&E funds and “3400” represents O&M.

Building Modifications. At the beginning of the audit, the PIMS deputy program manager stated that office space in the UNISYS building in Brussels had been modified under the UNISYS contract with PIMS, but stated that the work was done using Air Force RDT&E money, not WI program funds. PIMS officials provided copies of the cost estimate of \$67,841 from UNISYS for the modifications. PIMS officials also provided the military interdepartmental purchase request and the associated contract modification, which was to be used to obligate funds, also in the amount of \$67,841.

On September 18, 2003, the UNISYS contract was modified adding four accounting classifications. One of the accounting classifications, AE, designated \$67,841 of Air Force RDT&E funds. The contract modification states that those Air Force RDT&E funds were specifically for the modification of the PIMS Processing Center in Brussels. The DoD Financial Management Regulation allows for the use of RDT&E funds for construction.

UNISYS Invoices. PIMS officials stated that the modifications to the building made by UNISYS had been invoiced. However, we were unable to identify which specific costs had been invoiced because of the lack of information contained in the UNISYS invoices. Specifically, PIMS officials provided two invoices from UNISYS, both of which contained a single highlighted cost for the building modification. However, determining the items bought for the invoiced amounts is not possible. The first invoice dated January 6, 2004, had a highlighted cost of \$36,193.48 that was later identified as part of the modification, although the invoice contained no description of the work performed. The second invoice, dated May 18, 2004, had \$16,676.42 highlighted for the building modification, but also contained no additional information. PIMS

officials stated that they had to call UNISYS for clarification, and subsequently, the contractor identified that both costs were for the building modification.

Payment of Invoices. PIMS officials stated that the invoice for \$16,676.42 was appropriately paid using Air Force RDT&E funds, but did not provide any information on the source of payment for the \$36,193.48. Our inquiries with officials at the Defense Finance and Accounting Service revealed that the first invoice containing the \$36,193.48, which should have been paid out of Air Force RDT&E funds (AE), was originally certified to be paid using Air Force O&M funds (AB). However, that invoice amount was actually paid using OSD O&M WI program funds (AA).

Defense Finance and Accounting Service officials stated that insufficient funds were available from the account designated by the certifying officer, and therefore, WI program funds were used. However, Defense Finance and Accounting Service could not provide documentation. DSCA officials confirmed that AA was funded using WI program funds. In a similar manner, the second invoice containing \$16,676.42 was originally certified to be paid using OSD O&M WI program funds (AD). When discovered that charges relating to the building modification were contained in the invoice, the certifying official changed the accounting classifications to correctly charge the \$16,676.42 to Air Force RDT&E funds (AE).

Correction of Accounting. PIMS officials confirmed that the \$36,193.48 was incorrectly paid out of OSD O&M WI program funds (AA). PIMS officials prepared a Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits," to correct the charges. The charge of \$36,193.48 was moved from the OSD O&M WI program funds to the Air Force RDT&E funds (AE), which was the original fund established on the military interdepartmental purchase request for the building modification. The military interdepartmental purchase request transaction history shows that a charge of \$36,193.48 was paid on July 29, 2004, using Air Force RDT&E funds. With the correction of the \$36,193.48, no other expenses for the modification of the building were charged to WI program funds.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Policy
Assistant Secretary of Defense for International Security Affairs
Director, Defense Security Cooperation Agency
Assistant Secretary of Defense for International Security Policy
Defense Advisor, U.S. Mission to NATO
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Director, Program Analysis and Evaluation
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Office of the Secretary of Defense, General Counsel

Joint Staff

Director, Joint Staff

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Combatant Commands

Commander, U.S. Joint Forces Command
Inspector General, U.S. Joint Forces Command
Commander, U.S. European Command
Commander, U.S. Central Command

Non-Defense Federal Organization

Department of State
Office of Inspector General
Office of Management and Budget

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 Foreign Relations
Senate Subcommittee on International Operations and Terrorism, Committee on Foreign Relations
Senate Committee on Governmental Affairs
Senate Subcommittee on Financial Management the Budget and International Security, Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform
House Committee on International Relations

Assistant Secretary of Defense for International Security Policy Comments



ASSISTANT SECRETARY OF DEFENSE
2900 DEFENSE PENTAGON
WASHINGTON, DC 20301-2900

MAY 11 2005

INTERNATIONAL SECURITY
POLICY
FOR

FRANCIS E. REARDON, DEPUTY INSPECTOR GENERAL FOR
AUDITING, OFFICE OF THE INSPECTOR GENERAL

FROM MIRA RICARDEL, ACTING ASSISTANT SECRETARY OF
DEFENSE FOR INTERNATIONAL SECURITY POLICY

SUBJECT: Additional comments on Project No. D2004LG-0143: DoD Execution of the
Warsaw Initiative Partnership for Peace Program

Thank you for giving my staff, as well as senior representatives from the Defense Security Cooperation Agency (DSCA) and the Office of the General Counsel, the opportunity to discuss with you and your colleagues the draft IG Warsaw Initiative report, and to answer questions and provide further relevant information. I believe that these discussions have been productive and should result in a clearer picture of this important program and a more accurate report.

As requested by IG auditors, we have provided additional documentation relevant to a number of the responses we have provided verbally, and that, we believe, support the view that the Warsaw Initiative program is being implemented under clear statutory authority, and that the program has been provided legal review on a thorough and consistent basis since the inception of the program. In short, we believe that this program has been managed and implemented in a principled and effective way and has met applicable statutory requirements. Moreover, the program has also been effective in meeting the important objectives set forth in the law.

Nevertheless, concerning the IG recommendation to issue formal guidance on policies and procedures to Warsaw Initiative program managers in OSD and in the combatant commands, we agree that this recommendation has merit and should be implemented. Among other things, such consolidated guidance could reflect the good practices that are already in place, document lessons learned, ensure that relevant points of contact are known, etc. DSCA is working to develop such guidance for inclusion in its Security Assistance Management Manual (SAMM). To ensure this guidance is received quickly by program managers in the field, upon completion of the guidance it will be sent directly to the field without waiting for SAMM publication.

We expect this guidance will be issued by July 2005. A copy will be made available to your office.

I believe these actions demonstrate the responsiveness of those offices charged with implementing the Warsaw Initiative, and I look forward to reviewing your final draft before publication.

U.S. European Command Comments

Final Report
Reference



HEADQUARTERS
UNITED STATES EUROPEAN COMMAND
Strategy, Policy, and Assessments Directorate
UNIT 30400
APO AE 09131

ECJ5

24 Jan 05

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING

SUBJECT: Draft DoD IG Report on DoD Execution of the Warsaw Initiative Partnership for Peace Program (Project No. D2004LG-0143)

1. This memorandum is in response to the subject DoD IG draft report and only addresses United States European Command (EUCOM)-specific allegations.

2. The overall Warsaw Initiative (WI) Program is managed at EUCOM by the Strategy, Policy, and Assessments Directorate. WI funds at EUCOM primarily support NATO/Partnership for Peace (PfP) exercises through the Joint Training, Readiness, and Exercise Division and the Command, Control, Communications and Warfighting Integration Directorate, which leads exercise COMBINED ENDEAVOR. To execute WI, EUCOM uses 10 U.S.C. 2010, 10 U.S.C. 1051, the "draft SOP for the DoD Management of the Partnership for Peace and the Warsaw Initiative" (used between 1998 until Apr 04 when Defense Security Cooperation Agency (DSCA) verbally informed the combatant commands to no longer use the draft SOP), EUCOM legal and comptroller guidance, and OSD and DSCA policy/guidance obtain through cables, conferences, and individual correspondence/emails.

3. Specifically:

a. Payments to Non-Developing countries: The report states "the eligibility of a country to receive WI/PfP funds is subject to broad interpretation because "developing country" has not been defined by legislation or by ASD(ISP) guidance. The Warsaw Initiative Fund (WIF) was established specifically for the PfP countries when President Clinton announced the formation of this bilateral initiative to provide financial assistance to PfP member countries. Therefore, being a member of PfP qualifies a country as long as it is on the developing country list. The IG report said that EUCOM Directive 55-29 (USEUCOM Training and Exercise Program) should be used to define a developing country but this is a directive from another Directorate (ECJ3) in EUCOM for another program (Joint Training, Readiness, and Exercise) and does not determine the definition for the PfP program. Legal clarification was provided by EUCOM/JA which stated the Organization for Economic Cooperation and Development list of developing countries should be used as a reference for determining eligibility, given that 10 USC 1051 does not specify where the definition of developing country resides. In practice, EUCOM would also contact OSD regarding clarification on issues such as whether a Partner is considered a "developing" country or not.

Revised
Page 7

ECJ5

SUBJECT: Draft DoD IG Report on DoD Execution of the Warsaw Initiative Partnership for Peace Program (Project No. D2004LG-0143)

Deleted

b. PfP coordinator salaries: The draft SOP states the Partner Country MOD is authorized to hire/contract for support of the in-country PfP program. In addition, in a message (DTG 282235Z MAR 97) sent from JSC/LA, legal guidance said WIF could be used for a PfP dedicated local nation (LN) hire. This draft report also admits that 10 USC 1051 allows for in-country coordinators' salaries and benefits to be paid by WIF.

Deleted

c. US military costs: In practice, EUCOM contacts OSD regarding clarification and authorization on issues such as the use of WIF for US costs. Approval to fund US military travel costs with WIF was obtained from DSCA since successful execution of the event could not be completed without the US participation and no other funds were available. This guidance authorized COMBINED ENDEAVOR to fund US military travel costs.

Revised
Page 11

d. Publication costs: The USEUCOM/JA opined that publication of an exercise history/documentation is permissible within 10 USC 168 as a military-to-military engagement tool. Further review of actual expenses show the printing of 1000 documents was \$ 5,032.87 and not \$240,000 as stated in the draft report. Receipt is attached.

e. Miscellaneous expenses: Corrective actions will be taken to transfer the guided tour expenses (\$497) and musical entertainment of the military band travel costs (\$1200) to the correct funding accounts.

4. EUCOM appreciates the Office of the Inspector General's Office in helping EUCOM efficiently and legally execute its Theater Security Cooperation responsibilities. If you have any further questions, please contact Lt Col Sandra Shurman, EUCOM PfP/WIF Program Manager, at +49-711-680-4596.

Encl


JOHN W. GOODWIN
RDML, U.S. Navy
Deputy Director of Strategy, Policy,
and Assessments



Wildes-Spirit
design & printing

Wildes-Spirit Printing
P.O.Box 1510
301-870-4141
White Plains, MD 20695
BILL TO:

MANTECH
46610 EXPEDITION DRIVE
Suite 101
LEXINGTON PARK, MD 20653

INVOICE

48308	04/27/2004
Sales Rep: Patrice Morace	
Customer#: MAN	
Page: 1	

SHIP TO:

MANTECH
46610 EXPEDITION DRIVE
LEXINGTON PARK, MD 20653

Customer's Terms	Customer's Phone	Customer's Fax	Customer Contact	Purchase Order #	Customer Service Rep.
COD/Check	(301) 862-7332	(301) 862-7370	THEA NOLL		Ramona

Quantity	Description	Sub-Total
1,000	1 digital Combined Endeavor Book - \$131.00	4,139.75

1000 full color Combined Endeavor Books - \$4008.75

1

Corrected Invoice

Ship Via	Sub-Total	Tax Rate %	Tax	Freight Charges	Deposit	Amount Due
	4,139.75	5.000	206.99	0.00	0.00	\$ 4,346.74

Thank You



Delivery Service Invoice

Invoice date **May 1, 2004**
 Invoice number **0000295072184**
 Shipper number **295072**
 Page 4 of 37

Outbound

Worldwide Service (continued)

Pickup Date	Tracking Number	Service	ZIP Code	Zone	Weight	Billed Charge
04/19	1Z2950726698870750	Worldwide Express	70569	901	47	259.00
		Fuel Surcharge				14.25
		Total				273.25
		1st ref: ELAINE WIEGMAN Sender : FRONT DESK RECEPTION MANTECH INTL CORP 46610 EXPEDITION DR LEXINGTON PARK MD 20653			2nd ref : 0816-268 Receiver: MANTECH-ED WARD MANTECH-ED WARD PATCH BARRACKS STUTTGART-VAIHINGEN 70569 DE	
04/29	1Z2950726693718246	Worldwide Express	70569	901	Letter	31.00
		Fuel Surcharge				1.71
		Total				32.71
		1st ref: ELAINE WIEGMAN Sender : FRONT DESK RECEPTION MANTECH INTL CORP 46610 EXPEDITION DR LEXINGTON PARK MD 20653			2nd ref : 0816-268 Receiver: MANTECH-ED WARD MANTECH-ED WARD PATCH BARRACKS STUTTGART-VAIHINGEN 70569 DE	
	1Z2950726795873831	Worldwide Expedited Multi-Piece	55774	601	205	507.45
		Packages (5)				27.91
		Fuel Surcharge				4.55
		Insured Value (13)				539.91
		Total				579.86
		1st ref: MIKE CAMPEGGIO Sender : FRONT DESK RECEPTION MANTECH INTL CORP 46610 EXPEDITION DR LEXINGTON PARK MD 20653			2nd ref : M00101F07 Receiver: MR. ED WARD/MS. DEBB C/O LTC TEIPEL, SITE DI RECTOR GEBAEUDE 213 BAUMHOLDER 55774 DE	
Total Worldwide Service			16 Package(s)			2,360.46

UPS Internet Shipping

Pickup Date	Tracking Number	Service	ZIP Code	Zone	Weight	Billed Charge
04/05	1Z2950720192083733	Next Day Air Commercial	20817	102	Letter	12.75
		Fuel Surcharge				0.70
		Total				13.45
		1st ref : Mary Pat Pope - 32580-3002 Sender : Front Desk Reception ManTech Sys Eng Corp 46610 Expedition Drive Lexington Park MD 20653			UserID : operator Receiver: Attn: Mr Mike Hanbac NSWC Carderock Division 9500 Mac Ardur Blvd WEST BETHESDA MD 20817	
					Letter	

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Readiness and Logistics Support prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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