

INSPECTOR GENERAL

U.S. Department of Defense

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Management Advisory: The DoD's Use of Additional Ukraine Supplemental Appropriations Act, 2022 Funds





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

September 19, 2022

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD

SUBJECT: Management Advisory: The DoD's Use of Additional Ukraine Supplemental
Appropriations Act, 2022 Funds (Report No. DODIG-2022-133)

This management advisory provides the results of the DoD Office of Inspector General's research project on the DoD's use of Additional Ukraine Supplemental Appropriations Act, 2022 funds. We conducted the work on this management advisory with integrity, objectivity, and independence, as required by the Council of the Inspectors General for Integrity and Efficiency's Quality Standards for Federal Offices of Inspector General. We previously provided copies of the draft management advisory and requested written comments on the recommendation. We considered management's comments on the draft advisory when preparing the final management advisory.

The Deputy Under Secretary of Defense (Comptroller) responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, agreed to address the recommendation presented in the management advisory; therefore, we consider the recommendation resolved and open. As described in the Recommendation, Management Comments, and Our Response section of this management advisory, we will close the recommendation when you provide us documentation showing that all agreed-upon actions to implement the recommendation are completed. Therefore, within 90 days please provide us your response concerning specific actions in process or completed on the recommendation. Send your response to either followup@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified Secret.

We appreciate the cooperation and assistance received during this research project. If you have any questions, please contact me at [REDACTED]

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The DoD received **\$20.1 billion** in funding under the Additional Ukraine Supplemental Appropriations Act, 2022:

- **\$9.1 billion** for reprogramming to replenish DoD Stocks and reimburse DoD services
- **\$6 billion** for transfer to the Ukraine Security Assistance Initiative
- **\$2.8 billion** for Operations and Maintenance
- **\$1.8 billion** for Procurement
- **\$413.6 million** for Research, Development, Test, and Evaluation
- **\$15.1 million** for Military Personnel
- **\$13.9 million** for the Defense Health Program
- **\$1.0 million** for Defense Working Capital Funds

Transparency of the DoD's Reporting of Additional Ukraine Supplemental Appropriations Act, 2022 Funds

We determined that the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (OUSD[C]/CFO) continued to implement and improve procedures for DoD Components to follow in reporting, through Advancing Analytics (Advana), the execution of the additional \$20.1 billion in funds appropriated to the DoD to provide further assistance to Ukraine.¹ We reported in a July 8, 2022 management advisory that the OUSD(C)/CFO had implemented procedures for reporting the execution of the \$6.5 billion in funds appropriated to the DoD in the Ukraine Supplemental Appropriations Act, 2022, (referred to as disaster emergency fund code [DEFC]-3 funds).² We determined that the reporting process for the \$20.1 billion in funds appropriated to the DoD in the Additional Ukraine Supplemental Appropriations Act, 2022 (referred to as DEFC-6 funds), is nearly identical to the processes used to report the initial \$6.5 billion in DEFC-3 funds. However, the Additional Ukraine Supplemental Appropriations Act, 2022, provided \$6 billion in DEFC-6 funds to the Ukraine Security Assistance Initiative (USAI), which requires additional reporting processes not reviewed or discussed in the July 8, 2022 management advisory.³ We identified an area of concern with the DoD's process for providing funds to the Foreign Military Sales (FMS) Trust Fund for the USAI.

¹ Advana is the official reporting system for Ukraine Supplemental Appropriations Act, 2022 funds. It is a common enterprise data repository and a centralized data and analytics platform that provides DoD users with common business data, decision support analytics, and data tools.

² Report No. DODIG-2022-112, "Management Advisory: The DoD's Use of Ukraine Supplemental Appropriations Act, 2022 Funds," July 8, 2022.

Public Law 117-103, "Consolidated Appropriations Act, 2022," March 15, 2022, includes Division N, "Ukraine Supplemental Appropriations Act, 2022," Title III, "Department of Defense."

³ Public Law 117-128, "Additional Ukraine Supplemental Appropriations Act, 2022," Title II, "Department of Defense," May 21, 2022. The USAI was authorized under Public Law 114-92, "National Defense Authorization Act for Fiscal Year 2016," Sec. 1250, "Ukraine Security Assistance Initiative," November 25, 2015.

We continued to observe that the DoD's use of systems that are not compliant with Standard Financial Information Structure (SFIS) 11.2 limited the reporting details in Advana and required the DoD to use journal vouchers to account for budget execution of the Ukraine supplemental funds.⁴ This was an area of concern that we identified in the July 8, 2022 management advisory for DEFC-3 funds, and we determined that this concern also applies to the \$20.1 billion in DEFC-6 funds. In addition, we determined that Advana business rules did not accurately capture the budget execution status of the Ukraine supplemental funds.

While these topics are areas of concern, OUSD(C)/CFO personnel have made improvements to the functionality of Advana to increase the traceability, transparency, and reporting of Ukraine supplemental funds execution.

Background

The President enacted the Ukraine Supplemental Appropriations Act, 2022, on March 15, 2022, as part of the Consolidated Appropriations Act, 2022, to provide the DoD with \$6.5 billion in funds for assistance to Ukraine. We provide an update on the status of the DoD's execution of these funds later in this Advisory. The President enacted the Additional Ukraine Supplemental Appropriations Act, 2022, on May 21, 2022, to provide the DoD with an additional \$20.1 billion in funds for assistance to Ukraine. This Advisory focuses on the \$20.1 billion provided to the DoD in the Additional Ukraine Supplemental Appropriations Act, 2022, which was designated for emergency requirements as follows:

- \$2.9 billion toward direct appropriations for Operations and Maintenance (O&M), and Military Personnel with a period of availability of September 30, 2022;
- \$363 million toward direct appropriations for Research, Development, Test, and Evaluation (RDT&E) with a period of availability of September 30, 2023;
- \$674 million toward direct appropriations for Procurement with a period of availability of September 30, 2024;
- \$600 million toward Defense Production Act Purchases to remain available until expended;
- \$500 million toward direct appropriations for transfer to "Missile Procurement, Army," "Procurement of Ammunition, Navy and Marine Corps," "Weapons Procurement, Navy," "Missile Procurement, Air Force," and "Procurement of Ammunition, Air Force" with the same period of availability as the appropriation to which the funds were transferred;
- \$50 million toward direct appropriations for transfer to "Research, Development, Test and Evaluation, Defense-Wide" with the same period of availability as the appropriation to which the funds were transferred;

⁴ SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across the DoD enterprise. It standardizes financial reporting across the DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories.

- \$9.1 billion toward O&M for transfer with a period of availability of September 30, 2023, to other O&M and Procurement funds; and
- \$6 billion toward O&M for transfer to the USAI, which is managed by the Defense Security Cooperation Agency (DSCA), to procure weapons for use by allies and partner nations with a period of availability of September 30, 2023.

Table 1 represents the status of the DoD’s use of Additional Ukraine Supplemental Appropriations Act, 2022 (DEFC-6) funds reported in Advana as of August 17, 2022, and organized by recipient. While Advana reports the DoD’s execution of the Ukraine supplemental funds, the accuracy of Advana’s reporting is dependent on the financial information provided from the DoD Components’ accounting systems that implement the U.S. Standard General Ledger for all budgetary and proprietary transactions (general ledger systems). We did not assess the accuracy of the information reported from Advana.

Table 1. Execution of DEFC-6 Funds as of August 17, 2022

Recipient (Treasury Index No.)	Total Appropriated (in Millions)	Cumulative Obligations ³ (in Millions)	Cumulative Disbursements ⁴ (in Millions)	Disbursement Rates (Percent)
Army (TI-21)	\$2,099.7	\$1,402.2	\$635.8	30.3
Air Force ¹ (TI-57)	501.3	227.2	63.6	12.7
Marine Corps (TI-17)	0.7	0	0	–
Navy (TI-17)	984.1	272.5	257.9	26.2
Defense Production Act (TI-97)	600.0	0.0	0.0	–
Defense-Wide (TI-97)	15,918.0	1,100.9	952.1	6.0
Total²	\$20,103.8	\$3,002.7	\$1,909.4	9.5

¹ Includes the U.S. Space Force.

² Amounts may differ due to rounding.

³ An obligation is an amount that represents orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future period.

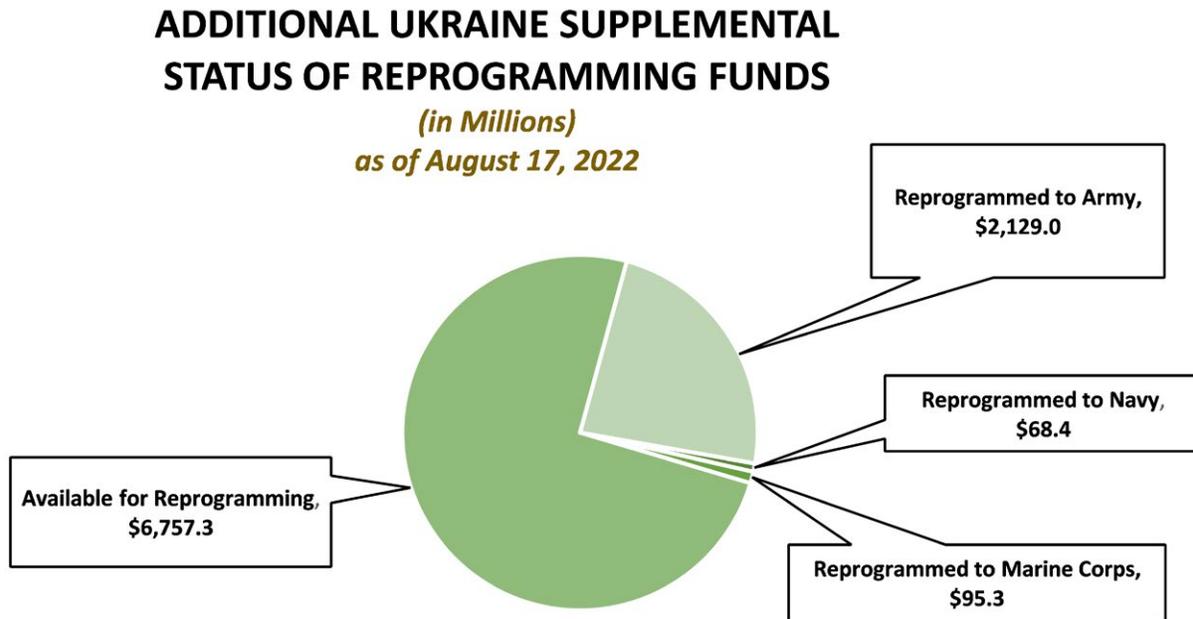
⁴ A disbursement is an amount paid by Federal agencies to liquidate Government obligations. Both “expenditure” and “disbursement” are used interchangeably with the term “outlay.”

Source: Advana and the DoD OIG.

The Total Appropriated amount reported in Table 1 for Defense-Wide includes the \$9.1 billion appropriated for further reprogramming. As of August 17, 2022, the DoD has issued one reprogramming action related to the Additional Ukraine Supplemental Appropriations Act, 2022.⁵ Reprogramming Action No. 22-30, issued on July 13, 2022, reprogrammed \$2.3 billion in DEFC-6 funds, leaving \$6.8 billion available for transfer. Figure 1 represents the status of the \$9.1 billion in DEFC-6 reprogramming funds by DoD Component.

⁵ The DoD uses “Reprogramming Action – Internal Reprogramming” (Form DD 1415-3) to document appropriation reprogramming actions. Once the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, signs the reprogramming actions, they are posted for the public at comptroller.defense.gov.

Figure 1. Status of the DoD's Reprogrammed DEFC-6 Funds as of August 17, 2022



Source: The OUSD(C)/CFO.

The DoD reprogrammed \$2.3 billion for the replacement of defense articles provided to Ukraine from DoD stocks. The reprogrammed amount was also for reimbursement for defense services, such as military education and training provided to the government of Ukraine or to foreign countries that have provided support to Ukraine at the request of the United States.⁶ The following details the amounts and purposes for the July 13, 2022 reprogramming action.

- Army – received \$2.1 billion in total reprogramming funds:
 - Weapons and Tracked Combat Vehicles – \$894.5 million;
 - Procurement of Ammunition – \$672.9 million;
 - Procurement of Tactical & Support Vehicles, and Communications & Electronics Equipment – \$342 million;
 - Missile Procurement – \$202.3 million; and
 - Operating Forces, and Administration & Service-wide Activities – \$17.2 million.
- Marine Corps – received \$95.3 million in total reprogramming funds:
 - Procurement of Weapons & Combat Vehicles, Guided Missiles & Equipment, and Communications & Electronics Equipment – \$49.1 million;

⁶ Examples of defense services requiring reimbursement include preparation of various equipment for movement via air or sea transportation, the packaging and transportation of helmets, body armor, and ammunition transferred to Ukraine, transportation of personnel, theatre support operations, and depot maintenance operations.

- Operating Forces, and Administration & Service-wide Activities – \$38.3 million; and
- Procurement of Ammunition – \$7.9 million.
- Navy – received \$68.4 million in total reprogramming funds:
 - Administration and Services Activities – \$55.8 million; and
 - Ship Support Equipment – \$12.7 million.

The DoD’s Execution of Funds

We determined that, as of August 17, 2022, the DoD had obligated \$4.2 billion (69.8 percent) of the \$6 billion in Ukraine supplemental (DEFC-3 and DEFC-6) funds set to expire on September 30, 2022. Additionally, due to the timing of the Additional Ukraine Supplemental Appropriations Act, 2022, OUSD(C)/CFO personnel could not include the plans to use the DEFC-6 funds in the DoD’s spend plan, but have provided letters to Congress describing their plans for those funds.

In March 15, 2022, the DoD received \$6.5 billion in Ukraine supplemental (DEFC-3) funds, including \$3.1 billion that will expire after September 30, 2022. After five months of execution, the DoD has obligated \$2.6 billion (84.1 percent) of the \$3.1 billion set to expire at the end of September. The DoD received \$20.1 billion in Additional Ukraine supplemental (DEFC-6) funds on May 21, 2022, including \$2.9 billion that will expire after September 30, 2022. After three months of execution, the DoD has obligated \$1.6 billion (54.2 percent) of the \$2.9 billion that will expire after September 30, 2022. Table 2 shows the amounts set to expire in FYs 2022, 2023, and 2024 for both DEFC-3 and DEFC-6 funds.

Table 2. Budget Execution Status by Expiration Date as of August 17, 2022

Expiration ¹	DEFC	Appropriated (in Millions)	Obligated (in Millions) ²	Obligation Rate (Percent)
September 30, 2022	DEFC-3	\$3,132.7	\$2,633.6	84.1
	DEFC-6	2,866.1	1,552.7	54.2
	Total	5,998.8	4,186.2	69.8
September 30, 2023	DEFC-3	461.2	72.0	15.6
	DEFC-6	15,463.6	1,200.4	7.8
	Total	15,924.8	1,272.4	8.0
September 30, 2024	DEFC-3	2,931.2	618.0	21.1
	DEFC-6	1,174.1	249.4	21.2
	Total	4,105.3	867.3	21.1

¹ The table does not include \$600 million in DEFC-6 funds for the Defense Production Act. This appropriation is available until executed, and is reported in Advana as having no expiration date.

² Amounts may differ due to rounding.

Source: Advana and the DoD OIG.

Guidance for Execution and Reporting on the Use of Additional Ukraine Supplemental Funds

The Office of the Under Secretary of Defense (Comptroller) Memorandum

On March 16, 2022, the Deputy Under Secretary of Defense (Comptroller) (DUSD[C]) issued a memorandum outlining the budget execution and cost reporting requirements for, “DoD Ukraine contingency operations.”⁷ The memorandum states that Advana will be the authoritative and only source for reporting the Ukraine supplemental funds and that DoD Components are required to update Advana weekly with their execution of direct funds. The memorandum also states that for all transactions related to the Ukraine supplemental funds, all systems must record the SFIS elements as represented in Table 3.

Table 3. Ukraine Supplemental Funds SFIS Reporting Requirements.

SFIS Element Name	SFIS Element Code	Ukraine Supplemental Value	Ukraine Supplemental Value Name
Contingency Code	B8	UKR022	Support to Ukraine During Russian Invasion
Disaster Emergency Fund Code	A32	3 ¹	Emergencies (PL 117-103) ¹
		6 ²	Emergencies (PL 117-128) ²

¹ OMB established on April 4, 2022.

² OMB established on May 24, 2022.

Source: The DoD OIG.

For the systems not yet on SFIS version 11.2, the memorandum instructs the system owners to update their source data and data feeds, and work with the Defense Departmental Reporting System (DDRS) and Advana data operations teams to identify where the data is located in the existing feeds. The memorandum also states that systems that cannot record transaction level details must post an accounting system cost allocation or accounting system level adjustment entry that assigns balances at the lowest possible level to the DEFC and contingency codes.

Congress designated each amount provided under Public Law 117-103 and Public Law 117-128 as an emergency requirement. As a result, the Office of Management and Budget (OMB) required the agencies to use a DEFC to track appropriations. On April 4, 2022, after the March 15, 2022 enactment of Public Law 117-103, OMB required that agencies report “emergency” funds from Public Law 117-103 (including retroactive reporting) using the Government-wide Treasury

⁷ DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR), volume 12, “Special Accounts, Funds, and Programs,” chapter 23, “Contingency Operations,” discusses financial policy and procedures for small, medium, and large-scale campaign-level military contingency operations related to the DoD. According to the DoD FMR, contingency operations might include support for peacekeeping operations, foreign disaster relief efforts, and noncombatant evacuation operations. The DoD FMR notes that its use of “contingency operation,” in volume 12, chapter 23, is more encompassing than the specific definition contained in Title 10, United States Code, section 101(a), paragraph 13.

Adjusted Trial Balance System (GTAS) DEFC domain value “3” (DEFC-3).⁸ Then on May 24, 2022, after the May 21, 2022 enactment of Public Law 117-128, OMB required that agencies report “emergency” funds from Public Law 117-128 (including retroactive reporting) using the GTAS DEFC domain value “6” (DEFC-6).

DoD Financial Management Regulation

The DoD Financial Management Regulation (DoD FMR) states that cost reporting is an integral part of the DoD’s stewardship and that the DoD Components must make every effort possible to capture and accurately report the cost of the contingency operation. According to the DoD FMR, DoD Components are required to report the obligation of all funds (regardless of the source) to cover the incremental costs of the contingency, including funds received in supplemental.

Additionally, the DoD FMR states that incremental costs are additional costs that DoD Components would not have incurred had they not supported the contingency operation. The DoD FMR further explains that the cost of material, equipment, and supplies from regular stocks is an allowable incremental cost when DoD Components use these items for providing directed assistance.⁹

The DoD’s Use of the Additional Ukraine Supplemental Funds

Of the \$20.1 billion in DEFC-6 funds, \$3 billion has been obligated (cumulative obligations) and \$1.9 billion has been disbursed (cumulative disbursements). The following are some examples of OMB Object Classification categories and the associated amounts of DEFC-6 funds reported in Advana as of August 17, 2022, as obligated in support of Ukraine operations.

- Other Contractual Services (\$1,958.8 million)
- Supplies and Materials (\$371.4 million)
- Equipment (\$305.7 million)
- Transportation of Things (\$296.9 million)
- Rent, Communications, and Utilities (\$40 million)
- Travel and Transportation of Persons (\$27.5 million)

⁸ Guidance related to the reporting of the DEFCs can be found at the MAX.gov website, under the Disaster and Emergency Funding Tracking Dashboard.

⁹ DoD FMR, volume 12, chapter 23, “Contingency Operations,” section 9.2, “Incremental Costs.”

The DoD's Reporting of Additional Ukraine Supplemental Funds

DoD leadership and Congress rely on accurate financial information reporting to ensure transparency and accountability of the DoD's use of supplemental funds for assistance to Ukraine. The DoD continued to implement processes to improve the transparency and traceability of the reporting on the execution of emergency supplemental funds. Although the OUSD(C)/CFO made improvements, we still identified areas of concern related to the DoD's process for reporting the execution of USAI funds and Advana's limitations for reporting the status of the DoD's budgetary execution.

The DoD's Continued Improvements to Advana for Reporting Execution of Funds Provided to Assist Ukraine

While OUSD(C)/CFO personnel have implemented many processes to capture and report the execution of the funds, they continue to implement or document additional processes for capturing and reporting accounting information through Advana. OUSD(C)/CFO personnel continued to hold weekly meetings with the DoD Components, where they discussed the expectations and requirements for the DoD Component personnel responsible for reporting the DoD's execution of the Ukraine supplemental funds. Furthermore, in May 2022, OUSD(C)/CFO personnel published and posted user guides in Advana for DoD Components to use when validating the execution of Ukraine supplemental funds.

OUSD(C)/CFO personnel developed the Ukraine Contingency Reporting Model in Advana, which is dedicated to tracking funding for support to Ukraine, including base funding and supplemental funding.¹⁰ Included in the model is the Contingency Dashboard, which provides a summary status of the supplemental amounts reported in DDRS-Budgetary (DDRS-B) on a monthly basis and a daily status of the DoD's execution levels.¹¹ Since the enactment of the Additional Ukraine Supplemental Appropriations Act, 2022, OUSD(C)/CFO personnel added features to the Contingency Dashboard that allow users to toggle between summary status reports for DEFC-3 and DEFC-6 funds.

Since the July 8, 2022 management advisory on the initial \$6.5 billion of DEFC-3 funds, OUSD(C)/CFO personnel took steps to help users understand the features of Advana and how to navigate the platform. OUSD(C)/CFO personnel added a user guide to the resource site (referred to as "Wiki-Advana") that includes information on the reporting of Ukraine supplemental funding. This page provides a convenient location for users of the Ukraine Contingency Dashboard to find guidance and requirements such as:

- recordings of prior training sessions over how to input data in the Ukraine Contingency Reporting Model,

¹⁰ Base funding is funding that the DoD uses to pay for its normal activities.

¹¹ While Advana is the authoritative platform for reporting the status of Ukraine assistance funds, DDRS-B is the central budgetary accounting and reporting system for the entire DoD.

- links to PowerPoint slide presentations regarding information found on the Contingency Dashboard,
- links to applicable Ukraine reporting policies,
- listings of the DoD accounting system business rules used to report execution of the funds on the dashboard,
- Organizational mapping of OUSD(C)/CFO personnel for any followup questions, and
- standard operating procedures for the accounting system data loads.

The Transparency of Fully Executed Funds Supporting the USAI

The DoD's process to provide \$6 billion of the O&M, Defense-Wide account to the Foreign Military Sales (FMS) Trust Fund for the USAI requires financial actions that could potentially mislead DoD stakeholders. Under the current process, the funds appear fully executed when in reality, the DoD simply provided the funds for execution under the DSCA's accounting system.

ADVANA Ukraine Security Assistance Initiative Application

The USAI is an initiative for the DoD to provide appropriate security assistance and intelligence support, including training, equipment, logistics support, and supplies and services, to military and other security forces of the government of Ukraine. It is a part of the Building Partner Capacity (BPC) program that the DSCA oversees.¹² As the DSCA receives the funds for the USAI, the Ukraine Contingency Reporting Model loses visibility of the funds because the Ukraine Contingency Reporting Model does not have visibility of the budget execution process in the FMS Trust Fund for the USAI.

For Advana to maintain its role as the authoritative source for reporting the execution of USAI funds, OUSD(C)/CFO personnel worked with the DSCA to develop the "ADVANA Ukraine Security Assistance Initiative Application," (USAI Application). The USAI Application is separate from the Ukraine Contingency Reporting Model and is designed to track the budgetary execution associated with the BPC USAI program codes. The BPC USAI program codes include the \$6 billion provided in the Additional Ukraine Supplemental Appropriations Act, 2022, as well as the expenditure transfers and administrative support paid for with DoD funds. The current source of the data reported through the USAI Application is the Defense Agency Initiative (DAI), the Defense Integrated Financial System (DIFS), the General Accounting and Finance System (GAFS), the General Fund Enterprise Business System (GFEBs), the

¹² The BPC programs are security cooperation and security assistance activities that are funded with U.S. Government appropriations and administered as cases within the FMS infrastructure.

The DSCA administers BPC programs under the direction of the Under Secretary of Defense for Policy and provides guidance to DoD Components and the Security Cooperation Organization on the administration and execution of BPC program activities. The DSCA oversees program-level logistics planning, provides financial management, develops and implements program policies, operates and maintains applicable BPC activity monitoring and other information management systems, and otherwise assists Requesting Authorities in achievement of BPC program objectives.

Management Information System for International Logistics (MISIL), Navy Enterprise Resource Planning (ERP), and Navy Standard Accounting, Budgeting, and Reporting System (NSABRS). Once the USAI case is prepared and approved, DSCA personnel submit an Intra-Governmental Payment and Collection (IPAC) transfer package to DFAS so that the funds requested for the case are moved out of Defense-Wide O&M and into the FMS Trust Fund for the USAI.

Funds Transfer Process

During this research project, we observed the process for providing funds from the Defense-Wide O&M account to the FMS Trust Fund for the USAI. The process begins when the DSCA prepares a documented list of requirements in support of Ukraine, called a “case.” The DSCA assigns each case to an Implementing Agency that is responsible for procuring the items and services for a particular case. Once DFAS has completed processing the IPAC transfer package, the DSCA allots the funds to the Implementing Agency responsible for implementing the USAI case and executing the funds.

To further our understanding of this process, DSCA personnel provided an IPAC transfer package that used DEFC-6 funds and the details for the associated USAI case valued at \$165 million. For this particular USAI case, the DSCA had designated the Army as the Implementing Agency. Using the Ukraine Contingency Reporting Model in Advana, we were able to trace the \$165 million through the budget execution process until disbursement from the Defense-Wide O&M account.

Then, using the USAI Application, we were able to identify that the FMS Trust Fund received the \$165 million and the subsequent allocation to the Implementing Agency. Because the Implementing Agency’s system of record, GFEBs, is among the systems feeding the USAI Application, we were able to identify where the Army had recorded obligations to purchase items and services for this USAI case.

The DoD’s Disbursements for USAI Funds Could Be Misleading

We identified the real-time status of the \$6 billion in DEFC-6 funds designated for the USAI by using both the Ukraine Contingency Reporting Model and the USAI Application in Advana. However, we identified an area of concern with the DoD’s process for providing funds from the Defense-Wide O&M account to the FMS Trust Fund. OUSD(C)/CFO personnel stated that the DoD’s process for recording expenditure transfers for USAI funds follows OMB Circular No. A-11, section 20.4(j).¹³

¹³ OMB Circular No. A-11, “Preparation, Submission, and Execution of the Budget (Revised),” August 2021, section 20.4(j).

As a result of following the OMB guidance, the DoD's process for providing the funds from the Defense-Wide O&M account to the FMS Trust Fund resulted in a disbursement recorded in the general ledger systems, even though the DoD had not issued any payments for goods or services. Because Advana reports financial transactions from the general ledger systems, it also reflected a disbursement for the transfer of the funds.

Our concern is that the DoD's process reflects disbursements when no payment for goods or services has occurred, which impacts the accuracy of Advana's reporting. During an August 25, 2022, meeting discussing this concern, OUSD(C)/CFO and DSCA personnel both agreed that the DoD's recording of the movement of funds from the Defense-Wide O&M account to the FMS Trust Fund could be improved.

Additionally, the DUSD(C) stated on September 12, 2022, that the DoD's accounting treatment of the transfer is consistent with OMB Circular No. A-11, section 20.4(j). The DUSD(C) agreed that, given the reporting focus of the disbursements, the transfers do pose a risk of being misinterpreted. The DUSD(C) further stated that the OUSD(C)/CFO has updated Wiki-Advana, the USAI Application, and the Ukraine Contingency Reporting Model to alert users that transfers out of O&M Defense-Wide to the FMS Trust fund do not represent payments for goods or services. The DoD Office of Inspector General has an ongoing audit that includes a review of the budget execution processes for the FMS Trust Fund, so we are not making any recommendations at this time.

Limitations on Advana's Reporting of Budgetary Execution

In our July 8, 2022 management advisory, we concluded that until the DoD is able to bring all of its accounting systems into compliance with SFIS 11.2, the DoD will not have a comprehensive data structure that fully supports the requirements for budgeting, financial accounting, cost/performance, and external reporting needs across the DoD enterprise. We also concluded that the DoD limited the transparency and traceability of the DEFC-3 by using journal vouchers to reclassify the execution of the funds. Since that report was issued, OUSD(C)/CFO personnel have further developed the Universal Journal Voucher Metric Application (JV Application) within Advana that tracks all journal voucher transactions from DDRS-B, and the Air Force's General Accounting and Finance System – Reengineered (GAFS-R).¹⁴ The information tracked in the JV Application includes the reasons for or the root causes for the journal vouchers and whether the journal vouchers are considered supported or unsupported based on the underlying documents. Additionally, OUSD(C)/CFO personnel have included a field in the Ukraine Contingency Reporting Model that lists an associated journal voucher identification number to differentiate which transactions originated from a posted journal voucher rather than from a regular transaction.

¹⁴ DDRS-B is the DoD's financial reporting system, and GAFS-R is the Air Force's legacy system that processes financial information related to the Air Force General Fund and Working Capital Fund.

The DoD's Use of Journal Vouchers to Report Execution

As of August 8, 2022, the DoD completed journal vouchers amounting to \$4.5 billion in DEFC-3 and DEFC-6 funds that were needed to reclassify the DEFC value as a result of DoD systems that are not compliant with SFIS 11.2. For example, we identified journal voucher No. 20228282085, dated July 12, 2022, for \$939.8 million. According to the journal voucher reason code in the JV Application, the correction was necessary because the DEFC value was not available in the accounting system (Navy ERP). The detailed reason for the journal voucher stated that all interfaced transactions that require a DEFC are assigned the value “Q,” which indicates non-emergency funds. The detailed reason continued to state that the journal voucher was posted to reclassify from the “Q” value to the applicable DEFC value for disaster and emergency spending.

This is 1 example from a total of 33 journal vouchers, amounting to \$4.5 billion in DEFC-3 and DEFC-6 funds, that were needed to reclassify the DEFC value as a result of DoD systems that are not compliant with SFIS 11.2. For example, the Navy ERP system is not compliant with SFIS 11.2 and is unable to convey the correct DEFC value. When the Navy received DEFC-6 funds for its O&M appropriation, the Navy ERP posted the \$939.8 million transaction to “Other Appropriations Realized” with the DEFC value “Q.” To correct the DEFC value, Navy and DFAS personnel had to post a journal voucher in DDRS-B correcting the initial transaction to Navy O&M’s budgetary account “Other Appropriations Realized,” by changing the DEFC value from “Q” to “6.” Until the DoD brings its accounting systems into compliance with SFIS 11.2, Advana will continue to report the budgetary status with limited information. We are not making a recommendation at this time because according to the Acting Deputy Chief Financial Officer’s response to Report No. DODIG-2022-054, the DoD Components are working toward the goal to fully implement SFIS 11.2 by FY 2024.

The DoD's Budgetary Status Is Limited in Advana

While the aforementioned journal voucher corrected the initial fund posting in DDRS-B, Advana did not capture the account the Navy used to record its allotment received. Therefore, as of August 17, 2022, Advana did not reflect that the Navy had the \$939.8 million available for use or realized in its O&M appropriation. The Allotments Received account (4580), while not the U.S. Standard General Ledger account used to record the amount available for obligation or commitment, is the budgetary account that the Ukraine Contingency Reporting Model summarizes in order to report funds as available for execution.¹⁵ According to OUSD(C)/CFO personnel, the Ukraine Contingency Reporting Model currently does not include the Navy’s allotments received in its reporting of the DoD’s “Allotments Received” because the Navy’s processes do not allow funds to be recorded against an account that is not listed in the U.S. Standard General Ledger. This is a concern because according to OMB Circular No. A-11,

¹⁵ The U.S. Standard General Ledger lists the “Allotments – Realized Resources” account (4610) as the account used to record the current-period amount available for obligation and commitment. Allowances and suballotments may be established at the Federal level.

funds cannot be obligated until realized, and we observed the Navy's obligations exceeding the amounts available for execution for the Navy's DEFC-6 funds.¹⁶ OUSD(C)/CFO personnel stated that they are aware of the reporting issue and are working to update Advana's business rules to capture the Navy's allotments received. In addition, we also observed obligations exceeding the amounts appropriated for the Air Force O&M account for both DEFC-3 and DEFC-6.

As a reporting platform, Advana gathers, organizes, and summarizes financial transaction information that it receives from the general ledger systems. Therefore, we recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD update Advana's business rules to ensure it is accurately capturing the budgetary status of the Ukraine supplement funds for all the DoD Components.

Update to the Status of the Ukraine Supplemental Funds

The Ukraine Supplemental Appropriations Act, 2022, included the \$3.028 billion in DEFC-3 direct funds and \$3.5 billion in DEFC-3 reprogramming funds. As of August 17, 2022, Advana reported that \$3.3 billion had been obligated, and \$1.5 billion had been disbursed. The following are the top six OMB Object Classification categories reported in Advana and the associated amounts of Ukraine supplemental obligations.

- Supplies and Materials (\$1,273.3 million)
- Other Contractual Services (\$1,045.7 million)
- Equipment (\$559.4 million)
- Transportation of Things (\$241.8 million)
- Travel and Transportation of Persons (\$77 million)
- Rent, Communications, and Utilities (\$71.6 million)

Conclusion

DoD leadership and Congress rely on accurate and current financial information reporting when ensuring transparency and accountability of the DoD's use of the \$6.5 billion of DEFC-3 funds and \$20.1 billion of DEFC-6 funds. OUSD(C)/CFO personnel have improved the functionality of Advana to increase the traceability, transparency, and reporting of Ukraine supplemental funds execution since our July 8, 2022 management advisory, including the tracking of journal vouchers and the reporting of USAI funds.

However, as the DoD is building processes and procedures to ensure the transparency of the reporting for the Ukraine supplemental funds, we identified areas of concern that, if not adequately addressed, could cause the DoD to inaccurately report the budget execution status of Ukraine supplemental funds in Advana. Specifically, these areas of concern are the DoD's processes for reporting the movement of funds to the FMS Trust Fund, the DoD's use

¹⁶ OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget (Revised)," August 2021, sections 120.12(a) and 20.5(a).

of journal vouchers limiting Advana's reporting, and the DoD's inconsistent recording of allotments received. OUSD(C)/CFO personnel were aware of the issues and were developing processes to enable accuracy of transactions and reporting of funds execution. As the DoD continues to provide assistance to Ukraine, or whether the DoD supports another contingency in the future, addressing these areas of concern will be critical for improved transparency and accuracy in reporting the use of emergency supplemental funds.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, update Advana's business rules to ensure it accurately captures the budgetary status of the Ukraine supplement funds for all the DoD Components.

Management Comments

The DUSD(C), responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, agreed with the recommendation, stating that these business rules are critical and that the OUSD(C)/CFO has taken action to update Advana's business rules to accurately report the budgetary status of the Ukraine supplemental funds for all DoD Components.

The DUSD(C) further explained that the OUSD(C)/CFO continues to improve the Advana platform with the objective of increasing traceability, transparency, and accuracy of financial reporting. The DUSD(C) provided the example of using business rules within the Advana platform as a migration for systems that are not compliant with SFIS version 11.2.

Our Response

Comments from the DUSD(C) addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. Since the issuance of the draft management advisory, we received information from the DoD Components indicating that the OUSD(C)/CFO needs to continue its efforts to address the accuracy of reporting the budgetary status of Ukraine supplemental funds using the Advana platform. Although the DUSD(C) stated that the OUSD(C)/CFO has addressed the recommendation, additional work is needed to ensure that Advana is accurately capturing the budgetary status of Ukraine supplemental funds for all DoD Components. We will close this recommendation once we verify that the OUSD(C)/CFO has taken action to ensure the Advana business rules accurately reflect the budgetary status of the Ukraine supplemental funds for all DoD Components. Additionally, we updated the management advisory to include management actions taken to further clarify the accounting treatment of the USAI funds.

Management Comments

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD



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

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Response to Department of Defense Office of Inspector General Management Advisory Memorandum regarding the DoD's Use of Additional Ukraine Supplemental Appropriations Act, 2022 Funds, dated September 2, 2022 (Project No. D2022-D000FL-0123.001)

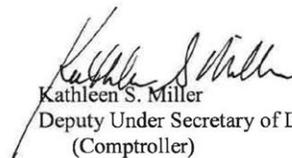
I have reviewed the subject management advisory memorandum and my response to the recommendation is attached.

The Office of Under Secretary of Defense (Comptroller) continues to improve the Advancing Analytics (Advana) platform with the objective of increasing traceability, transparency, and accuracy of financial reporting. An example of this includes using business rules within the Advana platform as a mitigation for systems that are not SFIS version 11.2 compliant. We concur these business rules are critical and have taken action to update Advana as recommended in this advisory.

We have reviewed your concerns related to expenditure transfer (disbursement) of Ukraine Security Assistance Initiative (USAI) funds. Since this is a transfer of budgetary resources from a general fund to a trust fund, the accounting treatment DoD applies is consistent with Office of Management and Budget Circular A-11, Section 20.4.j. Given the reporting focus on disbursements, the transfer does pose a risk of being misinterpreted. Accordingly, we've updated the Wiki-Advana website, Advana Ukraine Contingency Reporting Model, and the Advana USAI Application to alert users that funds transferred from the Operation and Maintenance, Defense-Wide account to the Foreign Military Sales Trust Fund do not represent payments for goods or services.

As of September 6, 2022, the Department obligated a total of \$4.8 billion (80 percent) of the \$6 billion in Ukraine supplemental funds set to expire on September 30, 2022.

Please direct any questions or comments regarding this response to [REDACTED] Associate Director, Contingency and International Programs, [REDACTED] or [REDACTED].


Kathleen S. Miller
Deputy Under Secretary of Defense
(Comptroller)

Attachment:
As stated

Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD (cont'd)

**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C))
RESPONSE TO DOD OFFICE OF INSPECTOR GENERAL MEMORANDUM**

**DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL
MANAGEMENT ADVISORY MEMORANDUM
“THE DOD’S USE OF ADDITIONAL UKRAINE SUPPLEMENTAL
APPROPRIATIONS ACT, 2022 FUNDS,” DATED SEPTEMBER 2, 2022
(PROJECT NO. D2022-D000FL-0123.001)**

Recommendation 1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, update Advana’s business rules to ensure it accurately captures the budgetary status of the Ukraine supplement funds for all the DoD Components.

OUSD(C) Response: The Office of the Under Secretary of Defense (Comptroller) updated Advana’s business rules to accurately report the budgetary status of the Ukraine supplemental funds for all DoD Components.

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For more information about DoD OIG reports or activities, please contact us:

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