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SYNOPSIS OF SIGNIFICANT

INTERNAL REVIEW REPORTS

Army Internal Review
"Local Solutions to Local Problems"

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

September 2004

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Procurement-Other

Review of the Cooperative Funding Agreement Real Property ARNG. Obligation and expenditure data maintained in the official USPFO accounting records was not adjusted to reflect actual obligation and expenditure information as recorded in the NGB Budget Organization and Tracking System (BOATS).

The official accounting records as reported by the Status of Approved Resources do not accurately reflect where money is actually being spent. NGB Real Property program managers use BOATS as its principal budgeting tool for MDEP QRPA. NGB Real Property program managers calculate Annual Funding Guidance (AFG) for the Management Decision Package QDPW coded accounts, utilities (J accounts), municipal services (M accounts), facilities services (N accounts), and fire and emergency services (P accounts) using the average execution percentage as reported on the DFAS 218 report. MAARNG receives funding based upon the percent executed (or expended) as compared to the amount obligated in each of these accounts.

The official accounting records did not accurately reflect the true cost of RPOM support at the detail level. Obligation and expenditure data maintained in the BOATS system did not match obligation and expenditure data maintained in the official USPFO accounting records. Total obligation authority reported in BOATS was $16,517,360, and the total obligation authority recorded in the official accounting system was $17,484,354. Also, the amount obligated for individual AMSCOs as recorded in the BOATS system did not match amounts obligated for individual AMSCOs recorded in the official accounting system.

A-1. Recommendation: Adjust official accounting records for FY 03 and FY 04 to reflect actual expenditures as recorded in BOATS.

A-2. Recommendation: Include financial accounting and reporting requirements in the CFMO Standard Operating Procedures when published.

A-3. Recommendation: Conduct monthly reconciliations between funds obligated and expended in the State Quartermaster's MUNIS system, the CFMO maintained BOATS system, and the official financial records as reported on the SF 218 report. Adjust official accounting records to reflect actual expenditures as recorded in BOATS.

Government Purchase Card Transactions Report. IR performed a review of Government Purchase Card (GPC) transactions at one of the Garrison activities. The review showed the activity's GPC procedures and practices needed improvement to provide assurance that only authorized and necessary official purchases are made. IR found that the activity did not implement effective procedures and practices for using the purchase card in compliance with purchase card policies and guidance. As a result, responsible personnel used the Purchase Card to make purchases that either were not authorized or not necessary for official government purposes. In many cases, neither the cardholder nor the AO complied with some of the GPC rules that were covered during

GPC training and spelled out in DA guidance. Management agreed with the Review findings and recommendations and began taking corrective actions as the problems were identified. Corrective actions included appointing a different cardholder; separating purchasing and receiving duties; ceasing the purchase of prohibited items and ensuring that all purchases are valid government needs; purchasing supplies from mandatory vendors only; recovering an asset improperly removed by the previous AO; and making sure supporting documentation is retained. IR recommendations helped the activity improve the procedures and implement the necessary controls to ensure compliance with GPC policies and DA regulatory guidance.

Contract Administration

Review of Director Labor Charges for Contracting Division. IR found that hours are not properly allocated to direct work items. IR verified that 16.9% or 4,684 hours of the total 27,707 labor hours were allocated to direct work items. The total hours budgeted for direct work items were 22.9% or 6,239 hours of the total 27,299 hours budgeted. Therefore, the variance between actual and budgeted is 1,555 hours. This variance represents a budget shortfall of 24.9% or 194 workdays.

IR determined that 408 hours or $15,400 of monetary benefits that will be realized annually unless corrective action is taken. IR believes other intangible benefits may occur. Several of these are adherence to regulations, improved distribution of labor hours, and improved management controls.

FMO Budget Execution. Reviewed budget execution for FY 03 and determined there was an oversight of unexecuted RPOM dollars totaling $360K for this year alone. Monetary benefits for entire project totaled $2.1M. Management has implemented the recommended management controls to ensure they have real-time visibility over budget amounts.

Cooperative Agreements. The ANG did not closeout appendices 21, 23, 24 nor 31 by 31 December 03. Program managers did not follow up on the closeout process. IR identified $70,210 unliquidated obligations that could have been put to better use had they been identified prior to fiscal year end.

Management scheduled a reconciliation prior to FY04 year end. At that time management identified $100,000 funds that could be deobligated and put to better use. IR estimated annual monetary benefits at $70,210 projected for six years to be $421,260.

Distributive Training Technology Project (DTTP) Program, Cooperative Funding Agreement. IR found that DTTP equipment accountability was in need of immediate attention. Equipment was not being hand-receipted down to the end user. IR believes that 100 percent of all DTTP equipment shipped and installed between 1998 and 2004, having a value of $1,419,209.29 was not received nor accounted for by the USPFO. This was primarily due to the USPFO not receiving notification that new DTTP equipment had arrived. This occurred because of an environment that lacked effective management, oversight, controls and program guidance. In addition, inaccurate property records increased the risk of undetected equipment loss. A potential monetary benefit of $1,419,209.29 in DTTP classroom equipment and upgrade replacements is being identified as "found on installation".

Program guidance that was provided to the State Army National Guard prior to new equipment deliveries lacked key management controls. The USPFO is responsible for ensuring that property items issued to the State Guard are accounted for and are safeguarded. IR found that the guidance issued by the contractor to the Guard did not include the USPFO. Of all six DTTP Learning Classrooms IR contacted, IR found that the primary points of contact for all DTTP equipment were non-USPFO personnel. Those personnel that communicated, coordinated, received, and accounted for DTTP equipment were all non-USPFO personnel. Without proper communication and coordination with the USPFO regarding the delivery of new Federal equipment, there was no assurance that equipment would be properly accounted for as required by Army Regulation (AR) 710-2.

Recently the USPFO was provided a memorandum of instruction and a complete compac disc (CD) of all DTTP equipment shipped and installed at the six DTTP Learning Classrooms. This memorandum recommended that the USPFO conduct a 100 percent inventory and account for all DTTP property on a formal property book.

Monetary Benefit: $1,419,209.29

Non-Monetary Benefits: 1. Ensured Compliance with Laws and Regulations; 2 & 3. Improved/Validated Management Controls and System/Process; 4. Avoided Adverse Publicity; 5. Initiated Best Business Practices; 6. Provided Analysis/Data to Decision-maker.

STARBASE. This was first review of this program by our state IR Office. The objective was to determine if the STARBASE program met key statutory and regulatory requirements of the Master Youth Programs Cooperative Agreement. IR found shortcomings to indicate need for increased Management Controls in administration of the program. Questioned charges totaled $3,859 and potential "over-obligation" of funds was detected, but corrected during review. Discrepancies in property identification and records were found during inventory of assets, but corrections were made prior to conclusion of the review. Required quarterly reviews of contract performance and financial compliance had not been accomplished.

Management agreed to IR’s findings and recommendations. Actions were taken on-the-spot in many cases, others taken under advisement and time-lines established by which corrections would be made. Funds and Program Manager training was scheduled to be accomplished by respective State/Federal Financial and Property Management officials.

In addition to the $3,859 in questioned charges, recommendations were made to:

- Improve/Validate Management Controls - 8
- Initiate Best Business Practices - 3
- Avoid Violations of Law or Regulations – 3

Review of Credits Due for Coal Overpayments. The lack of internal controls in the process to calculate the coal debits/credits resulted in DPW almost losing $350,803.39 in credits due from Usibelli Coal Mine. The DPW Engineering Office was able to correctly recompute and request the debit/credits due from Usibelli Coal Mine. With the assistance of the Quality Assurance Representative, DPW instituted a method and procedure to capture and compute the delivery of low BTU coal and credits due. IR's review corroborated the $484,524.90 ($133,721.51 on the old contract and $350,803.39 on the new contract) as due and owing by Usibelli Coal Mine.

Lack of communication among the different parties involved with this process and a lack of understanding of the process appear to be the causes for these conditions. Also, no standing operating procedures or flowcharts exist to familiarize new personnel taking over duties when personnel retire, take leave, or are absent.

No record of coal credits or coal debit/credit computations for the months of December 2000 through March 2001 was found. The DPW utility engineer did not compute several of the previous coal debit/credit calculations properly. The letters requesting coal credits were not followed up by the utility engineers to ensure they were truly recouped by the organization. The Regional Contract Office did not have complete records showing they had received and submitted the necessary paperwork to the Defense Finance and Accounting Service to receive the credits. The personnel involved with this process did not understand the procedures necessary to compute, request, and ensure the credits were received. The Fort's power plant did not have all the documents necessary to compute the coal debits/credits properly. The Quality Assurance Representative for the coal contract could not document the DPW utility engineer submitted the request for coal credits to the appropriate parties. The Army Petroleum Center personnel in New Cumberland Pennsylvania could not establish the credits due, from those credits already received from Usibelli Coal Mine. Usibelli Coal Mine comptroller insisted the Army had already taken the credits. The Defense Energy Support Center Contracting Office at Fort Belvoir was not aware of all the credits requested and processed by the Regional Contracting Office. The DPW Budget Office was not notified of the requested credits until after the process was started and did not have the opportunity of checking and validating the credits prior to their submittal.

Maintenance and Repair of Equipment

Accountability of Small Arms Repair Parts (SARP). IR found that controlled Small Arms Repair Parts (SARPs) were being properly controlled and accounted for by the shop and units who had ordered them. However, IR did find a severe control weakness in the ordering process for SARPs. Any entity with ULLS-G capability, regardless of authorization or need, could enter a SARPs request into the supply system and receive the part.

The fundamental weakness of the ordering process was the absence of a control within the SARSS1 system to provide oversight of SARPs. Such a control was in place for maintenance parts costing over $1000. Management authorization was required before the request could be processed. This control was not applied to controlled SARP part requests that did not flow through Class IX. These weapons repair parts were below the $1000 threshold and were processed without oversight. The sensitivity of these parts demands the same management authorization.

As a result, there were no internal controls checks in the system to mitigate the risk of unauthorized purchase of these controlled items. This left the State ARNG open to the possibility of fraud, waste and abuse (FWA) of these parts and the potential for liability in areas of safety and adverse publicity.

During our check of the security over small arms repair parts, we notice two weaknesses that are outside of our scope: blank ammunition and key control. IR immediately brought this to their attention. Corrective action was taken by placing blank ammunition in the amnesty box in the supply room vault. Units with key control weaknesses were given guidance on meeting regulatory requirements.

IR recommended to the Director of Logistics (MDI-LG) and Supply Management Officer (PF-LO) to implement management controls to ensure new small arms repair parts added to the "HOT" sensitive parts are coded in the SARSS1 system as Management Controlled.

Management concurred. The Director of Logistics and the Supply Management Officer agreed to add SARPs to the annual management control checklist to ensure new small arms repair parts added to the "HOT" sensitive parts list are coded in the SARSS1 system as Management Controlled. They expect to have it completed within sixty days.

UTES Surface Repair Parts. Management controls at the Unit Training Equipment Site (UTES) and Maneuver Area Training Equipment Site (MATES) were sufficient to maintain shop stock and Prescribed Load Lists (PLLs). However, controls necessary to reduce excess needs improvement. Large quantities of excess repair parts were identified at both UTES and MATES. The PLL management review process was not being performed on a monthly basis, which permitted excess class IX repair parts to accumulate at both activities.

Corrective course of action would include the following recommendations:

- DCSLOG should review demand analysis reports from the UTES and MATES to determine what excess should be turned in.

- MATES and UTES should request an authorization letter from The Adjutant General (TAG) to exceed the 300-line limit on consolidated PLLs.

- PLL demands should be identifiable by unit IAW DA Pam 710-2-1, if consolidated PLLs continue to be used, demands should be readily identifiable for separating the consolidated PLL when necessary.

Total Monetary Value: $865.5K

Supply Operations - Retail

Tool Crib. IR reviewed the operations of the Tool Crib in the Directorate of Mission Plans and Operations (DMPO). IR objectives were to determine if accountability was established and maintained for Tool Crib items; if annual inventories were performed; if adjustment documents were promptly initiated for lost, damage, or destroyed items; and if the Commander's Policy on Issuing Non-standard Personal Protective Equipment was effectively implemented. IR found significant losses and gains in accountability in excess of $495K had occurred during the most recent physical inventory that were not brought to the attention of the DMPO and Commander; accountability was not always established for expendable and durable tools found during annual inventories; missing durable tools were dropped from accountability without processing required adjustment documents; annual inventories were not always performed; documents were not prepared to support inventory adjustments made to accountable records; causative research was not documented and retained; inventory count cards were not retained; some items were not inventoried; annual employee inventories were delinquent between one and seven years and often did not identify shortages or items not listed on the inventories; and insulated coveralls were issued to employees not authorized the coveralls. IR made 13 recommendations to improve operations.

Review of Property Accountability within Distributed Technology Training Program (DTTP). There were two objectives. The first objective was to determine if the recommendations for improvement developed by a process action team were implemented and whether they were effective. The second objective was to determine the adequacy of management controls over the accounting and reporting of program equipment. IR concluded that program improvements were not developed nor implemented and that key management controls over equipment accountability needed improvement. Based upon the sites IR visited, they believe that 100 percent of the FY03 shipped equipment valued at over $541K was not received by the United States Property Fiscal Officers (USPFO). In addition, over one-third of program equipment was not accounted for on the USPFO property book.

Recommendations were made to implement new uniformed control procedures to insure proper equipment accountability within DTTP, resulting in management concurrence. No Monetary Benefits were reported, but "uniform" procedures for improving DTTP asset accountability in all States/Territories were established (or are being established).

Civilian Personnel Management

Employees' Excessive Overtime Hours. The objective of this review was to determine if there was overuse of overtime versus planned management of workforce resources. Exempt from review were overtime hours worked while on foreign deployments and during natural disaster assignments. Management of the District's workforce resources needed improvement in some offices. In leave year 2003, 2.57% of the workforce had cumulative overtime hours, holidays worked, and compensatory time paid in excess of 250 hours. Since excessive overtime hours affected few employees and few managers, a focused remedy of consultations with the applicable division chiefs was recommended.

Military Personnel Management

Strength Management. IR conducted a review on Strength Management in the State ARNG. IR's overall objective was to provide recruiting and attrition data and graphs to the Deputy Adjutant General for Army (DAG-Army) and the State's Recruiting and Retention Manager. Specifically, IR collected historical gain and loss data which spanned three years that included prior service (PS) gains; non-prior service (NPS) gains; Reserve Component Transition (RCT) gains, recruiter write rates; and attrition.

IR obtained historical strength management information from web-based and local-based automated data sources. On the information received, IR used computer assisted audit tools and techniques to chart (using EXCEL) strength management trends nationally and on 20 states with current end strengths of 8,000 and more. IR used this information to compare the State's ARNG to the trends of these twenty states and to national trends.

IR reported this information to the DAG-Army. Additionally, we prepared PowerPoint presentations for the DAG-Army and the State Recruiting and Retention Manager for their use to address strength management improvements at the State's 2004 ARNG Commander's Conference. Strength Management was identified as a high risk area during an enterprise risk assessment.

ARNG MACOM Retention Programs. This Review was requested by the Chief of Staff. MACOMs were falling short of their retention goals. Many factors affected the retention of soldiers; however, based on our limited scope, family readiness groups, care of soldiers, leadership, and future deployments were high on the list. This caused the expenditure of additional training funds to maintain continuity within the force and had an impact on overall unit readiness. Management agreed with IR's findings and entertained a future full scope review to determine "root causes." IR claimed a monetary benefit of $8,680,000 based on the net loss of 217 soldiers during the current fiscal year X $40,000 per soldier for retraining purposes. In addition, the increased command emphasis placed on maintaining trained soldiers at the unit level for overall deployment readiness was a primary non-monetary benefit.

Real and Installed Property

Environmental Program Requirement Process. A large number of must-fund Environmental Program Requirements (EPR) projects were not executed and the approved funds were then used to support other non-funded projects. Management did not provide adequate program oversight or establish controls to prevent unauthorized use and misappropriation of funds. Future funding may be reduced and MACOM may question the credibility of EPR submission. Management agreed to provide program oversight, present EPR at Environmental Quality Control Committee meetings, and train additional personnel on the EPR process.

Purchases did not correspond to validated EPR projects because controls were not established to ensure goods and services ordered matched MACOM approved projects. Possible bona fide need rule violation and non-validated purchases occurred because controls were not effective. Management agreed to develop an internal SOP to include these controls.

Obligations were not reported accurately because monthly adjustment data was not entered into the STANFINS. The obligation amounts reported on the Financial Status Report were either understated or overstated for the environmental accounts so the MACOM program manager received erroneous data on how funds were actually spent. Management agreed to post detailed obligations on a monthly basis.

BOQ/BEQ Billeting Charges. According to NGR (AR) 37-109, Transient Housing Management, 1-3.h., non-official use surcharge is an additional daily charge which is assessed an individual who is classified as a non-official user and who utilizes chargeable housing. The additional charge is assessed to cover the utilities and recurring maintenance and repair which becomes a cost of the federal government as a result of non-official use. The billeting fund reimbursed the Federal Treasury $8,106 for surcharges collected from non-official users. We determined based on non-official bed nights from Quick Books that the surcharge should have been $10,455. Some bed nights were not included in the accounting system. Also, the BOQ manager did not submit surcharges collected on bed nights from 801 or huts. There was an additional $2,349 in surcharges that should have been paid to the Federal Treasury.

IR recommend that the BOQ fund reimburse the Federal Treasury $2,349.00 for the surcharges.

Information Technology

Distributive Training Technology Program (DTTP). IR's report contained six (6) findings with eighteen (18) associated recommendations. Overall, IR found that the State's ARNG's Distance Learning Program (DLP) was not operating in accordance with applicable regulatory guidance. IR also identified significant weaknesses in internal controls over:

- Federal funding provided to the program. The profound lack of financial documentation and recordkeeping for the DLP funding led us to issue a disclaimer of opinion on this objective.

- Accountability of equipment acquired for the program. IR identified monetary benefits of nearly $1.17 million in equipment either 1) not recorded on the property records or 2) missing.

In addition, IR found that the State's ARNG did not charge Non-Guard users for usage of the DLP sites, as required (i.e. Program Income was not collected).

On a positive note:

- DLP sites were set up and operated within the parameters established by the National Guard Bureau (NGB) Fielding Plan.

- Although the State's ARNG did not actually have any Program Income for non-Guard usage, it did establish procedures for charging and collecting it in accordance with NGR 5-1 guidelines. Charges were competitive with commercial charges in the area, as required.

Management was responsive to IR's recommendations, and implemented several of them before the issuance of the final report.

Non-monetary benefits from the review included:

- Initiating best business practices
- Improving management controls
- Avoiding violations of law and/or regulations
- Improving safety

Intelligence and Security

Physical Security Survey Conventional Inspector. During the Physical Security Survey-Conventional Inspection, 14-25 June 2004, IR found that M79/M203 Grenade Launchers housed at Igloo 33-740, received 24-hour on-site guard protection. An inventory count reflected four (4) M79 and ten (10) M203 Grenade Launchers on hand. Since the grenade launchers had been designated as category II items, this classification necessitated the need for 24 our guard protection as a compensatory measure in lieu of an active IDS capability. Igloo 33-740 is equipped with Intrusion Detection System (IDS) capabilities, however, the IDS was non-functional at the time of the inspection. The projected resumption of IDS capabilities is the end of November 2004.

Upon performing research in AR 190-11, Appendix B, IR determined that the grenade launchers did not fit the definition of category II arms. IR immediately informed Security in order that guard support would be reduced.

Accordingly, the savings is estimated to be $490,215 annually. The discontinuance of 24-hour guard support yields preliminary savings of $122,554 for the three month period September - November 04.

Communications

Cellular Telephone Usage. IR at one Major Subordinate Command determined that personal phone calls were being placed over business cellular phones and supervisors did not routinely monitor the cellular phone bills of their subordinates. The implementation of the recommendations to limit personal calls and review bills could reduce cellular phone payments by about $156,000 over the POM cycle.

Review of Cell Phone Services. The Directorate of Information Management had installed some procedures to manage the cell phone process. The directorate:

- Established procedures to coordinate with local vendors to identify rate plans to accommodate user needs
- Developed methodology to track cell phones owners in order to properly allocate the installation bill to phone owners

However, other areas of the process weren't always effective or efficient. Specifically, the process didn't:

- Account for cell phones
- Require justification for cell phones
- Allow Commanders/Directors to maintain visibility over cell phone usage and costs

Additionally, the installation hadn't implemented the mandated NETCOM blanket purchase agreement because of challenges identifying all cell phones on the installation. IR assisted in this effort in order to ease the transition to the more cost efficient purchase agreement.

As a result of IR's review, IR determined the installation could have saved about $7,300 during the 5-month period by using the mandated NETCOM blanket purchase agreements. IR estimated the total cost savings of about $96,500 for the year by effectively managing cell phone service plans and implementing the blanket purchase agreement.

Review of Telephone Billing Controls Report. Review of telephone billing disclosed although deployed units submitted requests for suspended service, the vendor continued to bill for full amount of service. This produced an immediate savings of $52K. Additionally, a review of mobile telephone billing disclosed that the vendor double billed. This produced an immediate savings of $28K. The total of $90K recouped for this review projected over a five-year period is $450K.

Transportation

Review of State GSA Program. This State's ARNG G-4 was not complying with GSA regulations which resulted in the State ARNG not being able to justify current GSA vehicle expenditures, as well as unauthorized use of certain vehicles. The cause was due to managerial bypassing of established controls which are contained in the regulations. This has resulted in an apparent overspending of $40,588 per year (due to not being able to justify vehicle requirements) on GSA vehicles, or $243,528 over six years.

Management concurred with findings and are in the process of correcting deficiencies.

Review of Billing Procedures for Government Bills of Lading Report. Large discrepancies were found between projected costs and the actual amount paid to a transportation service provider, on several government bills of lading (over a 3 month period). As a result, the Commander directed IR office to review the controls/procedures used by the transportation office to process government bills of lading. All pertinent certifying documents for the period between 1 Oct 2004 and 30 Mar 2005 were reviewed.

IR found that due to inadequate management controls, government bills of lading were certification authorized personnel in the transportation office and submitted to finance for payment , without indicating the dollar amount being certified. Since the invoices went directly to the finance office, the transportation office was unaware of the billing discrepancies until several months after many of the erroneous invoices were paid.

The inadequate certification process used by the transportation office resulted in several erroneous charges by a service provider, of about $62,000 to the transportation office.

Management concurred with the findings and recommendations. Corrective actions were taken, to include recovery of the $62,000.   Necessary changes were made in the procedures for processing government bills of lading, to ensure that adequate controls were now in place.

The review resulted in a monetary benefit of $62,000, which was recovered from the service provider.

Military Pay and Benefits

Dual Compensation, ARNG Technician. The purpose for conducting this review was to evaluate the effectiveness of the controls in place to manage Dual Compensation for ARNG Technicians of the State's ARNG and verify their effectiveness in managing the $33,000,000.00 annual technician payroll.

The review identified periods of military duty performed by technicians that were not supported by appropriate types of leave. Technicians did not always provide their timekeepers with copies of their orders when performing military duty. Additionally, the bi-weekly "Man-day" report was not being reviewed with necessary corrections made to individual technician leave records as required. This was due to a lack of administrative oversight by the timekeepers, Command emphasis on military duty and leave accountability. Management controls were in place to ensure proper leave accounting, but were not always being enforced.

Corrective Actions Taken: The Financial Manager has been directed to ensure the bi-weekly workday report is provided to the Customer Service Representative.

The Financial Manager has been directed to ensure the Customer Service Representative performs the workday review and makes necessary corrections to the technician leave records.

The USPFO has provided written instructions to each individual timekeeper and orders initiating authority to ensure the individual technician who performs military duty during the work week is placed in an appropriate leave status.

The review resulted in one finding, three recommendations and $1,031,852 in monetary benefits.

Nonmonetary benefits: Avoid violations of law or regulations.

Basic Allowance (BAH) Process. IR conducted a limited scope review of the BAH Entitlement Process for the State's ARNG. IR evaluated management controls and procedures for paying BAH to entitled soldiers. Specifically, to determine whether the BAH process is efficient and effective, and whether controls and procedures are effective in ensuring proper entitlement payments to soldiers.

Overall, management controls were effective in ensuring that soldiers were paid Basic Allowance for Housing (BAH) entitlements properly and in a timely manner. IR found control weaknesses address the minority exceptions: (1) Soldier married to soldier, (2) BAH differential (BAH-DIFF) payments for soldiers on Active Duty, ADSW, or ADT, and (3) Effective use of the Pay Personnel Mismatch Report (PPMR). While not reportable material weaknesses, IR findings are significant issues to an individual soldier and should be acted upon at the appropriate levels of management to avoid overpayment of BAH that must be collected from the soldier and underpayments that deny the soldier his or her proper entitlement.

Condition: IR discovered errors causing BAH overpayments to members identified as a "soldier married to soldier".

Cause: Soldiers married to soldiers are not always providing current and accurate marriage information to their unit and to SIDPERS. Annual re-certification of DA Form

5960 is not always being accomplished. MILPAY clerks are not making required BAH adjustments when correct information appears on the MILPAY screen. A Quick Response Review has been programmed to determine the exact amount of overpayments.

Condition: Entitlements were not paid or not paid timely to all soldiers authorized BAH Differential (BAH-DIFF) in the SIDPERS database.

Cause: MILPAY did not always adjust payment when processing Active Duty, AT, ADSW, or ADT payrolls for BAH-DIFF before submitting payroll to DFAS-IN. Units are not always submitting the supplemental DD 114 to MILPAY for the correct payment of BAH. When an SRP happens during a mobilization or change of personnel status has occurred the information is not getting back to SIDPERS for updating.

Condition: The Pay Personnel Mismatch Report (PPMR) is an established management control tool to monitor situations that cause overpayments and underpayments.

Management concurred with our findings and recommendations. IR's recommendations will improve the accuracy of BAH payments to our soldiers. IR is confident that implementing recommendations will help management to reduce both overpayments and underpayments.

Aviation Career Incentive Pay. A scheduled review of the State's ARNG Aviation Career Incentive Program was conducted with the approval of the USPFO. Aviation Career Incentive Pay (ACIP) is congressionally mandated incentive that is paid to pilots for undertaking and continuing a career in military aviation. The State Aviation Officer is responsible for reviewing ACIP entitlements and requested that we assess the controls involved with the review of ACIP.

Condition: Control weaknesses were identified in the termination of the ACIP entitlement. Discrepancies were identified within the process of stopping ACIP when a member became ineligible to receive it. Weaknesses were also identified in the controls that ensures accuracy of the annual review of ACIP entitlements. Information contained in the SIDPERS database about officers with aeronautical ratings and their assignment, was not sent from SIDPERS to the State Aviation Officer.

Cause: The SIDPERS Office was not sending the necessary data needed for review to the State Aviation Officer for an accurate annual review of ACIP. This caused the State Aviation Officer to use information from flight records or Military Personnel Records Jackets to determine if soldiers can continue to receive ACIP which may or may not have been accurate information.

Effect: ACIP entitlement is made to those soldiers who are no longer eligible to receive ACIP.

Planned Corrective Actions:
1. An annual Report of all 15 series personnel (Dmos/Pmos/Smos for AOC 15 A/B/C/D, 67J, and MOS 152-155) should be sent from SIDPERS to the State Aviation Officer.
2. SIDPERS must send an annual report of all "FLY-PAY" code "1" and "2" personnel to the State Aviation Officer.
3. The Pay/Personnel Mismanagement Report ought to be reviewed monthly between the MILPO and DCSPER personnel to ensure accuracy of the "FLY-PAY" incentive codes within both databases.
4. A State Aviation Career Incentive Pay (ACIP) Standard Operating Procedure (SOP) must be developed and implemented by the Manager for the ACIP Program.

Benefits to Management - Non-monetary: Avoided Violations of Law or Regulations and Initiate Better Business Practices

Monetary Savings: One-time - $4480.00 Recurring - $11,200.00

Civilian Pay and Benefits

District Compensatory Time Request – Approval Authorization - Usage. The basic objectives of this review were as follows:

(1) Determine if compensatory time is being requested and approved (DA Form 5172-R) prior to the work actually being performed (2) Determine whether the use or payment for compensatory time was in accordance with current guidelines.

Basic review results include:
(1) Compensatory time should be requested using DA Form 5172-R. Authorization/ approval must be provided prior to the requested work being performed. Looking at specifics, IR observed four problem areas that include: i) Lack of compliance by employees, ii) Lack of utilization and enforcement by supervisors, iii) Lack of current knowledge, and iv) Lack of follow-up attention or quality assurance.

(2) Compensatory time payments made during the period of 21 April through 30 September 2003 were selected and examined. This included 67 payments made to 33 employees totaling $10,904.48 for 400.25 hours.

IR examined some of the reasons for the payments having been made. In summary, there were four reasons. i) Employee transition in a small office or mission-critical office, i.e., new supervisor on-site and the employee in question had to be on the job to assist in the supervisor transition. ii) The May 2003 storms in southwest Missouri and the Kansas City area. Employees were critical to the recovery from these storms and could not take the time off. iii) End of year and the employees were critical to the end of year operations and could not be excused to take time off. iv) The final reason was Iraq and personnel shortages due to deployment.

While all of the reasons can be valid, it can also be said that a little planning, some discussion between supervisor and employee, and the employee might have been able to use all or part of the accrued compensatory time.

The results of this review provided for the development of a Leave Availability Report which allows a supervisor instant access to an employee's leave record to ascertain the status of the employee's leave account including the availability of compensatory time. Monetary benefits could not be identified.

Time Card Accuracy. IR at a large hospital was asked to verify time card accuracy in the Department of Nursing. IR found several problems in the process used to document employee time and attendance: (i) time sheets and supporting documents were often missing; (ii) time sheets lacked authorizing signatures; (iii) discrepancies existed between the time sheets and supporting documents; (iv) discrepancies existed between time sheets and input into the payroll system, and (v) night differential pay was incorrectly posted. IR identified overpayments that, if allowed to continue, could result in excess payments of $77,237 over the POM cycle.

Employee Portion of Medical Coverage. A former State ARNG technician was erroneously enrolled in a FEHB Program since January 2001. The State's HRO did not terminate the former technician's enrollment because of imprecise guidance by the Office of Personnel Management (OPM). The imprecision of OPM's guidance increased the possibility of fraud. Also, if false healthcare claims were processed, the potential exists for the healthcare carrier to demand additional reimbursements from the Government.

IR recommended that the State's HRO prepare and submit a corrective action SF 2810 (Notice of Change in Health Benefits Enrollment) to the healthcare carrier to terminate the former technician's enrollment in the FEHB healthcare plan.

The State's HRO took immediate action and on 5 Jan 04, terminated the enrollment of the former State ARNG technician in the FEHB healthcare plan.

The Review also determined that there were significant differences between the State's HRO enrollment list for BlueCHip and that carrier's enrollment list. Required quarterly reconciliations of the enrollment lists were not performed between State HRO and BlueCHip. The National Guard Bureau (NGB) failed to act on the request by DoD in 2002 to have the HROs perform the reconciliations instead of payroll offices due to DoD business practices. Without performing the required quarterly reconciliations, the potential exists for erroneous enrollments in the healthcare plans as well as fraud. Also, if false or erroneous claims were processed, the potential exists for the healthcare carrier to demand additional reimbursements from the Government.

IR recommended the State HRO use the FEHB Enrollment Reconciliations Clearinghouse System (CLER) to perform quarterly reconciliations with all healthcare carriers providing healthcare plans to the State's technicians.

The State's HRO participated in NGB-sponsored training on 16 Marcy 2004 to learn how to use the CLER. The first quarter reconciliation for 2004 began on 1 March 2004 and will conclude on or about 26 May 2004. The State's HRO completed the first quarter reconciliation process and made corrections as appropriate.

Program and Budget

FY 02 Facilities Operations and Maintenance Activities. The State didn't submit a final accounting of FY 02 funding and disbursements under the FOMA to the USPFO within 90 days after the end of the FY but did close out FOMA funding levels within that timeframe. However, the State still had $243,846 in unobligated Federal funds that weren't deobligated or returned to NGB, didn't close out disbursements, and submitted the listing of unliquidated obligations to the USPFO thirteen months after it was due. The State Program Director (ANG/LG) did not want to deobligate or return the funds to NGB since he wanted to retain the entire balance for the full 5 year lifecycle to cover unanticipated bills that his 3 year moving average forecasting model had projected to occur in the remaining out years. In addition, the USPFO has not enforced the annual requirement for the State to submit final accountings/closeout documents even though this has been a recurring problem. FY 02 FOMA costs, totaling $70,785, incurred by the State after 31 December 02 weren't eligible for reimbursement due to the lack of a final accounting of funding and disbursements according to NGR 5-1/ANGI 63-101, paragraph 32-6c but were paid by USPFO personnel anyway.

Recommendation: The State Program Director (ANG/LG) advise Base Comptrollers to deobligate or return $243,846 (monetary benefits) in unobligated FY 2002 FOMA Federal funds to NGB.

Command Comments: Concur. Upon receipt of ANG FY 02 FOMA funding, disbursements and unliquidated obligations balances from the State Comptroller, the ANG/LG will initiate action to advise ANG Base Comptrollers to deobligate and return surplus FY 02 FOMA funds to NGB. Estimated Completion Date: 15 Oct 2004.

Recommendation: The State Comptroller and/or ANG/LG submit an OMB Standard Form 269, Financial Status Report with FY 02 FOMA funding, disbursements and unliquidated obligation balances to the USPFO to closeout that FY.

Command Comments: Concur. The State Comptroller will submit an OMB Standard Form 269, Financial Status Report with FY 02 FOMA funding, disbursements and unliquidated obligation balances to the USPFO to closeout that FY. Estimated Completed Date: 30 Sept 2004.

Funds Management: Contract Services – Billings and Disbursements. Procedures and controls over Military Interdepartmental Purchase Requests (MIPR) were inadequate to ensure regulatory compliance and accountability of funding resources. This condition resulted from the absence of an effective and routinely applied MIPR process; specifically, management control weaknesses relevant to MIPR initiation, recording, monitoring, and reconciliation of accounts. These, together with no visibility of reliable funds balance information (due to a financial systems conversion), permitted the initiation and long-term existence of a MIPR that could have resulted in a violation of the Anti-deficiency statute. Additionally, a significant investment of time was required by all parties involved to reconcile accounting discrepancies and complete adjusting entries that would have been unnecessary had all controls and an effective process been in place.

IR recommended the offices involved take immediate action to establish and enforce a formal MIPR process and to correct identified management control weaknesses.

Management concurred with the recommendations and has initiated corrective action.

Other Comptroller Functions

Review of Overtime Use. IR reviewed overtime use intermittently 6 May - 6 Jun 04 per a Resource Management Office request. The overall objective was to determine if overtime use requirements were complied with. IR focused on determining a) if overtime was properly requested, justified, and approved using DA Form 5172-R; b) if time and attendance records agreed with the approved DA Forms 5172-R; and c) if review results showed first line supervisors and approving authorities were taking appropriate action to ensure overtime use is minimized.

Review results showed approving authorities generally complied with overtime use requirements including properly using DA Fm 5172-R, ensuring T&A records agreed with the approved forms, usually processed timely, and forms included required justification statements. However, there were three key deficiencies noted:

- One approving official couldn't provide DA Forms 5172-R for one employee for whom he approved overtime. Either the organizations didn't use the required form or didn't retain it and have it readily available as required.
- Two employees didn't change their required compressed work schedules to coincide with the TDY training schedule or alternatively take annual leave. This resulted in a difference in hours worked between the overtime form and the T&A record.
- The amount of compensatory time earned, credited to, or shown on T&A reports for two employees in conjunction with the TDY described above was questionable or erroneous.

The report included the following formal recommendations:

a. Issue a memo to district employees, approving officials, and timekeepers to summarize key regulatory requirements governing overtime use and compensatory time earned.

b. Emphasize to approving officials they are accountable for all overtime requests, for ensuring compliance with regulatory requirements (including AR 570-4 and DP 37-1-1), and for ensuring all documentation is readily available and maintained for the current year plus six years.

c. Clarify when exempt and non-exempt are or aren't entitled to overtime pay or compensatory time earned in conjunction with TDY travel and training.

d. Coordinate the questionable travel and training issues addressed in the report with the applicable approving official(s); and ensure timely correction of discrepancies for the two employees where the credited compensatory time earned is questioned or the T&A report shows incorrect information.

e. Direct the responsible official(s) (for the two employees discussed above) and other district approving to review 2004 travel and training overtime and compensatory time approved for their employees to identify, correct, and report timely to RM/RM-F any similar incidents of improperly approved; paid compensation.

RM concurred with the results and agreed to implement the recommendations and distribute additional clarifying guidance by 30 Sep 04.

Third Party Collections Program (Phase 1). While conducting a limited review of procedures for identifying patients with third party insurance, IR found other weaknesses that negatively affected third party collections. One insurance carrier rejected a $15,973.91 claim because the hospital took seven months to complete the patient's medical record. In another case, hospital officials could not locate the records of a civilian emergency patient who was admitted to the intensive care unit for a one-day stay. Without these records, a $10,000 claim could not be submitted to the insurance carrier. These specific examples resulted in approximately $26,000 in missed collections.

Management Controls Over Supplies and Equipment. The review of a hospital Information Management Directorate disclosed an absence of key management controls over government purchase card (GPC) transactions. IR concluded that items were: (i) purchased without prior approval or authorization; (ii) not documented (if accountable) on property books; (iii) not cost-effective; and (iv) not periodically reconciled. IR found purchases made for personal use; "split" purchases; and a lack of separation of duties to ensure items were documented on the property book. Further, the supporting Contracting Office had not pursued a question concerning the supervisory relationship with a cardholder and a recommendation to revoke an individual's cardholder status.

Some examples of inappropriate purchases include: digital cameras for contract personnel; Santa Claus rugs; and refrigerators for personal office. One cardholder acknowledged using the GPC to purchase a digital camera and liquor bottle dispenser kept off-premises in his personal possession. In addition, IR noted that $7,495 in purchases processed through one vendor were for items either not produced by the stated manufacturer or which were not ordered / received by the hospital department listed on the order form.

Following this review, GPC training was provided to a number of personnel and SOPs were revised to include key GPC management controls. In addition, a cardholder's GPC was revoked and disciplinary action was initiated through personnel channels. This review produced about $190,411 in potential POM cycle monetary benefits.

Global War on Terrorism (GWOT) Prescription Cost Reimbursement. IR at one hospital performed three evaluations of the pharmacy's ability to identify GWOT-related prescription costs and report them for reimbursement. IR determined that no method was in place to capture GWOT prescription costs and, further, the Composite Health Care System (CHCS) contained inaccurate cost data due to inadequate formulary maintenance. These conditions resulted from: (i) DMLLS deployment problems; (ii) supply tech personnel issues; and (iii) the deployment of Chief, Pharmacy Service, to Operation Iraqi Freedom.

IR applied data-mining techniques and analyzed local automated systems to obtain the needed prescription information and cost data. Without this information, the hospital would have missed an estimated $184,691 in total reimbursements for prescriptions provided to Reserve Component Soldiers and family members over an eleven-month period ending 28 Aug 04. Based on the review conclusions and recommendations, the hospital Resource Management Division processed a cost transfer reimbursing the Pharmacy account for the value of the noted GWOT-related prescriptions. In addition to the monetary benefits, recommendations were also made that the Pharmacy improve its formulary maintenance to help ensure more accurate CHCS prescription pricing.

ARNG Travel Card. The ARNG Travel card delinquency rate was at approximately 9% prior to our review. Management was not taking a proactive approach to monitor delinquencies. Accounts became delinquent before management could do anything to fix it.

Management allowed the APC to contact soldiers to remind them to pay their accounts when they came up on the 30 day list. Since that time the delinquency rate has been below 4% which is the NGB goal.

Support Services

State Food Service/Subsistence Program. The State Army National Guard G4 (Logistics Officer) requested that IR conduct a food service program review. The purpose of this review was to evaluate the efficiency and effectiveness of the State's Food Service Program.

IR found several shortcomings in the State Food Service Program. The lack of management oversight affected the quality of contractor provided food services to the organization.

- Leadership and students at the Regional Training Institute (RTI) reported allegations of poor food quality and preparation, hygiene problems among food service personnel, and inadequate portions. These food service violations occurred when Pier 503 prepared and served food to soldiers in the field. IR determined that the majority of the violations were the direct result of poor work performance by the manager of Pier 503, who was terminated and replaced. The Contracting Officer Representative (COR) appointed by USPFO Purchasing and Contracting Division failed to properly monitor and supervise the Food Service Contract. Poor performance by the contractor was not identified and communicated to management by the COR in a timely manner. Therefore, soldiers continued to experience inadequate portion sizes, outdated food, undercooked food, and suffered through sour milk and unsanitary food service conditions, as well as abusive behavior by the Pier 503 manager.

- The Installation Control Officer (ICO) directly responsible for the Cash Meal Payment Books retired from the system and the alternate ICO failed to take responsibility for the security and accountability of the books. The initial discovery of the books revealed missing books, missing sheets, cash and personal checks found in a safe where many individuals had access to the contents. The USPFO appointed a new ICO and alternate.

- Guidance from NGB states Troop Issue Subsistence Activities (TISA) no longer exists in either the ARNG or the Active Components. As it stands, the ARNG does not have a bonafide requirement to operate a fully functional TISA. However, there is the obligatory requirement to provide a subsistence mechanism to support troops conducting annual training on ARNG installations and requesting some type of subsistence support.

- Management controls, communication and documentation problems exist between the Commodities Manager, supervised by USPFO Supplies and Services and the Food Service Specialist supervised by the G4. Where each manager is supervised by a different source, there are no joint management controls to ensure an accurate documentation flow and paperwork trail.

Nonappropriated Fund Activities

Summary Report on Government Purchase Card Review of Armed Forces Recreation Centers. The review of the four Armed Forces Recreation Centers (AFRCs) Government NAF Purchase Card Program was performed between July and August 2004, and covered the nine month period ending 30 June 2004. Due to a recent theft by a NAF employee using a NAF GPC, the Chief Operating Officer (COO), CFSC directed IR to review current AFRCs and ARMP Government Purchase Card (GPC) operations to ensure compliance with the Army's GPC policy. The COO agreed that the criteria for this assessment would be the GAO's fifteen (15) key management controls reported in its recent report on the Army's government purchase card program. IR determined that the AFRCs' management control system contained no material weaknesses relating to the Army NAF purchase card program operations and that control procedures were in place to minimize the risk of irregularities occurring for 6,781 NAF purchases totaling $4.76 million made by the AFRCs during the review period. AFRCs continue to fully implement the Army's agreed-to corrective actions to the GAO audit report, and achieved the desired key management control results. IR found 13 of the 15 controls were fully or partially operating at all AFRCs. The two controls not operating were the use of the CARE electronic data interchange (EDI) for oversight and the CARE reporting capabilities by program coordinators. CFSC-HQ has recently taken action to obtain funding to implement CARE electronic data interchange (EDI) and plans to completing the EDI installation at the AFRCs in the 1st Quarter FY 2005.

AFRCs billing payment procedures for obtaining GPC rebates needed improvement. During a six (6) month period ending 31 March 2004, the total rebates lost from late payments by all AFRCs combined totaled $12,703, or 39 percent of the total potential rebates. To improve this situation the AFRCs agreed to standardize their respective billing process by making GPC monthly payments using electronic transfers, rather than by check, to the U.S. Bank. This action, coupled with the planned implementation of EDI at the AFRCs, should increase future rebate amounts.

Golf Course Operations. From the fall of 2001 through the summer of 2004, one IR evaluator assisted the FBI on a fraud investigation at the golf course. A former Pro Shop manager executed a complicated theft scheme that ultimately resulted in losses in excess of $200,000. The manager was responsible for preparing and submitting various reports which purported to record each day's financial transactions. He systematically falsified those records to conceal the fact that he was skimming payments made and owing to the golf course. Among other things, the manager used off-duty employees' cash register sign-on numbers, which he knew by reason of his position as manager, to record fraudulent transactions. In May 2004, the manager pled guilty to the theft, and in July 2004, he was sentenced to 21 months in prison followed by 3 years of supervised release. He was also ordered to pay $200,000 in restitution. The IR evaluator who assisted on the case painstakingly reviewed thousands of financial transactions and management records to help determine the nature and extent of the various schemes involved. He was an integral part of the investigation and received laudatory comments from the FBI and local CID for his diligent work.

Health Care

Pharmacy Operations. IR's review of pharmaceutical stock levels disclosed that the number of days' on-hand inventory was excessive in comparison to the actual pharmacy workload. Pharmacy personnel stated that stock levels are maintained at a 2 to 3-day level and are based on factors such as just-in-time ordering, seasonal usage, and judgment calls. However, they had not validated the existing stock levels for accuracy.

Using CHCS data, IR evaluated the consumption of five commonly-prescribed pharmaceuticals and calculated their average daily usage for the period Jan – Mar 04. IR compared the actual usage with the existing stock levels and found a $10,404 overstockage for the noted items. If this pattern holds true for the entire formulary, the pharmacy could realize as much as $277,440 in one-time benefits by adjusting pharmaceutical stock levels to meet actual usage rates.

Audit Liaison

CFSC – MWR Board of Directors Audit Committee Meeting, September 2004. The MWR programs administered by the Community & Family Support Center (CFSC) has a Board of Directors (BOD) made up of the Commanders of the Army's major commands. Within the board is an Audit Committee which is co-chaired by the principal Deputy Assistant Secretary of the Army; Financial Management and Comptroller (Mr. Gregory) and the Commander, Medical Command (MEDCOM) representing the small major commands. The MEDCOM is headquartered in San Antonio and as a result, the Commanding General, NARMC & WRAMC (MG Farmer) represents MEDCOM on the Audit Committee. The audit committee meets twice a year and reports the results of the Audit Committee meeting to the Executive Committee of the Board (EXCOM), which is made up of the Deputy Commanders of the major commands.

Mr. Gregory presented the audit committee report to the EXCOM. Highlights of the meeting are the following:

a. GAO Review. This audit on financial readiness for soldiers was requested by Senator Durbin. The objectives are to determine if DOD and Service programs are effective in protecting military personnel from unscrupulous credit practices, and the financial impact of deployment on service members and families.

b. DOD NAF Audit Policy. The policy in DoDI 7600.6 has been revised, necessitating revision of several Army regulations. The policy now requires central and regional NAF Instrumentalities (NAFIs) to be audited annually. The IMA Northwest Region fund is being audited as a pilot in FY04, and the other IMA MWR regional funds will be audited in FY05.

c. FY04 Commercial Audits. There were no material weaknesses found, but the final draft AMWRF report requires resolution with CIO-G6 for information security issues.

d. FY05 Planned Commercial Audits. The following audits are planned: FY04 financial statements of CFSC NAFIs, IMA MWR regional fund audits, and Army Lodging Operating Single Fund.

e. US Army Audit Agency (AAA) Audits.

(1) Ongoing Audits. Financial Control audits were requested by either the ExCom or IMA HQ, and sites were generally based on locations with Category (CAT) C losing activities. Although the system of internal controls was adequate, weaknesses were found in sales accountability, cash and inventory. Commanders don't always take action to improve MWR activities, and, although available, installations don't always use the training provided by CFSC. It was the USAAA opinion that commanders need to more fully understand that CAT C activities that continuously operate at a loss need to be closed, because they are a financial drain on the garrison MWR program and can no longer be carried. IMA is instituting a "watch list" policy to include required corrective

actions of the losing CAT C activities. The Audit Committee recommended that the Army policy needs to ensure that the senior mission commander is involved in any closure decision. They also suggested the policy needs ACSIM approval to make it applicable Army wide.

(2) USAAA Planned Audits. These audits include CFSC MWR Financial Statements Attestation Review, Uniform Financial Management, and MWR Capital Purchases Minor Construction (CPMC), selected financial control audits of Cat C losing activities, and IMA-Europe MWR Management Execution.

f. Army Internal Review. Terminal reviews are required at lodging facilities scheduled to be privatized as part of the transfer of ownership process. The first eight installations that are serving as pilot sites for privatizing in FY05 are Fort Leavenworth, Fort Sill, Fort Sam Houston, Fort Rucker, Fort Riley, Fort Hood, Fort Polk, and Redstone Arsenal.

g. FY04 DAIG Triennial Inspection of Armed Forces Recreation Centers (AFRCs). The inspection concluded that AFRCs continue to provide world class service, are self-sustaining, and are conducting property management IAW regulatory guidance. However, AFRCs need to update operational procedures, establish and test key controls, and develop a comprehensive antiterrorism program.

h. Mr. Gregory was presented with the Order of the White Plume Award in recognition of his steadfast support to the MWR program while serving as the co-chair.

Follow-up

Follow-up Review of Premium Airfare. This was a follow-up to IR's initial Review of Premium Airfare where we had found 163 tickets had been issued for premium class airfare by the Carlson Wagonlit Office. IR's follow-up was to determine whether the recommendations made in the initial review had been implemented and also to determine the extent of Premium Class Airfare usage. IR identified 33 tickets issued for premium class airfare during the period 1 January through 31 March 2004. Of the 33 tickets, 11 were issued because they involved Foreign Military Sales (FMS) funds which the activities considered them to be "non-federal' source funds. However, according to the DoD Financial Management Regulation, Chapter 3 states that FMS funds are to be treated like Government appropriated funds. Therefore, the 11 tickets should never have been approved. In addition, IR also identified 17 persons who justified the use of premium airfare due to them going directly to work after landing at their destination. However, when IR questioned the travelers if they had gone directly to work after their arrival, two did not while a third traveler deleted the e-mail message that we sent him. As a result, $419,440 (extrapolated over six POM years as per DoD Directive 7600) worth of airline tickets should never have been approved for premium class. IR also recommended that the Garrison Commander coordinate through the local Legal Office to seek reimbursement from the latter three travelers who could not justify their use of premium airfare.

Follow-up Review on the Implementation of the MEO. During this follow-up review, IR found $77,387 in items purchased from the Self Service Supply Center that had not been charged to the appropriate external customer during FY 04. In conjunction with the Self Service Supply Center and the Directorate of Resource Management, actions were taken to have these purchases charged to the external customer accounts, which reduced costs affecting the FY 04 Net Operating Result by the $77,387.

Property Acquisition and Control AASF. This follow-up report addressed the status of the corrective actions taken in response to the recommendations contained in Report of Audit 2003-013, Property Acquisition and Control – AASF.

The original report disclosed property valued in excess of $12,000,000 was not properly accounted for and was therefore subject to loss or misuse. Property book procedures, inventories and purchase card requirements were found to be sacrificed in order to respond to a growing mission workload. Command responded with a proposed corrective action plan tailored to address each deficiency. Due to deployments and manpower limitations, the schedule for completion of the corrective actions slipped which necessitated the delay of this follow-up.

This follow-up addressed and evaluated the corrective actions taken in response to the 25 recommendations proposed in the original audit. IR determined that 22 recommendations were fully implemented while 3 remained in progress and will be subject to additional scrutiny. The bulk of the follow-up activity centered upon the accounting for, consolidation and turn-in of the approximately $12,342,131 in property identified in the original audit. IR ascertained that 90% of the unaccounted for property with an estimated value of $11,080,792 was now properly controlled.

Because monetary benefits were claimed in the original report, no additional monetary benefits are listed here. Non monetary benefits include; Improved/Validated Management Controls, Avoided Violation of Law or Regulations, Avoided Adverse Publicity, Initiated Best Business Practice, and Improve Safety.

Accountability of ITD Computer Resources. ITD Computer resources were not issued in accordance with life cycle replacements. ITD did not have an established fielding plan. Loss of warranty on computers, outdated equipment, units not receiving upgraded equipment. Fielding plan will be established and kept updated.

Monetary Benefit - $15,038.00

Management Control and Process Administration

Short Notice Review of Command Internal Management and Controls. A review of the Command internal management controls was conducted in the areas of resource management, supply and services, purchasing and contracting, and the organizational inspections program. The review was directed by The Adjutant General, per TAG memorandum, Subject: Short Notice Supply and Fiscal Management Inspections dated 1 March 2004. The results of the specific objectives reviewed summarized below:

Objective A. Management controls were adequate to ensure Federal funds are safeguarded. Specifically, management controls in the areas of Military Pay and Government Travel Charge Card (GTCC) Program were found to be effective and efficient.

Objective B. Management controls for Supply and Services were not adequate in the following areas:

- Property accountability.
- Accountability of sensitive items.
- Individual clothing records.
- Food Service.
- Fuel Management.

Objective C. Management controls were adequate to ensure items purchased through the Government Purchase Card (GPC) Program are accounted for and funds executed are IAW applicable regulations. Overall, the GPC Program is managed professionally and efficiently.

Objective D. The Command Organizational Inspections Program (OIP) was not adequate to ensure that subordinate units are safeguarding and protecting Federal resources. Although some inspections were scheduled and executed within the last eight months, there was no evidence found that any inspections were conducted during the previous three years (2001 – 2003). There was no evidence that any inspections have been scheduled or executed for Command.

Control weaknesses have been identified in objectives B and D. Recommendations for these areas were provided in the report. Corrective actions require Command leadership engage in proactive oversight to ensure continuous improvement and risk mitigation necessary to prevent fraud, waste and mismanagement.

Throughout the review, IR discussed the results of the functional areas reviewed with full-time personnel. Management agreed with our findings and has begun taking corrective action. Recommendations contained in this report address areas where the Command can improve internal controls and compliance with regulations.

Review resulted in 6 Findings with 14 Recommendations.

Master Cooperative Agreement (MCA) Financial Reconciliation/Closeout. The National Guard Bureau established Federal-State agreements to fund services that the State provides. The Guard Bureau originally used these agreements to fund Army/Air National Guard construction projects. However, it now uses the agreements to fund operations, maintenance and repair of authorized National Guard facilities, and training areas. Funding for other uses such as Telecommunications costs, Environmental Resources Management, Counter drug Activities, Security, Fire Protection, etc. are being added each year. The agreements furnish information, direction, and guidance on uses and limitations of Federal resources. Federal funds are to be used solely for reimbursing the State government for allowable costs specified in the agreements.

The USPFO delegated authority to the State’s ARNG program managers and Major Commands to manage the funds necessary to accomplish mission requirements. Decentralized funds control places the responsibility on program and Major Commands to properly manage their accounts. In accordance with AR 37-1, program managers and Major Commands are required to maintain an informal commitment registers and reconcile their register to the automated accounting system at least monthly. In addition, Program managers and Major Commands are responsible for the timely submission of billings, invoices, receiving reports, travel vouchers, usage reports, and other related documentation to the USPFO for payment. Timely submission is critical to avoid Prompt Payment Act Penalties and to allow for liquidation of obligations by 31 December in accordance with regulatory guidance.

Internal Review conducted a review of the MCA financial reconciliation/closeout at the request of the USPFO’s Resource Manager. Resource Management had been unable to reconcile and closeout MCA accounts in the USPFO’s accounting system by 31 December in accordance with regulatory requirements. The Federal Comptroller was concerned that MCA program Managers were confused about when vendor contracts could be awarded and may have awarded some contracts after the deadline.

In conducting our interviews with the USPFO Federal Comptroller, MCA program managers, and flowcharting the reconciliation/close process of the Master Cooperative Agreement (MCA), IR revealed that the existing processes were accurate and complied with federal and state regulations. However, not all departments were knowledgeable of the entire reconciliation/closeout process and how their portion affected the closeout. This condition created confusion for the Program Managers and caused the USPFO Comptroller the inability to reconcile and closeout MCA accounts by 31 December in accordance with regulatory guidance.

IR recommended the TAG and USPFO ensure that all departments involved in the MCA closeout process gain a complete understanding of the closeout process and how the individual department's involvement impacts and prevents closeout by 31 December. Management concurred with our recommendation. To facilitate the understanding of how departments are involved in the MCA process, IR flowcharted several processes of the MCA and distributed copies to all parties involved.

Also IR discovered that the State Comptroller’s office did not always receive timely modifications and were unsure of when federal funds were available for use. Federal funds were not made available to the State Comptroller’s office at the beginning of the fiscal year. As a result, the State Comptroller’s office withheld vendor payments until federal funds were available. Also, Program Managers were unable to liquidate accounts because federal funds were not available until the third quarter of the fiscal year. Lack of federal funds resulted in late payments to vendors and waiting to award contracts in the third quarter of the fiscal year.

Management concurred and initiated a signed letter provided by the TAG and USPFO showing the Federal Annual Funding Program for each Appendix as provided by the NGB proponent Program Managers, rather then waiting for an initial modification document, in the August/September timeframe. The State Comptroller can use the letter to input the Federal amounts for each Appendix into the State FMS for the upcoming FY, and then as modifications are generated from Purchasing & Contracting throughout the year, the Comptroller can make any necessary funding adjustments to the Annual Funding Program amounts. With the implementation of these recommendations, the USPFO Resource Manager can successfully reconcile the MCA accounts and close out the accounting system by 31 December in accordance with regulatory requirements. A signed memorandum was also provided to the State Comptroller's office showing the amount of funds for each appendix. This allowed the State Comptroller to operate and process payments using federal funds until the funds are actually available.
The benefits to management are non-monetary: Educate program managers on the process of the MCA reconciliation/close by flowcharting process to avoid confusion. Avoided violations of Prompt Payment Act and Reconciled and closed out MCA accounts in accordance with regulations, and initiated better business practice.

Management Controls. Ineffective internal controls, the absence of established policies or procedures, and an inactive Grants Officer Representative were some of the causes for this condition. While there was no indication of misuse or unreported theft, they were not following proper Cooperative Agreement guidelines so the potential existed for misappropriation of funds in regard to the Starbase Program. IR interviewed the Starbase Director about a management control plan (MCP) on operations of the program. The Director recently attended a Youth Program conference in Washington, DC and NGB suggested they all prepare a MCP. The NGB-AY Deputy Chief acknowledged that they did not maintain a MCP or SOP. They were using the DOD Instruction 1025.7 Department of Defense STARBASE Program, for guidance. Costs associated with the program were not always properly managed, and sometimes used for other purposes. For instance, funds to pay the position for Deputy Director was submitted with the budget and approved. Although the position was not filled for two years, it was evident that these funds were expended for other purposes. In addition, the budget was authorized 1000 students per year @ $225.00 per student. After reviewing class sizes for a year, IR discovered that the attendance never met the student allowance for that year. Instead, funds were utilized for other purposes, sometimes over $30K. Further study learned that no modifications, adjustments or higher headquarter approvals were obtained. The DOD Instruction and the Cooperative Agreement contained manning models for authorized positions in the Starbase program. The review disclosed a position entitled "Office Manager", was hired and paid an hourly wage higher than a similar position (Secretary) contained in the manning model. An Independent Contractor Agreement was prepared by the Office Manager for this position first one dated June 2001. Further review showed that the Board of Directors had signed the contract hiring this position instead of the State

as required by the Agreement. IR did explain that the contract might be deemed invalid as the Cooperative Agreement states that all contract personnel must be employed under contract with the State. The Starbase Director, had brought this problem to the Board of Directors, however, nothing changed. The Board of Directors only has authority to oversee the program and make suggestions, not to hire personnel. Some bank statements and signature cards reviewed contained previous employees names but their names were removed during the review. IR learned that the officer manager was preparing the budget, managing the checking account and completing the payroll. In addition, there were no official time records or pay documents to certify hours worked. The Office Manager would track his own hours by marking a personal calendar. He would later tally the hours, prepare his own paycheck and have it signed by the Program Director.
In addition, a pay advance was processed by the Office Manager to a substitute teacher approximately a month prior to the normal payday. When questioned, the Office manager stated that this individual would have had a hardship if they had not processed the offline wages when they did. IR explained that the Cooperative Agreement did not allow for that type of transaction and should require approval from either, the Board of Directors GOR or higher Headquarters. The Program Director at the time of the review was hired in 1999. IR was unable to obtain official documentation for position descriptions or personnel files relating to the program. It was evident throughout the review that the Office Manager was assuming most of the Program Director's responsibilities. IR spoke with the Program Director and learned that they were unsure of the chain of command for this position making it difficult to request for guidance when needed. The State inventory sheets were provided by the property book clerk. Several items under $1,000 were not listed as inventory. Forty-six desktop computers were identified and 42 were labeled with a state number. A wireless telephone, typewriter, scanner, laser printer, Samsung television, DVD player, VHS player and a fax machine were identified but not tagged as state or federal property. Other items not tagged were five worktables from ADC-OL Designs. The Starbase Director had spoken with SQM on several occasions about the untagged inventory and by the inventory not tagged during the review suggested SQM had not responded to her requests.

IR questioned the Program Director about the GOR. They were unaware of this position. In the records provided by State Quartermaster (SQM) it was noted a new GOR had been assigned in April 2003. The official document assigning the GOR from the United States Property and Fiscal Office Grants and Agreement Specialist was not provided during this review. IR identified a funding document signed by the GOR, although he had originally stated that he was an interim GOR, had not handled any paperwork, and was not aware of his responsibilities.

MONETARY BENEFITS: $30,600.00 (students actual vs. budgeted), $95k for Deputy Director position not filled but budgeted for two years, $10602 untagged property and property not on a property book held by Starbase an additional $66762. Questionable costs for GOR not providing services as required in this position of $225,000.00, entire budget for FY03.

RECOMMENDATIONS:

1. The TAG should develop and ensure a Management Control Plan is followed. In addition written guidance detailing Starbase positions, policies, procedures, and a clear separation of duties should be addressed.

2. The State Quartermaster should review and process expenditures as required in the cooperative agreement.

3. The USPFO should appoint a Grants Officer Representative to be fully trained in the duties and responsibilities of this position.

4. The USPFO should ensure the Grants and Agreement Specialist, and the State Quartermaster are in contact with GOR to ensure all the duties and responsibilities are IAW NGR 5-1 Chapter 9 and DOD 3210.6-R dated 13 April 1998.

5. The GOR should have a 100% overview of all funding activities involved with the Starbase Program.

Other

Unit Mobility Weapons Management Program. The commander requested a review of the Mobility Weapons Management Program to determine compliance with Air Force regulations and to readdress negative write-ups received in the unit's last Unit Compliance Inspection that occurred in May 2000. IR found the mobility weapons program was not in compliance with Air Force and Air National Guard directives and that the negative write-ups received during the Unit Compliance Inspection were not corrected. Furthermore, critical actions required to transfer custody of the weapons when the primary weapons custodian retired in September 2003 were not accomplished. Finally, weapons at the unit were not stored in compliance with published regulations. This occurred because the commander didn't ensure action was taken to effectively correct the discrepancies noted in 2000. As a result unserviceable mobility weapons were in storage without parts on order to repair them, required modifications were not properly completed, weapons maintenance records lacked required annotations, some weapons were not properly inspected and/or gauged, weapons cleaning kits were not properly stored, shelf life items were not inspected and weapon custodians were not properly appointed and trained on their responsibilities.

Review of Training Aides Inventory at the Visual Information Center. Property accountability over audiovisual and training aids wasn't sufficient. Recently, there have been a large amount of employee turnovers and retirements. This turnover, combined with internal controls not operating effectively, contributed to the loss of accountability of training aids and other televisual inventory items.

Although Visual Information Center personnel were maintaining signature cards for personnel authorized to sign out items, some other key controls weren't operating. These controls are:

- Utilizing and maintaining data correctly in the audio visual database
- Utilizing the correct software for training aids
- Maintaining issue/turn-in documents
- Proper markings on equipment
- Accountability of equipment transferred

These controls weren't operating because:

- Information Center personnel didn't have the proper training to use training aid inventory systems such as TSAMS and MATS.
- Information Center personnel didn't think it was necessary to give copies of documents to hand receipt holders as long as TSAMS was updated.
- Information Center personnel didn't mark equipment prior to issue.
- Information Center personnel weren't able to enter some serial numbers into the software database they were using.
- Lack of coordination between Information Center and Installation Property Book personnel.

As a result, IR located over 305 items worth $305,309.08 that visual information personnel thought were missing. We also identified about $200,000 worth of property that was missing. This property was included on a report of survey.