

SYNOPSIS OF SIGNIFICANT INTERNAL REVIEW REPORTS FY 97 -- VOLUME 1



Army Internal Review
...changing to serve a changing Army!

**Office, Assistant Secretary of the Army
(Financial Management and Comptroller)**

TABLE OF CONTENTS

PART I - BASOPS

	<u>Page</u>
BASOPS - DPW	5
<i>Utility Sales</i>	
<i>Barracks Utilization</i>	
<i>Ecosystem Initiative</i>	
<i>Overtime in the Fire Department</i>	
BASOPS - DOL	6
<i>Property Management</i>	
<i>Stock Fund Bypass Test</i>	
<i>Retail Supply Stockage Level</i>	
<i>General Service Administration (GSA) Rental Fleet</i>	
<i>Laundry and Dry Cleaning Prices</i>	
<i>Review of Expendable Property Accountability</i>	
BASOPS - DOC	8
<i>Procurement Sources</i>	
<i>Service Contract Obligation Management</i>	
<i>IMPAC Credit Card</i>	
<i>DEH Contractor Support Invoices</i>	
<i>Audit of Custodial Service Contracts</i>	
BASOPS - DPCA	9
<i>Statements of Nonavailability for Temporarily Displaced Soldiers</i>	
<i>Tuition Assistance</i>	
<i>Civilian Resource Conservation Program</i>	
<i>Accountability of Separate Rations (SR) Payments and Management of Personnel Files</i>	
<i>Alternate Work Schedule (AWS) and Overtime Procedures</i>	
BASOPS - MORALE, WELFARE & RECREATION	10
<i>Cash and Merchandise Accountability at the Golf Course</i>	
<i>Accountability Over Resale Merchandise at the Officer's Club</i>	

PART II - OTHER FUNCTIONAL AREAS

	<u>Page</u>
RESOURCE MANAGEMENT	13
<i>Suspended Bills</i>	
<i>Activity Based Costing</i>	
<i>Review of Tax-Exempt Certificates</i>	
<i>Civilian Timekeeping and Overtime Procedures</i>	
<i>Imprest Fund Purchases</i>	
<i>Audit of TDY Costs</i>	
<i>Audit of Parachute Pay</i>	
ENGINEERS	15
<i>Audit of Construction in Progress Account</i>	
OTHER PERSONNEL	15
<i>Distribution of Air National Guard's Full-Time Employment Authorizations</i>	
INFORMATION MANAGEMENT	15
<i>Information System Security</i>	
<i>Review of Software Accountability</i>	
<i>Acquisition, Use and Control of Commercial Software</i>	
<i>Adequacy/Propriety of Operating for Telecommunication Services</i>	
OTHER LOGISTICS	16
<i>Unit Prescribed Load List (PLL)</i>	
<i>Material Returned for Credit to the Wholesale System</i>	
<i>Retail Supply Operations</i>	
<i>Review of Transportation Contract Costs for Operation Joint Endeavor</i>	
<i>Managing Non-Tactical Vehicles and Special Purpose Equipment</i>	
MEDICAL	18
<i>Fraudulent Billings to OCHAMPUS and Other Health Care Insurance Companies</i>	
<i>VA Outpatient Visits</i>	
<i>Urgent Care Center Hours of Operation</i>	
<i>Fraudulent Actions by a Direct Health Care Provider (DCHP)</i>	
<i>Drugs Loaned to Local Hospitals</i>	
<i>Ambulatory Patient Visit Meal Funding Policy</i>	

PART I

***SIGNIFICANT AUDITS OF
BASE OPERATIONS
(BASOPS)
FUNCTIONAL AREAS***

BASOPS - DPW

UTILITY SALES. The overall audit objective was to determine if the Directorate of Public Works (DPW) was charging the appropriate activities for utilities and if the methodology used to determine the utility rate was valid. IR auditors found that DPW did not charge all activities equitably for utility expenses. DPW also did not bill all tenants, contractors, private organizations, and nonexempt category "C" Morale, Welfare, and Recreation activities for utility expenses. DPW under-billed the colleges for their utilities. DPW was billing 78% of reservation and commodity fees directly to Family Housing rather than billing them to activities based on usage. DPW inadvertently sent double bills for distribution system costs. DPW was using a locally developed software application that was inefficient and required entering the same data in four different places. Also, DPW had not installed meters on all reimbursable customers' buildings where annual gross revenue equaled or exceeded ten times the cost of installation. Auditors identified potential monetary benefits of \$1.4M from the proper use of the most efficient fuel source and the potential increase in revenue from billing Transient Housing for utilities.

BARRACKS UTILIZATION. An audit performed by an IR office of the area barracks showed that more rooms and spaces were available than reported. There were 1,117 rooms in the barracks that could be used to house about 1,800 soldiers (E-4 and below). The data base showed that only about 70 percent of the space available was utilized during October 1996. Space was available to house a large number of additional soldiers. IR suggestions provided options on how to house additional soldiers, with reduced relocations of soldiers currently living in the barracks.

ECOSYSTEM INITIATIVE. The IR office at one installation was requested by the Director of Public Works to perform a consulting review to improve procedures. The installation is the executive agent for the management and coordination of this \$4.5M fund. Others participating are the Marine Corps, Navy, Air Force, Department of the Interior and state agencies. IR found the initiative to be on track but proposed the following improvements:

- Developing a problem resolution matrix to identify ongoing problems, possible solution options and status of corrective actions.
- Renegotiating the memorandum of understanding between the Bureau of Land Management to specifically identify the data requirements and timeliness.
- Ensuring agreement and consistency between the initiative's original plan and objective, the memorandum of understanding, and the contract between the Bureau of Land Management and a State University.

OVERTIME IN THE FIRE DEPARTMENT. The audit objective was to determine if the fire department required overtime. IR found that the extensive overtime in FY 96 occurred because management did not staff the fire department at the minimum level needed to allow routine time off. Additionally, management sent three fire fighters to long-term training at the same time. The auditors determined that hiring two fire fighters would eliminate most overtime resulting in a cost avoidance of \$84,000.

BASOPS - DOL

PROPERTY MANAGEMENT. A tenant command requested this audit as a precursor to an inspection by their MACOM. Using inspection checklist questions, IR reviewed various aspects of their operation and reported they had very serious problems. Among these were (i) an overall lack of awareness of policies and procedures; (ii) a property book that cited invalid authorizations for many of the lines; and (iii) an inaccurate Quantity Authorization Report showing \$6.5 million in excess and short items based on the invalid property book authorizations. The MACOM validated the report and sent a 10-person team for two weeks to help the tenant command make the corrections.

STOCK FUND BYPASS TEST. The IR Office at another command was requested by the Director of Logistics (DOL) to review the Stock Fund Bypass Test. IR was asked to (i) obtain and review the basic documents that authorized the installations to participate in the Stock Fund Bypass Test; (ii) evaluate the effectiveness and efficiency of the DOL's policies and controls used in the Stock Fund Bypass Test; and (iii) make sure credit card holders that use the Stock Fund Bypass Test comply with the system requirements.

IR concluded that the DOL had not formally requested participation in the MACOM Stock Fund Bypass Test and was therefore utilizing procedures that had not been approved.

RETAIL SUPPLY STOCKAGE LEVEL. The audit disclosed that funds used to operate the Self Service Supply Center (SSSC) could be more efficiently utilized through closing of the SSSC and the purchase of retail supply items from GSA and vendors. Although it would be more expensive for organizations to purchase items from vendors or GSA, overall cost for the installation would be less because of reductions in salaries, equipment, and warehouse. A comparison of some items purchased from the SSSC versus vendors showed they were 10 to 15 percent more and 13 percent more through GSA. However, closing the SSSC will result in potential first year monetary benefits of \$1.0M and for the next five years of \$942,000. Also, the installation is considering leasing the SSSC building to another Government agency. Leasing the building could generate additional revenue for the command.

GENERAL SERVICE ADMINISTRATION (GSA) RENTAL FLEET. During the audit of the GSA vehicle fleet, it was determined that an internal control weakness existed in the reassignment and replacement of vehicles by GSA. Although the MOU specifically states that the installation has the responsibility to control the assigned vehicles, this was not taking place. GSA reassigns vehicles between activities on the installation without input or approval by the Logistics Division. In order to comply with GSA guidance, GSA reassigns vehicles between organizations to equalize the mileage of underutilized vehicles with those that have excessive mileage. Vehicles are also replaced due to the age, or the total mileage accrued. Vehicles meeting this criteria are replaced by new vehicles. The Defense Property Accountability System (DPAS) is used to manage the vehicle fleet. DPAS produces a vehicle utilization report monthly. Review of the vehicle utilization report disclosed that when vehicles are transferred between organizations, the gaining organization inherits the underutilized quarters from the

former organization. As a result, the DPAS report indicates that the gaining organization has not met the minimum quarterly mileage requirement of the vehicle, when in fact the vehicle has just been transferred to a new organization. IR reviewed the data and disclosed that 245 vehicles were underutilized. Based on further analysis, it was determined that 160 vehicles should be returned to GSA. Management agreed with the findings and recommendations and initiated corrective actions expected to generate potential monetary benefits of \$1.1M.

LAUNDRY AND DRY CLEANING PRICES. The objective of the review was to determine if prices charged for laundry and dry cleaning covered all costs associated with providing those services. IR's consulting review revealed that the prices charged for laundry and dry cleaning did not cover all costs associated with providing those services. Recommendations were developed to assist command in reducing cost of operations and increase prices for some services to ensure the costs of laundry and dry cleaning services are covered. The review identified \$1.1M in monetary benefits.

REVIEW OF EXPENDABLE PROPERTY ACCOUNTABILITY. An audit by another IR office evaluated the adequacy of internal controls over expendable supplies aboard a government vessel. Because of shortcomings identified, IR recommended that, (i) a perpetual inventory system be established over a scope of expendable supplies considered to be pilferable by management (this system would detect inventory losses not previously detectable); (ii) a separation of duties between employees ordering and receiving supplies be maintained as well as prohibiting unauthorized personnel from picking up supplies at the central receiving warehouse; and (iii) an effective Key Control System be fully implemented. Although the audit only covered one vessel, recommendations should be applied to all floating plant units that had expendable supply inventories. Management fully concurred with recommendations and took immediate corrective action.

BASOPS - DOC

PROCUREMENT SOURCES. In an audit of Orthopedic Footwear, the IR auditors at one facility found that all jungle boots and special measurement footwear issued by the Orthopedic Brace Shop should have been procured by other sources. The estimated monetary benefits were \$29,000.

SERVICE CONTRACT OBLIGATION MANAGEMENT. In a review of service contract obligation management, auditors at one facility found that the Logistics Division needed to improve monitoring of accounts and the follow-up on transactions to ensure that all actions necessary to finalize the accounts are completed. The auditors made recommendations to help clear and finalize accounts, ensure that account status remains visible until all transactions are completed, and help make the joint review process more efficient and effective.

IMPAC CREDIT CARD. The IR offices at two commands were asked to review controls over IMPAC Program purchases. The results of these audits are summarized below:

- The IR office at one command found that controls over IMPAC credit cards needed improvement. Cardholders were not always obtaining written prior approvals before making purchases. Transaction logs were not being maintained by all cardholders to monitor purchases and monthly spending limits. Purchases were being split into two or more transactions in order to stay within the \$2,500 single purchase limit. Monthly statements were not being properly reviewed, verified and reconciled, which caused missing supporting documentation to go undetected and unauthorized purchases to be made. Cardholders had no written justifications on file to explain why monthly credit card limits were exceeded. In addition, credits to accounts were not being tracked and resolved. These conditions existed because credit cardholders either were not informed or ignored required procedures.

- Another IR office discovered fraudulent misuse of the Government credit card. The incident was referred to the CID and is under investigation.

DEH CONTRACTOR SUPPORT INVOICES. The audit objective was to determine if the incoming contractor's invoices for Phase-In and Stand-By costs, are valid. The DEH requested IR perform the review. IR auditors reviewed the accuracy of proposed charges and recommended that the Defense Contract Audit Agency (DCAA) examine the subject costs before making payments. The auditors suggested that the Directorate of Contracting follow-up on other contractual matters addressed in the audit. Auditors identified about \$70,000 as "disallowed" costs, and DCAA is in the process of reviewing questioned costs.

AUDIT OF CUSTODIAL SERVICE CONTRACTS. An audit by the IR office showed that overall, contract administration was not effective for custodial service contracts. Specifically, general custodial services were paid for, but not always received; infrequently utilized areas were included in statement of work for weekly services; and square footage paid for was not always correct. IR estimated about \$1.67M of funds annually could be put to better use by improving contract administration procedures over custodial service contracts.

BASOPS - DPCA

STATEMENTS OF NONAVAILABILITY FOR TEMPORARILY DISPLACED

SOLDIERS. The Internal Review office was tasked to evaluate the installation's policies and procedures pertaining to the issuance of Statements of Nonavailability (SNAs) for soldiers temporarily displaced from barracks because of renovations and remodeling.

IR determined that (i) the installation's policy for issuing SNAs to PP personnel, when adequate barracks space is not available, did not comply with Army regulations; (ii) confusion existed in occupancy rates, because the installation's Housing Management Regulation did not specifically identify the number of occupants (E-4 and below, E-5s, or E-6s) that should be assigned to a barracks room based on the configuration and square footage of the room; and (iii) the approving authority for SNAs was in compliance with the applicable regulation.

TUITION ASSISTANCE. The IR Office at another installation performed an audit at the request of Directorate of Civilian Personnel (DCP). The purpose of the audit was to evaluate tuition assistance approvals (which may lead to a degree or promotion) provided in non-government facilities. Efforts were made to determine if tuition approvals were appropriate and if expenditures of funds were fully authorized.

Recommendations were made to DCP to delegate additional responsibilities and provide additional guidance/training to the training coordinators in each directorate. The training coordinators should coordinate the responsibilities of directors, supervisors, and DCP personnel and maintain documentation confirming that:

- Training was not primarily performed to qualify employees for promotion or degree purposes.
- Tuition approvals (DD Form 1556) were prepared properly, appropriately justified, and approved and dated prior to the course start date.
- Continued service agreements were monitored and enforced.
- Cost, quality, and applicability of instruction was economical and in the best interest of the government.

CIVILIAN RESOURCE CONSERVATION PROGRAM. Through an audit of the Civilian Resource Conservation Program (CRCP) the IR Office at one facility found that the CRCP bill of \$1.1 million was not validated before being paid to the Department of Labor. Analysis of the supporting documentation showed that about \$45,000 of the bill was erroneous. Additionally, only 50% of the total bill should have been charged to the facility; the remaining 50% should have been charged to other activities (about \$83,000). Total monetary benefits reported were \$128,000. The audit resulted in creating command awareness of the program's potential for direct monetary benefits to the installation.

ACCOUNTABILITY OF SEPARATE RATIONS (SR) PAYMENTS AND

MANAGEMENT OF PERSONNEL FILES. The IR Office at another facility found that improvements were needed in the accountability of Separate Rations (SR) payments and management of personnel files. Five soldiers were receiving SR although they did not qualify for the payments. The Chief, Personnel Division took immediate action to discontinue unauthorized payments.

ALTERNATE WORK SCHEDULE (AWS) AND OVERTIME PROCEDURES. Another IR office performed a review to determine whether the AWS Flextime program was being used correctly and in compliance with the initial program concept. An employee survey disclosed that the command employees and most supervisors approve of the AWS system and believe its use is beneficial to the morale and welfare of the employees. However, because management controls were not effective, the AWS Time Reports were not accurate. Erroneous time sheets were found in all locations reviewed. Employees were not properly recording hours worked. Other employees used pre-printed time sheets with clock times pre-recorded. Flexible lunch hours were often not reported. The usage of DA Form 5172-R, Request, Authorization and Report of Overtime, was deficient at several locations. Major deficiencies found were overtime approved after-the-fact without justification, dates of work not shown, clock hours not shown, and overtime worked without authorization. Management controls were strengthened as a result of the audit.

BASOPS - MORALE, WELFARE & RECREATION

CASH AND MERCHANDISE ACCOUNTABILITY AT THE GOLF COURSE. The IR Office at one command was requested by the Director, Community and Family Activities, to perform an audit on the installation Golf Course. Efforts focused specifically on controls over cash at the Snack Bar and Lounge and cash and merchandise accountability at the Pro Shop.

The audit revealed that improvements were made over the controls of cash accountability since the last audit. However, continued emphasis must be maintained in improving checks and balances over this sensitive area. The audit of cash controls at the Pro Shop disclosed that checks and balances were not always functioning as intended, which would have ensured that cash receipt vouchers were in agreement with sales. Some other shortcomings identified during the audit were cash receipt vouchers and cash register transactions were voided without management's approval and more than one cashier was operating out of one cash box. These problems were encountered because established management controls were not always enforced.

With regards to the Pro Shop inventory, end of month physical inventory counts were not always accurately reflected in final inventory counts and included merchandise that had been returned to manufacturers. No documentation was made available to support the returns. The financial statement review revealed that the Pro Shop reported negative costs of sales or negative gross incomes for seven months of the last fiscal year. The primary reason for the negative costs/gross income was the timing differences between the Pro Shop and the Central Accounting Office due principally to the late submission of purchase requisitions/receiving documents by the Pro Shop.

Inventory carrying values varied from invoiced amounts due to discounts, freight allowances and freight charges. The Pro Shop normally does not receive invoices that need such data in order to

more accurately cost and price merchandise.

Additional problems impacting both inventory accounting and financial statements were (i) deposits on merchandise were recognized as a sale even though goods had not been delivered; (ii) there were a number of problems noted regarding the valuation of inventory; (iii) carrying values of goods on hand were adjusted downward when manufacturers' promotion programs were announced rather than upon receipt of a credit memorandum; (iv) inventories were not costed on the first in-first out or Moving Average method as required; and, (v) documentation could not be provided to support the \$1700 inventory write off in August 1996.

ACCOUNTABILITY OVER RESALE MERCHANDISE AT THE OFFICER'S CLUB. IR performed this quick response review at the request of the Director of Community Activities. Auditors found that (i) club personnel did not properly perform monthly inventories of resale merchandise; (ii) stock record cards used to provide control and accountability of resale merchandise items were missing; (iii) adequate separation of duties did not exist when performing transfers of resale merchandise from one Officers' Club to another. The supply officer at one Officers' Club was responsible for performing supply duties at the other Officers' Club; (iv) club personnel did not perform required sales accountability test; and, (v) personnel did not follow procedures for controlling spoiled food items.

PART II

AUDITS OF OTHER ARMY FUNCTIONAL AREAS

RESOURCE MANAGEMENT

SUSPENDED BILLS. An IR Office at another command identified an excessive number of suspended bills from Defense Accounting Office's (DAO) financial files. These bills have both credit (\$4.7M) and debit (\$2.4M) amounts with some lines that have been on the error listings (40B) since January 1996. A suspended bill results when an interfund bill or a creditable return is received through the Defense Switching Network (DSN) system and does not match any corresponding information in the installation's financial system. It may be something as simple as a miskeyed document number or an obligation that was never input into the system. Each of these lines could represent either a separate or a systematic problem that needs work. The process to research and prepare the input for corrective action is time consuming, but is an area that needs immediate attention. ASIMS inquiries were developed to identify the documents numbers of the suspended bills.

ACTIVITY BASED COSTING. Command gave IR the lead to implement an Activity Based Costing system within the BASOPS directorates. This is the first installation in this MACOM to initiate such a system. IR completed the second Activity Based Costing model in early January using the rapid prototype approach. Contracting Officers from the Directorate of Contracting (DOC) developed the prototype. Internal Review facilitated the session. The team from DOC developed an implementation plan to complete their working model. The Directorate of Logistics completed and populated the resource module ABC model with FY 1996 obligation data. The Director of Logistics at Camp Lejeune, NC invited the Chief of Internal Review to facilitate a three day rapid prototyping session in March 1997.

REVIEW OF TAX-EXEMPT CERTIFICATES. The objective of this review was to determine whether installation travelers used tax-exempt certificates at hotels in qualified states offering hotel room tax exemption. IR reviewed those vouchers for employees traveling within the Continental United States (CONUS). IR found that employees did not always use tax-exempt certificates when traveling to qualified tax exemption areas as mandated in command policy. IR found that (i) the established procedures for using the tax-exempt certificates are not being followed, (ii) not all personnel are aware of the states that offer tax-exemptions, and (iii) there was no focal point within the command to get the forms. IR estimated that if command policy was followed, a cost avoidance \$461,000 could be realized. Management agreed with the findings and recommendations and initiated corrective actions.

CIVILIAN TIMEKEEPING AND OVERTIME PROCEDURES. The audit was made to evaluate the duties, authorities and responsibilities of personnel involved in programming, approval, funding, and management of overtime. Fund availability was not always certified before the overtime was worked; justifications were vague or not prepared at all; evaluation of alternatives to overtime were not documented, and the impact if overtime was disapproved was not always stated. In some cases, overtime hours were excessive, and approved overtime hours and funds were significantly exceeded without additional approval and certification of fund availability. Some employees worked in excess of maximum allowable limits. Recommendations were developed to improve controls over timekeeping and overtime procedures.

IMPREST FUND PURCHASES. The audit was requested by command to assess selected

imprest fund transactions involving purchases of communication, software, and various hardware items. The audit revealed that imprest funds were improperly used to make purchases. Some purchases involved apparent violations of the Code of Federal Acquisition Regulation and the Joint Ethics Regulation. IR findings were coordinated with members of the SJA and recommendations were developed to improve controls and preclude future reoccurrence.

AUDIT OF TDY COSTS. One Major Subordinate Command (MSC) needed to reduce its travel expenditures significantly. IR was asked to assess three areas: (i) airline travel, (ii) billeting, and (iii) vehicle rental. The audit resulted in the command developing new travel guidance projected to reduce travel expenditures by 50 percent. The new guidance included: (i) scheduling conferences/meetings later in the day to avoid previous day travel, (ii) expanding use of GSA vehicles therefore reducing more expensive POV use, (iii) using the designated travel office for the lowest airfare, lodging, and rental vehicles. IR estimated that implementing recommendations would result in about \$4M of potential monetary benefits each year.

AUDIT OF PARACHUTE PAY. The IR Office at one command found that controls and practices of the paid parachute position program in the G1 are adequate to ensure that only qualified soldiers occupy parachute positions. However, there is a lack of measures at the unit level to ensure accurate hazardous duty pay is received.

Units did not consistently use key management controls and procedures to determine if soldiers were authorized and qualified to receive jump pay. Of the 142 records reviewed, a 15 percent error rate was found. The 15 percent error rate included 16 service members receiving parachute pay for jumping without appropriate documentation and/or authorization. DA 1307s were not annotated to show they had qualified for that month. Jump Manifests (DA 1306s) were not always completed. Numerous units were not actively checking logs to determine Incentive Pay for the Parachute Duty Report. There were instances where jump logs and other documentation had been removed from the files.

As a result, soldiers had received an estimated \$137,000 in unauthorized parachute pay during a one-year period. In addition, IR determined that there were 60 positions that had not been filled resulting in \$85,800 of obligated funds not being utilized during the same period. Total estimated cost avoidance amounted to \$222,000.

ENGINEERS

AUDIT OF CONSTRUCTION IN PROGRESS ACCOUNT. Another IR office found that Command's semi-annual review process for ensuring that only appropriate CIP costs are recorded in the CIP account was in place but not working as designed. The PM/Fiscal Manager personnel were not properly developing and processing DD Forms 1354 and RM personnel were not requesting them from the PMs/Fiscal Managers when CIP validation reviews showed completed projects. IR also found documentation, to support the dollar values recorded on the two FY 95 DD Forms 1354, not readily accessible; expense items improperly recorded in the CIP account; over \$125M in Production Base Support (PBS) costs erroneously included in the CIP account; and personal property that had been placed in service recorded in the CIP account. As a result, the Command's CIP account was overstated by more than \$127.9M. Management took immediate action and removed the \$127.9M from the CIP account.

OTHER PERSONNEL

DISTRIBUTION OF AIR NATIONAL GUARD'S FULL TIME EMPLOYMENT AUTHORIZATIONS. IR was asked to evaluate the process used to distribute full time employment authorizations to Air National Guard units. Although the audit results showed an effective distribution of employment authorizations, a review of the internal controls identified a major weakness. The auditors found inappropriate use of \$204,000 in Title V Air Force Reserve funding to hire State employees during FY 96. In addition, unauthorized transfers of ANG funds to the State for personnel expense amounted to \$184,000 during FY 96. By implementing recommendations to strengthen internal controls similar problems can be avoided and potential monetary benefits of \$2 M dollars could be realized.

INFORMATION MANAGEMENT

INFORMATION SYSTEM SECURITY. A review by another IR office revealed a serious breach in information systems security in the command. Its believed that proponency for the function was in the wrong place, i.e., DCSI, where the focus is on physical security, vs. DCSIM, where the computer experts are who can focus on automation security. IR recommended a transfer of this function to DCSIM. At the conclusion of the review, it was learned that AAA had a similar review ongoing and would recommend basically the same thing for the Army. This audit allowed the command to implement corrective action in advance of the rest of the Army.

REVIEW OF SOFTWARE ACCOUNTABILITY. One IR office performed a review to determined whether officials met the basic requirements of software accountability. Policy requires that the command ensure that copyrighted software is protected from inappropriate use and adequately stored, inventoried and disposed of. IR found a significant amount of unauthorized software in use. This was caused by weak internal controls over the accountability of software. For example: (i) most hand receipt holders were not performing inventories of

software because they were not aware of the requirements, and (ii) excess software needs to be disposed of since users had boxes and cabinets filled with software packages no longer used and not associated with any particular computer. The command lacked a specific policy on the use and control of both software and hardware. IR recommended written review procedures for annual inventories, and procedures for reviews of work to identify unneeded or stockpiled software.

ACQUISITION, USE AND CONTROL OF COMMERCIAL SOFTWARE. Army software management policies require proprietary software to be protected by the user/accountable individual from unauthorized use, abuse, or duplication. One IR office found that the command did not have an adequate system for software accountability. However, to develop and maintain such a capability in light of the low cost of much of the COTS software, would not be worth the cost. DCSIM accepted our suggestion to use command's status as a reinvention laboratory to request a waiver of the software accountability requirements of AR 380-19 and AR 720-2.

ADEQUACY/PROPRIETY OF OPERATING FOR TELECOMMUNICATION SERVICES. IR in one command reviewed the adequacy of procedures used to authorize requirements for telecommunications repair and maintenance under contract and the propriety of expenses incurred. The audit disclosed that improvements were needed. The contractor was routinely paid for repairs without certification by the requesting office that the work was done. Questionable work was identified which was either outside the scope of work for the contractor or should have been paid as part of the contractor's overhead/indirect costs. IR recommended procedures to require that repair tickets or telephone change requests be certified by the customer at the time the services are provided. Further analysis was to be performed by the Contracting Division regarding the appropriateness of the work questioned in the report to determine if improper payment should be recouped from the contractor.

OTHER LOGISTICS

UNIT PRESCRIBED LOAD LIST (PLL). The objective of this review was to review PLL and overall supply requirements for the unit. Recommendations to reduce excessive PLL and re-compute requirements could produce annual savings of \$ 224,000.

MATERIAL RETURNED FOR CREDIT TO THE WHOLESALE SYSTEM. The installation's Chief of Staff requested the audit as a result of a USAAA Summary Memorandum issued on 21 November 1996 following their audit of Defense Business Operations Fund, Army FY 96 Financial Statements. IR's audit objectives were to determine if the installation had failed to ship \$14M of material within 60 days of receiving disposition instructions from the wholesale level. Command also, wanted to know if the installation was losing funds because of late returns to the wholesale level. Finally, IR was asked to determine if the installation was incurring costs to ship items the wholesale level no longer wanted returned.

IR auditors found there is no incentive for the installation to meet the imposed deadlines for items under MRP. Installation activities get their credits at the time they turn in an item to the Supply Division. Wholesale level may or may not issue a credit to the stock fund. If wholesale

level does issue a credit, it goes back into the stock fund, not into the installation funds. Additionally, the Integrated Item Manager reimburses costs for returns from DOD users to supply stock inventories, including stock fund returns with or without a credit. The installation does not use OMA funds for shipping return items.

RETAIL SUPPLY OPERATIONS. The audit objective was to evaluate the adequacy of controls over supply operations. IR auditors found that supply personnel did not base supply levels on proper factors for a significant portion of stocked items. Command directed line items exceeded recommended levels and were not being adequately reviewed. Management did not adjust and properly report inventory discrepancies. The result was that the stockage on hand exceeded minimum quantities required to support mission and readiness requirements. IR identified \$607,000 in potential monetary benefits.

REVIEW OF TRANSPORTATION CONTRACT COSTS FOR OPERATION JOINT ENDEAVOR. The overall objective of the audit was to evaluate contract costs for transportation services. The audit was performed to determine that the transportation costs are adequately tracked and controlled from the point of order to the invoice billing and payment; identify the status of transportation funding; assess whether procedures were in place to prevent unnecessary or avoidable costs; and assist management in developing operation procedures to track, control and minimize the contract costs of transportation services. Recommendations were developed to improve movement control procedures and improve tracking and control transportation orders and related costs. Implementation of the recommendations should result in \$4.2M in monetary benefits.

MANAGING NON-TACTICAL VEHICLES AND SPECIAL PURPOSE EQUIPMENT. The objective of the audit was to evaluate whether the command had issued amended policies and procedures to improve the automated non-tactical vehicle management system upon which decisions are made relative to “rightsizing the fleet”. The followup audit disclosed that the command needed to increase its efforts to “rightsize” its non-tactical vehicle fleet. IR estimated that its recommendations would result in monetary benefits of \$1.56M.

MEDICAL

FRAUDULENT BILLINGS TO OCHAMPUS AND OTHER HEALTH CARE

INSURANCE COMPANIES. The IR Office at one facility found that a partnership provider was fraudulently billing OCHAMPUS and other health insurance companies for services (e.g., tissue exams & pap smears) that the Government was in fact providing. The review resulted in the potential for the Government to recover (under the False Claims Act -- Title 31 of the US Code) over \$800,000 in fines, damages, and penalties on over 150 claims.

VA OUTPATIENT VISITS. The IR Office at another facility found that 3,187 of 6,715 VA outpatient visits reviewed (47%) were unauthorized, unreimbursed or unreimbursable. Unauthorized VA outpatient visits totaled \$352,287, and \$74,149 in VA outpatient visit costs could have been avoided if VA patients were referred back to the VA clinic for social work, psychiatric, and psychological treatments in accordance with the VA/Department of Defense sharing agreement. Written guidance in the VA/DOD sharing agreement and other internal memorandums clearly stated that authorizations were needed from the VA prior to treatment of VA patients. This condition was caused by fragmented management over authorizations, financial management, and maintenance of the Memorandum of Understanding. Estimated monetary benefits totaled \$426,000.

URGENT CARE CENTER HOURS OF OPERATION. The IR Office at another facility provided assistance to the Deputy Commander for Clinical Services in the preparation of a decision brief to the Commanding General regarding changing the Urgent Care Center hours of operations from 24 to 16 hours. The study showed that only seven percent of visits occurred during the 2300 hours to 0700 hours period and only a few required immediate care. The study offered alternatives for those in need of medical care. Estimated monetary benefits included reduced contract services amounting to \$172,000 and 9.7 government full time equivalents (FTE) nursing and technical support.

FRAUDULENT ACTIONS BY A DIRECT HEALTH CARE PROVIDER (DCHP). An IR auditor at one facility assisted the Criminal Investigation Division in reviewing alleged fraudulent actions by a DCHP. The DHCP was making fictitious appointments to indicate that he was seeing patients and canceling the appointment right before the scheduled time, thus reducing his workload. The auditors found the some patients had moved several months before a scheduled appointment.

DRUGS LOANED TO LOCAL HOSPITALS. One IR auditor found that the facility was not maintaining accurate records of drugs loaned to local hospitals. Consequently, the Army could have been giving away drugs worth a substantial amount of money each year. As a result of the audit, the hospital implemented a policy whereby they will not lend any drugs unless the items are returned within seven days. In addition, improvements were made to better track drugs that are loaned and returned from local hospitals.

AMBULATORY PATIENT VISIT MEAL FUNDING POLICY. Another IR office assisted the Chief, Nutrition Care Division in developing an Ambulatory Patient Visit Meal Funding

Policy. The auditor reviewed a draft local regulation and recommended alternative methods for documentation flow, coordinating establishment of accounts receivables, and staffing the draft regulation with the Chief, Department of Surgery.