SYNOPSIS OF SIGNIFICANT

INTERNAL REVIEW REPORTS

FY00 - VOLUME I

Army Internal Review

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

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Research and Development

General Support (GS) Maintenance. This audit was conducted to evaluate the overall effectiveness of procedures and policies in use within the GS Maintenance Site. The audit identified that management of the program was in need of improvement in three areas: Environmental Program, Property Accountability and the Cannibalization Point Operations. Required Material Safety Data Sheets (MSDS) were not available for all hazardous compounds in use at the site. Supply personnel did not ensure the MSDS were available with the compounds when they were purchased or issued to users nor did supervisors require MSDS when toxic materials were located in the compounds. The potential existed for long-term health related problems for employees and for substantial fines being imposed upon the organization. Non-expendable property was not posted to the GS Maintenance Site Property Book. This problem was caused by inadequate staffing in the supply section to establish and maintain accountability of property and equipment. Also at the start of the program in 1997, guidance was unclear on how to account for equipment awaiting repair. Supporting document files had not been established for all the equipment in the Cannibalization Point and equipment was found on-site that had never been accounted for on the installation hand receipt. This report resulted in three findings: Environmental Program; Property Accountability; and Cannibalization Point Operations.
Monetary Benefit: $1,795,807

Audit of Self-Help Issue Point. This IR office found that the self-help store needed to improve physical inventory procedures; management of stockage lists; warehouse management procedures; and management controls. Recommended improvements would provide a reasonable level of assurance that the investment in the self-help store inventories is minimized and protected. Recommendations would also improve internal controls; encourage excess reutilizations; correct conditions that are conducive to the undetected loss of supplies; and avoid unnecessary purchases. By identifying and cross-leveling excess supplies the command can put $33,000 of funds to better use.
Monetary Benefit: $33,000

Procurement-Other

IMPAC Procedures. Management of the IMPAC Credit Card Program was delegated to our 'field units' in June 1999 with the appointment of additional Approving/Billing Officials (A/BO), mostly at brigade level commands. Direct management of funds and the benefits of the credit cards being issued down to unit level were seen as positive factors. However, the controls developed by these commands to ensure that regulations, policies and procedures were being followed when utilizing the IMPAC card, needed to be strengthened. Although there was no evidence of fraud or deliberate misuse of any credit cards, the absence of strong controls may allow misuse to go undetected. While an issuance of Standard Operating Procedures (SOP) by each new A/BO for his or her cardholders would have had a positive effect, IR found only one being developed. As a result, administrators (supply sergeants who operated the program) with fewer than five cardholders stated that managing the program was overwhelming at times. As a result, these personnel requested training on basic bookkeeping techniques. The number of cardholders supervised by any one A/BO ranged from as few as one to as many as 43. Non-monetary Benefit: Improved Controls.

NWP-05. Audit involved the IMPAC Card Program. Although there were no monetary benefits, management concurred to increase training for approving officials and alternate approving officials, and to focus on specific cardholders to decrease late submissions and decrease late payments. Non-monetary benefit: Improved Controls.

Review of Graduate Medical Education Leased Housing. The auditor found that existing GME leased housing was not being efficiently utilized. The auditor found that efficient utilization would preclude the need to lease an additional building.
Monetary Benefit: $65,000

IMPAC Credit Card Program. This QRA was requested by the USPFO as a result of concerns brought to his attention by the State's Comptroller. The Comptroller expressed concern over a number of questionable purchases made during the fourth quarter, FY 98. The overall objective of the audit was to evaluate the adequacy of internal controls over the authorization and use of the IMPAC cards, and the supplies, services and materials procured with them. IR found that IMPAC approving officials and cardholders were not adequately fulfilling their requirements and responsibilities. They also identified problems relating to purchases, documentation, reconciliation, and submission of required reports and documentation to Fiscal Accounting and Vendor Pay. Specifically, identified: 1) questionable/unauthorized purchases; 2) IMPAC bills not obligated in the official accounting records; 3) accountable property not "picked up" on the property records; and 4) late payment and interest penalties. As a result of the audit, the program is receiving closer scrutiny by the Chief of Staff, to ensure Program Managers are adequately reviewing and monitoring card usage in the future. The USPFO is also working closely with the Chief of Staff to develop and consistently enforce appropriate penalties and disciplinary actions for individuals who do not fulfill their responsibilities over the cards. Monetary Benefit: $102,993

IMPAC Accommodation Checks. The purpose of the audit was to determine whether administration and control of accommodation check accounts were adequate to prevent fraud, waste, and mismanagement. The audit concluded that the activity adequately administered and controlled the use of accommodation checks to prevent fraud, waste and mismanagement. Although controls were adequate, the audit concluded that the procedures for requesting check payment was overly burdensome and could be streamlined while still maintaining adequate management controls. Also the audit disclosed that the accommodation checks were inappropriately used to pay the salaries of Non-Appropriated Fund summer-hire employees. Also, the earned income was not reported to DFAS for subsequent reporting to the Internal Revenue Service and Social Security Administration. Non-monetary Benefits: Avoidance of potential adverse publicity and improved efficiency.

Contract Administration

Housekeeping Contract Modification. The auditor assisted in evaluating a contract proposal to provide additional services. The Auditor determined that only a portion of the additional services were appropriate. As a result, the contractor's proposal was substantially reduced. Monetary Benefit: $75,627

Distance Learning Cooperative Agreement. The audit was requested by the USPFO as a first time review of the Cooperative Agreement for Distance Learning Operations. The scope of the audit covered the periods of FY 98 and FY 99. IR identified 3 findings with 23 recommendations made to improve management controls and property accountability. IR found equipment valued at $576K that was not accounted for on property records. IR identified management control weaknesses over the repair of equipment and ineffective monitoring of Contractor performance. Monetary Benefit: $576,000. Non-monetary benefits: Improved controls and accountability.

Forces Management

Attendance & Pay Audit. The organization was not adequately applying controls for payment of Additional Drill Assemblies, Rescheduled Training (RST) policies, and attendance accountability. The RSTs performance was not being tracked to insure performance of scheduled duty. There were payments made to service members that were not earned. The attendance accountability of the organization was lacking proper certification by the commander and control of the sign-in roster. The questionable practices in these areas was caused by: (1) lack of supervision by the 1SG of the paymaster; (2) lack of tracking of RSTs by the paymaster; (3) lack of diligence of the 1SG and Platoon SGTs insuring the RSTs were performed; (4) the lack of a commander in the unit; and (5) lack of concern and supervision by the Chain of Command at Battalion and Brigade. This neglect resulted in an RST performance of less than 25%, which degrades the organizations ability to perform the mission. The paymaster made improper payments and is accused of extorting money from those he paid improperly. The organization certification of drill payroll was not in accordance with regulations resulting in questionable payments and payments that had to be collected. Recommended the 1SG be relieved, the paymaster be removed from the unit and appropriate action be taken, higher headquarters give authority to the UA to supervise the full-time staff regardless of who the rater may be of AGR soldiers. Monetary Benefit: $220,000.

Maintenance and Repair of Equipment

Cost Analysis of the HET M-1070 Switch Modification 00-02. Switch modifications were made on Heavy Equipment Transporter (HET) to reduce electrical power drain on batteries. Batteries on the HET powered the turn signal flasher when the vehicle was turned off. The average life of the batteries is 9 months without the switch modification. With the switch modification, batteries would last 36 months. Adoption of the switch modification would result in a cost savings to Command of $1,416,527 over the life of the HETs. Recommend that the Modification Work Order (MWO) be supported, so the switch modification on the HETs can provide a better vehicle and provide a cost savings to Command. The proposal was first approved by TACOM but approximately two months after the financial analysis was completed, the MWO was turned down at AMC level. Monetary Benefit: $1,416,527.

Technical Advice. IRAC continues to provide competent and timely technical advice at the request of its customers. Examples include, but are not limited to (1) supporting engineering efforts to obtain a paint booth facility; (2) preparing technical exhibits to capture monthly recycling cost benefits; (3) preparing input for Command's response to establishing a training brigade for a tenant activity; (4) reviewing and recommending revisions to installation management control documents; and (5) reviewing and commenting on ongoing commercial activities studies in progress.

Aircraft Maintenance - Student Increase. While developing aircraft maintenance plans for the 25 percent student increase, analysis showed that when comparing lifecycle maintenance costs of the OH-58A/C versus the TH-67, procuring additional TH-67s would be more cost effective. Overall, $3.8 million could be saved over the 2 years the original plan called for use of OH-58A/Cs. Monetary Benefit: $3,800,000.

Contracted Lubrication Centers. The purpose of the audit was to evaluate the efficiencies in using modernized equipment to perform unit level maintenance. Current operations using modernized equipment (not authorized in the units Modified Table of Equipment) were being tested using contractor personnel to perform vehicle services and lubrication orders. The audit concluded that modernized facilities and equipment improved unit equipment readiness and were more efficient. However, the command was cautioned about further implementation of the prototype program because of the following factors: (1) the startup costs involved in modernizing all motor pools; (2) the impact on unit personnel training (by having contractors perform the work); (3) loss of unit mechanic skills; and (4) the fact that the equipment was not deployable and could potentially impact units ability to repair equipment in a field environment. Non-monetary Benefits: Readiness.

Army Oil Analysis Laboratory Consolidations. The audit objective was to determine if the closure of laboratories impacted unit operating costs and readiness. The audit concluded that units would incur additional costs for mailing samples to redirected laboratories. Although the amount is minimal ($6,000-$16,000), units were not funded for these additional costs. Also, the audit identified that the turn around time for sample results increased an average of 15 days. The audit did not identify a direct impact on unit readiness; however, there could be adverse impact on equipment with a high OPTEMPO, leading to unexpected mechanical failures. Non-monetary Benefits: Readiness.

Review of Preventive Maintenance. Review of Preventive Maintenance checks and Services (PMCS) identified certain shortfalls of whether PMCS is actually being accomplished regularly at the unit level. The audit found that 56% of the units visited, did not have PMCS scheduled on a monthly basis on their unit's training schedules and 63% of the units visited did not maintain accurate maintenance records to verify if PMCS was performed. In addition, full-time maintenance soldiers did not maintain accurate records as required when PMCS was conducted, nor did they consistently report maintenance and equipment problems. These weaknesses in the PMCS program were caused by: (1) lack of unit commander's involvement to ensure PMCS is scheduled and conducted on a regular basis; and (2) lack of oversight and involvement of Unit's full-time AGR Maintenance NCO's. As a result, needed PMCS was not always scheduled or conducted on a regular basis. IR did not determine a dollar impact on PMCS not being performed. The only real dollars identified were the vehicles of one unit, which had been involved in at least two accidents that had not been reported through the proper command channels. The estimate of repairs was approximately $50,000.

Rebuild and Overhaul of Equipment

Suggestion AMVA970016 Fabricate Flange or Sleeve for Precooler. The audit was requested by the Army Ideas for Excellence Program (AIEP) Manager and was made to verify if $713,299 savings projected for Suggestion had been realized. The validation found that the suggestion as stated was not feasible. However, through the diligent efforts of the Process Management Division personnel and TACOM Managers an alternative method was identified as a result of the suggestion. The alternative method was documented in PMD 97-10. A vendor was located that manufactures the inlet flange and a welding fixture was fabricated from drawings furnished by TACOM. TACOM required the fixture as part of the process in approving reclamation procedure PMD 97-10 at ANAD. Suggestion AMVA970016 was the catalyst for the implementation of reclamation procedure PMD 97-10 and resulted in a cost avoidance for TACOM. The audit validated net savings in the amount of $714,821, with a tangible award of $6,774 recommended.

M60A3 FMS Program S. Audit was requested by the CEA for the purpose of determining the accuracy of labor and material cost transfers to/from M60 Tank Foreign Military Sales (FMS) program. Audit surfaced questionable cost transfers. Due to the sensitivity of FMS programs, the Commander requested assistance from HQ, TACOM. Subsequent visit by HQ, TACOM IRAC personnel concluded Command audit work was performed in accordance with generally accepted Government auditing standards and included a review of documents considered necessary under the circumstances. HQ, TACOM agreed with conclusions reached by Command IRAC Office that cost transfers applicable to FMS tank programs appeared arbitrary and were poorly supported as to reasons for or authority behind the transfers. Costs were transferred between different FMS tank programs and, in some cases, direct labor was transferred to depot overhead accounts.

M60 Cost Transfers FMS Briefing. The Commander requested IRAC prepare a briefing identifying problem areas involving cost transfers for M60A3 Foreign Military Sales (FMS) Programs and present the briefing to responsible supervisory personnel within the production and business operations. IRAC converted the previous audit to briefing format and presented the briefing to identified personnel on 30 March 2000. At the end of the briefing, the Commander addressed the group and provided clear conclusions and guidance for the future. As a result of the briefing and subsequent Commander guidance, internal controls over Command cost transfers for all programs will be strengthened to include transfers that are fully documented, initiated by trained employees, and approved by appropriate controller personnel.

Supply Operations – Wholesale

VISA Card Usage. Over the first three years of VISA card use the incidence of abuse dropped considerably, usually in direct proportion to amount of scrutiny applied by approving official. However, a continuing problem exists when such purchases need to be added to the property book, and advance approval should be obtained from approving officials/property book officers.

Integrated Material Management Model (IM3)/Material Returns Program (MRP). The objective of this audit was to determine whether the IM3 Program was fully implemented within the logistics and maintenance communities. It was revealed that there was no visibility of transactions to obtain available credit dollars within the required timeframe. This condition occurred because IM3 was not fully operational and it was not being utilized as directed by the National Guard Bureau. Also the automated system used to track creditable returns was not being properly utilized. As a result, the use of proper tracking would increase MRP credits to at least $3.1 million annually.

This has a significant impact on the Guard by providing additional unprogrammed funds necessary for Operations & Maintenance. The absence of these dollars negatively affects readiness, and may impact upon other necessary and critical areas as determined by management. Management and functional staff personnel are committed to ensure success of this vital program. Monetary Benefit: $18,485,692

Supply Operations – Retail

Logistical Operations. An audit of property accountability and excess management showed weaknesses in several management controls. Significant differences existed between property authorized by the current Modified Table of Organizational Equipment (MTOE) and the Request and Validation (REQVAL) systems. These differences along with input errors from the supporting Standard Property Book System Revised (SPBS-R) system and slow turn in actions at the unit level, contributed to on hand excess equipment valued at $991,000.

Sensitive Item Inventory. All sensitive items at randomly selected units were inventoried. Discrepancies found were primarily the result of incorrect serial numbers on property ledgers. Some of the discrepancies were present for several years. The recommended solution included more training for supply clerks and property book officers to crosscheck numbers and to perform their own random samples. Monetary Benefit: $1,023,000.

Utilization Study - Student Increase. Analysis of initial costs to bring OH-58A/C aircraft from storage up to flight school standards showed that it would not be cost effective in light of other aircraft alternatives. Recommended action would eliminate all costs. Monetary Benefit: $780,000.

Medical Supplies and Pharmaceuticals. Controls necessary to ensure accurate and timely requisitioning, receipt, and issue of controlled drugs were not adequate. This condition existed due to the lack of written policy delineating local procedures, sporadic record keeping methods, and the inconsistent application and supervisory enforcement of known regulatory procedures. As a result, some controlled drugs were found to be unaccounted for and opportunities were present that could permit unauthorized access to and use of controlled medical items. Supply Support Activity (SSA), unit level, and Army installation hospital records were inadequate to fully track pharmaceuticals. Controlled drugs requested and received were not always on the approved formulary and drugs were simply turned over to unit personnel without Material Release Orders (MRO) to record the transfer from SSA to unit personnel. Also, destruction records for expired drugs were not routinely prepared which raised concern that proper management methods at this stage of the assets life were not being applied. Interviews conducted at each site supported these observations. BENEFITS TO MANAGEMENT: Non-monetary benefits include improvements in management controls, related medical supply processes, and regulatory compliance issues. The audit also provided significant data to decision makers regarding the potential of adverse publicity.

Property Management. The review of Property Management revealed a weakness in internal controls in the areas of property accountability and excess property management. At twenty units the auditor found a significant excess of equipment. This occurred because of differences in MTOE requirements at units and input errors on the Standard Property Book System Revised. It was evident that improved planning, coordinating, and execution by logistics personnel would improve the turn in of excess equipment. The auditor identified approximately 11 million dollars of excess equipment at twenty units. The slow turn in of excess equipment prevents required units (by MTOE) of readily acquiring costly and vital wartime equipment. Monetary Benefit: $10,996,774.

Base Food Service Program. IR's objectives were to: (i) determine if management controls were effective to ensure records were accurate and funding was expended appropriately; (ii) evaluate whether food charges were accurately assessed and accounted for; and (iii) determine if related documents, records, and reports were prepared and maintained. IR found (i) no evidence of command involvement in the program. Although Food Service Officers (FSOs) were appointed, IR could not substantiate their involvement in the program; (ii) dining facility accounts were not investigated when "losses" exceeded the allowable tolerance for three consecutive months. Sixty percent had losses in FY97 and/or FY98; and (iii) quarterly unannounced Spot Checks of Cashier (AF Form 282) functions were not conducted. Recommendation A-1: Commanders ensure required reviews are conducted at least annually. The FSO should use results to correct weaknesses and identified deficiencies. Recommendation B-1: FSOs review Monthly Monetary Records and if the account remains out of allowable tolerance for three consecutive months, initiate an investigation (to determine the cause). Recommendation C-1: FSOs implement quarterly Unannounced Spot Checks of Cashier functions. The results should be provided to the dining hall supervisor, FSO, and the Chief of Services. The Chief of Services would sign and forward the AF Form 282 to the FSO for corrective action.

Property Disposal

Disposal of AASF Spare Parts. Quick Reaction audit requested by the USPFO on the transfer of 1.18 million dollars of UV-18 Fixed Wing aircraft parts to the Navy in exchange for the Navy's purchase and delivery of UH-60 helicopter fuel tanks. The various agreements negotiated and transfer actions taken, were performed outside normal operating procedures, without USPFO approval. Agreements were not negotiated IAW DODI 4000.19 and NGR 5-2. Disposition procedures in AR 710-2 were not followed and a contracting officer was not used to obtain the Fuel tanks IAW the FAR. The UV-18 parts were given to an agent of the Navy without following standard procedures, obtaining proper approvals, or using any documentation for the disposition. The UH-60 fuel tanks were also not certified by the Army as air worthy. In one week the Navy's agent created a company, loaded the parts on a truck, sold $650K of the parts to a company in Canada, and purchased a new airplane with the proceeds. As a result, the ARNG lost control and accountability for the parts, missed out on a reimbursable opportunity and created numerous legal issues that are currently being investigated by CID and DCIS. The final product provided investigators and command with a tool for focusing an investigation, addressing regulatory violations and avoiding similar situations in the future. IR estimated monetary benefits to be $650,000.

Civilian Personnel Management

State Employee Allocation Standards. The purpose of this review was to determine whether State employees funded in FY99 RPOMA budget performed SEAS compatible duties. The objectives were: (i) determining the State Active Duty (SAD) or State Civil Service (SCS) position title for each RPOM funded employee listed in the FY 1999 RPOMA budget from the Position and Funding Report, (ii) identifying the employees whose SAD or SCS position titles appear to be incompatible with those of the SEAS position titles, and (iii) obtaining and comparing the duties of the SEAS positions to those of the SAD or SCS positions for employees with incompatible job titles. A review of RPOMA positions identified 25 employees whose titles were incompatible with authorized SEAS titles. As a result of the SEAS position analysis, the State realigned five positions with authorized SEAS positions in the FY99 BOATS submission. The USPFO issued a memo requesting the State ensure either; (i) the duties of the seven individuals be adjusted to conform with the SEAS positions, (ii) only part of the cost be charged to RPOMA, or 100% of the cost be charged to the State general fund.

Military Personnel Management

Contract Quarters for IDT. The ARNG has undergone significant downsizing. This has affected the size of the units, as well as their location. It has reduced advancement or career potential for soldiers unless they are willing to accept assignments to units significant distances from their home. This State has soldiers that have to travel hundreds of miles to attend drills, some of which may include the operation of aircraft. This is a significant safety concern and an issue that has led to retention problems. The Joint Federal Travel Regulation does not allow for reimbursement to the soldier for IDT travel. Soldiers are left with the of commuting hundreds of miles, paying for a room out of pocket, or getting out of the Guard. In the last seven DoD Appropriations Acts, there has been legal authority to provide contract quarters for troops on IDT status; this has been recently coded into permanent law. An initiative should be forwarded to the Secretaries of the various services to implement regulation on this. A potential cost estimate of the soldiers traveling for IDT should be computed. Since this involves O&M funds we would have to program funds for this purpose.

ARNG Retirement Points Accounting System. This audit identified the need for improvement in procedures to verify all retirement points were recorded for all soldiers. The system failed to capture some IDT and active duty points for some soldiers. Procedures relied on the individual soldier to review the record annually and submit a request for corrections. The system had an automated procedure to validate IDT points against pay records but failed to validate active duty points. IR recommended MILPO coordinate with the Military Pay Section and Data Processing Installation to develop a program to compare the records on a monthly basis to ensure soldiers received full credit for all points.

Management of ADSW Site Support Days. This quick response audit identified the use of Active Duty Special Workdays to create additional full-time positions at a training site. ADSW resources should be used to support units training at the location. Soldiers were on duty for many periods when units were not training at the site. In some instances they were on orders during holiday periods when there was no possibility of units training at the site. They performed maintenance duties that should have been supported by either state employees or federal technicians. Because they performed over 180 days of ADSW/ADT/AT during the year they could be counted against the AGR end strength. This would prevent the state from filling authorized AGR positions at other locations.

Training Program. Internal review auditors were asked to validate management's analysis of a shortfall in aviation Class IX Item costs for a subordinate commands. The purpose of the review was to ensure (i) an adequate audit trail existed to support the MACOM's analysis of aviation Class IX Item costs; and (ii) methods and computations used in the analysis were reasonable. The MACOM management computed a $94.5 million shortfall. However, DA determined that the shortfall was only $25.6 million and requested the MACOM validate the proposed $94.5 shortfall. Internal review auditors found an adequate audit trail did not exist to support the initial $94.5 million shortfall. Additionally, auditors found a $26.8 million error in the initial computation of the shortfall. Management recreated the analysis. The MACOM auditors review ensured the revised analysis made provisions for U.S. Army Cost and Economic Analysis Center (CEAC) concerns. The recommended shortfall figure was revised to $55.4 million after auditors found the error. CEAC agreed that the analysis and computed shortfall appeared reasonable. Finding the error in the computation resulted in the MACOM requesting $26.8 million more for their FY 01 Aviation Class IX Item Costs. Although an increase in funding is a "wash" to the Army, identifying the shortfall will allow MACOM to fully fund their air Class IX Item costs and avoid making up the shortfall out of their own budget.
Monetary Benefit: $2,330,600.

Real & Installed Property

Equipment Verification. Audit was in response to a request by DFAS to determine if (i) equipment identified in contract DAAC01-98-C-0024 had been installed and was functional, (ii) process used to evidence receipt of equipment was a recognized and acceptable routine receipt process, and (iii) training as contracted for was complete. Audit verified that equipment had been received, installed and was functional. Audit validated receipt process as routine. The training was complete for operators and programmers but incomplete for maintenance personnel. The contract had been amended to extend the date for maintenance training because of Command not having training funds to pay TDY for employees.

CFO Currency of FY99 Real Property Inventories. IR performed a CFO validation of subject area. The review was performed 18-26 January 2000. The audit objective was to validate that the district's real property inventories for FY99 were current. Review results disclosed Command completed the FY99 real property inventories and they were current as of January 2000. During FY99 Command completed real property inventories at 13 field sites. All inventory listings reviewed showed inventories were completed and the designated hand receipt holders had properly signed and dated the inventory listings. The signed listings included the applicable statement specified in DIVR 405-2-22, paragraph 7d. The Real Property Accountable Office in Command and the hand receipt holders at the field sites during FY99 were properly designated in writing with the issuance of RE memo, 7 December 1998. The District Commander had approved the designations shown in the 7 December 1998 memo on 21 December 1998. No formal recommendations were included in the report. Command concurred.

Equipment Accountability. Audit is currently in progress to review equipment accountability records and determine (i) whether there are unused equipment items that have become excess to depot's needs and that such equipment items have been reported for redistribution or disposal actions; (ii) if backlog exist in the installation of equipment, especially BRAC equipment and equipment obtained from other depots; (iii) if required inventories were made at required frequencies and remain current; and (iv) if the current policy, which excludes equipment under $2,500 from property book accountability for such property items, especially ADP equipment items which can be termed pilfer able and can contain sensitive financial information.

Stagefield Cost Analysis - Student Increase. Developed operational plans utilizing the most efficient and effective alternatives to incorporate a 25 percent increase of flight students into current operations. Recommendations reduced Air Traffic Control and ground operation costs. Monetary Benefit: $113,855.

Basefield Cost Analysis - Student Increase. Developed operational plan to base 38 additional aircraft at Cairns Army Airfield. Recommended action would reduce the number of aircraft pads, mooring points and taxiways originally proposed. Monetary Benefit: $685,000.

Flight School XXI. Using aircraft maintenance models, developed a plan to optimize the number of aircraft required to meet Flight School XXI flying hour requirements while minimizing the maintenance man-hours needed to sustain that flying hour program. Recommended actions would reduce projected maintenance man-hour costs per flight hour for AH-64, UH-60 and CH-47 aircraft. Monetary Benefit: $7,800,000

Management of Underground Storage Tanks. IR initiated a review of the Underground Storage Tank (UST) program. The objective was to ensure USTs were in compliance with the RCRA-1 by 22 December 1998. Four specific objectives were (1) evaluate management controls; (2) determine if the "Tank Man Program" is current and adequate; (3) determine if funding was adequate to remove or replace USTs; and (4) ensure the UST program is in compliance with state requirements. This review was conducted at CAFE. UST sites were not visited. Records, correspondence and database sources were reviewed. Only limited documentation was available at CAFE. The "Tankman" UST tracking program has been scrapped and the only database reflecting the schedule of UST removals/replacements and related environmental remediation is contained in the "Environmental Program Requirements". All USTs have been reconciled. A statewide preliminary assessment/inspection requirement is expected to remediate all previous UST sites. Recommendation A-1: Environmental Coordinator (EC) ensures that documentation is updated and archived. Recommendation A-2: EC maintain copies of all documentation. Recommendation A-3: EC should review and update documentation for every operational UST. Recommendation A-4: EC establish minimum required documents to be maintained. Recommendation A-5: CAFE must re-examine administrative requirements and priorities. UST records should "stand alone."

Master Cooperative Agreements - Training Site Management. The overall objective was to ensure federal funds were effectively expended for training site management. Specific objectives included the following: (1) determine if expenditures are in accordance with guidelines; (2) determine if management controls are established to track repairs; and (3) determine if reimbursements are properly accounted for and reported as program income or direct reimbursements. Concerns included utilization of manpower resources and fund management. Irregularities were also noted in the administration of the WWTP. Incomplete negotiations with waste haulers, inadequate legal review and unsatisfactory tracking of plant activities were detected. Funding reductions forced cuts in maintenance and repair programs. WMTC spent 63% of RPOMA funding on salaries. NGR 5-1 requires 40% of the AFG be spent on personnel, contracts, and supplies for maintenance and repairs. Concerns were raised in regards to the recording of program income and direct reimbursement. Income generated as a result of MCA activity, must be properly documented and utilized. Program income is treated as an addition to the RPOMA. Neither source of revenue was treated as an "add" to the RPOMA. CAUS-RM should require a FM review of bills before submission for payment and ensure federally appointed FMs manage CALSTARS. Also place emphasis on the detection and accountability of federal reimbursements and program income.

APF Property Book. IR assisted in the updating of an Armed Forces Recreation Center's APF property book in accordance with current Army policy. Over the years, records were not adjusted timely to reflect significant asset movement within the AFRC. The review was done over a six-month period. The supporting property record documentation was sorted into the required voucher file format, old hand receipts were closed out, the APF property inventory was completed, and inventory variances were reconciled. The project was successfully completed. The AFRC now has a property book in place that can be effectively used to ensure that APF property is both properly used and safely cared for as required by Army regulations.

Information Technology

Y2K Tabletop Review. The Y2K Advisory Group Oversight Program (TAGOP) recommended that Command conduct a Tabletop Review of Contingency Plans with emphasis on areas that require interaction between directorates. Additionally, the Civilian Executive Assistant tasked the Installation Y2K Coordinator conduct a Tabletop Review with the Tenants. IRAC along with the Installation Y2K Coordinator and all Y2K Directorate POC's met and prepared scenario questions on critical functions outlined in the Contingency Plans for the Directors to address. A Tabletop Review was conducted with each directorate to include Director, Y2K POC, division and branch chiefs to discuss their contingency plans concerning the scenario questions. Results of the Tabletop Reviews were presented in a briefing on 29 November 1997. As a result of the Tabletop Review, the Installation Y2K Coordinator was tasked to conduct a Tabletop Review with the tenants and provide any assistance in assuring them that Command is Y2K ready. As a result of the Tabletop Reviews, coordination between directorates and tenants were accomplished.

Property Accountability. As of 18 November 1999, Command has nearly $17,000 in computer equipment unaccounted for. This occurred because (1) commands not requiring personnel to process proper documentation prior to the removal of any equipment from its original space; and (2) management not ensuring that doors, windows and entrances to buildings are secure when spaces are vacated. As a result, equipment cannot be verified as to its location or its origination and personal and laptop computers and printers have disappeared. Reports of surveys have been initiated on most of the equipment. The command has lost not only the use of this equipment but has had to replace these items. The proper sections within the Division and Brigade have acknowledged their lapse in property accountability. The Division's Assistant

Chief of Staff, Information Management, has commenced with procedures toward procuring and implementing a bar-coding system to better track computer equipment and procuring locking devices for PC and Notebook computers. Each organization is ensuring that any equipment moved to another location is supported by proper transfer documentation as well as ensuring that all spaces are secure when vacated. This action represents a one-time cost avoidance toward Information Technology equipment accountability. Monetary Benefit: $17,000.

Review of Y2K Contingency Plan. IR's objective was to determine if the District had a Contingency plan in place should a problem arise at 0001 hours, 1 January 2000. Results showed that a contingency plan was not only in place but being implemented and tracked prior to the arrival of 1 January 2000. A written plan was developed in which key offices had input. These offices (F&A, Construction, Contracting, Operations, Emergency Operations, Data/Telecommunications) made a presentation to the district to ensure everyone knew the importance and what was expected of them. The plan included specifics such as Boats and Dredges, water control, office equipment, locks and Dams, etc. Each specific included the Risk/Threat, responsible persons, and POCs down to the smallest detail. Several mandated meetings were held to ensure everyone's understanding. After reviewing the plan, interviews were held to determine if the district was aware of the potential threat and if they understood their responsibilities. All were very much aware and knew what to do in case of a problem. This written plan was so thorough other districts asked to use it for themselves either in whole or as a guide to develop their own.

Cellular Telephones. IR's objective was to determine whether cellular telephone policy was being followed. IR found that policy when in place was not always followed. There was (a) no documentation to support whether cellular phones were appropriately justified and issued for mission-essential requirements; (b) no documentation to support whether appropriate reviews were performed of itemized cellular phone bills to validate usage; and (c) cellular phones were not properly hand-receipted, and one missing cellular phone. IR made seven recommendations to improve and strengthen management controls over the justification, issue, and use of cellular telephones. CIO concurred with all findings, observations, conclusions, and recommendations. IR estimated that the cost of cellular phone usage could be reduced a minimum of 25% upon implementation of the recommendations. Monetary Benefit: $54,500.

Audit of Year 2000 (Y2K), Phase II. As of January 1999, Command had not developed formal plans to correct Y2K non-compliant hardware and software. This occurred because the IM office was not aware of the equipment that needed to be upgraded or replaced. Contingency plans were not in place for Y2K failure of equipment or software because the IM office believed that individual functional elements throughout the division should create contingency plans. Non-compliant Y2K hardware and software could result in data processing failures after January 1, 2000 for the 34 computers identified as not Y2K ready. IR recommended upgrading the 34 Y2K non-compliant computers and replacing Y2K non-compliant audio/visual equipment.

Commercial Telephone Usage. Internal Review performed consulting engagements in eight locations. The objectives of these engagements were to review commercial telephone usage with the intent of identifying ways to reduce costs with no deterioration in service. As a result of these efforts, recommendation for better, less expensive telephone service were made that, when implemented, will result in cost savings of approximately $6.5 million.

Intelligence & Security

Key Controls. The auditor found that numerous omissions and discrepancies existed between two sets of key control records. At the auditor's recommendation, command took steps to reconcile key control records and to purchase an electronic key control system. The system will enhance the administrative processes of tracking, inventorying and key security and will help lower re-keying expenses. As a result of the auditor's review, the facility will have greater success passing future physical security inspections and surveys.

Communications

Cooperative Agreement – Telecommunications. A consulting review indicated that excessive telecommunications costs existed due to four primary circumstances: (1) Intrastate long distance calls were not being carried by lower available carrier (6 cents per minute vs. .25 cents); (2) units ordered services such as call-waiting, voice mail, and maintenance contracts; (3) RCAS connections requiring long-distance lines were kept open the whole day; and (4) cell phones generating monthly rental fees were not being used.

Cellular Telephone & Pager Management. An audit of Cellular Telephones and Pagers found that the controls, policies, and procedures used to manage cellular telephones and pagers didn't ensure that consistent methods were used to procure, account, and pay for services nor did they ensure effective use of federal funds. Specifically, the Federal Property Book Officer or the State Property Manager properly accounted for only 44% of cellular telephones. Cellular telephone usage and service plans were not always cost effective. Some service plans did not best fit user's needs; bills weren't monitored for excessive time usage; and there were no reimbursements for unofficial calls or state active duty. There were no controls over managing pagers nor were requirements or costs for pagers evaluated. There was no plan within the DOIM section outlining how pagers would be acquired, paid for, or controlled. Those problems were all caused by having no plans or policies developed that established internal controls regarding cellular and pager services. To alleviate the problems, IR provided management with specific areas that should be included in a written policy/procedure document and identified several internal controls that could be used to better account for assets, monitor usage, reduce costs, and reconcile records. IR identified over $49,000 in monetary benefits.

Transportation

Use of the Government Travel Charge Card. The audit objective was to determine if the travel credit card usage report provided by the credit card company was being reviewed by RM to detect possible misuse. The review found that the usage report was not being reviewed thoroughly enough to detect possible misuse of the card. A number of questionable uses of the credit card were referred to supervisors for further investigation as required by established procedures. However, some other equally questionable cases were not referred for further review. The audit also determined that the established review procedures did not provide for selection of an unbiased review sample, and that the procedures did not provide either an adequate explanation for, or samples of, the types of misuse that should be referred to supervisors for investigation. Two specific types of travel where the credit card was misused were for voluntary return travel and local travel where no travel order is issued.

Open Government Bills of Lading (GBL) Review. Initial survey found open, aged GBLs dating back to 1994. Audit identified over 90% of FY 94-99 open GBLs were either erroneous or duplicate charges. Utilizing hypothesis testing for population proportions, random sample results from FY 97-99 were used to infer on data prior to 1997 (documents for earlier years was not available at DFAS-IN). Review identified $1.98 million in cost savings (both one time and recurring). In addition, review found identical problems at two other installations leading to identification of an additional $4 million in cost savings for these installations. Fourteen recommended actions were developed and implemented to correct GBL preparation, recording, and completion processes including the development of a local management control evaluation checklist. Monetary Benefit: $1,980,546

Audit of DPW GSA Vehicle Fleet. Only 40% of the vehicles were fueled at the TMP, and only 28% were done so consistently. IR determined that DPW could save the Government about $63,000 if all vehicles were fueled at the TMP on a consistent basis. (Based on fuel costs of $1.31 per gallon unleaded, and $1.32 per gallon diesel).
Monetary Benefit: $63,000.

Audit of Transportation Motor Pool Operations. The audit was performed to determine if repair parts were effectively managed and properly accounted for; and if procedures were adequate to ensure timely and cost effective vehicle maintenance and repair. The audit disclosed that the TMP officer paid significantly higher prices for repair parts purchased from a local vendor (middleman). The cost of repair parts purchased through the middleman was, on average, between 81-91 percent higher than prices charged by the parts stores of local manufacturers. The IMPAC cardholder purchased all of the parts from one local vendor and did not attempt to obtain more reasonable prices. Procedures for performing scheduled maintenance of vehicles by in-house TMP personnel were adequate to ensure timely and cost effective maintenance (exclusive of repair parts costs). Also, timely and cost effective maintenance and repairs were done on unscheduled maintenance of vehicles by in-house TMP personnel. For vehicle repairs performed by local vendors, the TMP IMPAC cardholder exclusively used one local repair shop to do the repairs. Documents could not be found to show that the TMP officer had obtained estimates from several repair shops to ensure that most reasonable repair costs were realized.

Military Pay & Benefits

Review of Air National Guard Base. This review was undertaken at the request of the Comptroller, Air National Guard Base. Management requested this review seeking assurance that adequate internal controls were in place within the Financial Management Branch to prevent loss or misuse of federal funds by those personnel having access to the automated pay and benefit systems. The review disclosed significant weaknesses existing in the internal controls as established within the FMB. Some of the deficiencies uncovered during the review were (1) the same password was being utilized by multiple users while in the process of accessing financial accounts; (2) management had failed to update and maintain the JUMPS Pay Accessibility Roster as required by regulation; (3) multiple processes in the preparation of travel claims were being accomplished by the same technician; (4) discrepancies were found in leave balances of a CSR timekeeper indicating possible unauthorized changes or access to the database; and (5) assignment and security procedures designed to limit access to Timekeepers passwords were found to be nonexistent.

Civilian Pay & Benefits

Temporary Employee. The auditor found that a temporary part-time employee was paid for more hours than actually worked. The employee, through a series of errors in the personnel record, was recorded in the computer as a full-time, temporary employee. Consequently, the employee's tour of duty was set up as an eight-hour day. As a result of the auditor's review, the employee will reimburse the Government for the hours overpaid. Annual and sick leave balances will also be reduced. Monetary Benefit: $20,877.

Living Quarters Allowance (LQA) Recipients. This Consulting & Advisory Services (CAS) was to provide the Commander LQA information with an analysis. In FY95, LQA recipients totaled 137 and amounted to about $3.2M. For FY99, LQA recipients totaled 183 for about $5.4M (a 34% increase of 46 new hires). Out of these, about 20 are U.S. local hires receiving LQA of about $480,000. This is not required by regulation but the Commander at the time of Command's move from Frankfurt to Wiesbaden granted these LQA as incentive to retain the local hires. IR recommended that Command discontinue LQA payments to U.S. local hires at their tour renewal.

Overtime Hours Worked. This QRA was to evaluate the administration and management of the overtime function. IR found poor internal controls as related to overtime on time and attendance sheets, annual leave and overtime taken the same pay period, compensatory time and sick leave. IR recommended (i) individuals request and receive approval of overtime and/or compensatory time before it is performed; (2) Command prepare and staff an overtime SOP or local regulation; (3) RM provide a report of overtime taken to Supervisors monthly; and (4) HR incorporate responsibility of overtime control in every supervisor's performance standards.

Review of overtime pay in conjunction with travel orders for Investigations Section. IR found approximately $3,000 overtime paid incorrectly to 4 employees from 1 June through 28 August 1999. IR also found that overtime forms and timekeeping entries are not being prepared and approved according to policy. At IR's request, the Resource Management Office (RMO) conducted a quality assurance review of 11 travel vouchers submitted for official travel conducted during the review period. The RMO review of these travel vouchers indicated that approximately $610 travel pay was incorrectly paid to 4 employees. Monetary Benefit: $4,290.

Program & Budget

Drug Demand Reduction. IR performed a review of the methods and procedures employed by the Drug Demand Reduction (DDR) Office at the request of the Counter Drug Coordinator. IR reviewed personnel procedures, resource and operations management, and management controls. IR determined that the operational aspects of DDR were being conducted as required, but personnel procedures, resource management and management controls were areas requiring improvement. Section personnel had not completed DA Forms 31, Request and Authority for Leave and DA Forms 4179-R, Military Leave Record. There were no detailed position descriptions for key personnel, and a separation of duties for requester and approving officials was not maintained. The program obligation plan was under executed by $460,000 and the office had not implemented a management control program.

Review of TEC Operations and The Impact Of Flat Rate Burdens. This review was conducted to evaluate TEC operations and to determine if the new flat rate burden system implemented resulted in accurate and fair charges to TEC customers. The review disclosed questionable business processes applicable to funding of project work.

One project was funded improperly but appropriate funds were available to permit necessary corrections. IR also questioned TEC's use of OPA funding for labor and other costs but agreed to raise this issue to the Command's HQ Office of Counsel for resolution. IR also determined that the flat rate burden system required modification in some areas to ensure that customers were not overcharged for indirect support services required for their projects. The DRM initiated the required changes to the flat rate burden system to correct the weaknesses noted during the audit.

Emergency Room Billing. The auditor found that 91.3% of certain patients (ineligible for treatment) seen in the Emergency Room who should have been billed were not billed. The missed billings were due to patient category coding errors and a breakdown in the procedures that were implemented to route paperwork to the proper billing office. Ensuring proper billing procedures are adhered to will discourage ineligible patients from seeking free medical care and allow the staff to provide better, more efficient care to patients who are authorized care. Monetary Benefit: $666,366.

Apache Flying Hour Costs. The purpose of the audit was to validate flying hour costs for the Apache helicopter and to determine if the costs exceeded DA funding rates. The audit concluded that the units were expending more than the DA rate. However, there were extenuating circumstances for the increased costs. Unit aircraft were received with a significant amount of flying hours, thereby requiring additional phase maintenance; and aircraft were brought to a fully mission capable standard before being released to units. These additional costs were not identified and factored into the units funding requirements. Non-monetary Benefits: Unit Programming and Budgeting.

Other Comptroller Functions

Audit of Cost Transfer Procedures. IR provided consulting advice during discussions between DMPO and DR in deciding Cost Transfer Procedures. IR attended meetings and served as the arbitrator between directorates when procedural differences could not be resolved. DR had not formalized procedures. Therefore, final determination of cost transfer procedures were postponed until DR could provide written instructions for evaluation and comment.

Material Cost – Work in Process. The CEA requested efforts be made to ensure material cost was more closely aligned with actual usage. Management consensus was material cost was overstated due to the closing of the ISA module as directed by TACOM over a year ago. The CEA suggested a dummy PRON be established and material above the established current supply be manually moved to the dummy and DR then determine if actions affected Work In Process. The CEA requested IRAC be the disinterested broker to ensure no regulations were violated. Auditor expressed concern that a dummy PRON was outside the established procedural guidance, that AAA had previously criticized Command for establishing dummy PRONS, and that procedures called for exceptional manual efforts to intervene in a mechanized system. Additionally, IR pointed out that if procedure was accepted, it would be incorrect to order issues against a dummy PRON. Auditor also pointed out that transaction would not produce the desired effect because there was no cross over to the General Ledger and no effect for Work In Process (WIP). Due to auditor efforts, process was discontinued. Test was initiated. IR and DR personnel review of results indicated transfer had no effect on the General Ledger and thus no effect on the WIP. The DMPO and the CEA were informed that test results did not justify changes to the established system.

Monthly Workload Reconciliations. The auditor assisted in development of methodology for validation of Medical Expense Performance Reporting System (MEPRS) data and monthly workload reconciliations. The auditor worked with the Resource Manager, Patient Administration and the MEPRS analyst to devise a checklist to analyze a sample of patient medical records in order to validate MEPRS data. This will enable the Commander to certify that the MEPRS data of the facility is accurate and complete and can be relied upon to make prudent business decisions.

Review Of Labor Cost Transfers. This review was conducted to evaluate procedures and controls applicable to labor cost transfers within the Command. IR's review showed that each of the sites has established procedures for handling labor cost transfers. Additional actions are needed, however, to establish a Command policy to ensure that common policies are in place throughout the Command. Special emphasis is needed on the use and control of letters of intent. The letters of intent are authorized by DFAS-IN 37-1 but they must be controlled effectively to prevent abuse.

Depot Holiday Party Funding Review. Senior management decided to use $6,000 of recycling account funds to provide an installation holiday party at no cost for employees. Review found this would violate funding rules since recycling funds transferred to an installation account were APFs and could not be used to pay for food, beverages, and entertainment. In addition, if the funds were transferred to the IMWRF account, the IMWRF would have to charge for the party. Recommended action accepted and funds were not spent for this purpose, saving $6,000 and avoiding a funding violation and a possible ADA violation. Monetary Benefit: $6,000

IG Investigation of Travel. IR reviewed and analyzed travel vouchers for 2 employees to ensure travelers were not reimbursed while on annual leave in conjunction with TDY and variances from itineraries were justified. IR found the 2 employees had a total of 21 TDY trips between January and December 1999. IR requested four travel settlement vouchers from OPLOC, Lawton, Oklahoma. These four travel settlement vouchers were chosen because they had annual leave in conjunction with the TDY trip annotated on the travel orders. The four travel settlement vouchers were reviewed to ensure the travelers were not (a) paid per diem while on annual leave; (b) reimbursed for a rental car while in an annual leave status; and (c) varying destinations as a cost to the government. IR found the government did not reimburse the 2 employees for any expenses that were incurred during their annual leave. There are controls to ensure the variance in destination does not exceed the original destination cost. The destination the traveler wants to fly into is around 100 miles from the original destination. Also, the traveler must have a rental car authorized in the travel orders. One travel order destination was Portland Oregon. However, the traveler flew to Seattle Washington and drove a rental car to Portland, all at a lesser cost to the government. The change was approved by DOL. The allegations of travel abuse in ALMC are unfounded.

Singapore Peace Prairie II. Billings to the Republic of Singapore were made using an incorrect flying hour rate. Billings for fiscal years 97, 98, and 99 were corrected during this audit. The second audit issue was only addressable at the USASAC level. It will be addressed during the Peace Prairie II PMR meeting in May 2000. The third audit issue was approval of additional flying hour expense. The Commander of the Republic Singapore Air Force for Peace Prairie II and USASAC agreed to the expense. The fourth audit issue, errors in OCONUS and CONUS TDY travel, was corrected during the audit. USASAC has agreed to make the necessary corrections to the appropriate Singapore general ledgers. Further $9,328.14 of Singapore CONUS TDY travel billed to the Operations and Training (OTO) 1A601100 AT account in error was corrected during the audit. The final audit issue was that management controls for the first and fourth audit objectives required management emphasis. Management has begun implementing controls in these areas. A follow-up review will be conducted by Internal Review to evaluate the progress of the implementation of the recommendations.

Loring Rebuild Center of Excellence. IR identified $26,000 of questioned costs for reimbursement of labor costs supplemented by M-Day soldiers; also identified $16,000 of STACAP indirect costs reimbursed to the State Government by the Federal Government. There were also three instances of overbilling of direct labor hours totaling $4,000. A state final accounting of funding and disbursements had not been submitted for FY 98. IR recommended recovery of the above costs, and enforce Section 306a of the Cooperative Agreement to perform a Fiscal Year end reconciliation of both State and Federal funds used to manage this program. Monetary Benefit: $46,000.

Aviation Class IX Item Cost Shortfall. Internal review auditors found that a major University did not operate a successful Army Training Program. Over a seven-year period command paid a major University $1.5 million to provide training courses to students working towards graduation, commissioning, and the Officer Basic Course. The University misrepresented student load numbers reported to command making the Training Program look more successful than it was thus preventing the government from reducing the contract price by $435,491. The University knowingly submitted inflated price proposals even though actual program costs were much less. Consequently, of the $1,502,627.50 the command paid for the contract, the University

used only $861,115.63 for the Training Program. The University transferred the unused $641,511.87 to their general fund. Further, the University spent Training Program funds other expenses not associated with the program. They also failed to provide a full-time Program Manager required by contract. Based on audit results command did not exercise Option IV of the contract realizing an immediate savings of $163,572. Once legal proceedings by the U.S. Army Legal Services Agency, Procurement Fraud Division, have concluded command will take action to recoup $446,737 from the University. Also, there is potential to collect an additional $1.8 million in civil action. Currently, there is an ongoing investigation involving the CID and the U.S. Attorney.
Monetary Benefit: $26,800,000

Support Services

Forms and Publications Office. Concerns over the efficiency of the Forms and Publications Office had been expressed in staff meetings. Specific concerns were whether the Forms and Publications Office's use of automation was optimum, whether personnel utilization was optimum, and whether all stored forms were necessary. The audit revealed that over half of the forms stored in the warehouse were unnecessary as they could be obtained through Forms Flow. IR recommended each section be provided an account number for ordering publications and forms and eventually eliminating the warehouse completely. Local forms and publications could be added to the local website and onto Forms Flow. The number of employees could be reduced from five to three - one for managing the publications and account numbers and two for managing the website and adding forms to Forms Flow. Monetary Benefit: $250,733.

Mail Room Procedures. IR's objective was to evaluate procedures used by the mailroom to determine if processes could be modified to improve efficiency and to evaluate procedures for controlling mail costs. IR found the mailroom procedures were not efficient. Many manual functions were duplicated throughout the mail receipt and distribution process. Hard copy documents were distributed when automated processing was available. Documentation was not maintained to account for certified mail after receipt. These conditions existed because of resistance to change old manual processes, outdated equipment and the failure to use automated resources that were available. The result was an inefficient operation resulting in excessive costs for the mailroom operation. IR made nine recommendations to improve processes for a more efficient mailroom operation and to decrease mail costs. The Director concurred with our recommendations and initiated most of them during the audit, to include cancellation of a contract for hard copy computer generated products for mailing. They also agreed to the potential $1.7 million in benefits through a more efficient operation.
Monetary Benefit: $1,700,000.

Nonappropriated Fund Activities

MWR Cash Controls. IR's objective was to determine if management controls over cash were adequate in MWR Fund revenue producing activities. IR concluded that while there were some instances where management controls over cash could be strengthened, they did not find any major losses of resources or assets. IR recommended and command concurred that management controls over cash be improved for (1) the handling and disposition of the Daily Activity Report (DAR); (2) performing unannounced cash counts; (3) executing and updating required authorization documentation; (4) utilization of Military Police escort services; (5) utilization of the RecTrac system; and (6) Internal Management Control Program. Command has already implemented 17 of the 19 recommendations that IR cited in the report. The other 2 recommendations are to be implemented in the next few months, as software is updated.

Chaplain's Fund. At MACOM request, IRAC conducted a review of the Office of the Chaplain's Fund. Overall, IRAC found that the installation Chaplain had sound fund management procedures, but recommended some areas for improvement. For example: (1) ensure that disinterested party reviews are performed monthly, (2) disburse all designated offerings within 5 days, (3) compare the general ledger with the net worth statement every month and report any uncorrectable deficiencies to the MACOM Chaplain's Office, (4) ensure that a Command Master Religious Plan is developed, (5) maintain on file, documentation summarizing the total costs for religious retreats, and (6) maintain formal minutes of Chaplaincy Program Budget Advisory Committee meetings and forward a copy to the Command Group for review and approval.

Audit of Area IV Chaplains' Fund. The audit for change of Fund Manager was performed 13-14 October 1999 and 8-10 November 1999 for the change of Fund Manager. The objectives were to determine (i) whether the Area IV Consolidated Chaplains' Fund was controlled & managed in compliance with AR 165-1, Chaplain Activities in the U.S. Army, and (ii) to validate financial account balances as of 31 October 1999. As a result, the audit concluded that the Area IV Chaplains' Fund was operating in compliance with pertinent Army Regulations as they relate to chaplains' fund operations. The non-monetary benefits realized by the Command and Chaplain's Fund were compliance with AR guidance/requirements.

Audit of Area III Chaplains' Fund. This audit for the 2nd change of fund manager was conducted 1-5 November 1999 and included the review of financial and managerial records for the 3-month period 1 August - 31 October 1999. The objectives were to (i) determine whether the Area III Consolidated Chaplains' Fund was controlled and managed in compliance with AR 165-1, Chaplain Activities in the U.S. Army, and (ii) evaluate the status of record keeping since the new Fund Manager assumed responsibility. The audit revealed systemic problems with disorganized and incomplete financial records (October 1999), incorrect/incomplete monthly bank reconciliation statements, late postings of collection-receipts to the Fund checkbook and to the NMS accounting system, lax daily-processing of Fund financial obligations, and weakened internal management controls. As a result, 7-audit recommendations were prescribed for corrective action. The non-monetary benefits realized by the Command and Chaplain's Fund were compliance with AR guidance and strengthened internal management controls.

Audit of Golf Club Operations. The audit was performed at the request of the Criminal Investigation Detachment (CID) to determine if daily maintenance and green fees were collected from golfers who were the guests of honorary members and other individuals who were not golf club members. In addition, the operations of the club's pro-shop were reviewed to determine if golf sporting equipment was sold to unauthorized club patrons. The audit disclosed that up to $17,266 in green fees were not collected from golfers who were not members. Sporting goods equipment was sold to unauthorized individuals. Review of pro-shop sales records, for a period of 5 months, disclosed a shipment of golf clubs costing $6,384 was apparently diverted for sale at a off-post location. Golf club records and statements by a club employee indicated that the club manager may have given golf clubs away for free.

Audit of Korean Augmentation to the U. S. Army (KATUSA) Snack Bars. The audit was performed to determine if the KATUSA snack bars were operating in accordance with actual needs and guidelines prescribed by local regulation. The audit disclosed that adequate management controls had not been established to ensure full compliance with licensing agreements and the provisions of local regulation. Not all concessionaires of KATUSA snack bars were contributing a fair and reasonable amount of funds to the KATUSA welfare fund. Welfare fund custodians did not always collect the KATUSA snack bar operating fee on a timely basis and adequate procedures had not been implemented to ensure proper management and accountability over the fund. As a result, over $11,000 of KATUSA welfare funds were unaccounted for. KATUSA snack bars were selling items that were not authorized in the licensing agreements, ran unlicensed ancillary business, added unapproved charges to food deliveries, permitted credit sales to customers, and did not have business licenses from the host country government. U.S. government-furnished rather than concessionaire-provided equipment was used in some KATUSA snack bars. Concessionaires had unauthorized sleeping quarters on their premises, and had obtained expendable U.S. government supplies free of charge.

Audit of Consolidated Chaplains' Fund. The audit was performed to determine the accuracy of the Chaplains' Fund Statement of Assets, Statement of Operations and Net Worth, and the reconciled bank statement cash balance. The audit disclosed that improvements were needed to ensure better customer support and execution of the installation religious support program. A survey (questionnaire) of some of the major customers of the Chaplain's Fund disclosed that customers indicated they were not always given the opportunity to participate in major decisions regarding the use of the Fund. Fund management personnel did not follow good internal management control practices and procedures. Some expenditures were made by Chaplains' Fund personnel were inappropriate/questionable. The expenditures were not supported by detailed purchase requests from the program/event coordinator. Fund personnel had paid significantly higher costs than necessary for some of the items purchased from local vendors. The key persons/elements that provide the "checks and balances" over the Chaplains' Fund operations are the Command Chaplain, Chaplaincy Resource Manager, Chaplaincy Program Budget Advisory Committee, Chaplains' Fund Manager, and Chaplains' Fund Clerk. The Chaplains' Fund did not have all of the key persons/elements and hence, did not have adequate checks and balances in place.

Army Banking and Investment Fund FY99 Analysis. Internal Review analyzes the Army Banking and Investment Fund's performance annually. IR noted that the ABIF's total return was higher than the industry average and three benchmark funds. The fund's yield was higher than the average and two of the benchmark funds. IR concluded that for FY 99, ABIF performed well compared to publicly managed mutual funds in similar markets.

NAF Utility, Maintenance and Repair Bills. The Directorate of Resources Management requested the IR office to perform this consulting review, for the FY 97, FY 98, and FY 99, NAF's Utility, Maintenance and Repair Bills. The overall objective of the review was to ensure that all NAF Utility, Maintenance, and Repair Bills were paid and to determine if there were agreed upon documented procedures established between DPWL and DPCA for the payment of NAF bills. The DPWL provides or maintains utility services to the installation organization, tenants and private organization on the installation. DPWL is reimbursed by DPCA for services provided NAF activities. The auditor found that bills were not being received, paid correctly or timely by DPCA, meters had not been installed at all NAF activities, and the MOA between DPWL and DPCA had not been updated in the last ten years. The IR office made five recommendations to correct the problems and management concurred. Monetary Benefit: $1,131,730.

Pricing Procedures for Special Functions Catered by the Community Club. Internal Review performed this quick response review at the request of the Chief of Staff. Internal Review was asked to determine whether catering service charges were adequately established. Auditors found that Community Club personnel had a well-developed and documented pricing methodology for charges established for room usage fees, service charge fees, and gratuity fees. However, Community Club personnel did not have documentation to show how charges for food and beverage items included on standard catering menus were established. As a result, the reasonableness of charges for food and beverage items could not be adequately determined.

Security Assistance Program

Foreign Military Sales Case NE-B-QTX. The review disclosed that the Royal Netherlands Air Force (RNLAF) was due credits in the amount o $2,359,625.06, representing the periods Fiscal Years 1997 through 1999. The research performed by the U.S. Government Logistics Support Team (USGLST) has been completed. Other credits were identified; however, the USGLST had previously given the RNLAF credit for these items pending completion of the research. Therefore, no further adjustments were made. The review also disclosed that a system is in place to provide for accurate billing to the RNLAF for supplies and services received. Monetary Benefit: $2,300,000

Commercial Activities Program

DPW CA/IGE. IRAC recommended revision to PWS for the engineering function in order to ensure a level playing field between MEO and PWS. Expect annual savings of $90,000 a year. Monetary Benefit: $540,000

Investigative Support

DODIG Hotline Allegations. The audit was requested by the CEA and was made to determine the validity of several allegations reported by an employee to the DODIG Hotline. The allegations all focused on apparent improprieties within the production operations at Command related to management of costs and contractor work efforts. Audit concluded the allegations as presented to the DODIG were unfounded. There was no evidence to indicate improprieties occurred within the production operations at Command related to management of costs and contractor work efforts as presented in the allegation. Problems identified within the Process Costing Program and excess material costs had already been surfaced by management and corrective actions either completed or in process. Problems were considered routine in nature and not the result of any improper actions.

Thrift Shop Operation. CID requested IR's assistance to review the financial records of the Thrift Shop and determine if funds were missing. The audit disclosed (1) cash had been removed from the Thrift Shop deposits and eight checks were inserted into the deposits for the same amount. Additionally, IR identified four other checks that were payable to the Thrift Shop, expensed to the donation account, but were not supported with any receipts; (2) receipts used to support petty cash expenditures were either missing or had been altered (had been cut off, were not original receipts, and/or were duplicates of other receipts submitted as support for expenditures). Although there were several discrepancies, which occurred during the prior audit period, the bank and book balances were reconcilable. (The prior audit was conducted by an auditor, who was hired by the Thrift Shop.) There were questionable payments made to credit card companies. Monetary Benefit: $43,000.

Health Care

Medical Records. The auditor found significant shortcomings and omissions in medical record documentation. Recommendations proposed by the auditor were utilized by management and incorporated into a checklist that will be used by a newly formulated Staff Assistance team when they perform their monthly Quality Assurance visits. Improved procedures will enhance the probability of achieving good results upon the impending Joint Commission of the Accreditation of Healthcare Organizations Survey.

Accountability of Controlled Substances. Auditors identified material weaknesses in the accountability of controlled substances. Procedures for ordering and receiving the substances did not clearly establish accountability. Automated records did not always identify civilian providers writing prescriptions. Periodic reviews to detect overuse and/ or abuse of controlled substances had not been made. Documentation of controlled substances administered to patients was missing in a significant number of clinical records (inpatient, outpatient, and the ER). Controlled Substances Registers on inpatient units and in the ER reflected numerous discrepancies. Physical security measures did not ensure that controlled substances were appropriately safeguarded. All aspects of the Disinterested Inventory Officer Program needed improvement. Turn-ins of controlled substances were not always properly managed. Supervisors did not provide adequate oversight, standard operating procedures were outdated, and personnel were not sufficiently trained in their responsibilities. Results suggested isolated instances of abuse and/or misuse of controlled drugs. Furthermore, weaknesses in internal controls created the potential for increased abuse or misuse.

Microbiology Laboratory. Command requested Internal Review advisory services to determine the reasonableness of contracting out certain types of pathology testing in order to comply with higher headquarters' suggestion to incorporate test menus and staffing ratios that follow the model for a PRIME + laboratory. The auditor determined it was more cost effective to perform testing in-house rather than outsourcing. Monetary Benefit: $241,000.

Occupational Health Clinic. Command requested an analysis to validate the cost to contract professional occupational health services at a remote clinic. The auditor determined that a significant amount of workload could be done by nurses and technicians, and services requiring a privileged provider could be done by an in-house physician assistant traveling to the remote clinic on a scheduled basis. This eliminated the need to contract for occupational health services. Monetary Benefit: $167,725.

Cost of Latex-Based Medical Supplies/Products. IR analyzed one year's cost data for over 200 latex-based medical supply items and compared those costs to costs for comparable non-latex-based medical supply items. Based on the auditor's efforts, the hospital's Materiel Standardization Committee was able to identify 25 high volume latex-based medical supply items for replacement with non-latex-based medical supply items. While costs were marginally higher for the non-latex-based items, the committee felt the reduced exposure to latex was well worth the additional cost. As a result of the auditor's coordination with the committee and the selection of the non-latex-based medical supply items, exposure to latex will be lessened and the hospital leadership will demonstrate to the Joint Commission for the Accreditation of Healthcare Organizations their commitment to continuous quality improvement.

Drug Demand Reduction Program (DDRP). IR's objective was to evaluate implementation of the DDRP in accordance with regulatory guidance and Command policy. IR found better controls were needed to ensure (a) DDRP funds are adequately tracked and used as intended; (b) random testing procedures are followed for all units and test results are maintained; and (c) unit prevention leaders are properly trained. The discrepancies were a result of poor management due to, conflicting guidance, failure to follow established procedures, and a lack of training. As a result funds were used improperly and potential existed for overobligation for the command. IR made nine recommendations to improve controls and increase financial management oversight. Monetary Benefit: $833,000.

Medical Records Operations. The Command requested internal review consulting services for Medical Records Operations. The Department of Family Practice had requested 15 additional personnel to resolve problems in medical records operations in the outlying family practice clinics. Command desired an objective opinion on the operations and the potential staff needs. The auditors reviewed clinic visits, beneficiary population, enrollments, staffing, medical correspondence backlog, number of records managed, and the staffing model. The auditors also observed operations, discussed issues with staff personnel and presented the Command alternatives for improvements in the medical records operations. Monetary Benefit: $210,360.

External Audit Liaison

AAA Audit of Real Property Adds and Deletes. AAA auditors were Command 15-16 16 November 1999 to review a sample of 18 real property items. Auditors found the 18 items and documentation. One minor problem was identified. The accountable officer had not reviewed 3 of the 18 items as required by AR 405-45. Problem was corrected during the audit and not considered significant for reporting to higher headquarters.

GAO Review of Army's Plan to Convert the Federal Civilian Workforce to Contractor Workforce at Storage Sites. The overall purpose of the multi-location GAO audit was to determine the impact of competitive sourcing on emergency response capabilities at the chemical storage facilities and the impact on manufacturing capabilities related to chemical and biological defense. The GAO visited Command 19-21 October 1999 to assess impact locally. GAO found only a minimal risk that would be associated with competitive sourcing because of (i) the small number and types of positions with emergency response duties potentially affected; and (ii) strong language in the solicitation requiring the contractor to support and participate in the CAIRA team.

AAA Internal Controls over Selected Revenue, Expense and Equity Accounts. AAA audit was to determine whether Army and Defense Finance and Accounting Service activities complied with selected aspects of the DOD Financial Management Regulation that could have a direct and material effect on selected revenue, expense, and equity accounts. AAA concluded that internal controls were working because their sampled transactions processed properly. However, they were unable to obtain a detailed list of expense transactions. Therefore, they could not tell if controls related to transactions that affected expense accounts were adequate. Command and DFAS, RI did not review the general ledger for abnormal balances and, in some instances, could not reconcile the general ledger to the subsidiary accounts. Command concurred with findings and began corrective actions.

Follow-Up

Second Follow-up to the Audit of Management Controls. IR conducted a follow-up review to evaluate the corrective actions taken by management on the audit recommendations in the prior report. Overall, IR found that management took adequate action on the recommendations. During the review however, IR identified areas in the club's food operation where the management controls in place could be further strengthened. In the follow-up report, IR recommended that: (1) the Area Business Manager track and monitor the performance of the club's cashiers by documenting and using the results of the sales accountability tests; (2) the procedures for dropping inventory accountability of spoiled/deteriorated food items include an inspection of the items by independent personnel; (3) the month-end inventory procedures have personnel assigned to verify the inventory extension report by comparing the quantities in the report with the quantities on the count sheets as recorded by the inventory team; and (4) the Area Business Manager coordinate the deliveries of merchandise to the club to ensure the responsibilities for ordering and receiving are separated.

Follow-up Review of Telephone Services. IR's initial internal review of telephone services resulted in monetary benefits of $430,000, which was reported as a synopsis finding in the semi-annual report for the period 1 October 1998 through 31 March 1999. The subject follow-up review of telephone services validated an additional $2,100,000 in monetary benefits. The monetary savings are a result of disconnecting unnecessary phone lines/features throughout the Command. Additional monetary benefits may be forthcoming and, if so, will be reported on and reflected in future semi-annual report(s), as appropriate. Monetary Benefit: $2,100,000

Underground Storage Tank (USTS). DoD USTS will not achieve full compliance with RCRA by December 1998. Approximately 53 percent (3,293 of an estimated 6,240) of the RCRA-regulated USTs were projected to be noncompliant as of April 1997. Furthermore, DoD managers had not established plans or identified resources to bring at least 400 Army-owned USTs and 369 DoD-owned secondary tanks attached to oil-water separators into compliance in time to meet the statutory deadline. This condition occurred because of a lack of management oversight and program emphasis. As a result, DoD risked disruptions to operations and potential monetary fines of up to $10,000 per day, per noncompliant UST, or $7,690,000 (769 x $10,000) per day, after December 22, 1998. IR's review of the UST program enabled them to determine that DPW has made significant process bringing federally regulated USTs into compliance.

Financial Statements (CFO)

Review of Plant Replacement and Improvement Program (PRIP). Although the review reflected that obligations are being accomplished in accordance with headquarters' guidance, problems were noted in documentation maintained to support PRIP assets procured. Different documentation is required to be maintained for assets acquired prior to June 1996 than for those procured after that time period. IR's review identified several instances where inadequate documentation was maintained to support the assets. Most of the deficient documentation related to assets procured prior to June 1996. IR recommended that research be performed on the deficient assets to find documentation that will meet headquarters requirements. IR also recommended that a separate file be established for each asset to maintain supporting documentation until the asset is either transferred or disposal is made. This audit did not provide definitive monetary benefits, but improved controls should result.

Trading Post Audit. IR reviewed and analyzed the Trading Post records provided by Bookkeeper and the Post Commander's office (i.e., Constitution, Treasurer Reports, Bank Statements, Cash Register Tapes, Receipts, Canceled Checks and Bank Deposit Receipts, Minutes, Taxes, Manager's Report, Subsidy of Operations, Insurance and Liability, Property Accountability, Management Controls). As a result of reviewing all the documents and records provided by the Trading Post and the Post Commander's office, IR determined that the records were incomplete and do not allow IRACO to evaluate the financial condition of Trading Post funds. Because there weren't adequate internal controls over the financial affairs of the Council, they are in non-compliance with DODI 1000.15 and Army Regulation (AR 11-2). In addition, there can be no assurances that the management of the fund is in compliance with the constitutional purposes of the fund. IR cannot make any assessments as to whether there was any fraud, waste or abuse of funds but the inability to reconcile numerous Bank Statements, and minutes to Council approved Treasurer Reports leave several unanswered questions.

CFO Risk Assessment - Labor Cost Transfers. The purpose of this review was to determine if labor cost transfers were properly justified, authorized, and processed. IR found that documentation, justification, and authorization all appeared to need improvement. IR looked for reasons why the costs were being transferred, the cause of the transfer, applicable dates, and appropriate signatures based on the reason for the transfer. Management agreed to issue an updated Standard Operating Procedure outlining requirements in support of cost transfers, with emphasis on their enforcement policy. A subsequent follow-up confirmed that management had completed corrective action.

Capitalized CIP Accounts. This audit was initiated to address one of the four new CFO issues for FY 2000. The overall objective was to determine if the district had expensed project work items that should be capitalized. Specific objectives were: (a) to review work items for proper capitalization or expensing of costs; and (b) to determine if management controls reasonably ensure compliance with regulatory guidance. A query of CIP work items by type of expense was used to determine if project costs are being capitalized as CIP or recorded as an expense in CEFMS. From this query, IR sampled project work item costs over $50,000 to determine if they should have been capitalized as CIP. IR's interviews with project managers revealed these employees are uncertain when a project work item should be designated as CIP or expense. IR's query revealed that a project under construction and has $55,521 for work item 002DJW is erroneously charged to expense. Another project has work item cost of $4,231,739 for FY99 and $305,616 for FY00 capitalized as CIP that should have been expensed. IR recommended that project managers and finance employees who routinely deal with project work item PR&C should perform a 100% analysis of project costs. IR also recommended that coordination procedures between operational employees responsible for establishing project work items and RM personnel should be incorporated into the CEFMS Business Plan.

Other

Control of Arms, Ammunition, and Explosives (AA&E). IR's objective was to evaluate the effectiveness of security and accountability of the AA&E program and its' internal controls. IR concluded that there have been no reported incidences of thefts, losses, or recoveries of AA&E; however, there is significant potential for detrimental events to occur. Significant events that could materialize are (1) soldiers that are not qualified, could be allowed to receive and turn-in ammunition and explosives due to a absence of proper security screenings; (2) loss of control and accountability of ammunition and explosives due to late reconciliation processes; and (3) hazardous cargo being transported through populated areas of the installation, due to absence of specific directions to the Ammunition Supply Point (ASP) or without Military Police (MP) escort. Command agreed with all findings and associated recommendations, and has taken immediate corrective actions to implement all recommendations. Several activities were visited and much documentation and procedural guidance was reviewed. Some of it was updated based on the results of our review. In addition, internal management controls were either initiated or strengthened as a result of our review.

Administrative Procedures. The purpose of the review was to evaluate various types of administrative procedures at a field office. The types of administrative procedures evaluated were: time and attendance, government vehicles, personal and real property, small purchases, convenience checks, cash collections, and management controls. Generally, the field staff used proper and effective procedures. IR made minor suggestions during the review. Also, the use of convenience checks was a relatively new business process and IR recommended Contracting Division issue additional guidance, whereupon they took immediate action to do so.