

# TABLE OF CONTENTS

	<u>Page</u>
<b>Test &amp; Evaluation</b>	<b>5</b>
<i>High Energy Laser Systems Test Facility Customers Reimbursable Program</i>	
<i>Consulting/Advisory Services</i>	
<b>Procurement - Inventory Control Activities</b>	<b>5</b>
<i>Inventory Controls Over Pershing II Reuse Assets</i>	
<b>Procurement - Other</b>	<b>6</b>
<i>Control of Costs--Service Orders</i>	
<i>Contract Offloads</i>	
<i>Directorate of Environment (DOE) VISA Credit Card Purchases</i>	
<i>Use of International Merchant Purchase Authorization Card (IMPAC)</i>	
<i>Directorate of Contracting (DOC) IMPAC Program</i>	
<i>Commercial Credit Card Program (IMPAC)</i>	
<i>Review of IMPAC Program</i>	
<b>Contract Administration</b>	<b>8</b>
<i>Airline Ticket Price Validation</i>	
<i>Carlson Wagonlit Travel (CWT) Contract</i>	
<i>Inmate Labor Agreement</i>	
<i>Audit of Inter-Service Support Agreements</i>	
<i>Transfer Cost Study of Inpatient Records and Medical Transcription</i>	
<i>Contractor Attendance Sheets</i>	
<i>FY 96 Year-end Contracting Bona Fide Need Determinations</i>	
<i>Custodial Services</i>	
<i>Contract Modifications, Minor Construction, Maintenance Repair</i>	
<b>Forces Management</b>	<b>11</b>
<i>Information Systems Security (ISS) Program Manpower Requirements</i>	
<i>School Quota Utilization Program</i>	
<i>Unit Status Reporting (USS)</i>	
<b>Maintenance and Repair of Equipment</b>	<b>12</b>
<i>Automation Warranty Contracts</i>	
<b>Manufacturing and Production</b>	<b>12</b>
<i>FY 95/96 Program of 60mm M721/767 Production</i>	

	<u>Page</u>
<b>Supply Operations, Wholesale</b>	<b>13</b>
<i>Materiel Returns at the Supply Company (GS)</i>	
<i>Initiatives to Reduce Acquisition Cycle Times</i>	
<b>Supply Operations, Retail</b>	<b>14</b>
<i>Inventory Variance at the Troop Issue Subsistence Activity</i>	
<i>Accountability of Credit Card Purchases</i>	
<i>Central Receiving Point (CRP) Warehouse</i>	
<i>Hospital Duty Whites</i>	
<i>Property Accountability</i>	
<i>Organizational Clothing and Individual Equipment (OCIE) Accountability</i>	
<i>Accountability of Excess MTOE and OCIE Equipment</i>	
<b>Property Disposal</b>	<b>16</b>
<i>Recycling Reimbursements</i>	
<i>Property Accountability - Deployable Operations Group</i>	
<i>Property Disposal Procedures</i>	
<b>Civilian Personnel Management</b>	<b>17</b>
<i>Review of Telephone Charges and Time and Attendance</i>	
<i>by Certain Staff Members</i>	
<i>Workers' Compensation Program</i>	
<i>Overtime</i>	
<i>Fair Labor Standards Act</i>	
<i>Voluntary Separation Incentive Pay (VSIP)</i>	
<i>Living Quarters Allowance</i>	
<b>Military Personnel Management</b>	<b>18</b>
<i>Operation Overlord II - Army National Guard (ARNG) Retention Rates</i>	
<i>Recruitment</i>	
<i>Retention</i>	
<b>Real and Installed Property</b>	<b>19</b>
<i>Account Process Codes for Family Housing Maintenance and Repair Costs</i>	
<i>FY 96/97 Utility Reimbursements</i>	
<i>Real Property Management</i>	
<i>Payment of Center Utility Bills</i>	
<i>Review of Barracks Utilization</i>	
<b>Information Management</b>	<b>21</b>
<i>Integrated Sustainment Maintenance (ISM)</i>	
<i>Accountability of Automated Data Processing Equipment (ADPE)</i>	

	<u>Page</u>
<b>Communications</b>	<b>22</b>
<i>Telephone Usage</i>	
<i>Cellular Telephones/Pagers</i>	
<b>Transportation</b>	<b>22</b>
<i>Jet Fuel Distribution Changes and Impact on Railroad Operations</i>	
<i>Longbow Transportation Review</i>	
<i>Transportation Division, Movements Branch</i>	
<i>Patient Transportation</i>	
<i>Audit of Government Travel Account (GTA) System</i>	
<b>Military Pay and Benefits</b>	<b>24</b>
<i>Audit of Basic Allowance for Quarters</i>	
<i>Audit of Unaccompanied Personnel Housing</i>	
<b>Civilian Pay and Benefits</b>	<b>24</b>
<i>Time and Attendance (T&amp;A) Cards</i>	
<i>Utilization of Physical Fitness Facilities</i>	
<i>Use of Annual Training/Additional Duty Training (AT/ADT) with</i>	
<i>Individual Duty Training (IDT)</i>	
<b>Other Comptroller Functions</b>	<b>25</b>
<i>Review of Deobligations in Contracts and Supplies</i>	
<i>Unliquidated Obligations FY 1997</i>	
<i>American Express Travel Payments</i>	
<i>Activity Based Costing (ABC)</i>	
<i>Validation of AWR Funding</i>	
<i>Installation Housing Rentals Management</i>	
<i>IRS Audit of MCAAP F.E.T. Refunds</i>	
<i>Army MCP Review for Satellite Facilities and Forward Repair Activities</i>	
<i>Third Party Commissions Received from Carlson Wagonlit Contract</i>	
<i>Third Party Collection Program</i>	
<i>Follow-up Review of Unliquidated Obligations (ULO)</i>	
<i>Billing and Posting Errors</i>	
<i>Administration of the American Express Charge Card</i>	
<i>Eastern Castle Overseas Deployment Training (ODT)</i>	
<b>Support Services</b>	<b>30</b>
<i>Aviation Fire Department Risk Assessment</i>	

	<u>Page</u>
<b>Nonappropriated Fund Activities</b>	<b>30</b>
<i>Officer's Club</i>	
<i>Bowling Center Resale Operations</i>	
<i>Billeting Rates</i>	
<i>Billeting Fund Accounts/American Express (AMEX) Charges</i>	
<i>Community Center</i>	
<i>Management Control Over MWR Merchandise Inventories</i>	
<i>Review of HQ Army Recreation Machine Program (ARMP) Logistical Operations</i>	
<i>Review of Transportation Operations</i>	
<i>Review of Army Recreation Machine Program (ARMP) Amusement Game Operations</i>	
<i>Utility Tax Exemption Program Funds</i>	
<b>Health Care</b>	<b>34</b>
<i>Insurance Claims</i>	
<i>Pharmacy Prescriptions</i>	
<i>Accounts Payable</i>	
<i>Managed Care Module of the Composite Health Care System (CHCS) Database</i>	
<b>Audit Compliance - Follow-up</b>	<b>34</b>
<i>Follow-up to USAAA Audit of Causeway Equipment</i>	
<i>Follow-up Audit of Repair Parts</i>	
<b>Financial Statements (CFO)</b>	<b>35</b>
<i>Accounts Receivable</i>	
<b>Other</b>	
<i>Hazardous Material Minimization Center or HAZMART</i>	<b>36</b>
<i>Army Performance Improvement Criteria (APIC) Self-Assessment Team</i>	
<b>Management Control Process Administration</b>	<b>36</b>
<i>Review of Management Control Process</i>	

### *Test and Evaluation*

**HIGH ENERGY LASER SYSTEMS TEST FACILITY CUSTOMERS REIMBURSABLE PROGRAM.** One Internal Review (IR) office performed a review to determine if the High Energy Laser Systems Test Facility (HELSTF) was recovering appropriate amounts of money from reimbursable services to customers. Direct funding for HELSTF is scheduled to be reduced by about \$10 million in FY 98 making customer funding very important. Cost estimating procedures for customer work have not been formalized, thus no assurance could be given that HELSTF is collecting all it is owed. IR recommended that standard rates be developed by gathering costs of site contractor performing support; direct costs of HELSTF personnel working to support customer efforts; and costs of materials on fuels consumed in support of customer testing. The Director concurred with IR's recommendations. The audit resulted in an improved customer reimbursement process, and initiation of best business practice.

**CONSULTING/ADVISORY SERVICES.** Another IR office was requested by the Commander to calculate the cost of closing a laboratory due to lack of work and operating funds. IR summarized the cost of closing the laboratory into the following areas: personnel, land/building, equipment/personal property and other costs. IR determined closing the laboratory could result in savings of \$2,125,000.

### *Procurement - Inventory Control Activities*

**INVENTORY CONTROLS OVER PERSHING II REUSE ASSETS.** IR was requested to assist the Theater Targets Product Manager in gaining control over a very important aspect of the Targets program. The Theater Targets Product Manager needed to have these unique parts available when needed and delivered to meet production schedules to have target missiles available for theater missile (THAAD, etc) tests. The Pershing II parts were maintained by Lockheed-Martin (LM) under contract to this command. The audit involved working with contract personnel, and auditing through LM's inventory management system. Inventory control procedures were not adequate to provide management with accurate data on Pershing II parts in storage. This resulted in inaccurate reporting, possibly causing command to purchase/fabricate parts they already have in inventory, and at worse, could result in loss of an entire Pershing Missile Reentry Vehicle section (minus nuclear warhead) without detection. IR recommended that command require LM to acquire the service of an inventory control specialist to update and maintain an accurate inventory of Pershing II parts. The audit will result in improved management controls; an improved inventory system and process; and could have precluded adverse publicity had an Reentry Vehicle section come up missing. Command management and LM officials agreed with the recommendations.

## Procurement - Other

**CONTROL OF COSTS--SERVICE ORDERS.** One IR office performed an audit to evaluate actions taken to control costs chargeable to service orders on the cost reimbursable engineer contract. IR found that a work management program did not exist to ensure effectiveness and productivity in the contract workforce. IR observed that workers were sometimes idle; used government vehicles for personal use; drove excessive miles; started work late and ended work early; and did not always accurately report times used to perform work. IR suggested actions that will result in monetary benefits of about \$111,000 annually.

**CONTRACT OFFLOADS.** Another IR office performed an audit to determine if management made contract offloads in accordance with regulatory requirements. IR found that contract offloads frequently occurred. Generally management did not coordinate offloads with either the Directorate of Contracting or the Staff Judge Advocate. Offloads in FY 96 and FY 97 cost an additional \$204,000 in service charges to the awarding contracting office.

**DIRECTORATE OF ENVIRONMENT (DOE) VISA CREDIT CARD PURCHASES.** At the request of the Director of Contracting, IR conducted an audit to determine if there were instances of noncompliance with the installation Standard Operating Procedure (SOP). The audit disclosed that the Directorate of Environment's VISA Credit Card purchase procedures sometimes deviated from the installation SOP guidance. Auditors found that the DOE paid some FY 96 services with FY 97 funds and made late payments for services. Auditors also found that management bought services from commercial vendors instead of government sources that could and should have done the work.

Additionally, auditors identified purchases made by unauthorized persons. The audit also revealed management made purchases that circumvented the \$2,500 single purchase limit.

**USE OF INTERNATIONAL MERCHANT PURCHASE AUTHORIZATION CARD (IMPAC).** Another IR office took a look at the propriety of credit card purchases by one of the command offices. IR provided the Chief of Staff with data and analysis on credit card purchases made from August thru November. IR concluded that although the office in question purchased some items that may be borderline, they were not out of line with purchases made by other offices within the command.

**DIRECTORATE OF CONTRACTING (DOC) IMPAC PROGRAM.** The objective of the audit was to determine if key management controls in the DOC Standard Operating Procedure and checklist pertinent to the IMPAC Program were complied with by credit cardholders for efficiency and effectiveness.

The DOC complied with the management controls. However, some cardholders and approving officials were not in compliance with the DOC Standard Operating Procedure and checklist procedures. IR found:

- (a) evidence of two activities' cardholders splitting purchases;
- (b) loss of audit trail for purchases due to lack of credit card supporting documentation;
- (c) continued use of Standard Form 44;
- (d) sloppy record keeping for seven Questioned Items Forms during one month; and
- (e) cardholders not maintaining records of items purchased.

**COMMERCIAL CREDIT CARD PROGRAM (IMPAC).** One IR Office determined that, although the overall commercial credit card program generally runs smoothly, there were minor internal problems that needed to be addressed and corrected. Those areas where the program suffers were in the day-to-day operations of Approving Officials and cardholders. There were also several instances of problems at the program management level. Weaknesses remain in the following areas:

- Internal Controls for the use of the Card
  - Justification for cards - Command lacked a policy on who should have cards.
  - Cardholders did not know whether funds had been committed before purchases were made.
  - Cardholders were not following the DOC SOP.
- Processing the Invoices (R090s) to Defense Finance Accounting Service (DFAS)
  - R090s were not always submitted promptly.
  - Funds were not obligated for payment.
- Monitoring payment of invoices by DFAS
  - Delinquent payments occurred and were increasing.
- Property accountability for items purchased with the card
  - Items purchased with the card were not properly recorded on property book records.
  - Hand receipts for items could not be provided by cardholders.
- NAF Program Oversight and Nonappropriated Fund Internal Controls
  - The Agency Program Coordinator had other duties that did not allow full-time attention to the NAF IMPAC Program.
  - Bank reports showed Approving Official and cardholder as the same individual
  - Cardholders had two accounts.

- Cards were not destroyed when employees were no longer employed.
- Cardholders had five-digit dollar credit lines but had never used the cards.

## **REVIEW OF IMPAC PROGRAM.**

- One IR was asked to review the IMPAC Program procedures at a subordinate command. IR concluded that procedures were adequate to prevent abuses, with the exception that the Property Book Officer (PBO) is a cardholder. This is against informal Army policy, and it is not a good management control. IR recommended that the PBO not be a cardholder. This audit resulted in better management controls for use of the IMPAC card, and improved IMPAC purchasing system process.

- Another IR office was requested to perform an audit to evaluate the use of credit cards, issued under the IMPAC Program. The focus of the audit was to determine if credit card purchases reduced procurement lead-time and overall costs. IR determined that procurement lead-time was 15.5 days on average and delivery lead-time, for 30% of the sample, was seven or more days. Cost savings/avoidance generated from use of the credit card could be approximately \$160,000 for FY 97. However, to achieve the maximum savings/cost avoidance, changes would be necessary in the business processes used to initiate and route purchase requests. Additionally, such changes would help to reduce procurement lead-time. Management controls over training of credit card holders and approving officials; quarterly audits/reviews; and issuing letters of delegation, when applicable, to include authority to use the credit card as a means of payment, required strengthening.

### **Contract Administration**

**AIRLINE TICKET PRICE VALIDATION.** IR's audit objective was to determine if management used an appropriate methodology for validating ticket prices for official Government travel. Auditors found that Directorate of Logistics personnel validated all ticket prices rather than using time-saving random sampling methodology as prescribed by the Military Traffic Management Command contract. Also, management did not prepare Contract Discrepancy Reports when the contractor was out of tolerance with the performance levels contained in the Performance Requirements Summary of the contract. Further, the contractor's Quality Control Plan was not operating effectively. There was no system in place to verify that the installation was receiving the money due from Carlson Travel. Consequently, there was an unexplained difference between the amounts Carlson paid to the installation for its percentage of official travel and the amounts it should have paid the Government. In CY 96, the potential monetary benefits were estimated to be \$12,000.

**CARLSON WAGONLIT TRAVEL (CWT) CONTRACT.** The CWT contract provides for the Army and the Morale Welfare Fund to receive millions of dollars as a percentage of travel agent commissions. However, one IR office found that the MACOM's installations were not adequately monitoring and enforcing requirements of the CWT contract. Further, the MACOM supported poor performance by ignoring complaints from the installations and providing inadequate monitoring standards.

Consequently, the Army incurred significant losses in the form of higher fares, lost CWT payments, excessive government personnel time, and prompt payment interest penalties. Intensifying the monitoring of contract fare use at four installations identified in the audit report would avoid costs to the Army of about \$1,174,040 annually or \$7,044,240 over the POM years.

**INMATE LABOR AGREEMENT.** On behalf of the local command, one IR office met with municipal jail administrators to discuss the use of civilian inmate labor for grass cutting and general ground's maintenance. IR subsequently prepared an economic analysis and cost estimate as the first steps in laying the groundwork for a possible inmate labor agreement.

**AUDIT OF INTER-SERVICE SUPPORT AGREEMENTS.** IR at another installation found that over \$2 million in reimbursements were not collected due to problems with recording, tracking, and reporting financial information. The auditors found that the installation was not receiving \$7.9 million a year in mandated services from the city since its annexation. IR recommendations will result in (i) the collection of reimbursements, (ii) new leases being negotiated at fair market value, and (iii) potential reimbursement for city services performed by the activity. This audit generated potential monetary benefits of \$9.9 million.

**TRANSFER COST STUDY OF INPATIENT RECORDS AND MEDICAL TRANSCRIPTION.** IR, at one medical facility, found that the subject study: (i) was not based on the current performance work statement which resulted in a material misstatement of in-house performance costs; (ii) did not identify all costs related to in-house performance, resulting in the understatement of costs by about \$305,000; and (iii) little objective data supported personnel requirements. The study concluded that current Personnel Administration Division personnel could perform the additional work associated with these functions, but no analysis had been conducted. The review concluded that the transfer cost study's recommendation - to return these contracted functions to in-house operation - was not supportable.

**CONTRACTOR ATTENDANCE SHEETS.** In an audit of personal service contracts, IR found that daily contractor attendance sheets were not always maintained. The facility relied on data reflected in the vendor's invoices to prepare Receiving Reports (DD Forms 250). IR recommended that contract monitors develop attendance sheets and require the contractor to sign in and out daily. They further recommended that the monitors reconcile vendors' invoices to the DD Forms 250 prior to payment. Subsequent to the review, internal controls were strengthened and the deficiencies were corrected.

**FY 96 YEAR-END CONTRACTING BONA FIDE NEED DETERMINATIONS.** An IR office performed an audit to determine whether Bona Fide Needs existed and whether the Needs documentation was adequate for year-end contracting actions. IR limited this audit to the sufficiency of Bona Fide Needs and the documentation for the 21 randomly sampled year-end actions (10% of year-end transactions). IR found no Bona Fide Need or other fiscal funding statute violations. It was found that for 15 of the

actions, documentation on the Purchase Request and Commitment (PR&C) either did not provide sufficient data to support the determinations or did not directly reference documents substantiating the Need. Fiscal managers placed some data pertinent to determining whether a Bona Fide Need existed in the PR&C remarks, but did not fully answer or document support for the determinations. However, supporting documents obtained from the fiscal managers showed that the Bona Fide Need Determinations were valid. IR auditors suggested that a concerted effort is needed to ensure that the PR&C remarks section fully answers the questions in the RM guidelines and that all supporting documents are positively identified to facilitate ready location. Without adequately worked statements and supporting documentation, the Bona Fide Need Determination is difficult to substantiate. A clear trail to supporting documentation strengthens and supports the validity of the Bona Fide Need Determination.

As a result of IR's work, management issued clarifying guidance requiring that:

- Contract files must contain a copy of the PR&C.
- Bona Fide Need statements must answer the questions contained in RM's Bona Fide Need Checklist with documentation referenced in the PR&C so it can be readily located if needed.
- Contract modifications for in-scope changes will reference the original PR&C Needs statement and address the Bona Fide Need for the modification as well as why the modification is an in-scope change.

**CUSTODIAL SERVICES.** One IR office performed a review of the installation's custodial contract and identified excessive, inaccurate and undefined quantities and requirements. For instance:

- (a) The contract contained 34 separately priced line items with up to six different frequencies per line.
- (b) In one month alone, the contract resulted in the need to order and administer over 735,670 requirements in 34 line items at 83 buildings.
- (c) Delivery orders issued by the DEH for custodial services contained line item quantities that were greatly overstated.
- (d) The contractor submitted invoices for services not performed.
- (e) The Contracting Officer Representative (COR) did not inspect or determine the location, type of work, day and time of performance for the line items ordered.
- (f) The COR ordered and certified receipt of, and the command paid for, services that were not provided. For example, in one year the DEH ordered and paid \$121,600 to clean 598 tables 960,360 times. The maximum amount that should have been ordered and paid was only \$3,818.
- (g) These and other deficiencies in the acquisition process were not disclosed by the established review and approval process.

As a result, as much as 60% (\$385,000) of the custodial services ordered and paid for were not performed by the contractor.

**CONTRACT MODIFICATIONS, MINOR CONSTRUCTION, MAINTENANCE REPAIR.** Another IR office found that contract specifications were often inaccurate or incomplete because engineering design personnel did not adequately review specifications, conduct or document thorough site inspections. Also, contracting and DPW personnel did not enforce the Defense Federal Acquisition Regulation Supplement, section 252.211-7003, "Brand Name or Equal." Additionally, contracting and DPW personnel did not have procedures in place to adequately assess the liability of architect-engineer firms when errors and omissions were noted in specifications prepared by these firms. As a result, unnecessary effort was expended to execute 84 modifications. Fifty-seven of these modifications resulted in noncompetitive acquisitions that increased the cost of the contracts by about \$1.1 million and caused extensive and costly construction delays.

### *Forces Management*

**INFORMATION SYSTEMS SECURITY (ISS) PROGRAM MANPOWER REQUIREMENTS.** Based on an earlier audit accomplished by the IR office and a USAAA audit of ISS, the Chief of Staff decided to transfer the ISS function from ODCSI to DCSIM. The Chief of Staff needed an independent recommendation of how many people should transfer with the function. Using a previous USAFISA study on the subject, and updating it for local needs, IR concluded that two man-years of effort were needed to adequately perform the functions within DCSIM. The IR engagement provided data and analyses to the Chief of Staff so that he could make an informed decision on personnel transfers.

**SCHOOL QUOTA UTILIZATION PROGRAM.** Work by one IR office discovered that approved school quotas did not accurately reflect current training requirements. Of the 1,081 quotas approved in FY 97, only 85 resulted in a Duty Military Occupation Specialization (DMOS) qualified reservist of the 497 identified as not DMOS qualified within the command. The majority of approved quotas were for professional development and MOSs that were not driven by a DMOS requirement. Approved quotas not accurately reflecting training requirements appeared systemic as reflected in the -

- High percentage of classes canceled or not conducted due to low reservation rates.
- Low utilization rates of classes conducted which averaged 65% for FYs 93, 94, and 95.
- Low percentage of DMOS qualified reservists.

If command would have graduated 90% of the quotas allocated for FY 96, 6,000 additional soldiers could have been trained in classes conducted. Moreover, this increase in training efficiency would not have resulted a significant increase in cost. To illustrate, if you schedule a class for 20 and 18 (90%) instead of 13 (65%) soldiers graduate, you have incurred no significant additional costs. Considering an approximate cost of \$6 million to conduct command classes for 15,000 quotas, the change from 7,161 to 13,500 graduates

would have resulted in a cost avoidance for future training requirements of approximately \$2.8 million. Management implemented actions to align approved quotas with current command training requirements for FY 98. IR reported this as a material management control weakness for FY 97.

**UNIT STATUS REPORTING (USR).** At command's request, IR conducted a quick response audit on USR reporting procedures. The command wanted to ensure subordinate units were placing sufficient emphasis on the accuracy of USR reporting. The result was increased staff and unit time expended in preparing the USR. Through a series of compliance tests, IR identified specific units needing to improve the accuracy of their USR reporting. IR continued to track these units' reporting and found improved accuracy and identified additional areas needing improvement. IR briefed results by unit and MSC specific performance as well as performance of MSCs and the command as a whole. Command approved all recommendations for implementation.

### *Maintenance and Repair of Equipment*

**AUTOMATION WARRANTY CONTRACTS.** A program audit by one IR office revealed the absence of a formal warranty program for automation equipment in the command. Audit results confirmed the need to establish warranty acquisition, administration, and execution procedures for locally acquired items in compliance with AR 700-139, "Army Warranty Program Concepts and Policies." Paid repairs have been made to equipment under warranty and to equipment not on the property book (which was forbidden according to terms of the maintenance contract). Personnel experiencing problems with their automation equipment were not always first contacting their information management officer before calling the Help Desk.

### *Manufacturing and Production*

**FY 95/96 PROGRAM OF 60mm M721/767 PRODUCTION.** The audit was requested due to the cost growth in the FY 95 (\$1,809,539) and the FY 96 (\$273,005) Programs of the 60mm, M721/767 Production. The audit involved costs at two installations. All elements of costs were verified including the methodology for labor hour estimating and the methodology and practice for billing material.

Additional costs were found due to an error in the original estimate and due to errors in the Bill of Materials. The reasons for the cost growth were higher labor costs due to program slippage from FY 96 to FY 97 (due to change in the design of the body assembly), higher material costs, and significant changes in the engineered labor standards.

Both installations would have incurred additional losses in FY 97 if the audit had not identified the additional costs. These losses would have caused future rates for customers to be higher and would have adversely affected the ability of the installations to compete for customers.

### *Supply Operations, Wholesale*

**MATERIEL RETURNS AT THE SUPPLY COMPANY (GS).** An IR office identified credits to Operation and Maintenance, Army (OMA) accounts that were unrecorded for several materiel returns. The lost credits totaled over \$4 million and were caused by a Standard Army Retail Supply System problem. Corrective action was taken to recover the credits.

**INITIATIVES TO REDUCE ACQUISITION CYCLE TIMES.** A survey was conducted of seven categories of efficiency initiatives for administrative and production lead-time. Based on survey results, IR concentrated audit efforts on the impact of long-term contracts on the stock position of individual items.

IR found that the use of long-term contracts resulted in reduced administrative lead-time. However, IR concluded that the use of artificial lead-times and inconsistent practices by item managers for the contracts had negative affects. The Requirements Determination and Execution System was not operating as intended for items on long-term contracts. Automated studies were erroneous because lead-times used were not representative, reorder cycles were frozen and assets on order were understated.

As a result, item managers essentially had to discard automated study decisions, and manually rework decisions of how much and when to buy. For the 29 items reviewed, item managers initiated and tracked off-line procurement for assets valued at \$34.8M. The database should accurately reflect data the managers need to make supply decisions. IR disagreed with the practice of prematurely changing administrative lead-times and omitting assets on order. If the system worked as designed, the supply recommendations for many of the items reviewed would have been to cutback assets on order.

It was estimated that the Command would benefit from the cutback of \$4.9M of assets on order. Management agreed with IR's recommendations and took actions to either cancel or delay procurement on \$7.9M of assets for the items identified in the audit report.

## *Supply Operations, Retail*

### **INVENTORY VARIANCE AT THE TROOP ISSUE SUBSISTENCE ACTIVITY.**

IR was asked to determine the reason for the out-of-tolerance gain in the physical inventory as of 31 January 1997. In consultation with the government Troop Issue Subsistence Activity (TISA) staff and personnel of the US Army Information Systems Software Development Center, IR identified a current accounting concept different from the previous manner of computing inventory gains and losses. By IR computations, TISA operations did not have a gain in inventory in excess of tolerance but a within-tolerance inventory loss. IR also examined contractor accounting procedures and practices and found that the contractor needed to improve accounting controls. Specifically, the contractor needed to -

- (a) reduce churning (multiple inputs and reversals for each entry) of accounting entries,
- (b) more closely control negative balance lines, and
- (c) employ the Voucher Register - General Control Adjustment as a quality measure of management internal control procedures.

Management concurred with IR's observations and conclusions.

**ACCOUNTABILITY OF CREDIT CARD PURCHASES.** IR's audit objective was to determine if receiving activities properly accounted for property items purchased with the IMPAC Card. The review found that activities did not record on the installation property book about 10.5 percent (about \$160,000 worth) of the accountable property items purchased during the year. The report contained seven recommendations to help installation activities identify and include accountable items purchased with the IMPAC Card on the installation property book.

**CENTRAL RECEIVING POINT (CRP) WAREHOUSE.** The audit objective was to determine if procedures were in place to ensure accountability of goods received in the CRP warehouse. Auditors found:

- Warehouse personnel stored boxes in the CRP warehouse because customers did not pick up their goods in a timely manner.
- CRP warehouse personnel did not identify and/or notify customers when goods were available for pick-up.
- CRP personnel had insufficient documentation to identify the customers; inaccurate signature cards; and weak follow-up procedures if customers did not pick up goods in a timely manner.

Auditors worked with the Directorate of Logistics (DOL) and the Directorate of Contracting (DOC) to streamline procedures used for receiving goods. DOL will test direct delivery with some select hand receipt holders. This will allow goods to bypass the CRP and be delivered directly to customers. If the test works, management will expand direct deliveries to other hand receipt holders. Also, DOC agreed to input hand receipt numbers on purchase orders to aid warehouse personnel in identifying customers.

**HOSPITAL DUTY WHITES.** A review of hospital duty whites at one location showed that 2,500 of 8,000 (31%) hospital duty whites, issued by various central issue facility personnel, were not needed. IR recommended that excess duty whites be turned in and reissued to meet future requirements. The auditor reported \$55,000 in potential monetary benefits.

**PROPERTY ACCOUNTABILITY.** IR, in one command, performed an audit to ensure adequate accountability over government property. A previous audit discovered that property was loosely controlled which resulted in poor accountability. While this new review showed progress had been made, further improvements were necessary. Some property was not on hand receipts and not identified in the property book. Change-over inventories had not been performed. Accountable property was being procured with the IMPAC card and not being reported to the Property Book Officer (PBO). IR recommended specific actions to tighten accountability over government property. The PBO agreed with all recommendations. The audit will result in improved management controls; an improved property accountability system; and will aid management in avoiding similar problems in the future.

**ORGANIZATIONAL CLOTHING AND INDIVIDUAL EQUIPMENT (OCIE) ACCOUNTABILITY.** IR examined the accountability of OCIE in five brigade units. IR found unit accountability was directly related to personnel following prescribed procedures. Units maintaining correct management controls had excellent accountability. Conversely, accountability weaknesses were prevalent in units not maintaining updated summary of issues and shelf counts. The Brigade staff issued directives to correct deficiencies found and to reestablish controls for accountability. During the audit, \$107,000 worth of OCIE was documented as either missing or not properly accounted for.

**ACCOUNTABILITY OF EXCESS MTOE AND OCIE EQUIPMENT.** This audit on the accountability of excess MTOE & OCIE equipment, to include follow-up on previous audit recommendations, identified the potential for an additional \$5.6 million of excess equipment. IR found DCSLOG did not have a clear and defined plan of action in place to turn in excess equipment and the sheer number of MTOE changes every 12-18 months precluded units from reacting in an expeditious manner.

## *Property Disposal*

**RECYCLING REIMBURSEMENTS.** The overall objective of this IR audit was to determine if problems existed in receiving reimbursement for items sold through the local Defense Reutilization and Marketing Office (DMRO). IR auditors found that there were no management controls in place to ensure DMRO personnel recorded receivables in the accounting records or that the installation actually received funds that were due. The normal process for turn in of recyclables takes between three to four months before the installation receives reimbursement. Included in this process is a one to two month delay waiting for the purchaser to pick up the material after contracting awards the contract. The purchaser does not make payment to the installation for the recycled material until after the final shipment or pick-up.

**PROPERTY ACCOUNTABILITY – DEPLOYABLE OPERATIONS GROUP.** Management needed to improve controls over property transfers and authorizations. Management did not always ensure that accountable records were accurate or fully supported. Management also processed transfer documents without the approvals of either losing or gaining property book officers. Additionally, project managers directed shipments of training aids without coordinating efforts through the appropriate channels. Hand receipt holders did not follow established procedures for conducting inventories. Consequently, hand receipt holders did not perform inventories at the prescribed intervals. Additionally, hand receipt holders did not store property in a secure facility to prevent possible unauthorized access.

**PROPERTY DISPOSAL PROCEDURES.** Another IR office reviewed property disposal procedures to determine if timely action was taken to remove items from the property book following disposal. The review showed that 166 items with a value of \$574,000 had been disposed of but not removed from the property book. Nine of these disposal actions were completed more than 12 months prior to the review but actions had not been taken to remove the items from the property book. IR recommended that the Director, DRM -

- (a) review the 166 disposal actions and ensure that disposed of items are removed from the property book, and
- (b) establish internal controls to ensure that disposal actions are promptly updated to the APPMS Property Book.

Also, the Property Disposal Officer (PDO) should -

- (a) develop operating procedures to include the use of a document transmittal letter for the transfer of disposal documents to the Property Book Officer (PBO), and
- (b) suspense all disposal actions to ensure that property items are removed from the property book in a timely manner.

DRM, PDO and PBO concurred to the audit findings and recommendations.

### *Civilian Personnel Management*

**REVIEW OF TELEPHONE CHARGES AND TIME AND ATTENDANCE BY CERTAIN STAFF MEMBERS.** One command received a hotline complaint alleging non-payment of personal telephone charges and falsification of time and attendance data. The Chief of Staff had IR investigate. IR concluded that the employees appeared to have abused the use of cell phones and had not paid for personal calls made. It also appeared that the same employees had abused the time and attendance system; but, due to a faulty badging system database, IR could not be conclusive.

**WORKERS' COMPENSATION PROGRAM.** IR auditors at one location conducted an audit to determine if management effectively administered the Workers' Compensation Program. Auditors found that the administrator did not always take actions to return to work former employees receiving long-term compensation when medical evidence showed they had sufficiently recovered. Medical data showed that seven former employees could have returned to work 4 to 14 years ago. Also, the administrator did not obtain the most current medical data, even though it was required to make a determination if former employees were able to work. Medical data was not available for 3 of 19 employees. The data for the remaining 16 employees was from 2 to 27 years old.

**OVERTIME.** IR at one facility found that significant improvements were needed in the management and control of overtime. The auditor found that -

- (a) there were no "checks and balances" in the budget process to contain escalating costs of overtime;
- (b) the use of the "Request and Authorization for/or Approval of Overtime and/or Holiday Work" form was ineffective and served no useful purpose in fund control;
- (c) managers did not comply with policies and procedures in about fifty percent of the cases; and
- (d) there were no fund control targets, feedback reports, or command emphasis on the use of overtime.

IR reported \$500,000 in potential monetary benefits as a result of the review.

**FAIR LABOR STANDARDS ACT.** IR at one activity found that management had unknowingly violated the Fair Labor Standards Act by using intermittent employees (in housekeeping) on a regular basis. Such a practice establishes an employer liability for

employee benefits from the initial appointment date to present. Several employees have been in this status for over 10 years. The review generated \$100,000 in potential monetary benefits.

**VOLUNTARY SEPARATION INCENTIVE PAY (VSIP).** An IR office at one activity found that 24 of 194 employees (12%) receiving VSIP were inaccurately paid. The auditor reported potential monetary benefits of over \$62,000.

**LIVING QUARTERS ALLOWANCE.** At one overseas command, the DRM requested an audit to address concerns over increased Living Quarters Allowance (LQA) disbursements. The objectives of the audit were to determine if LQA benefits were authorized, justified and necessary. IR found that a number of LQA benefits authorized where the inducement was clearly not necessary. The auditors also found that the Civilian Personnel Office was authorizing benefits without the knowledge or authority of the appropriate commander and without certification of the availability of funds from the Fund Certifying Officer. IR identified 56 positions where LQA benefits should be discontinued. Management agreed to the recommendations and is currently working with the MACOM to change the procedures for authorizing LQA benefits so that appropriate commanders and their staffs certify the availability of funds before authorizing LQA benefits.

### *Military Personnel Management*

**OPERATION OVERLORD II - ARMY NATIONAL GUARD (ARNG) RETENTION RATES.** This IR engagement was focused on the potential adverse effect of enlisted personnel losses on the readiness of the ARNG. Soldiers in IDT units were judgmentally selected for personal interviews within the ETS limitations of 1 October 1996 to 30 September 1997. Findings were identified in the areas of (i) Sponsorship Program; (ii) Soldier Counseling (Mentoring); and (iii) Soldier Extension Rates. Nearly one-third said they were not assigned required sponsors. Soldiers also indicated they were not interviewed and/or counseled as required. Over 38 percent of the soldiers either were not planning to, or were undecided about reenlistment or extending at the end of their obligation. Specifically, 52 percent of 44 first-term enlistees were undecided or did not plan to extend. In general, negative factors influencing their decisions centered around dissatisfaction with the type, quality, or amount of training during IDT and AT. Retaining qualified personnel is extremely important because of the significant initial cost (\$65,000) of recruiting and retaining soldiers.

**RECRUITMENT.** IR was tasked to conduct an audit to determine the causes of and corrective actions needed to improve the low strength in the command. During the recent Total Army School System (TASS) reorganization, most strength management functions, including management of the USAR Request System (RVS), were transferred to another command. Units needed to notify this other command, in writing, of any vacancies that needed to be manually loaded in USAR RVS. IR found the overall cause of the command's low strength was that, either through lack of communication or incomplete communication, units didn't understand how the process was supposed to work. As a

result, in Dec 96, the USAR RVS failed to list 45% (245) of the command's vacancies. Most units had assumed vacancies were being top-loaded by higher command and had taken no positive action to load all vacancies. In addition, some blocks placed during the reorganization had not been lifted. The DCSPER agreed to: periodically analyze the USAR RVS report, and communicate with units that don't appear to have appropriate vacancies listed; to include the unit-level vacancy reporting procedures during assistance visits; and to periodically include an explanation of the procedures in the command's bulletin.

**RETENTION.** The objectives of this formal audit were to determine reasons for soldiers leaving the command; summarize data obtained to help the staff address retention problems; and generate possible leads for the command's Retention Office. The audit disclosed soldiers left the command for the following reasons: reorganizations, personal conflicts, and physical problems. The audit also disclosed:

- (a) Retention NCOs must be trained.
- (b) Sponsorship programs were not functioning properly.
- (c) Potential UNSAT & ETS soldiers were not identified and interviewed.
- (d) Personnel records at the unit level were not complete, i.e., many lacked accurate phone numbers and addresses.

IR provided analysis/data to decision-makers. Improved readiness (20 leads were given to Retention Office). Three contracts have been signed. In conjunction with the Retention Office, IR developed three different questionnaires to interview former soldiers. Questionnaires are still being used. Furthermore, questionnaires have been distributed to other IR offices in the command.

### *Real and Installed Property*

**ACCOUNT PROCESS CODES FOR FAMILY HOUSING MAINTENANCE AND REPAIR COSTS.** IR's objective for this audit was to determine if the base operations contractor was charging family housing maintenance and repair material costs to the proper account. If these costs were not properly charged, then Operations and Maintenance, Army (OMA) funds were used instead of Army Family Housing (AFH) funds. The DRM suspected this was occurring because of a \$900,000 decrease in material costs for family housing and a corresponding increase in material costs for the cantonment areas over the prior year.

IR obtained an understanding of the contractor's work order process. When materials are first purchased, they were charged to the supply warehouse's account because it was not known where the materials would be used. Later, the contractor reclassified the costs of materials issued to family housing work orders.

IR used statistical sampling on a universe of 48,000 work orders. The sample work orders were tracked from initiation to material issue to reclassification to invoicing to payment by

Defense Finance and Accounting Service. IR found a computer error that caused \$35,517 in material costs not to be reclassified. Further testing showed it was a one-time error. IR concluded that the contractor's process was designed to properly charge family housing material costs. No systemic problems were found.

**FY 96 AND 97 UTILITY REIMBURSEMENTS.** The objective for this audit was to review the relationship between the Army and the Fort XXXX Reuse Authority and determine if the Reuse Authority reimbursed the Army for their share of utility charges. IR auditors concluded that utility reimbursements were in arrears in the amount of \$17,800. If the Defense Accounting Office (DAO) did not change procedures, the Reuse Authority would accumulate a \$58,000 outstanding receivable by the end of FY 97. Auditors recommended that DAO notify the Reuse Authority of past due outstanding debts and request immediate payment. Auditors also recommended DAO deduct outstanding debts before making any payments to the Reuse Authority. Additionally, auditors recommended DAO impose Debt Collection Act penalties for late payments of debts owed to the United States.

**REAL PROPERTY MANAGEMENT.** A full scope audit by one IR office used judgmental and random sampling to evaluate the procedures utilized to manage real property at air bases. Findings showed the value of real property was being under reported. The overriding cause was the failure to implement an effective Internal Management Control Program. For instance: not all facility improvements were identified to the accounting records, and Facility Survey inspections were not conducted. This resulted in an understatement on the general ledger of the flying bases of \$2,925,000 in the value of real property. This information is utilized to provide the basis for the annual budget request. If real property values are understated the result would mean lower funding in future years.

**PAYMENT OF CENTER UTILITY BILLS.** IR's objective for this audit was to evaluate whether proper controls were in place to ensure gas, water, and electric bills were properly reviewed and verified prior to payment. IR determined the DCSENGR did not have an adequate review process in place to verify utility bills paid to other military installations and agencies during 1996 and 1997. IR also identified \$5,900 in 1996 late charges caused by a failure to verify and review utility bills in a timely manner. IR recommended the DCSENGR obtain source documentation from all supporting installations to determine if the command was accurately billed for utilities (and other services) in 1996 and 1997. Also, IR suggested the DCSENGR initiate the use of electronic payment of utility bills and conduct Energy Assessment Reviews at our most expensive centers.

**REVIEW OF BARRACKS UTILIZATION.** The IR office at one installation performed a review of barracks utilization. The purpose of the review was to visit and survey each barrack to evaluate utilization and to determine if space could be made available to house additional personnel. IR visited each barrack to: (i) document room size; (ii) document number of occupants assigned to each room; (iii) document rank of occupants; (iv) identify geographical bachelors; (v) identify rooms used for purposes other

than housing soldiers; and (vi) identify rooms currently under renovation. The review pointed out to command that barracks were not fully utilized. IR determined that an additional 718 personnel (E-4 and below) could be housed in existing barracks. If implemented, reductions in the amount of basic allowance for quarters (\$285) per month could save the Army about \$2.5 million.

### *Information Technology*

**INTEGRATED SUSTAINMENT MAINTENANCE (ISM).** For this engagement, IR's objective was to bring the installation "on-line" in the ISM Program. IR accomplished the objective as the installation is now participating in the bidding process for new maintenance work. IR took the initiative in the implementation of the ISM Program at the installation. The program requires the installation to bid on internal and external maintenance work. The IR auditor accumulated cost data, refined the methodology used in developing the ISM rate and finally, computed the rate that the installation used in the bidding process. The process, called "Cost Mapping," is performed on an annual basis. Additionally, the auditor disseminated information to DRM and DOL managers, on potential budgetary impact of ISM. The auditor also provided reimbursement procedures to DRM for work done for other installations. Throughout the year the auditor conducted ISM meetings with DRM, DOL, DEH, and the maintenance contractor, and made trips to obtain new information that benefited the installation's ISM Program. Also, the auditor attended Semi-Annual Planning, Production & Control meetings, and provided rate and cost information to higher headquarters. FY 97 monetary savings to the installation, will be available November 1997.

### **ACCOUNTABILITY OF AUTOMATED DATA PROCESSING EQUIPMENT (ADPE).** IR's objectives were to -

- (a) determine if controls, policies, and SOPs were in place,
- (b) ensure that documented accountability of ADPE compared favorably with inventoried ADPE, and
- (c) determine if authorized software was the only kind being used on government computers.

Software listed on computer hard drives was compared to DOIM software issues and Norton Utility Software was used to uncover any recently deleted unauthorized programs. The ADPE on hand was compared to automated hand receipt printouts obtained from the owning Property Book office. Management control problems were revealed. The audit found ADPE inventories were not performed, Information Systems Security Officers (ISSOs) and Terminal Area Security Officers (TASOs) were not properly trained, and non-DOIM approved private PCs were in use. Also discovered were potential copyright violations stemming from usage of unauthorized software. The audit highlighted the need to assign accountability to Property Book Officers below senior command level to properly account for ADPE. The audit also identified a need to have trained ISSOs and

TASOs at command and unit levels to monitor the use of software and to load and maintain security/control of software.

### Communications

**TELEPHONE USAGE.** Auditors at one facility reviewed telephone usage patterns and billing practices of the phone service suppliers to determine areas for potential savings. They found that, eliminating 3,100 voice mailboxes that cost \$9.50 each per month; installing purchased 2,200 boxes (which would cost nothing to use); and removing 3,000 analog lines at \$37.50 a month, the facility could generate substantial savings. The auditors found additional savings potential through

- (a) restricting 411 Local Directory Assistance;
- (b) restricting 800 Service to the minimum number of lines needed;
- (c) blocking OCONUS and CONUS long distance calls dialed outside the low cost system;
- (d) recovering from DTS-W charges that were billed to the facility in error; and
- (e) recovering \$424,000 in overcharges from the Defense Finance and Accounting Service.

Further, the auditors found that 700 and 900 area calls were being made which, by a previous agreement, should have been blocked by the telephone company. Additional savings could be achieved by insuring that resources for special projects (ISDN phone purchase) not be commingled with regular phone funds. Adopting IR's recommendations can save the command \$16.4 million.

**CELLULAR TELPHONES / PAGERS.** Another IR office found that growth in the number of cellular telephones and pagers was not adequately controlled. Costs of using telephone services was not effectively managed; non-official calls were being made; and lengthy calls were being made at excessive cost to the Government. The audit resulted in an improved policy to identify potential abuse of cellular phones and pagers. Further, command set a goal of reducing usage by 50%. Potential benefits reported by the auditor were \$27,000.

### Transportation

**JET FUEL DISTRIBUTION CHANGES AND IMPACT ON RAILROAD OPERATIONS.** The Defense Fuel Supply Center (DFSC) plans to change the way jet fuel is distributed in the state. Jet fuel is currently delivered to the installation by rail car.

The new fuel distribution plan would have jet fuel delivered by fuel truck. The Garrison Commander requested the review to determine the impact of the change in delivery modes.

IR found that the change in fuel delivery mode would adversely impact the maintenance of rail track that leads to the installation, as well as the maintenance and operation of rail track on the installation. The installation Army Air Field is concerned that the DFSC plan will significantly reduce their ability to meet peak fuel demands during a national emergency or deployment. IR advised the Garrison Commander that road improvements--to ensure that truck deliveries are safe and efficient--are estimated to cost more than \$150,000. The estimated cost of in-house operations of the rail network is about \$300,000 annually. A full-service contract would cost about \$750,000 annually. IR also advised the Garrison Commander to explore the possibility of receiving financial support from the U.S. Army Reserves, National Guard, and Air Force to maintain railroad service.

**LONGBOW TRANSPORTATION REVIEW.** Another IR office was tasked by the installation Chief of Staff to develop a transportation plan for aircrews and maintenance personnel attending the Longbow Apache transition course in Mesa, Arizona. The original proposal for the time period called for using 15 seven passenger vans at a cost of \$107,594. IR was able to develop a plan using 7 fifteen-passenger vans costing \$70,000 saving \$37,594 over the training period.

**TRANSPORTATION DIVISION, MOVEMENTS BRANCH.** IR conducted an audit of at the Directorate of Public Works and Logistics. The overall objective was to determine if the Movements Branch had utilized the most economical shipment mode for household good shipments weighing less than 500 pounds. The audit disclosed that the Transportation Division, Movements Branch, did not use the most effective method for shipping household goods that had a 500-pound limit. Auditors estimated that the Transportation Division overpaid approximately \$14,000 on shipments made from January through March 1997.

**PATIENT TRANSPORTATION.** A review of the use of medical travel funds at one medical treatment facility indicated that an additional bus to transport patients to a regional medical center (and ensure that all appointment times were covered by the bus schedule) would save approximately \$180,000 in medical travel costs for the facility and installation.

**AUDIT OF GOVERNMENT TRAVEL ACCOUNT (GTA) SYSTEM.** Another IR office found that current reconciliation processes and procedures performed by the ITOs were not adequate to ensure the validity of travel costs and payments (which totaled \$53.4 million for 12-month period ended April 1997). Although the ITO personnel needed increased training to perform a complete and valid reconciliation, other factors contributed to the difficulty of the reconciliation process. For example, the contracted travel office did not comply with the travel service contract's performance work statement. Implementation of IR's recommendations should strengthen controls.

### *Military Pay and Benefits*

**AUDIT OF BASIC ALLOWANCE FOR QUARTERS.** An IR audit was conducted to determine whether military personnel residing at installation housing improperly received Basic Allowance for Quarters (BAQ) after they were assigned housing. The audit discovered military personnel had been overpaid \$98,500 in BAQ.

**AUDIT OF UNACCOMPANIED PERSONNEL HOUSING.** One IR office conducted an audit to determine how status/conditions of Unaccompanied Personnel Housing (UPH) may effect occupants' Basic Allowance for Quarters (BAQ) at installation housing. Army Regulation 210-50 (Housing Management) states that UPH exceeding minimum space adequacy standards and not made available for joint occupancy, requires forfeiture of BAQ. IR found that since the UPH housing exceeded minimum space adequacy standards and was not made available for joint occupancy, installation UPH occupants were required to forfeit their BAQ. Amount and time period of BAQ affected is currently being researched by legal and housing divisions per IR's recommendation.

### *Civilian Pay and Benefits*

#### **TIME AND ATTENDANCE (T&A) RECORDS.**

At command's request, IR at one facility reviewed an employee's T&A records and found that the employee had direct access to the payroll system. During a comparison of payroll input sheets and the official records at the payroll office, the auditors found that 92.5 hours of annual and sick leave had not been entered and that 81 hours had been incorrectly paid at the overtime rate. The auditors determined that these transactions had cost the command \$2,500.

At another command, an audit was conducted to ensure the validity of T&A records upon the discovery of time card manipulation. The Army's Criminal Investigation Division is currently investigating the employees' T&A records. IR suggested several additional controls to preclude recurrence.

**UTILIZATION OF PHYSICAL FITNESS FACILITIES.** Employees at one command participated in a physical fitness program. The program offered the opportunity to cost share with the command in membership to approved physical fitness facilities such as YMCAs, Gyms, etc. Guidelines for participating employees were: Employee must be full-time and permanent (includes seasonal employees), the physical fitness facility must be approved and the employee must pay the first \$75.00 of the membership. The command would then contribute the next \$150 of the membership with the employee paying any remaining costs. IR was asked to determine whether command sponsored memberships were utilized on a regular and reasonable basis and utilization represented an acceptable return on investment. The review consisted of analyzing cost and utilization records for the period 1 May 1996 through 30 April 1997. IR determined that not all members

utilized the facilities on a regular basis. Of the 114 members surveyed: 23 members (20%) had zero (0) uses at a cost to the command of \$3,226; 23 members (20%) had 1 to 10 visits at a cost of \$3,375; 15 members (13%) had 11 to 25 visits at a cost of \$2,250; and 16 (14%) had 26 to 50 visits per year at a cost of \$2,400; 24 members (21%) had 51-100 visits per year; 13 members (11%) had visited the facilities more than 100 visits per year. Extended to the total population, IR expected that 111 members used the facilities less than once per week at a cost to the command of \$16,267. Additional costs of \$800 per year could be avoided by discontinuing semiannual open seasons and combining all members in one seasonal payment cycle. IR recommended that controls be strengthened and participation criteria be established and monitored by the staff proponent.

**USE OF ANNUAL TRAINING/ADDITIONAL DUTY TRAINING (AT/ADT) WITH INDIVIDUAL DUTY TRAINING (IDT).** IR conducted this consulting and advisory engagement to determine if AT/ADT could be performed in conjunction with IDT and if a soldier could receive pay for travel to and from home station site for IDT while in an AT/ADT status. IR determined that this was in violation of Army policies. IR briefed the commander and staff; and this information will be included in new CDR, CSM, and staff briefings; published periodically in the command bulletin; included in AT information packets; and published in travel pay guidance to the field.

### *Other Comptroller Functions*

**REVIEW OF DEOBLIGATIONS IN CONTRACTS AND SUPPLIES.** One Chief of Staff established a Task Force to examine the business functions used for estimating and obligating funds for contracts and supplies. In addition, the task force was to develop procedures and new ways of doing business that will lessen future deobligations. The task force was comprised of IR personnel and personnel from other staff sections. The task force found that even though many regulatory procedures exist to ensure that obligations are reviewed and analyzed, they weren't always followed. Additional procedures would need to be developed and assistance visits made to provide required command emphasis. The task force identified over \$3 million in lost deobligations due to ineffective management of obligated funds.

**UNLIQUIDATED OBLIGATIONS FY 1997.** During an IR audit of unliquidated obligations, several inquiries identified high dollar obligations (with dollar values greater than \$5,000) that were still open in the supply system. These requests were submitted to the Logistical Intelligence File to determine their current status. If the items were found with a status that did not agree with history files, research was performed. If the item

indicated a cancellation status, they were furnished to the appropriate item manager for posting to supply records before year-end. This practice avoided the obligations from becoming a prior-year deobligation and allowed units to use the funds for unfinanced demands. IR identified cancelled depot level obligations of over \$500,000.

IR also identified a unit's requisition, valued at \$110,000, that had a due-out from the Direct Support Unit (DSU) since March 1997 but had never been filled. The system at the DSU had ordered the item 11 times and had been cancelled by the depot each time. IR found that the item on the Army Master Data File (AMDF) had been coded as obsolete and the status was processed at the DSU to free up the unit's funds.

**AMERICAN EXPRESS TRAVEL PAYMENTS.** One IR office found that many problems existed with Installation Transportation Offices' American Express accounts and the bill payment process. American Express frequently informed Deputy Chief of Staff for Base Operations and the installations of delinquent account balances. Yet, delinquent accounts were unavoidable due to the complexity of the payment process. The timetable for processing payments in accordance with the Prompt Payment Act is not practical. ITO had numerous problems processing bills for payment. Additionally, management did not have controls in place for ITO to properly monitor balances due American Express. In spite of these problems, four out of five installations did not incur significant interest penalties. Allowing the use of individual government credit card as the primary method of purchasing airline tickets would avoid costs to the MACOM of about \$225,536 annually or \$1,353,216 over the POM years.

**ACTIVITY BASED COSTING (ABC).** The Activity Based Costing initiative, under the leadership of one Chief of IR, has expanded to all of the directorates of the installation. ABC models are being built for the Directorates of Human Resources, Management Information, Engineering and Housing, Public Safety and Resource Management. Assistance is being provided by USAAA, the Army Cost and Economic Analysis Center, West Point, and Coopers and Lybrand. In addition, Dr. Geiger of the University of California is conducting a special pilot project to integrate the concepts of cost management into current garrison management practices. The Chief of IR is briefing the ASA(FM&C) on this initiative in November.

**VALIDATION OF AWR FUNDING.** At the request of the U.S. Army War Reserve Support Command, IR validated FY 96 AWR-4 (Pacific Theater) costs for selected Military Interdepartmental Purchase Requests (MIPRs).

The audit identified weak internal controls that allowed service providers within the Republic of Korea (ROK) to overcharge the AWRSPTCMD at least \$1.2M. The audit determined that the AWRSPTCMD didn't follow generally accepted accounting practices in executing the AWR-4 budget. As a result, service providers charged the AWRSPTCMD for prior years' expenses and expenses that weren't a part of the AWR-4

equipment budget. Also, clerical errors in bills weren't discovered. During the audit, IR identified two bills that would have overobligated the MIPR about \$26,000. To avoid a potential Antideficiency Act (ADA) violation, IR recommended the DRM withdraw the bills for further review.

While reviewing their accounting practices and procedures, IR determined the appropriate reviewing activity didn't approve most of the bills prior to payment and didn't receive an accounting for \$1M of Class IX repair parts. IR also identified instances where MIPRs or amendments were provided after the services were completed.

Recommendations provided corrective actions for the conditions noted in the audit.

**INSTALLATION HOUSING RENTALS MANAGEMENT.** IR's objective of this audit was to determine if housing rental management was efficient and effective.

Internal Review found:

- (a) Current organization was not effectively managing collection of monthly rental fees.
- (b) System used to bill renters was costly and ineffective, especially the use of providing a voucher to each renter for rental payment.
- (c) Responsible personnel had not taken action to collect unpaid rents, which ranged from one to six months in arrears.
- (d) Lease rules were not followed, especially those requiring renters to pay by the first of each month.

As a result, internal controls were implemented which:

- (a) Transferred responsibility for debt management to the Resource Management Office.
- (b) Initiated collection action, which recouped \$38,000 in delinquent debt.
- (c) Implemented a collection system, which notified delinquent renters and processed involuntary salary offsets for those who did not make arrangements for repayment within 30 days.
- (d) Created a monthly report for housing and the Commander to provide the status on delinquencies.

**IRS AUDIT OF MCAAP F.E.T. REFUNDS.** The Internal Revenue Service performed an examination of Form 8849, Claim for Refund of Excise Taxes, for the years 1995-96. No discrepancies were noted. These refunds and those received for April 1988 thru 1994 were due to IR audit work and resulting recommendations. The final cash savings for MCAAP were \$810,078.

**ARMY MCP REVIEW FOR SATELLITE FACILITIES AND FORWARD REPAIR ACTIVITIES.** IR performed an audit at the Depot's Consolidated Maintenance Support Facility (CMSF) as a result of suspected management problems at the site. Audit results revealed major problems with purchasing actions (BPAs), American Express (AMEX) Travel Card usage, contracts, and property accountability. For

example,

- (a) BPA monetary transactions were not visible to depot managers and as a result several BPA purchases were over priced,
- (b) there was possible fraudulent use of the AMEX card,
- (c) there were contracts where work was either not performed or was completed unsatisfactorily, and
- (d) there was \$120,000 of missing equipment, including equipment loaned to a contractor.

Recommendations made were:

- (a) BPA call record format be revised and expanded to provide additional detailed transaction information,
- (b) develop and implement new SOPs,
- (c) agency program coordinator for AMEX, at the depot, control all AMEX matters including the reconciliation of monthly AMEX statements with travel orders, and
- (d) cancel unnecessary services and contracts.

**THIRD PARTY COMMISSIONS RECEIVED FROM CARLSON WAGONLIT CONTRACT.** IR found that the commissions for third party sales were being collected and recorded by the Fort XXXXX Defense Accounting Office (DAO). The review disclosed that the money received was deposited in an Army suspense account by the local DAO rather than the "Miscellaneous Receipts of the Treasury" account as required by the DFAS guidance. IR challenged the DFAS guidance that directed checks for third party sales commissions be deposited in the Treasury account. Army installations receive no benefit if commissions earned are rebated back to the Treasury account and not to the installation. As a result of questioning the DFAS policy, the Directorate for Resource Management (DRM) and Fort XXXXX DAO worked with DFAS and were able to get a ruling that Fort XXXXX could use the money and deposit the commission checks into the appropriate Army accounts - those that funded the travel which produced the commissions. The impact of this ruling was that Fort XXXXX had the opportunity to use the \$134,059 that was deposited by Fort XXXXX DAO into the Army suspense account. In addition, the impact of what IR found here at Fort XXXXX could very likely be occurring at other Army installations serviced by Carlson.

Command issued an Audit Alert in this area and DA issued a message to all IR Offices alerting them of the audit area and asking them to consider the subject for potential audit within other commands.

**THIRD PARTY COLLECTION PROGRAM.** The auditor at one activity found that not all billings were made by Third Party Collection Program personnel. Lack of activity commitment to the program, poor program management, and ineffective automation support all contributed to the problem. The auditor reported over \$322,000 in potential monetary benefits.

**FOLLOW-UP REVIEW OF UNLIQUIDATED OBLIGATIONS (ULO).** One IR office found that about \$294,000 of almost \$314,000 of ULO recommended for recovery in the initial review were recovered. Further review performed during the follow-up showed that additional funds could be recovered. Recommendations were also made to improve obligation management and administration of supplemental care accounts. Potential monetary benefits exceeding \$182,000 were reported.

**BILLING AND POSTING ERRORS.** The IR auditor at one facility found billing and posting errors during an audit of the Medical Services Account. A Medicare beneficiary was not correctly classified and resulted in an uncollectable bill. Also, four accounts in a bulk check payment were not posted, and the check expired because personnel did not know what to do with it. Corrective actions recommended by the auditor will result in monetary benefits of \$150,000.

**ADMINISTRATION OF THE AMERICAN EXPRESS CHARGE CARD.** One IR office found that AMEX program coordinators did not effectively utilize monthly reports provided by AMEX to assist in providing oversight of travel related charges. IR recommended that -

- (a) follow-ups be performed to verify questionable transactions and excessive ATM withdrawals;
- (b) periodically, all Group AMEX card holders be reminded of rules governing use of the card; and,
- (c) verify the propriety of investigators using the AMEX charge card for expenses they incurred as a result of the non-availability of .0015 contingency funds.

**EASTERN CASTLE OVERSEAS DEPLOYMENT TRAINING (ODT).** EASTERN CASTLE was a major ODT deployment to Egypt which affected the deployment of over 360 soldiers. Confusion regarding ODT line authorization and who was included in the ODT line authorization impacted the publication of orders. Unless resolved, this confusion would place a major ODT deployment/exercise with a budget over \$4 million at risk. IR was directly responsible for solving confusion over rotation order issues which had an impact of over \$110,000.

### Support Services

**AVIATION FIRE DEPARTMENT RISK ASSESSMENT.** The installation Chief of Staff requested an in-depth risk assessment of the Aviation Fire Department. The review revealed that regulatory guidance no longer required P-19 fire truck coverage for the AH-64 and UH-60 aircraft. The Fire Chief and command officials accepted IR recommendations with a one-time cost savings of \$1.4 million and \$1.8 million annually.

### Nonappropriated Fund Activities

**OFFICER'S CLUB.** IR focused the audit on evaluating key management controls over resale merchandise, cash, fixed assets, special function contracts, and labor costs. IR found that:

- (a) The Officer's Club did not have effective controls over resale merchandise.
- (b) Key management controls over cash and negotiable instruments were not always in place or operating effectively.
- (c) Accountability over fixed assets, valued at about \$226,000, was not completely established.
- (d) Procedures used to control special function contracts were effective, but improvements were needed in the procedures used to process special function contracts.
- (e) Procedures for controlling and reporting employee work hours needed strengthening.
- (f) The Internal Management Control Program, as it relates to club operations, was not fully effective.

Management agreed with IR's findings and the 22 recommendations included in the final report.

**BOWLING CENTER RESALE OPERATIONS.** IR's objectives were to determine if performance measures for resale operations had been established and used; and, whether sales accountability tests were conducted as required to provide necessary controls over inventory, sales revenue and cash.

The review found the following material deficiencies:

- (a) Performance measures had not been established
- (b) Sale Accountability tests had not been performed
- (c) Sales accountability variance performed by IRAC found 42% overall variance for period Oct-Dec 96
- (d) There was no reasonable assurance that inventory and cash had not been stolen

- (e) Employee discounts and food spoilage had not been documented
- (f) Customers had been given excessive portions
- (g) There were outdated menu prices and periodic menu price reviews had not been performed
- (h) There were no cash controls

As a result of this review, CID agents performed an investigation. While they were not able to verify theft during the period, they did validate a severe lack of control over cash, revenue, and inventory.

As a result, management strengthened internal controls and experienced immediate results. The bowling center returned to profitability. Cost of Goods Sold expense decreased over 15%, and tests showed sales variance reduced dramatically. This allowed IMWRF to continue operating the bowling center.

**BILLETING RATES.** In a validation of the billeting rates at one activity, IR found that prior year recommendations were implemented and had resulted in a high rate of execution for Capital Improvement Minor Construction (CPMC) projects. However, the billeting activity had not been charging an appropriate amount in the room rate for the five year CPMC plan. The audit identified over \$300,000 in potential monetary benefits.

**BILLETING FUND ACCOUNTS / AMERICAN EXPRESS (AMEX) CHARGES.** IR's review of billeting fund accounts showed that the Clearing House had not processed American Express (AMEX) charges in a timely manner. Lack of appropriate follow-up compounded the problem. The auditors found that -

- (a) some accounts amounting to over \$7,700 needed to be billed;
- (b) groups who came to the facility on temporary duty had not been billed; and
- (c) a contract with one an Army command for \$25,198 had not been billed.

The auditors reported monetary benefits of \$37,400.

**COMMUNITY CENTER.** Another command had their IR office perform an audit in conjunction with an investigation of two larcenies of funds totaling \$3,225. The audit covered the first nine months of FY 97. During this period, IR reviewed retail sales and bingo cash receipts. Although IR established three specific objectives for the audit, the overall audit objective was to determine if the policies and procedures for cash receipts were adequate to ensure accountability for all monies and to prevent further losses.

IR found there was no material support for either bingo cash receipts or retail sales. Some of the supporting documentation required and/or prepared for cash receipts was either destroyed or not performed during the entire nine month audit period, and bingo cash receipts were deposited an average of more than two weeks late for more than five months of this period. In short, management controls established were not adequate to ensure accountability for cash receipts. Improvements were needed in written internal guidance to -

- (a) address the supporting documentation for all cash receipts required to be produced and retained, and
- (b) address the management oversight required to be performed to ensure compliance with regulatory and internal policies.

Improvements were also needed to correct many other systemic and management control deficiencies found during the audit. Management concurred with the results of the audit and has taken or planned actions that will correct the systemic and procedural deficiencies found during the audit and prevent reoccurrence of these deficiencies.

**MANAGEMENT CONTROL OVER MWR MERCHANDISE INVENTORIES.**

One IR office conducted an audit to evaluate management controls over resale merchandise at eight activities of the Installation Morale, and Recreation Fund (IMWRF). IR prepared sales accountabilities analyses for food, bar, and cigarette inventories; analyzed performance measures used to control and monitor resale inventories; and observed daily business operations and physical inventories. IR found that management controls needed improvement. As a result of the audit, management personnel agreed to:

- (a) Establish an accountability method to control food, liquor, beer and cigarette merchandise inventories.
- (b) Prepare perpetual inventory records for merchandise in storage areas.
- (c) Implement wall-to-wall physical inventory procedures.
- (d) Separate the duties of personnel responsible for controlling the merchandise and from those responsible for taking the physical inventories.
- (e) Establish procedures that limited accessibility to the storerooms and storage areas.
- (f) Establish procedures for reviewing performance measures and reporting corrective action when variances exceed budgeted levels.
- (g) Establish a policy to limit purchases for activities with excessive on-hand inventories.

**REVIEW OF HQ ARMY RECREATION MACHINE PROGRAM (ARMP) LOGISTICAL OPERATIONS.**

Another IR office's objectives were to evaluate the effectiveness and efficiency with which the parts requisition and central warehouse inventory processes support ARMP. The lack of supply management and performance information made it difficult for ARMP to make informed decisions on stockage and supply support. IR determined that a majority of the stockage on hand in the central warehouse was excess to requirements based on demand data. The overall conclusion was that ARMP activities would be more effectively and efficiently supported by direct delivery from vendors instead of maintaining a central logistics warehouse. IR recommended that action be taken by ARMP to phase down and eventually eliminate the central warehouse. IR also recommended expediting action to review stocks on hand in the warehouse and either redistribute to the field offices or, if not needed, dispose of them prior to ARMP's move to U.S.

ARMP management is in the process of implementing IR's recommendations. The one-time monetary savings of \$669,327 is based on the level of stockage that was being maintained at the central warehouse at the time of the review. This stockage was eliminated. The recurring monetary savings is the annual savings in compensation and other expenses that will result from the elimination of the central warehouse.

**REVIEW OF TRANSPORTATION OPERATIONS.** The overall objective of this review was to evaluate the efficiency of Armed Forces Recreation Center transportation system, especially with respect to bus operations. IR determined whether there were excess buses and whether contracting for transportation would be more efficient than internal operations. IR found the financial benefits of eliminating the use of internal bus operations and relying on contracted bus operators, to be minimal. However, it was concluded that there were excess buses. Management identified two buses and will initiate disposal process. Also, IR identified excess drivers. The elimination of two positions would save about \$90,000 per year in salaries and benefits. It was agreed that two of the drivers would be removed from the TDA. The driver positions will be reduced through attrition.

**REVIEW OF ARMY RECREATION MACHINE PROGRAM (ARMP) AMUSEMENT GAME OPERATIONS.** Another IR office performed a review to determine financial viability of the ARMP amusement game operations with subsequent recommendations concerning the current moratorium on expansion. The financial analysis indicated the annualized profitability of amusement game operations was about \$2.5 million after depreciation, based on incremental cost analysis. Both OCONUS and CONUS operations are profitable. As a result of the review, the commander decided to continue current operations both in CONUS and OCONUS and authorize installation of machines at new locations provided no additional personnel are required.

IR also recommended conducting a manpower survey; improving the marketing plan; developing a formal customer feedback system; providing monthly financial statements; analyzing the frequency of the route collection system; and negotiating more favorable revenue sharing agreements, where feasible. Management agreed with recommended actions.

**UTILITY TAX EXEMPTION PROGRAM FUNDS.** One overseas command's IR office found that fees paid by service members to obtain tax relief on their utility bills were 82% higher than required. The Utility Tax Exemption Program (UTEP), a non-MWR supplemental mission account, overcharged customers \$52,000 annually. This occurred because UTEP was improperly operated as a profit making activity to fund other MWR functions. Accounting procedures and financial controls were not established to ensure UTEP funds were segregated from other MWR activities in accordance with AR 215-1. For example, an estimated \$13,650 in interest earned on UTEP revenues and customer deposits were credited to other MWR activities. Reimbursable accounting services were performed by a separate MWR activity but were not properly charged to UTEP. Labor expenses of other MWR activities were improperly charged to UTEP.

And, an additional \$15,600 in fees paid to a local bank for cash collection services could be eliminated through the use of a 24-hour drop box for customers paying their bills. Managers needed to accurately report, monitor and manage UTEP operating results on a self-sufficient basis while minimizing program costs.

### *Health Care*

**INSURANCE CLAIMS.** The IR auditor at one medical facility found that insurance claims were not being filed (and had not been during 1996 and 1997) for Government pharmacy filled prescriptions written by civilian practitioners. The facility is allowed to file claims for the present year and one prior year. The auditor reported \$370,000 in potential monetary benefits.

**PHARMACY PRESCRIPTIONS.** As a result of collaborating with IR auditors at two other facilities, one IR auditor found that the Third Party Claims staff was not processing insurance claims for pharmacy prescriptions and consequently were overlooking about \$291,000 annually in potential reimbursements. As a result of the audit, the staff was increased, and insurance claims are now being processed for prescription items.

**ACCOUNTS PAYABLE.** A review of accounts payable data by the IR auditor at one medical treatment facility disclosed that the facility owed less to a local laboratory for services than originally estimated by hospital personnel. The auditor reported monetary benefits of \$62,000.

**MANAGED CARE MODULE OF THE COMPOSITE HEALTH CARE SYSTEM (CHCS) DATABASE.** In preparation for TRICARE, IR provided assistance to management to determine the accuracy and completeness of patient information in the Managed Care Module of the Composite Health Care System (CHCS) database. The Lead Agent was resolute that data tapes turned over to the TRICARE contractor were accurate and complete. The study determined that several data fields had erroneous, missing or incomplete data. Most of the problems were correctable locally or would dissipate when updated versions of the database were fielded.

### *Audit Compliance Services - Follow-up*

**FOLLOW-UP TO USAAA AUDIT OF CAUSEWAY EQUIPMENT.** During a follow-up of a USAAA audit, IR auditors identified and compared options to correct deficiencies concerning the capability of a tenant activity to sandblast, paint, and repair non-powered modular causeway sections. Auditors concluded that on-site maintenance is possible through an amendment to a Directorate of Logistics contract. On-site maintenance would make fuller use of an existing sandblasting facility and make a proposed Tactical Vehicle Paint Facility project more viable. This maintenance option

could save the Army \$686,000 per year or \$4,116,000 over the POM years. Contracting could award a competitive indefinite delivery -- indefinite quantity contract if necessary to supplement on-site maintenance.

**FOLLOW-UP AUDIT OF REPAIR PARTS.** The Supply Support Activities (SSAs) are aggressively managing their reported excess repair parts. Monthly excess totals are reported to higher headquarters. The average total dollar figure of reported excess repair parts is substantially lower than it was 12 months ago. The SSAs are conducting weekly reviews of their stock status as opposed to the required monthly review. This frequent review has contributed significantly to the overall improvement in excess management. Recommendations from the original audit have generally been implemented. IR's follow-up review revealed that the SSAs are effectively managing repair parts on stock lists. Repair parts on hand generally do not exceed authorized retention levels and repair parts on order do not exceed retention level authorization.

### *Financial Statements (CFO)*

#### **ACCOUNTS RECEIVABLE.**

- One IR office's audit objective was to determine whether existing policies and procedures for pursuing the collection of delinquent accounts receivable were being followed. IR reviewed policy, procedures and financial reports. IR found delinquent accounts receivable, especially those due from federal agencies, had not been actively pursued since the collections unit was disbanded in April 1996 and the collections function transferred to accounting units. More recently, conversion to the new automated accounting system was a priority for accountants. As a result, approximately \$1.7 million in accounts receivable were over 180 days old as of 30 June 1997. These delinquencies were 10.8% of total receivables. Federal, rather than public receivables, accounted for the majority of delinquent accounts over 180 days old, the federal delinquencies totaling \$1.1 million. IR recommended aggressive follow-up, including immediate phone calls to agencies having significant delinquencies. IR also recommended on-going procedures. Management concurred with recommendations.

Another IR office's review of Accounts Receivable indicated that the Finance Office had not received several leases from serviced Real Estate Offices in order to set up receivables and bill for past due accounts. The problem was due to weaknesses in the reconciliation process. As a result, IR discovered several accounts that were significantly past due. IR recommended immediate collection of the past due accounts and improvements to the reconciliation process. As a result of the audit, the Finance Office sent out collection notices for \$168,500 and was able to collect all the money owed. Follow-up action indicates that improvements have been made to the reconciliation process to prevent similar problems.

### Other

**HAZARDOUS MATERIAL MINIMIZATION CENTER or HAZMART.** An auditor in one IR office successfully sold her idea for a hazardous material minimization program to the command. She is the Project Leader for development and implementation of the total program. The HAZMART objective is the reduction of hazardous waste through centralized single-point control of all hazardous materials used on the installation. The auditor's skill and subject matter expertise allowed her to put together a successful BOLD Grant request. As a result, the MACOM awarded \$ 246,000 to the installation in FY 96, to build a facility and start the program. This auditor also put together a successful BOLD Grant package for FY 97. The MACOM awarded the installation \$ 300,000 for operation of the HAZMART for FY 97. Total cost avoidance savings earned by the HAZMART, in the 1st year of operation, are over \$ 128k.

**ARMY PERFORMANCE IMPROVEMENT CRITERIA (APIC) SELF-ASSESSMENT TEAM.** One installation commander requested IR participate in the 1998 Army Community of Excellence (ACOE) submission process. Their objective was to provide assistance to Command by participating in the APIC discipline approach for the 1998 ACOE submission. Command tasked IR to be team leader for Category 7 -- Business Results with responsibility for presenting graphically the installation's performance efficiencies. The team's effort resulted in the MACOM rating the installation's submission in the top three. The MACOM forwarded the installation's submission to Department of the Army to compete against 18 other active Army finalists. The installation hopes to increase last year's \$100,000 award to either a \$200,000 finalist award or the prestigious "Commander-In-Chief" \$500,000 award.

Many activities at one installation contacted the IR office for guidance on funding and appropriation issues prior to completing actions. This proactive or real-time audit approach avoids unnecessary negative findings during subsequent audits.

### Management Control Process Administration

#### **REVIEW OF MANAGEMENT CONTROL PROCESS.**

- One IR office's review of the management control process included an evaluation of 21 annual assurance statements by the Assessable Unit Managers to the Management Control Administrator. Of the 21 assurance statements submitted, one Support Brigade Assessable Unit Manager should be commended on submitting support documentation for his annual assurance statement which clearly provided a detailed explanation of the methodology employed in conducting the management control evaluation. IR's examination disclosed only one condition in the area of administrative controls warranting management attention. Command's Memorandum of Instruction (MOI) for the management control process was obsolete. Training under the current management

control process consisted of watching a training video, which is not a fully effective training program. Insufficient training impedes the effectiveness of management control evaluations conducted by the Assessable Unit Managers. Overall, the management control plan was satisfactory to ensure that command can attest to the annual assurance statements with reasonable assurances that organizations within the command are taking proper action to identify, report, correct and track material weaknesses.

- Another IR office assisted the CG by attesting to the validity of the Annual Assurance Statement prior to his signing and forwarding to the SecArmy. Although improvements were needed in thoroughness of details included in feeder statements, the annual assurance statement was valid. Feeder statements did not adequately describe how the management control process was conducted during the year. Statements were "boilerplate" and not tailored to specific controls employed by the office. In many cases, offices did not include specific examples for the assurance made in the feeder statements. IR recommended that content of feeder statements be made a major training priority, and management agreed. The audit will result in an improved management control process. IR also provided statistical data to management on the management control process.