



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109
NOV 1 2007

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Interagency Agreements Reference Tool

1. Reference the attached United States Army Space and Missile Defense Command memorandum, dated April 10, 2007, subject: Summary Report on Army-Wide Review of Controls over Army Military Interdepartmental Purchase Request (MIPRs).
2. Results of the review revealed that procedures were not always followed related to best interest determinations for Economy Act orders or certifications for use of non-DoD contracts. Bona fide need rule was not always adhered to, requirements were not clearly stated, and improvements were needed to ensure all goods and services were provided. In addition, the review of unliquidated obligations needed improvements.
3. The attached Interagency Agreements Reference Tool incorporates Acquisition and Financial Management requirements, regulations, and policy pertaining to Interagency Agreements and will serve as a guide to facilitate compliance with executing future Interagency Agreements.
4. My point of contact is Ms. Elsie Steffany. She can be reached at (703) 693-2772 or by email at elsie.steffany@hqda.army.mil.


John J. Argodale
Deputy Assistant Secretary of the Army
(Financial Operations)

Attachments

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Commandant, U.S. Army Finance School, ATTN: ATSG-FS
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President, National Defense University, ATTN: NDU-RMD
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NJ 07806-5000
Program Executive Office Air, Space and Missile Defense, ATTN: SFAE-ASMD,
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35898-8000



DEPARTMENT OF THE ARMY
U.S. ARMY SPACE AND MISSILE DEFENSE COMMAND/
ARMY FORCES STRATEGIC COMMAND
POST OFFICE BOX 1500
HUNTSVILLE, AL 35807-3801

REPLY TO
ATTENTION OF

SMDC-IR

10 April 2007

MEMORANDUM FOR Assistant Secretary of the Army (Financial Management and Comptroller)

SUBJECT: Summary Report on Army-Wide Review of Controls over Army Military Interdepartmental Purchase Requests (MIPRs)

1. **Purpose:** This memorandum provides summary results for the Army-wide review of controls over Army MIPRs. The Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) directed the review be performed at selected Army commands and activities.

2. **Objectives, Scope, and Methodology.**

a. Objectives. The objectives of the review were to determine if:

(1) Procedures established in the Federal Acquisition Regulation (FAR), DoD guidance, and Army guidance related to review and approval of MIPRS were followed. Specifically, whether activities:

- Prepared written determinations that it was in the Government's best interest to request support from another agency for Economy Act orders.
- Prepared and coordinated certifications required by ASA (ALT) and ASA (FM&C) Memorandum, July 12, 2005, Subject: Proper Use of Non-Department of Defense (Non-DoD) Contracts.
- Obtained advance approval for MIPRS involving contracts for the acquisition of services.
- Obtained advance approval for MIPRs involving non-DoD contracts for the acquisition of supplies.

(2) MIPRs met a bona fide need for goods or services in the year the appropriation was available,

(3) Goods and services were provided in accordance with MIPR requirements, and

(4) Unliquidated obligations (ULOs) for MIPRs were tracked and managed.

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b. Scope. Thirty Army activities participated in the review as identified at the enclosure. Internal Review (IR) Evaluators reviewed 249 FY06 MIPRs for Objectives (1) - (3), valued at about \$360 million. The following table provides a summary of the MIPRs reviewed.

	Number
Economy Act orders	228
Non-Economy Act orders	21
Issued to DoD activity	216
Issued to non-DoD activity	33
Non-DoD contract involved	28
Contract for acquisition of services involved	198
Non-DoD contract for acquisition of supplies involved	1
Total number of MIPRs reviewed	249

For Objective (4), evaluators reviewed 364 FY01-FY06 MIPRs with ULO balances totaling about \$165 million.

c. Methodology. IR Evaluators participating in the review used a series of questions provided for each review objective. In performing the review, evaluators reviewed available guidance, MIPR files, financial records, and other applicable documentation. They also interviewed responsible personnel to include financial and requirements personnel. The evaluators performed the reviews from 11 December 2006 to 9 February 2007 in accordance with DA Internal Review Evaluator standards.

3. Conclusions.

(1) Procedures established in guidance related to advance approval of MIPRs involving contracts for the acquisition of services and non-DoD contracts for the acquisition of supplies were generally followed. However, procedures were not always followed related to best interest determinations for Economy Act orders or certifications for use of non-DoD contracts.

(2) FY06 MIPRs met a bona fide need for goods or services in the year the appropriation was available. However, evaluators at one activity found some FY05 MIPRs did not represent a bona fide need in FY05.

(3) In most cases, goods and services were provided in accordance with MIPR requirements. However, improvements were needed to ensure all goods and services were provided and in specifying the requirements.

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(4) ULOs for MIPRs were generally tracked and managed. However, improvements were needed. About \$6.112 million was deobligated as a result of this Army-wide review.

4. Background.

a. Army-wide Review. The ASA(FM&C) directed the U.S. Army Space and Missile Defense Command/U.S. Army Forces Strategic Command IR Office (SMDC-IR) lead the Army-wide review. SMDC-IR coordinated selection of participating IR offices while each IR office selected the MIPRs reviewed. Each participating IR office summarized their results in a formal report provided to the activity with a copy sent to SMDC-IR. This report summarizes results of all these reviews.

b. MIPRs. Army activities use MIPRs as the primary document to order goods or services from other DoD Components as well as other Government agencies. Each year billions of DoD and Army dollars are spent using MIPRs. In many cases, this represents an effective way to accomplish acquisitions in support of Army's mission. However, recent DoD Inspector General and Army Audit Agency reports identified several issues associated with the use of MIPRs for the acquisition of goods and services. MIPRs should not be used to circumvent conditions and limitations imposed on the use of funds nor are they a substitute for poor acquisition planning.

c. Authority. In the absence of other specific statutory authority, activities use the Economy Act to issue MIPRs to other agencies. The Act was designed to promote economy in Government operations by permitting interagency use of resources and contracts. Activities also use MIPRs to place orders with other government agencies under specific authorities if the other agency either provides the supplies/services or acts as the ordering activity for a contract or delivery or task order against a contract. MIPR roles, responsibilities, and requirements are set forth in the FAR, Defense and Army FAR Supplements, and DoD and Army guidance.

d. Review and Approval. MIPRs are subject to multiple review and approval processes according to the type of agency the MIPR is issued to, what is being acquired, and whether or not a contract is involved.

(1) All Economy Act orders require the head of the requesting activity to determine if it's in the Government's best interest to request support from another agency.

(2) Orders involving non-DoD contract vehicles for amounts greater than the simplified acquisition threshold (generally \$100,000) require consultation with the designated contracting office regarding the various DoD contractual options available to obtain the supplies and services and any unique terms, conditions, and requirements that must be

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incorporated into the resultant non-DoD order or contract. Heads of requiring activity are required to execute and coordinate a written certification regarding best interest of the government and the factors considered. The certification is required in addition to the Economy Act determination for MIPRs subject to the Act.

(3) Orders involving contracts for the acquisition of services require advance approval at the level dictated by the dollar threshold of the order.

(4) Orders involving non-DoD contracts for the acquisition of supplies also require advance approval at the level dictated by the dollar threshold.

e. **Bona Fide Need.** Goods or services required under orders placed obligating an annual or multiple-year appropriation must meet a bona fide need of the period for which funds were appropriated.

f. **Receipt of Goods or Services.** In order to monitor and track receipt of goods or services ordered, the organization issuing a MIPR should include a description of the supplies or services requested and the period of performance. A MIPR description that is definite, certain, and specific is essential for ensuring the Army receives what it pays for.

g. **Unliquidated Obligations.** Fund holders and financial managers should be proactively involved in managing and clearing ULOs for MIPRs so unused funds can be made available for other requirements. It is critical that unneeded ULO balances be identified and cleared as early as possible before the appropriation expires or is cancelled.

5. Results.

a. **Objective 1: Determine if procedures established in the FAR, DoD guidance, and Army guidance related to review and approval of MIPRS were followed. Specifically, whether activities:**

- Prepared written determinations that it was in the Government's best interest to request support from another agency for Economy Act orders.
- Prepared and coordinated certifications required by ASA (ALT) and ASA (FM&C) Memorandum, July 12, 2005, Subject: Proper Use of Non-Department of Defense (Non-DoD) Contracts.
- Obtained advance approval for MIPRS involving contracts for the acquisition of services.
- Obtained advance approval for MIPRs involving non-DoD contracts for the acquisition of supplies.

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(1) Economy Act Orders. In most cases, activities did not prepare written determinations of best interest to the government for Economy Act orders.

Economy Act Orders		
	#	%
MIPRs with Written Determinations	64	28.07
MIPRs Using Mandatory Source	7	3.07
MIPRs Using Army-DoD wide contract	11	4.83
MIPRs with Memorandums of Agreement/Understanding	7	3.07
MIPRs with no determination or other support for best interest	139	60.96
Total Economy Act orders	228	100.0

In many cases, activity personnel stated they were not aware of the requirement to prepare best interest determinations. In other cases, activity personnel misinterpreted the guidance or thought the determination was inherent with the signature on the DD Form 448 or approval of the budget. Personnel at one activity stated it would be an administrative burden to prepare written best interest determinations. They said the burden would slow fund execution. The determinations though, provide assurance orders are not being used to circumvent conditions and limitations imposed on the use of funds or as a substitute for poor acquisition planning.

(2) Non-DoD Contract Vehicles. Activities did not prepare or properly coordinate and approve certifications for 12 of the 28 MIPRs (42.86%) reviewed. For most of the 12, activity personnel stated they were not aware of the requirement. In addition to the assurance provided by certifications that non-DoD contract vehicles are not being used to circumvent conditions and limitations imposed on the use of funds or as a substitute for poor acquisition planning, the certifications provide consistency and discipline to the DoD acquisition process.

(3) Acquisition of Services. Activities obtained appropriate advance approval for MIPRs involving contracts for the acquisition of services in most cases (all but three).

(4) Acquisition of Supplies. For the one MIPR involving the acquisition of supplies using a non-DoD contract, the activity obtained appropriate advance approval.

b. Objective 2: Determine if MIPRs met a bona fide need for goods or services in the year the appropriation was available.

Results. For the 249 FY06 MIPRs reviewed, evaluators found MIPRs met a bona fide need for goods or services in the year the appropriation was available. In looking at FY06 requirements, however, evaluators at one activity found eight FY05 MIPRs that

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did not represent a bona fide need in FY05. About \$5.8 million of the \$6.8 million obligated for the eight MIPRs represented a bona fide need in FY06. Funds were disbursed without delivery of the services because the services were not required until FY06.

c. Objective 3: Determine if goods and services were provided in accordance with MIPR requirements.

Results. In most cases, goods and services were provided in accordance with MIPR requirements. However, improvements were needed to ensure all goods and services were provided and in specifying the requirements. The period of performance was complete for 122 of the 249 FY06 MIPRs reviewed. The goods or services were received for 110 of the 122 MIPRs. However, goods or services either had not been received or receipt could not be verified for the remaining 12 (9.84%). In addition, evaluators found orders were not always specific, definite, and certain as to the work to be done, terms of the order, or required delivery date (65 or 26.10% of the 249 MIPRs reviewed).

d. Objective 4: Determine if ULOs for MIPRs were tracked and managed.

Results. While ULOs for MIPRs were generally tracked and managed, some improvements were needed. Evaluators reported problems with the procedures for tracking and managing ULOs for MIPRs or the way they were implemented for 9 of the 30 activities reviewed (30%). Problems cited included lack of follow-up when requests for information were ignored, exclusion of certain MIPRs based on criteria for follow-up, lack of thoroughness, unavailability of obligation documents, inadequate research and analysis, and time constraints. Evaluators found at least 6 of the 30 activities did not participate in the review of ULO balances for MIPRs directed by the ASA (FM&C) on 27 Jul 06. When evaluators reviewed 364 FY01-FY06 MIPRs with ULO balances to determine if there was a continued need for the balances, they found there was not a continued need for at least part of the balance for 118 of the MIPRs. About \$6.112 million was deobligated as a result of the evaluators' review.

6. Recommendations. This summary report provides results of the Army-wide review to the ASA (FM&C) for consideration and further action as deemed appropriate. The 26 IR offices participating in the review made 74 recommendations to the respective commands. One office suggested the ASA (FM&C) develop a Standard Operating Procedure on the proper use of MIPRs to include a checklist to be attached to each MIPR that is prepared by an activity. A checklist could prove beneficial in negotiating the various reviews and approvals a MIPR could be subject to depending on who the MIPR is issued to, what is being acquired, and whether or not a contract is involved.

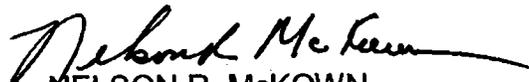
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The same office also suggested the ASA (FM&C) send annual taskers requiring activities review ULOs for MIPRs, deobligate where possible, and report the results.

7. Other Relevant Matters. One IR office addressed concerns about the way the Defense Finance and Accounting Service (DFAS) processes charges for individual MIPRs when multiple MIPRs are included on DD Forms 250. DFAS personnel told the activity they charge the MIPR with the greatest unliquidated balance, regardless of how many different MIPRs are listed on the DD 250. As a result, MIPRs charged showed an understated available balance and those not charged showed an overstated available balance. In addition, charges are not appropriately matched to purpose. The DFAS practice has led to confusion and an increase in workload for the financial personnel involved when they attempt to correct the accounting entries.

8. Point of Contact. The SMDC point of contact for this report is Debbie Elliott at Debbie.Elliott@smdc.army.mil, (256) 955-2777 (DSN 645), or Joe Beard at Joe.Beard@smdc.army.mil, (256) 955-2464 (DSN 645).


NELSON R. MCKOWN
Chief, Internal Review and
Audit Compliance Office

Enclosure

Participating Sites

Activity/Command

Servicing IR Office

HQDA

OAA
ASA(FM&C)

HQDA IR Office
HQDA IR Office

AMC

HQ, AMC
AMCOM LCMC
ASC-JMC
CE-LCMC
Pine Bluff Arsenal

HQ, AMC IR Office
AMCOM LCMC IR Office
ASC-JMC IR Office
CE-LCMC IR Office
Pine Bluff Arsenal IR Office

USAR

88TH PRC
94TH PRC
99TH PRC

88TH PRC IR Office
94TH PRC IR Office
99TH PRC IR Office

USACE

Mobile Engineer District
Huntsville Engineering Center

Mobile Engineer District IR Office
Huntsville Engineering Center IR Office

INSCOM

NGIC

NGIC IR Office

TRADOC

HQ, TRADOC
FT. GORDON

HQ, TRADOC IR Office
USAG FT. GORDON IMCOM IR Office

PEO

PEO, C3T
PEO, EIS
PEO, IEW&S

CE-LCMC IR Office
~~CE-LCMC IR Office~~
CE-LCMC IR Office

FORSCOM

HQ, FORSCOM
FT. DRUM
FT. CAMPBELL
FT. MCCOY

HQ, FORSCOM IR Office
USAG FT. DRUM IR Office
USAG FT. CAMPBELL IR Office
USAG FT. MCCOY IR Office

IMCOM

USAG FT. DRUM
USAG FT. CAMPBELL
USAG FT. MCCOY
USAG HI SCHOFIELD BARRACKS

USAG FT. DRUM IR Office
USAG FT. CAMPBELL IR Office
USAG FT. MCCOY IR Office
USAG HI SCHOFIELD BARRACKS IR Office

Enclosure

Participating Sites

USARPAC

25TH INFANTRY DIVISION

USAG HI SCHOFIELD BARRACKS IR Office

NGB¹

HQ, NGB

MICHIGAN

MISSISSIPPI

HQ, NGB IR Office

MICHIGAN IR Office

MISSISSIPPI IR Office

¹An additional NGB site participated but the results were not included in the summary report because the activity had no MIPRs above the Simplified Acquisition Threshold.

Enclosure