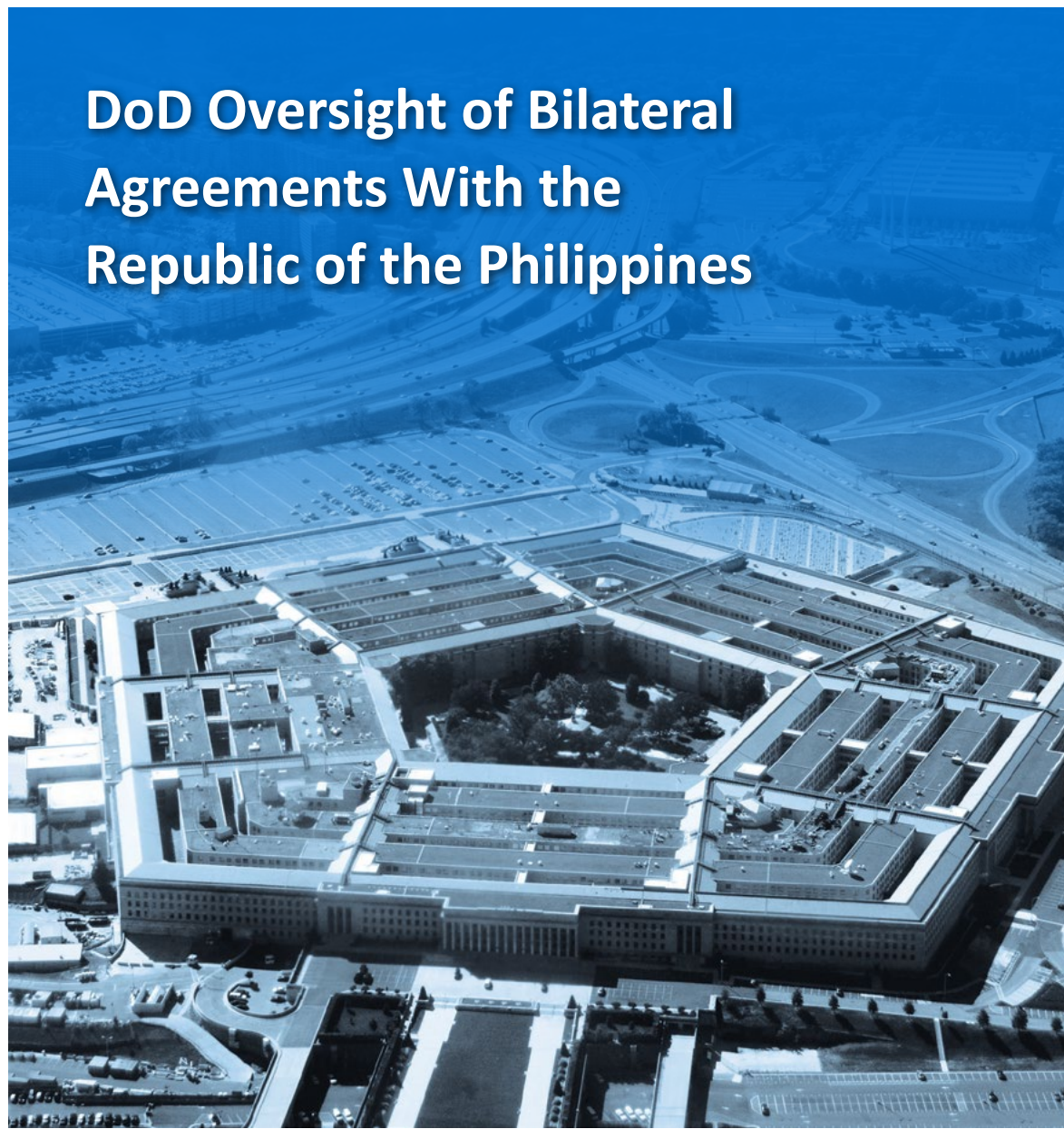




INSPECTOR GENERAL

U.S. Department of Defense

NOVEMBER 2, 2018



DoD Oversight of Bilateral Agreements With the Republic of the Philippines

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

DoD Oversight of Bilateral Agreements With the Republic of the Philippines

November 2, 2018

Objective

We determined whether the DoD has proper oversight of logistical support provided through a bilateral agreement with the Republic of the Philippines. We focused on whether the Joint Staff Directorate for Logistics (the Directorate for Logistics) had visibility of logistical support, such as military equipment, weapons, and ammunition, sold through a bilateral agreement to the Republic of the Philippines from October 1, 2016, through May 31, 2018.

Background

An Acquisition and Cross Servicing Agreement (ACSA), also referred to as a Mutual Logistic Support Agreement, is a bilateral agreement between the United States and authorized foreign countries to acquire or provide expedited or real-time logistic support, supplies, and services in exchange for reimbursement. Reimbursement may take the form of cash payments, the exchange of supplies or services of equal value, or an in-kind replacement. ACSAs are used primarily to benefit forward-deployed commands and forces and are not a routine source of supply for a foreign country.

On November 21, 2007, the U.S. Government initiated a bilateral agreement with the Republic of the Philippines that established the basic terms, conditions, and procedures to facilitate the mutual exchange of logistic support, supplies, and services. On October 23, 2017, the latest agreement was extended for an additional 5 years.

Background (cont'd)

DoD Directive 2010.9 requires designated ACSA officials to have the knowledge and experience to execute authorized transactions. The Directive states that the combatant commands should provide the Chairman of the Joint Chiefs of Staff a quarterly summary report of ACSA transactions and relevant program information, if requested by the Chairman of the Joint Chiefs of Staff.

The Chairman of the Joint Chiefs of Staff Instruction 2120.01D states that the Directorate for Logistics serves as the Joint Staff advocate for ACSA Global Automated Tracking Reporting System (AGATRS) functionality and improvements. AGATRS is an unclassified, web-based system that provides a worldwide cradle-to-grave automated means of building, tracking, and managing ACSA transactions throughout their life cycle. AGATRS provides the service component commands, combatant commands, and the Joint Staff, among others, visibility of existing ACSAs that can be leveraged to obtain critical logistic support, supplies, and services to effectively and efficiently sustain U.S. and Coalition forces during contingencies and operations.

Finding

The Directorate for Logistics did not have visibility of the logistical support sold to the Republic of the Philippines through the use of the bilateral agreement. Specifically, the Directorate for Logistics was unaware of 76 of the 77 ACSA line items executed with the Republic of the Philippines from October 1, 2016, through May 31, 2018.¹

This occurred because ACSA officials for the U.S. Pacific Air Force, U.S. Pacific Fleet, and U.S. Marine Corps Forces, Pacific did not understand how to build, track, and manage transactions in AGATRS and did not designate a primary ACSA Finance Program Manager to assist in processing transactions in AGATRS.

¹ For this report, an ACSA transaction represents an agreement made with the Republic of the Philippines using an ACSA order form for the sale of logistic support, supplies, and services.



Results in Brief

DoD Oversight of Bilateral Agreements With the Republic of the Philippines

Finding (cont'd)

Furthermore, the Directorate for Logistics did not request that U.S. Indo-Pacific Command (USINDOPACOM) provide quarterly summary reports of all ACSA transactions within its area of responsibility because Directorate for Logistics officials believed the information should have been readily available to them in AGATRS.

As a result, the Directorate for Logistics did not have assurance that ACSA transactions, valued at \$13 million, for logistic support, supplies, and services executed in the USINDOPACOM area of responsibility with the Republic of the Philippines were accurate and were reimbursed. Specifically, as of June 5, 2018, only \$882,880 was reported as reimbursed by U.S. Army Pacific. In addition, the Directorate for Logistics may be unaware of additional transactions that may exist in the USINDOPACOM area of responsibility, such as transactions executed directly by the service component commands, because the service component commands did not use AGATRS as intended. Without awareness of all transactions, the DoD lacks assurance that only approved logistic support, supplies, and services are provided to authorized foreign countries in accordance with the negotiated bilateral agreements.

Recommendations

We recommend that the Director for Logistics, Joint Staff, update Joint Knowledge Online-Training to reflect the most recent updates to AGATRS. We also request that USINDOPACOM report to the Directorate for Logistics all of the Mutual Logistics Servicing Agreements/ACSA transactions with the Republic of the Philippines for the period from October 1, 2016, through July 31, 2018, including the dollar value, current reimbursement status (opened or closed), and amount reimbursed.

We recommend that the U.S. Pacific Air Force; U.S. Marine Corps Forces, Pacific; and U.S. Pacific Fleet Commanders designate an ACSA Finance Program

Manager and ensure that the individual completes the Joint Knowledge Online-Training that will provide access and the basic instruction for the ACSA Finance Program Manager to build, track, and manage transactions in AGATRS.

We also recommend that the U.S. Pacific Air Force; U.S. Marine Corps Forces, Pacific; and U.S. Pacific Fleet Commanders input and track all ACSA transactions from October 1, 2016, to present and all future transactions, in AGATRS.

We recommend that the U.S. Pacific Air Force and U.S. Pacific Fleet Commanders develop service component-specific training programs for all ACSA command officials.

We recommend that the U.S. Pacific Air Force Commander also designate an ACSA Program Manager and ensure that the individual completes the Joint Knowledge Online-Training that will provide access and the basic instruction for the ACSA Program Manager to build, track, and manage transactions in AGATRS.

Management Actions Taken

During the audit, we advised the Directorate for Logistics and the officials from the service component commands of the deficiencies in the ACSA program and our recommended improvements. The Directorate for Logistics and the Commanders for U.S. Marine Corps Forces, Pacific; U.S. Pacific Air Force; and U.S. Pacific Fleet agreed with our findings and immediately initiated corrective actions to address all recommendations.

The Directorate for Logistics has received funding and identified content updates needed for the Joint Knowledge Online-Training Course. The Joint Staff Directorate for Joint Force Development has begun the updates and anticipate completion in January 2019. The actions taken to update the Joint Knowledge Online-Training to reflect the updates to AGATRS



Results in Brief

DoD Oversight of Bilateral Agreements With the Republic of the Philippines

Management Actions Taken (cont'd)

address all specifics of the recommendation. We will close the recommendation when we verify that the content updates have been made.

The Directorate for Logistics requested that USINDOPACOM officials coordinate with the service component commands to provide a list of transactions reflecting items that were sold to the Republic of the Philippines since October 1, 2016. As a result, USINDOPACOM requested that the service component commands update AGATRS with each commands' respective ACSA transactions. On September 5, 2018, USINDOPACOM provided an AGATRS-generated summary report to the Directorate for Logistics of the service component commands' ACSA transactions. The actions taken addressed the specifics of the recommendation; therefore, the recommendation is closed.

U.S. Marine Corps Forces, Pacific; U.S. Pacific Air Force; and U.S. Pacific Fleet commanders designated ACSA Finance Program Managers. A U.S. Pacific Fleet official completed the necessary Joint Knowledge Online-Training to be designated as the ACSA Finance Program Manager and provided us the training completion certificate as verification. Therefore, the actions taken by U.S. Pacific Fleet officials were sufficient to close the recommendation. The actions taken by U.S. Marine Corps Forces, Pacific, and U.S. Pacific Air Force officials were sufficient to resolve the recommendation; officials for the U.S. Marine Corps Forces, Pacific, and U.S. Pacific Air Force should provide training certificates as proof of training completion to close the recommendation.

The U.S. Pacific Fleet Commander developed a service component-specific training program for all ACSA command officials. The action taken is sufficient to resolve the recommendation. We will close the recommendation when we verify the requirements for U.S. Pacific Fleet officials to administer the ACSA training. U.S. Pacific Air Force officials agreed to develop a component-specific training program.

USPACAF officials will begin development and implementation of the component-specific training program in the second quarter of FY 2019. The action taken is sufficient to resolve the recommendation. We will close the recommendation when we verify that U.S. Pacific Air Force officials developed the ACSA training program and requirements.

The U.S. Pacific Air Force designated an ACSA Program Manager. The actions taken by U.S. Pacific Air Force resolved the recommendation; officials for the U.S. Pacific Air Force should provide the necessary Joint Knowledge Online-Training certificate as proof of training completion to close the recommendation.

Lastly, U.S. Marine Corps Forces, Pacific; U.S. Pacific Air Force; and U.S. Pacific Fleet commanders input and tracked ACSA transactions from October 1, 2016, to present in AGATRS. U.S. Marine Corps Forces, Pacific, ACSA officials initiated 12 ACSA orders in AGATRS that included a total of 19 ACSA line items. U.S. Pacific Air Force ACSA officials initiated 4 ACSA orders in AGATRS that included a total of 57 ACSA line items. The actions taken by U.S. Marine Corps Forces, Pacific, and U.S. Pacific Air Force provides Joint Staff visibility of the service component commands' ACSA transactions and are sufficient to resolve the recommendation. The recommendation will be closed once we verify that U.S. Marine Corps Forces, Pacific, and U.S. Pacific Air Force officials complete their ACSA orders in AGATRS. U.S. Pacific Fleet ACSA officials completed its one ACSA order in AGATRS that included a total of one ACSA line item; therefore, the actions taken were sufficient to close the recommendation.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director for Logistics, Joint Staff	None	1.a	1.b
Commander, U.S. Pacific Air Force	None	2.a, 2.b, 2.c, and 2.d	None
Commander, U.S. Marine Corps Forces, Pacific	None	3.a and 3.b	None
Commander, U.S. Pacific Fleet	None	4.a	4.b and 4.c

Note: The following categories are used to describe agency management's comments to individual recommendations.

Unresolved – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.

Resolved – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.

Closed – OIG verified that the agreed upon corrective actions were implemented.



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

November 2, 2018

MEMORANDUM FOR DISTRIBUTION

SUBJECT: DoD Oversight of Bilateral Agreements With the Republic of the Philippines
(Report No. DODIG-2019-004)

We are providing this final report for your information and use. DoD officials took prompt action to resolve each concern identified; therefore, we will not make any additional recommendations in this report. We conducted this audit in accordance with generally accepted government auditing standards.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me at Michael.Roark@dodig.mil, (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink, appearing to read "M. Roark", is positioned above the printed name.

Michael J. Roark
Assistant Inspector General
Readiness and Global Operations

DISTRUBTION:

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Introduction

Objective

We determined whether the Joint Staff Directorate for Logistics (the Directorate for Logistics) had visibility of logistical support, such as military equipment, weapons, and ammunition, sold through a bilateral agreement to the Republic of the Philippines from October 1, 2016, through May 31, 2018.

Background

An Acquisition and Cross Servicing Agreement (ACSA), also referred to as a Mutual Logistic Support Agreement, is a bilateral agreement between the United States and authorized foreign countries to acquire or provide expedited or real-time logistic support, supplies, and services in exchange for reimbursement.² Reimbursement may take the form of cash payments, the exchange of supplies or services of equal value, or an in-kind replacement. ACSAs are used primarily to benefit forward-deployed commands and forces and are not a routine source of supply for a foreign country.

On November 21, 2007, the U.S. Government initiated a bilateral agreement with the Republic of the Philippines that established the basic terms, conditions, and procedures to facilitate the mutual exchange of logistic support, supplies, and services. The bilateral agreement was extended for 5 years, through November 8, 2017. On October 23, 2017, the agreement was again extended for an additional 5 years. Figure 1 shows the U.S. Marine Corps Forces, Pacific delivering a box of gas masks with canisters to the Philippines Marine and Navy officials.



Figure 1. Armed Forces of the Philippines Receiving Equipment from the United States
Source: Joint United States Military Assistance Group.

² The U.S. Government has a Mutual Logistic Support Agreement with the Republic of the Philippines. In this report, we will refer to that agreement as a bilateral agreement. Mutual Logistic Support Agreement is the Republic of the Philippines-preferred term for the bilateral agreement with the United States. However, because DoD criteria uses the term ACSA instead of Mutual Logistic Support Agreement, we will use the term ACSA.

ACSA Criteria

DoD Directive 2010.9 provides policy applicable to the Office of the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, the Combatant Commands (CCMDs), and Defense agencies by updating policy for the acquisition and transfer of logistic support, supplies, and services to authorized foreign governments in accordance with United States Code.³ The Directive requires the Secretary of the Military Departments to establish appropriate oversight procedures, as well as keep and maintain financial and program records of all ACSA transactions.⁴ The Directive also requires designated ACSA officials to have the knowledge and experience to execute authorized transactions. The Directive states that the CCMDs should provide the Chairman of the Joint Chiefs of Staff a quarterly summary report of ACSA transactions and relevant program information, if requested by the Chairman of the Joint Chiefs of Staff.

DoD Regulation 7000.14-R, Financial Management Regulation, volume 11A, chapter 8, provides procedures for carrying out reimbursable transactions for ACSA transactions.⁵ The Regulation requires the CCMDs to submit a quarterly summary report to the Chairman of the Joint Chiefs of Staff, if directed by DoD Directive 2010.9. This report is designed to advise the Chairman of the Joint Chiefs of Staff on reimbursable transactions related to the purchase or sale of mutual logistic support, supplies, and services with foreign entities.

Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 2120.01D provides guidance to the CCMDs and Defense agencies reporting to the Office of the Secretary of Defense through the Chairman of the Joint Chiefs of Staff for the use of ACSA authorities.⁶ The Instruction directs the use of ACSAs in accordance with chapter 138, subchapter I, sections 2341-2350 "Acquisition and Cross-Servicing Agreements," title 10 of the United States Code.⁷ CJCSI 2120.01D requires the ACSA program to be executed by designated ACSA officials at the lowest organizational level, primarily at the CCMD, service component, or subordinate command level.

³ DoD Directive 2010.9, "Acquisition and Cross-Servicing Agreements," April 28, 2003, certified current as of November 24, 2003, and incorporating Change 1, effective September 30, 2016. In this report we will use DoD Directive 2010.9. Our audit fieldwork was conducted prior to the issuance of DoD Directive 2010.09, "Acquisition and Cross-Servicing Agreements," April 28, 2003, incorporating change 2, August 31, 2018.

⁴ For this report, an ACSA transaction represents an agreement made with the Republic of the Philippines using an ACSA order form for the sale of logistic support, supplies, and services. An ACSA order form can include multiple line items. Each line item is comprised of a specific type of logistic support, supplies, and service. For instance, a line item can include 1,000 gas masks sold.

⁵ DoD 7000.14-R, Financial Management Regulation, Volume 11A, "Reimbursable Operations Policy," July 2010.

⁶ CJCSI 2120.01D, "Acquisition and Cross-Servicing Agreements," May 21, 2015.

⁷ Chapter 138, subchapter I, sections 2341-2350, "Acquisition and Cross-Servicing Agreements," title 10, United States Code (2017). This law enables the DoD to enter into agreements with a foreign government or regional international organization.

ACSA Roles and Responsibilities

The Office of the Under Secretary of Defense for Acquisition and Sustainment is the focal point for the ACSA program. It is responsible for consulting with the Department of State and notifying Congress before designating countries as authorized for cross-servicing agreements. The Office of the Under Secretary of Defense for Acquisition and Sustainment also monitors compliance with DoD Directive 2010.9 and issues implementing ACSA policy, as required.

The Directorate for Logistics is responsible for the use of ACSA authorities and maintaining and updating CJCSI 2120.01D. In addition, the Directorate for Logistics serves as the Joint Staff advocate for ACSA Global Automated Tracking Reporting System (AGATRS) functionality and improvements.

When authorized by the Chairman of the Joint Chiefs of Staff, CCMDs negotiate and complete ACSA agreements as the lead agent. CCMD officials maintain and update the AGATRS database with all CCMD-initiated ACSA transactions and documentation. The CCMDs are not required to update or record ACSA transactions executed at the service component command level.

Service component commanders are responsible for appointing a primary Logistics and Finance ACSA Program Manager. The Commander of each service component command is responsible for:

- developing and maintaining service component-specific training programs for all command officials who manage or execute ACSA authority;
- ensuring all officials are trained with the required knowledge and experience to carry out ACSA transactions; and
- maintaining and updating AGATRS with all ACSA transactions and documentation.

AGATRS

AGATRS is the DoD system of record for the Directorate for Logistics, CCMDs, and Services to manage ACSA transactions. AGATRS was created to assist the ACSA community with the often complex exchange of logistic support between foreign governments and the United States. It is an unclassified, web-based system that provides a worldwide, cradle-to-grave automated means of building, tracking, and managing transactions throughout their life cycle. AGATRS provides deploying forces, service component commands, CCMDs, the Joint Staff, and the Office of the Secretary of Defense visibility of existing ACSAs that can be leveraged to obtain critical logistic support, supplies, and services to effectively and efficiently sustain U.S. and Coalition forces during contingencies and operations. CJCSI 2120.01D requires the use of AGATRS to document all transfers of logistic support, supplies,

and services under ACSA authorities. Service component commands executing ACSA transactions are required to document and track transactions for contingency operations separately within AGATRS.

Each CCMD and service component command should have ACSA Program Managers representing logistics and finance communities with certain responsibilities that support all aspects of the ACSA program. Logisticians input essential data in AGATRS regarding the logistic support, supplies, and services exchanged during the ACSA transactions. The financial users update and review the financial data of ACSA transactions in AGATRS.

ACSA Transaction Selling Process

The process for the service component commands to sell logistic support, supplies, and services through the use of a bilateral agreement normally begins with an Armed Forces of the Philippines unit requesting support from one of the service component commands, such as U.S. Army Pacific (USARPAC). The service component command validates whether the request can be filled; if the request can be filled, an authorized ACSA official should create an ACSA order form in AGATRS.⁸ An ACSA transaction can consist of multiple line items on an ACSA order form. The ACSA order form has five sections: the agreement; receipt of logistic support, supplies, and services; invoice; payment entitlement information; and certification of payment. Only users assigned a logistics role in AGATRS can create orders. Using blocks 1-24, the authorized ACSA logistics official inputs the agreement, receipt, and invoice data elements. Once the logistics official creates an ACSA order number, the logistics user usually assigns the order to a financial user. The ACSA financial user inputs the payment entitlement information and certifies payment in blocks 25-32. Figure 2 shows the ACSA order form.

⁸ Standard Form 1-3a, "Acquisition and Cross-Servicing Agreement/Mutual Logistics Support Order Form," June 5, 2017.

Figure 2. ACSA Order Form

[illegible]

Source: U.S. Army Pacific.

U.S. Indo-Pacific Command Area of Responsibility for ACSA Transactions

In May 2017, the Islamic State of Iraq and Syria-Philippines seized the city of Marawi and held it for 5 months. This crisis required immediate resources, such as gas masks and ammunition, deemed critical to the success of the Armed Forces of the Philippines recapturing Marawi. The Armed Forces of the Philippines requested support from the U.S. Government. The request for support was managed by the CCMD for that geographic area, U.S. Indo-Pacific Command (USINDOPACOM). Upon receipt of the request, USINDOPACOM officials solicited the assistance of the various service component commands to provide support.

We requested that USINDOPACOM provide a list of all logistical support transactions for supplies and services provided to the Republic of the Philippines from October 1, 2016, through May 31, 2018. USINDOPACOM provided a list of ACSA line items, which they internally tracked, that they reported were included on 15 ACSA order forms from the Marawi Crisis. All of the line items listed

were supplies sold to the Republic of the Philippines for cash. USINDOPACOM noted that U.S. Pacific Air Force (USPACAF) had 57 line items; U.S. Marine Corps Forces, Pacific (USMARFORPAC) had 15 line items; and USARPAC and U.S. Pacific Fleet (USPACFLT) had 1 line item each. The table shows the 74 ACSA line items identified by USINDOPACOM for equipment sold to the Republic of the Philippines and includes 3 additional line items identified by the service component commands. In addition, the table identifies the only line item reported by the service component commands that the Directorate for Logistics had visibility of in AGATRS from October 1, 2016, through May 31, 2018.

Table. ACSA Line Items October 1, 2016, through May 31, 2018

Service Components Commands	Line Items Identified by USINDOPACOM	Dollar Amount Identified by USINDOPACOM	ACSA Order Forms With Line Items Identified by Service Component Commands ¹	Dollar Amount Identified by Service Component Commands	Line Items Visible to the Directorate for Logistics in AGATRS ²	Proof of Reimbursement Visible to the Directorate for Logistics in AGATRS ²
U.S. Pacific Air Force	57	\$5,139,555	40	\$3,595,136	None	\$0
U.S. Marine Corps Forces Pacific	15	7,288,225	None	0	None	0
U.S. Army Pacific	1	882,880	1	882,880	1	882,880
U.S. Pacific Fleet	1	525,346	1	525,346	None	0
Total	74	\$13,836,006	42	\$5,003,362	1	\$882,880

¹ The service component commands identified three line items that were not included in the list provided by USINDOPACOM. The three additional line items were valued at \$53,699.

² On June 5, 2018, the Directorate for Logistics provided an AGATRS report of all ACSA line items reported by the service component commands from October 1, 2016, through June 5, 2018.

Source: DoD OIG-developed based on information provided by USINDOPACOM, USPACAF, USPACFLT, USARPAC, and the Directorate for Logistics.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD components to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.⁹ We

⁹ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

identified internal control weaknesses within USINDOPACOM regarding the service component commands' adherence to ACSA requirements. Specifically, USMARFORPAC, USPACFLT, and USPACAF did not use AGATRS to process logistical support transactions, totaling at least \$13 million. In addition, USMARFORPAC, USPACFLT, and USPACAF did not have a designated ACSA Finance Program Manager to process ACSA transactions in AGATRS. Lastly, USPACFLT and USPACAF did not develop service component-specific ACSA training to improve the building, tracking, and managing of individual ACSA transactions. We will provide a copy of the report to the senior official responsible for internal controls in the service component commands.

Finding

The Directorate for Logistics Did Not Have Visibility of the Logistical Support Sold Through the Use of the Bilateral Agreement With the Republic of the Philippines

The Directorate for Logistics did not have visibility of the logistical support sold to the Republic of the Philippines through the use of the bilateral agreement. Specifically, the Directorate for Logistics was unaware of 76 of the 77 ACSA line items executed with the Republic of the Philippines from October 1, 2016, through May 31, 2018.

This occurred because ACSA officials for USPACAF, USPACFLT, and USMARFORPAC did not understand how to build, track, and manage transactions in AGATRS and did not designate a primary ACSA Finance Program Manager to assist in processing transactions in AGATRS.

Furthermore, the Directorate for Logistics did not request that USINDOPACOM provide quarterly summary reports of all ACSA transactions within its area of responsibility because Directorate for Logistics officials believed the information should have been readily available to them in AGATRS.

As a result, the Directorate for Logistics did not have assurance that the ACSA transactions, valued at \$13 million, for logistic support, supplies, and services executed in the USINDOPACOM area of responsibility with the Republic of the Philippines were accurate and were reimbursed. Specifically, as of June 5, 2018, only \$882,880 was reported as reimbursed by U.S. Army Pacific. In addition, the Directorate for Logistics may be unaware of additional transactions that may exist in the USINDOPACOM area of responsibility, such as transactions executed directly by the service component commands, because the service component commands did not use AGATRS as intended. Without awareness of all transactions, the DoD lacks assurance that only approved logistic support, supplies, and services are provided to authorized foreign countries in accordance with the negotiated bilateral agreements.

The Directorate for Logistics Did Not Have Visibility of Logistical Support Sold to the Republic of the Philippines

The Directorate for Logistics did not have visibility of the logistical support sold to the Republic of the Philippines through the use of the bilateral agreement. Specifically, the Directorate for Logistics was unaware of 76 of the 77 ACSA line items executed with the Republic of the Philippines from October 1, 2016, through May 31, 2018.

The Directorate for Logistics was unaware of 76 of the 77 ACSA line items executed with the Republic of the Philippines from October 1, 2016, through May 31, 2018.

Officials from the Directorate for Logistics used AGATRS to maintain visibility of reported ACSA transactions, including reimbursements. Specifically, the Directorate for Logistics officials identified transactions in AGATRS that required reimbursement and determined which transactions were past due for payment. The officials then notified the responsible service component commands that payment was not documented in AGATRS. However, the information that the Directorate for Logistics officials pulled from AGATRS was incomplete because USPACAF, USMARFORPAC, and USPACFLT did not report 76 ACSA line items executed with the Republic of the Philippines in AGATRS. USARPAC was the only service component command to use the system as intended to record its one transaction.

Service Component Commands Officials Did Not Understand AGATRS and Designate ACSA Finance Program Managers

ACSA officials from USPACAF, USPACFLT, and USMARFORPAC did not understand how to build, track, and manage transactions in AGATRS and did not designate a primary ACSA Finance Program Manager to assist in processing transactions in AGATRS.

ACSA Officials Did Not Understand How to Build, Track, and Manage Transactions in AGATRS

USPACFLT and USPACAF ACSA officials received minimal training on how to build, track, and manage ACSA transactions in AGATRS. For example, USPACFLT ACSA officials completed only the Joint Knowledge Online-Training required to gain access to AGATRS. The Joint Knowledge Online-Training provides the fundamental

training for DoD officials to use AGATRS. However, the Joint Knowledge Online-Training, "AGATRS Essentials," needs to be updated to reflect the current ACSA order form in AGATRS. For instance, the ACSA order form in the training content and headers is outdated. Additionally, the Directorate for Logistics identified that updates are needed to clarify the responsibilities for the AGATRS sponsor, logistics, and finance roles. Once the revisions are complete, the service component commands should use the Joint Knowledge Online-Training in conjunction with classroom training to gain the basic instruction on how to build, track, and manage transactions in AGATRS. The Directorate for Logistics should update the Joint Knowledge Online-Training, "AGATRS Essentials," to reflect the updates to AGATRS.

CJCSI 2120.01D requires the Commanders of the CCMDs, service component commands, and sub-unified commands to develop and maintain service component-specific training programs for all command officials who manage or execute an ACSA authority. The Instruction also states that classroom training, augmented with Joint Knowledge Online-Training, will be used to train ACSA officials. USPACAF and USPACFLT service component commands did not develop or administer an ACSA training program for its command officials. However, USARPAC and USMARFORPAC did develop and administer service component-specific training programs. For example, USARPAC developed training programs for all officials involved in executing ACSA agreements. The USARPAC's Program Manager conducts a 2-day ACSA/AGATRS training every other month for its ACSA Logisticians and Finance Program Managers. During the training, USARPAC discusses many topics, including ACSA guidance and requirements, an overview of AGATRS, how to create an ACSA order in AGATRS, and a financial brief. USPACFLT and USPACAF should develop and administer a service component-specific ACSA training program to improve the building, tracking, and managing of individual ACSA transactions.

USMARFORPAC followed its own internal methods for processing ACSA transactions and did not use AGATRS as a cradle-to-grave system, as intended.

USPACAF and USPACFLT service component commands did not develop or administer an ACSA training program for its command officials.

USMARFORPAC followed its own internal methods for processing ACSA transactions and did not use AGATRS as a cradle-to-grave system, as intended. The USMARFORPAC ACSA Program Manager stated that the command updates AGATRS after all transactions

within an ACSA order are invoiced and fully reimbursed because they can not indicate partial payments. Although the system may not indicate partial payments, commands should upload supporting documentation to show receipt of partial reimbursement. USPACAF, USMARFORPAC, and USPACFLT service component commands should enter all ACSA transactions from October 1, 2016, to present into AGATRS to provide the Directorate for Logistics the most current information to maintain visibility of the program.

USPACAF, USPACFLT, and USMARFORPAC Did Not Designate a Primary ACSA Finance Program Manager

USPACAF, USPACFLT, and USMARFORPAC did not designate a Finance Program Manager to execute ACSA transactions in AGATRS. According to CJCSI 2120.01D, commanders of the CCMDs and service component commands must appoint a primary Logistics and Finance ACSA Program Manager. However, USPACAF did not designate a Finance Program Manager or identify on the ACSA order the individual responsible for receiving payments for items sold to the Armed Forces of the Philippines. Furthermore, USPACAF's primary Logistics ACSA Program Manager position has been vacant since the former official retired in June 2018. In addition, USMARFORPAC and USPACFLT's ACSA Program Managers have dual roles in AGATRS as the logistics and finance official. Holding both roles and completing both sections of the ACSA order form in AGATRS does not allow for separation of duties when processing and verifying ACSA documentation for each transaction. USPACAF should designate a ACSA Program Manager to execute the logistic role in AGATRS.

USARPAC has a designated Finance Program Manager to execute ACSA transactions in AGATRS, as required by CJCSI 2120.01D. Specifically, USARPAC's Resource Management directorate has designated Finance Program Managers with access to AGATRS to support each program in the Logistics directorate. USPACAF, USPACFLT, and USMARFORPAC should designate a Finance Program Manager to execute the finance role in AGATRS.

The Joint Staff Did Not Require Quarterly Summary Reports

The Joint Staff did not request that USINDOPACOM provide quarterly summary reports of all ACSA transactions within its area of responsibility because Directorate for Logistics officials believed the information should have been readily available to them in AGATRS. Officials from the Directorate for Logistics relied on the information in AGATRS to identify reimbursable transactions instead of requesting that USINDOPACOM provide quarterly summary reports as required

in the DoD Directive 2010.9 and the DoD Financial Management Regulation. According to Directorate for Logistics officials, the quarterly summary reports are duplicative of the information that is readily available in AGATRS. However, to allow Directorate for Logistics officials to rely solely upon AGATRS for accurate information, all ACSA transactions need to be documented and maintained in AGATRS. As of June 5, 2018, only 1 of the 77 line items conducted with the Republic of the Philippines in the USINDOPACOM area of responsibility was entered in AGATRS. The Directorate for Logistics should request USINDOPACOM to provide a summary report of all ACSA transactions from October 1, 2016, through July 31, 2018.

To allow Directorate for Logistics officials to rely solely upon AGATRS for accurate information, all ACSA transactions need to be documented and maintained in AGATRS.

The DoD Did Not Have Visibility of ACSA Transactions Sold to the Republic of the Philippines

The Directorate for Logistics did not have assurance that ACSA transactions, valued at \$13 million, for logistic support, supplies, and services executed in the USINDOPACOM area of responsibility with the Republic of the Philippines were accurate and were reimbursed. Specifically, as of June 5, 2018, only \$882,880 was reported as reimbursed by U.S. Army Pacific. Until all service component commands use AGATRS as intended to record all ACSA transactions, the Directorate for Logistics will continue to be unaware of additional transactions that may get executed in the USINDOPACOM area of responsibility. In many instances, ACSA transactions are executed directly by the service component commands and AGATRS provides the only resource for the Directorate for Logistics to ensure that the ACSA program is executed as required. Without awareness of all transactions, the DoD lacks assurance that only approved logistic support, supplies, and services are provided to authorized foreign countries in accordance with the negotiated bilateral agreements. Therefore, the ACSA community should be using AGATRS to enable the DoD to maintain oversight of the ACSA program.

Recommendations

Recommendation 1

We recommend that the Director of Logistics, Joint Staff:

- a. **Update Joint Knowledge Online-training to reflect the most recent updates to the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**
- b. **Request that the United States Indo-Pacific Command report to the Joint Staff Directorate for Logistics, the Mutual Logistics Servicing Agreements/Acquisition and Cross-Servicing Agreement transactions with the Republic of the Philippines from October 1, 2016, through July 31, 2018, including the dollar value, current reimbursement status (opened or closed), and amount reimbursed.**

Management Actions Taken

During the audit, Directorate for Logistics Joint Staff officials agreed with the recommendations and immediately initiated corrective actions. On August 6, 2018, officials from the Directorate for Logistics coordinated with the Defense Logistics Agency and Joint Staff Directorate for Joint Force Development, Content Development Coordinator to update the Joint Knowledge Online-Training course to reflect the updates in AGATRS. The Joint Staff Directorate for Joint Force Development has also received funding and identified content updates needed for the Joint Knowledge Online-Training course. The Joint Staff Directorate for Joint Force Development has begun the updates and anticipate completion in January 2019. The actions taken to update Joint Knowledge Online-Training address all specifics of the recommendation. We will close Recommendation 1.a when we verify that the content updates have been made in the Joint Knowledge Online-Training course.

On August 16, 2018, the Directorate for Logistics requested that USINDOPACOM officials coordinate with the service component commands to provide a list of ACSA transactions reflecting items sold through the use of the bilateral agreement from October 1, 2016, through July 31, 2018. As a result, USINDOPACOM requested that the service component commands update AGATRS with each commands' respective ACSA transactions. On September 5, 2018, USINDOPACOM provided an AGATRS-generated summary report via e-mail to the Directorate for Logistics for the service component commands' ACSA transactions. The actions taken addressed the specifics of the recommendation; therefore, Recommendation 1.b is closed.

Recommendation 2

We recommend that the Commander, Pacific Air Forces:

- a. Develop service component-specific training programs for all Acquisition and Cross-Servicing Agreement command officials.**
- b. Designate an Acquisition and Cross-Servicing Agreement Program Manager and ensure that the individual completes the Joint Knowledge Online-Training that will provide access and the basic instruction for the Acquisition and Cross-Servicing Agreement Program Manager to build, track, and manage transactions in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**
- c. Designate an Acquisition and Cross-Servicing Agreement Finance Program Manager and ensure that the individual completes the Joint Knowledge Online-Training that will provide access and the basic instruction for the Acquisition and Cross-Servicing Agreement Finance Program Manager to build, track, and manage transactions in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**
- d. Input and track all Acquisition and Cross-Servicing Agreement transactions from October 1, 2016, to present, and all future transactions, including the 57 line items the United States Indo-Pacific Command identified, in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**

Management Actions Taken

During the audit, USPACAF officials agreed with the recommendations and immediately initiated corrective actions. On September 17, 2018, USPACAF officials agreed to implement the recommendation to develop a component-specific training program. USPACAF officials will begin development and implementation of the component-specific training program in the second quarter of FY 2019. According to the USPACAF Logistics Branch Chief, the newly appointed ACSA Program Manager would be responsible for developing the ACSA training requirements. The action taken is sufficient to resolve Recommendation 2.a. We will close the recommendation when we verify that USPACAF developed the ACSA training program and requirements.

On September 5, 2018, USPACAF designated an ACSA Program Manager. The action taken is sufficient to resolve Recommendation 2.b. We will close the recommendation when we receive the Joint Knowledge Online-Training certificate that will verify that the ACSA Program Manager has access to AGATRS and has received the basic instructions for building, tracking, and managing transactions in AGATRS.

On September 17, 2018, USPACAF designated an ACSA Finance Program Manager who will be responsible for completing the finance roles in AGATRS. The actions taken is sufficient to resolve Recommendation 2.c. USPACAF should provide training certificates as proof of training completion. We will close the recommendation when we receive the Joint Knowledge Online-Training completion certificate.

The USPACAF ACSA Program Manager initiated 4 ACSA orders in AGATRS that included a total of 57 ACSA line items. However, USPACAF has not completed any of the four orders in AGATRS. The actions taken provides Joint Staff visibility of USPACAF ACSA transactions and are sufficient to resolve Recommendation 2.d. We will close the recommendation when we verify that all four orders and the subsequent line items are in a completed status in AGATRS.

Recommendation 3

We recommend that the Commander, Marine Corps Forces, Pacific:

- a. Designate an Acquisition and Cross-Servicing Agreement Finance Program Manager and ensure that the individual completes the Joint Knowledge Online-Training that will provide access and the basic instruction for the Acquisition and Cross-Servicing Agreement Finance Program Manager to build, track, and manage transactions in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**
- b. Input and track all Acquisition and Cross-Servicing Agreement transactions from October 1, 2016, to present, and all future transactions, including the 15 line items the United States Indo-Pacific Command identified, in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**

Management Actions Taken

During the audit, USMARFORPAC officials agreed with the recommendations and immediately initiated corrective actions. On August 20, 2018, USMARFORPAC designated an ACSA Finance Program Manager who will be responsible for completing the finance roles in AGATRS. The actions taken is sufficient to resolve Recommendation 3.a. We will close the recommendation when we receive the Joint Knowledge Online-Training completion certificate.

USMARFORPAC's ACSA officials initiated 12 ACSA orders in AGATRS that included a total of 19 ACSA line items. However, USMARPAC has not completed 10 of the 12 orders in AGATRS. The actions taken provides Joint Staff

visibility of USMARFORPAC ACSA transactions and are sufficient to resolve Recommendation 3.b. We will close the recommendation when we verify that the remaining 10 ACSA orders and subsequent line items are in a completed status in AGATRS.

Recommendation 4

We recommend that the Commander, Pacific Fleet:

- a. Develop and maintain service component-specific training programs for all Acquisition and Cross-Servicing Agreement command officials.**
- b. Designate an Acquisition and Cross-Servicing Agreement Finance Program Manager and ensure that the individual completes the Joint Knowledge Online-Training that will provide access and the basic instruction for the Acquisition and Cross-Servicing Agreement Finance Program Manager to build, track, and manage transactions in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**
- c. Input and track all Acquisition and Cross-Servicing Agreement transactions from October 1, 2016, to present, and all future transactions, including the one line item the United States Indo-Pacific Command identified, in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System.**

Management Actions Taken

During the audit, USPACFLT officials agreed with the recommendations and immediately initiated corrective actions. On September 4, 2018, USPACFLT provided “ACSA 101” training that was developed for all USPACFLT-assigned ACSA command officials. The actions taken are sufficient to resolve Recommendation 4.a. We will close the recommendation when we verify the requirements for USPACFLT officials to administer the ACSA component-specific training.

On August 21, 2018, U.S. Pacific Fleet provided documentation showing that an official completed the necessary Joint Knowledge Online-Training to be designated as the ACSA Finance Program Manager. The action taken was sufficient to close Recommendation 4.b.

The USPACFLT ACSA Program Manager completed USPACFLT’s one ACSA order in AGATRS that totaled one ACSA line item. The action taken was sufficient to close Recommendation 4.c.

Appendix

Scope and Methodology

We conducted this performance audit from May 2018 through October 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our objective, we conducted a site visit to USINDOPACOM headquarters in June 2018. During our site visit, we interviewed ACSA officials from USINDOPACOM, USPACAF, USPACFLT, USMARFORPAC, USARPAC, Joint United States Military Assistance Group, and Special Operations Command, Pacific, to discuss roles and responsibilities in the ACSA program.

We requested that USINDOPACOM and the service component commands provide a list of all logistical support transactions executed with the Republic of the Philippines from October 1, 2016, through May 31, 2018. During our initial request, USARPAC, USPACFLT, and USPACAF provided ACSA order forms with line items executed during that timeframe. Specifically, both USARPAC and USPACFLT provided one ACSA order form with one line item. USPACAF provided 4 order forms with 41 line items. USMARFORPAC did not provide any order forms during our initial request. USINDOPACOM and the Joint United States Military Assistance Group provided the same spreadsheet dated December 2017 that listed 74 ACSA line items for equipment sold during the Marawi Crisis by USPACAF, USPACFLT, USMARFORPAC, and USARPAC. USINDOPACOM ACSA PM stated that the 74 ACSA line items were included on 15 ACSA order forms. However, the audit team could not confirm that 74 ACSA line items worth of equipment were sold and included in 15 ACSA orders due to the lack of documentation provided by the service component commands during our initial request for transactions that occurred from October 1, 2016, through May 31, 2018. We compared the line items in the spreadsheet, the order forms, and the data in AGATRS to determine whether the Directorate of Logistics had visibility of the logistic support sold to the Republic of the Philippines.

We also reviewed component-specific trainings and performed an analysis of the Joint Knowledge Online-Training. We reviewed ACSA officials' delegation memorandums and training certifications to ensure that all ACSA personnel were trained with the knowledge and experience to carry out ACSA transactions.

We reviewed the following guidance and criteria.

- DoD 7000.14-R, Financial Management Regulation, Volume 11A, “Reimbursable Operations Policy”
- DoD Directive 2010.9, “Acquisition and Cross-Servicing Agreements”
- Chairman of the Joint Chiefs of Staff Instruction 2120.01D, “Acquisition and Cross-Servicing Agreements”
- U.S. Pacific Command Instruction 0602.1, “Mutual Logistic Support Between the United States and the Governments of Other Eligible Countries”

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) and the Army Audit Agency issued three reports that discussed the management of ACSA orders and the use of AGATRS.

Unrestricted DoD OIG reports can be accessed at

<http://www.dodig.mil/reports.html/>.

Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at <http://www.aaa.army.mil/>

DoD OIG

Report No. DODIG-2017-121, “U.S. Africa Command’s Management of Acquisition and Cross-Servicing Agreements,” September 21, 2017

The audit determined that U.S. Africa Command did not effectively manage the ACSA orders it executed and was not required to oversee ACSA orders executed by its subordinate components in its area of responsibility. Specifically, U.S. Africa Command and its subordinate components did not include all minimum essential data elements on ACSA orders and upload source documents supporting line items on ACSA orders into AGATRS. In addition, some subordinate components were not maintaining ACSA orders in AGATRS or tracking ACSA orders under ACSA authorities.

Report No. DODIG-2016-067, "DoD Components Did Not Properly Use the Acquisition and Cross Service Agreement Automated Tracking and Reporting System," March 24, 2016

The audit determined that Army Central Command and Air Force Central Command personnel did not properly use AGATRS in support of Operation Inherent Resolve, as required by DoD policy. Specifically, Army Central Command and Air Force Central Command personnel did not include all minimum essential data elements on ACSA orders, upload source documents supporting line items on orders into AGATRS, and close ACSA orders within AGATRS properly.

Army

Report No. A-2014-0110-IEX, "Acquisition and Cross-Servicing Agreements in Europe," September 24, 2014

The audit team found that U.S. Army Europe captured acquisitions, transfers, and exchanges of logistic support, supplies, or services on ACSA orders and recorded these orders in the DoD system of record. However, they could only partially verify that the command accurately billed or paid for the logistic support, supplies, or services it provided or received because of limited documentation. Although U.S. Army Europe's Office of the Deputy Chief of Staff, G-8, is the proponent of the ACSA program, widespread participation by various subordinate commands and activities limited its ability to maintain direct control and visibility of the program. In addition, limited program oversight led to inconsistencies in how implementing and approving officials executed ACSA orders.

Acronyms and Abbreviations

ACSA	Acquisition and Cross-Servicing Agreement
AGATRS	ACSA Global Automated Tracking Reporting System
CCMDs	Combatant Commands
CJCSI	Chairman of the Joint Chiefs of Staff Instruction
CJCS	Chairman of the Joint Chiefs of Staff
USARPAC	U.S. Army Pacific
USINDOPACOM	U.S. Indo-Pacific Command
USMARFORPAC	U.S. Marine Corps Forces, Pacific
USPACAF	U.S. Pacific Air Forces
USPACFLT	U.S. Pacific Fleet

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