



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

MAR 16 2011

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

This letter reports a violation of the Antideficiency Act (ADA), Navy case number 10-03 (enclosed), as required by section 1351 of Title 31, United States Code. A violation of section 1341 occurred in account 17 8 1453, Military Personnel, Navy (MPN) in the amount of \$183,241,112.00.

The MPN appropriation is a centrally managed, single-year appropriation that funds military pay and allowances and other related military personnel costs. These costs include fundamental components of military pay – including basic pay, basic allowance for housing, and basic allowance for subsistence – as well as more complex costs such as Permanent Change of Station moves, incentive pay and bonuses, and clothing allowances. The violation occurred when the Bureau of Naval Personnel (BUPERS) overobligated the Fiscal Year 2008 MPN appropriation. The BUPERS Comptroller Office was unable to properly exercise internal control and management oversight of the MPN account, thereby preventing them from accurately assessing the overobligation and requirement for additional funding for the Fiscal Year 2008 MPN account. Although some funding requests and mitigation strategies were executed during the fiscal year, they were insufficient to liquidate all obligations.

Ms. Erin Kern, Director, Resource Management Division/BUPERS Comptroller, SES; Mr. Frank Rendon, Deputy Comptroller, YC-0505-03; and Mr. Thomas C. Smith, Former Head, MPN/Reserve Personnel, Navy, Financial Management Section, YC-0501-03, were responsible for the violation. Administrative discipline was imposed on Ms. Kern, Mr. Rendon and Mr. Smith. Ms. Kern and Mr. Rendon were issued letters of caution, and Mr. Smith was orally counseled. It was determined that the violation contained no willful or knowing intent on the part of the responsible parties to violate the ADA.

To prevent a recurrence of this type of violation, BUPERS has instituted the use of the new Critical Balance accounting report that relays daily information on the status of expenditures and cash balances in the appropriation. The BUPERS has also partnered with the Defense Finance and Accounting Service (DFAS)-Cleveland to identify weaknesses and flaws in processes and establish agreed-upon procedures to ensure proper monitoring of the MPN account. This partnership has already led to new standard operating procedures for BUPERS and DFAS.

Identical reports will be submitted to the President of the Senate, Speaker of the House of Representatives, Comptroller General of the United States, and Director of the Office of Management and Budget.

Respectfully yours,

A handwritten signature in cursive script that reads "Robert F. Hale".

Robert F. Hale

Enclosures:
As stated



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MAR 16 2011

The Honorable Joseph R. Biden, Jr.
President of the Senate
United States Senate
Washington, DC 20510

Dear Mr. President:

This letter reports a violation of the Antideficiency Act (ADA), Navy case number 10-03 (enclosed), as required by section 1351 of Title 31, United States Code. A violation of section 1341 occurred in account 17 8 1453, Military Personnel, Navy (MPN) in the amount of \$183,241,112.00.

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Sincerely,

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Robert F. Hale

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MAR 16 2011

The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, DC 20515

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