



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

COMPTROLLER

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

SEP 7 2011

Dear Mr. President:

This letter reports violations of the Antideficiency Act (ADA), Navy case number 07-10 (enclosed), as required by title 31, U.S.C., sections 1351 and 1517(b). The violations occurred within the Operation and Maintenance, Navy (O&M,N) account 17 * 1804, during Fiscal Year (FY) 2004 and FY 2006 at the Bureau of Naval Personnel (BUPERS). The violations totaled \$8,215,989.00.

The violations occurred when BUPERS did not follow the required statutory and regulatory procedures to develop, enhance, and implement a defense business system, Navy Manpower Program Budget System (NMPBS). BUPERS incorrectly obligated O&M,N funds to finance the procurement of computer hardware, software licenses, and software technical support services. The use of O&M,N funds to procure computer servers and software licenses, items that met Department of Defense Financial Management Regulation cost definition of investment rather than expense, led to three purpose statute violations, (title 31, U.S.C., section 1301(a)), which resulted in three violations of title 31 U.S.C. section 1517 in the amount of \$2,791,358.00 as BUPERS did not possess the properly chargeable procurement appropriation at the time of the erroneous obligations. In addition, because the total cost of the modernization of NMPBS exceeded the threshold set forth in title 10 U.S.C. section 2222(a), the obligation of O&M,N funds after October 1, 2005 resulted in four violations of title 31 U.S.C. section 1341 in the amount of \$5,424,631.00.

Mr. Fred Chambers, Comptroller, GS-15; Ms Dorthy Reese, Supervisor Financial Analyst, YC-03; Mr. Pat McLaughlin, Comptroller, ES-04; Ms. Renee Presley, Head, Headquarters Execution Section, GS-14; and Mr. Al Bond, Head, Claimancy Resource Branch, GS-15, were responsible for the violations. Mr. Bond was issued a letter of caution and the other individuals have retired or are no longer employed in the Federal Service. There was 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 trained employees on the requirements of title 10 U.S.C. section 2222 and the process for obtaining approval from the Defense Business Systems Management Committee (DBMSC) on defense business systems. In addition, employees are required to be familiar with the *Investment Certification and Annual Review Process User Guide*, which provides information related to DBMSC and Investment Review Board certifications.

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

Enclosure:
As stated



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

COMPTROLLER

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

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Sincerely,

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COMPTROLLER

UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1100

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

SEP 7 2011

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