



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

COMPTROLLER

DEC 22 2016

The Honorable Gene Dodaro  
Comptroller General of the United States  
Washington, DC 20548

Dear Mr. Dodaro:

This letter reports multiple violations of the Antideficiency Act (ADA), Air Force case number 12-01 (enclosed), as required by 31 U.S.C. § 1351. The violations involved fiscal years (FY) 2006 through FY 2010 Air Force Operations and Maintenance (O&M) funds. The violations totaled \$77.4 million and occurred within the Air Force Enterprise Services (AFES) Gunter Annex, Maxwell Air Force Base (AFB), Alabama. In this case, AFES, formerly known as the Commercial Information Technology Product Area Directorate (CITPAD), improperly collected surcharges on technology transactions from FY 2006 through FY 2010 and deposited the funds through the Defense Finance and Accounting Service, into AFES' O&M account. This action resulted in an augmentation in the O&M account, for each of those years, at AFES and the Electronic Systems Center (ESC), Hanscom AFB, Massachusetts, which is one funding level above AFES. As the surcharges exceeded the unobligated balances of the O&M appropriations made to the ESC, the augmentation of O&M appropriated funds resulted in uncorrectable violations of 31 U.S.C. § 1517(a).

The AFES/CITPAD was managed by the Air Force Information Services Activity Group (ISAG) which reported up the chain to ESC and then to the Air Force Materiel Command (AFMC) at Wright Patterson AFB, OH. The AFES' resources were focused on supporting Air Force and DoD customers' IT requirements. During the 1990s, the AFES was first authorized as a Fee-For-Service activity, and then transitioned, along with ISAG, into a working capital fund. During this time, in order to utilize an AFES sponsored contract, customers were required to pay a surcharge. In FY 2005, the Under Secretary of Defense (Comptroller) (USD(C)) through Program Budget Decision (PBD) 703, directed the Air Force to decapitalize ISAG (including AFES) from a revolving budget authority to an appropriated authority. As a result, AFES was required to transfer its funding authority from the Air Force Working Capital Fund to an O&M appropriation. However, the AFMC and ESC maintained the AFES/CITPAD funding through a surcharge or fee-for-service. This funding execution was contradictory to the official guidance put forth in the PBD 703; further, the AFES lacked legal authority to charge and retain the funds obtained through these surcharges.

As a result, the AFES was not allotted any O&M direct budget authority by ESC or AFMC to operate. Because AFES was provided \$0 direct funding, all surcharge reimbursements resulted in an augmentation to AFES' direct funding. Under 31 U.S.C. § 1517, ADA violations occur at the lowest level at which there was a formal administrative subdivision of funds. The Air Force established the lowest formal administrative subdivision of funds at the ESC level. The funds that passed to subordinate



organizations like ISAG and AFES were only considered targets. Therefore, violations of 31 U.S.C. § 1517 could only occur at funding levels above AFES – here ESC. The section 1517 violations occurred at ESC to the extent that the surcharge reimbursements spent in the applicable year, exceeded ESC’s unobligated balance of O&M appropriations for that year. For FYs 2006 through FY 2010 the amounts were \$8.0 million, \$14.9 million, \$17.2 million, \$17.1 million, and \$20.2 million, respectively.

Two comptrollers of the AFMC Headquarters (HQ); three comptrollers from the ESC; and the Acting Comptroller & Deputy Comptroller, HQ AFMC, were found responsible for the 31 U.S.C. § 1517(a) violations. No disciplinary actions were administered. The commanders/supervisors determined that no disciplinary action was appropriate in this case, because the responsible individuals were named solely due to their leadership positions as comptrollers of either the AFMC or the ESC. The violations contained no willful or knowing intent on the part of the responsible individuals to violate the ADA.

To prevent a recurrence of these types of violations, AFES operating costs are funded by direct Air Force O&M appropriations. Starting in FY 2011, the AFMC recognized AFES as a directly funded activity and no longer collected surcharges or reimbursements unless properly documented as an Economy Act order.

Identical reports are also being submitted to the President (through the Director of the Office of Management and Budget), President of the Senate, and Speaker of the House of Representatives.

Sincerely,



Michael McCord

Enclosure:  
As stated