

SYNOPSIS OF SIGNIFICANT INTERNAL REVIEW REPORTS FY 96 - VOLUME 2



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

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

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PART I

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

BASOPS - DPW

DIRECTORATE OF PUBLIC WORKS - MATERIAL INVENTORY

Internal Review (IR) Offices in two different commands performed audits of material inventory within The Director of Public Works (DPW). The results of these audits are summarized below:

- The IR Office in one command identified several areas where the DPW could improve operations. The contracting officer's representative and technical monitors allowed the contractor to deviate from contractual accountability procedures over engineer supplies. Instead of performing the required 100 percent annual physical inventory, the contractor inventoried items only when they were reordered. As a result, 76 percent of the line items stocked (as measured by value) had not been reordered for at least one year and were, therefore, not being inventoried. IR reviewed 26 line items and found that 14 had variances between the amount on hand and in the accountability records. In addition, the DPW and the contractor may be expending more resources (government technical monitors and contractor warehouse personnel) than necessary by maintaining almost \$1 million in inactive items. IR suggested that the DPW identify and retain inactive line items that were critical spares and then dispose of the remainder.
- The IR Office at another command found that the DPW did not maintain adequate accountability over parts and supplies purchased for individual job orders (IJO). Also, the process of completing a "bill of materials" was insufficient to prevent waste of materials and supplies for IJO's. For shop stock inventory, auditors found that accountability was inadequate. IR estimated that the activity spent about \$30K unnecessarily on parts and supplies that the command could have put to better use.

AUDIT OF INVENTORY MANAGEMENT FOR THE TOTAL HOUSING MAINTENANCE CONTRACT.

The IR Office at one command found that a contractor did not maintain complete accountability and control over government owned inventories valued at about \$1.6 million. The contractor did not maintain adequate information on property records to constitute an acceptable audit trail. The contractor did not document that purchases were for authorized items and all purchase orders were not adequately supported and controlled. Weaknesses existed because the Directorate of Contracting did not ensure that contractor performance was adequately monitored. Internal Review found that contracting personnel did not adequately address inventory management or management controls in the contract specifications, adequately designate a property administrator, and properly evaluate the effectiveness of the contractor's inventory control system.

DIRECTORATE OF PUBLIC WORKS - INTRASERVICE SUPPORT

AGREEMENT. The IR Office at another command was requested by the DPW and the Director of Resource Management (DRM) to evaluate the reimbursable program. During the audit, IR evaluated adherence to regulatory guidance, procedural application, and soundness of accountability. This assessment also included determining if earned

reimbursements were made on a periodic basis. Procedures, policies, and related documentation in both DPW and DRM were reviewed in order to determine whether DPW was being properly reimbursed for work performed for reimbursable entities. The audit disclosed that all reimbursements were not earned and that a customer's mission may have been supported without the installation being reimbursed. IR offered recommendations for corrective actions that would result in potential monetary benefits of \$250,000 to \$500,000 annually.

UTILITY RESALE RATES.The IR Office at one command was asked to validate the rates charged to utility customers. The auditors found that the rates were not accurate because the Utility Sales Officer had not updated rates in almost three years. Regulations require management to update rates annually using prior year costs. IR re-computed the rates discovering that customers were under billed \$24,000 in FY 96. Command took immediate action to correct FY 96 billings

TENANT SPACE CHARGES.The IR Office at another command was asked to verify the Command's outstanding accounts receivable for tenant space charges. IR identified almost \$1.6 million of uncollected space charges that were over 60 days delinquent. In addition, tenants had not been billed by the finance office for an additional \$1 million in tenant charges. Collection efforts had not been made for most of the delinquent balances. Recommendations were offered to recoup uncollected balances, and ensure more effective management of accounts receivable in the future.

BASOPS - DOL

REVIEW OF SMALL ARMS REPAIR PARTS MANAGEMENTThe IR Office at one installation conducted a quick response audit of small arms repair parts management at the request of the Director of Logistics (DOL). IR found that weapons repair section personnel did not maintain documentation to support the demilitarization of small arms repair parts, did not follow procedures for turning in demilitarized scrap, and improperly accepted excess small arms parts from units. Also, individuals performing and certifying demilitarization did not receive appropriate training, accountability over shop stock items was not complete, procedures for reviewing the validity of shop stock requisition objectives were not followed, and procedures for controlling access to the automated maintenance system were not fully adequate. This audit enabled the maintenance activity to strengthen its management controls over small arms repair parts prior to a visit from the HQDA Command Logistics Review Team.

SUPPLY AND WAREHOUSE FUNCTIONSThe IR Office at another installation completed an audit to determine if command activities could consolidate warehouses and supply functions to achieve operating efficiency. IR concluded that significant efficiencies could be achieved through appropriate consolidation. Consequently, activities cleared out warehouses and turned in over 14,500 items. Activities freed up approximately 159,000 square feet of storage space that DPW could redistribute or demolish.

CONTROLS OVER DINING FACILITY FOOD ITEMS.The IR Office at one command performed an audit of dining facility operations. During the audit, IR found that The Directorate of Contracting (DOC) had not modified a contract clause to reflect changes to the Army's automated food management information system for calculating and monitoring dining facility accounts. Consequently, there was a potential loss of \$120,000 if the contractor had been allowed to offset any overspent accounts at the end of the fiscal year with the value of food items held in year end inventory.

ACCOUNTABILITY OF ITEMS PURCHASED WITH CREDIT CARDS.The IR Office at another command performed an audit to determine if nonexpendable items purchased with credit cards were accounted for on property books. IR found that 72 percent (\$141,000) of nonexpendable items acquired during a six-month period were not recorded on property books. The primary cause was that cardholders did not follow existing supply procedures. Officials concurred with IR recommendations, and initiated swift corrective action.

CENTRAL ISSUE FACILITY.A Central Issue Facility contractor employee within one command was accused of selling Gortex clothing. During the course of its investigation, CID requested IR support in validating the amount of losses and the reliability of CIF accountability records. IR reviewed Gortex clothing plus parachutist helmets and safety boots. The auditors concluded that the amount of losses could not be determined because contractor employees did not accurately count items during the previous physical inventory. IR could not determine if the misreporting was deliberate or the result of employee oversight.

REPORTS OF SURVEY.The IR Office at one command reviewed the report of survey process. This review disclosed that reports of survey were not being processed within the prescribed time limit. Most delays were caused by either the hand receipt holder taking too long to report lost property or poor record keeping and management of reports of survey. As a result, an improved tracking system was developed, and responsible personnel could see at a glance when a report of survey is being delayed (and who is responsible for the delay).

PROPERTY ACCOUNTABILITY.The IR Office at another installation was asked to determine the need for improved controls over turn-in and disposal of property to prevent unauthorized diversion. Property appeared on the property book as being turned in to the Defense Reutilization and Marketing Office (DRMO). However, DRMO did not have documentation showing receipt of the property. In addition, management did not promptly record installation property on accountability records after delivery. IR estimated monetary benefits of approximately \$300,000.

SUPPLY ACCOUNTABILITY.The IR Office at another command completed an audit of supply accountability to identify unauthorized excess items and evaluate program oversight. IR found that most of the activities reviewed were holding unauthorized or excess items. IR identified roughly \$167,000 in unauthorized and \$2.4 million in excess items. In addition, IR concluded that oversight was marginal. The frequency of

inspections was diminishing and the checklist nature of those inspections accomplished was not conducive to identifying and resolving problems. Officials agreed with IR conclusions and recommendations.

BASOPS - DOC

IMPAC CREDIT CARDS. During FY 1996, numerous reviews were completed by Army IR Offices on the use of International Merchants Purchase Authorization Cards (IMPAC) within their commands. A synopsis of the more significant results are as follows:

- The IR Office at one installation found that controls over use of credit cards to purchase maintenance and repair services needed to be strengthened. During the 15-month period ending 31 March 1996, credit cards were used to procure the services of independent contractors for about 13,000 service orders valued at about \$13 million. IR worked with managers to identify and implement the following controls:
 - perform inspections of at least 10 percent of all service orders.
 - require contractors to submit itemized billing statements.
 - establish a contractor selection process.
 - monitor contractor hourly rates and workload.

These controls proved beneficial. As a result of the audit, the average cost per service order completed using credit cards declined from \$236 to about \$126. Using the reduced average cost per service order, IRAC estimated that the government should be able to save at least \$1.3 million annually. IRAC believes that cost can further be reduced by

- verifying the accuracy of selected service order cost estimates.
- using indefinite quantity contracts rather than credit cards for repetitive services.
- consolidating service orders.

By making additional improvements in these areas, in-house procurement and documentation work will be reduced and more economical prices will be obtained.

- IR at another command found that the DOC raised the monthly spending limitation for one IMPAC card holder from \$12,000 to \$80,000. DOC made the increase without the Approving Official authorization or Director of Resource Management (DRM) justification. The cardholder charged over \$95,000 in a one month period without any transactions approved by the cardholder's Approving Official. After these charges, the activities' budget was close to zero and DRM/DOC froze the credit card account. IR identified management control weaknesses and made recommendations that when implemented will prevent overspending of credit cards by cardholders.

- The IR Office at another command determined that management needed to strengthen controls over cardholder purchases. IR recommended management improvements for the overall administration of the program. When implemented, the recommendations will provide adequate oversight of cardholder purchases, ensure unauthorized purchases are not made, and purchased property is properly accounted for.
- The IR Office at another command conducted an audit to assess whether there was compliance with the policies and procedures for credit card procurement. The auditors concluded that improvements were needed in two key areas, management controls and operating guidance. Surveillance visits/reviews had not been conducted by the DOC since the inception of the program, and the controls for the security of the commercial credit card were inadequate. These surveillance reviews constituted key management control to ensure compliance with program requirements. IR also found that cardholders had not been informed about changes in program requirements. Consequently, discrepancies were noted for some cardholders such as (i) cardholders did not maintain adequate documentation to support purchases, (ii) cardholders frequently did not coordinate with the installation Supply and Property Book Office and Directorate of Information Management, as required, to obtain approval to purchase supplies and equipment, and (iii) monthly dollar cardholder limits were established without considering budget dollar limitations. Some monthly dollar credit card limits were established 30 to 40 times higher than the funds budgeted.

SERVICE CONTRACTS. The IR Office in one command was asked to assess contracting procedures for service contracts for equipment maintenance and repair, domestic appliances and drayage. IR discovered that estimated costs varied because unnecessary requirements were submitted by local Directorates of Engineering and Housing and were not validated prior to contracting. In addition, overstated requirements and deficient bidders lists restricted competition. Cost and requirements data and contract specifications were reviewed and comparisons were made between estimated and actual requirements on a location by location basis. Bidder lists and bid abstracts were obtained from the contracting office and analyzed to determine the extent of competition in awarding service contracts. Action taken to reduce and validate requirements, and modify drayage contracts, will reduce estimated costs by about \$12.3 million over the life of the contracts.

MANAGEMENT CONTROL PROCESS The IR Office at one Army Medical Facility, assisted the management control program (MCP) administrator with technical explanations to resolve weaknesses found in the Third Party Collection Program. IR recommended a Process Action Team (PAT) be established to review the matter; the PAT was formed and corrective actions were implemented which resolved the weaknesses. As a result of auditor intervention, management controls were improved and collections from outside insurance companies increased accordingly.

BASOPS - DPCA

AUDIT OF CIVILIAN OVERTIME PAYThe IR Office at one installation completed an audit of civilian overtime pay. IR found that civilian overtime was not being used for mission-essential garrison or reimbursable work. Also, employees frequently worked overtime that their supervisors had not requested or approved in advance. In addition, some employees took annual leave in the same pay period that normal work was being completed on overtime. Management considered overtime a good practice for the performance of day-to-day garrison or reimbursable operations. The management controls related to preparing and approving overtime were not followed. In addition, management was not reviewing overtime requests to make sure they complied with command policies. As a result, command incurred unnecessary overtime costs for garrison and reimbursable work. About \$2.8 million annual would be available for other use if mission-essential garrison and reimbursable work was performed and controls were followed.

BASOPS - MORALE, WELFARE & RECREATION

GOLF CLUB OPERATIONS.The IR Office at one command reviewed golf club operations on behalf of the commander. IR recommended actions to improve (i) accountability of resale merchandise, (ii) time and attendance reporting procedures and employee scheduling, (iii) management of labor resources, (iv) oversight of utilities maintenance contract, and (v) management controls for more efficient and economical resale operations. IR identified \$252,000 in annual potential monetary benefits through reduction in club employees weekly tours of duty and the elimination of 12 positions.

REVIEW OF FAMILY INCOME, CHILD DEVELOPMENT SERVICESThe IR Office at another command was asked to determine if parents were paying fees for full day child care service according to total family income. Based on a review of total family income reported to the Internal Revenue Service and other income that must be considered to determine the fee charged each sponsor for child care service, 26 percent of the 15 percent of the sponsors sampled at two child care centers were not paying fees according to their total family income. IR identified monetary benefits of \$7,000 for the sponsors sampled.

REVIEW OF OFFICERS' CLUB MEMBERSHIPThe IR Office at another command completed a follow-up engagement focused on Officers' Club membership. The auditors found that since the initial audit, bad rank/grade accounts had increased 116 percent from 299 accounts to 646 accounts despite attempts by the Officers' Club to correct the problem. Monthly, the servicing bank (the contractor) charged each member's VISA account for membership dues based on rank/grade. Incorrect data affected dues income. To assist the club to correct an unacceptable and mounting problem, the auditors contacted the servicing bank and worked with the bank to determine the cause of the problem and the corrective action required. The results of the coordinated action taken by the bank, initiated by the auditors, corrected 573 of the 646 bad rank/grade accounts.

PART II

***AUDITS OF OTHER
ARMY
FUNCTIONAL AREAS***

AVIATION

INTO-PLANE REFUELING. The IR Office at one command identified weaknesses in management controls over into-plane aircraft refueling. IR found that flight operations personnel did not always issue identaplates that corresponded with aircraft tail numbers when assigning aircraft. Also, the activity did not always record identaplates on the property book. Additionally, pilots did not always verify accuracy of information recorded on sales slips by into-plane contractors. Finally, command personnel did not compare sales slips with contractor billings to ensure accuracy of fuel charges.

IN-HOUSE VERSUS CONTRACTOR INTO-PLANE REFUELING The IR Office at another command determined that it was not cost effective to open or expand in-house aircraft refueling sites in the proximity of existing DOD into-plane refueling contractors. Cost of opening or expanding three alternative refueling sites would result in about \$63K in one time costs and about \$622.5K in annual recurring operating costs.. Also, additional flying hours required to return aircraft from training areas located near contractor locations to in-house facilities for refueling would cost about \$13.2 million annually. IR identified corrective actions that would result in potential monetary benefits of about \$83 million.

OTHER CONTRACTING

MASTER COOPERATIVE FUNDING AGREEMENT The IR Office in one state reviewed the Master Cooperative Funding Agreement and found that improvement was needed in management controls to detect unauthorized charges, ensure relevancy, inclusiveness, and reliability of the financial data. IR found that personnel were not following established procedures nor was there adequate communication between the federal and state governments. IR offered recommendations for corrective action that would yield an estimated \$4 million in potential monetary benefits.

CONTRACTING PRACTICES. The IR Office at one command conducted an audit to determine the propriety and adequacy of contracting practices to include bona fide needs documentation, independent government estimates, Pre/Post Business Clearance Memorandums (BCMs), acquisition plans, required Determination and Findings (D&F) documentation, and contract termination and replacement documentation. IR found that more than 50 percent of contracts were deficient in terms of “bona fide needs” documentation. In addition, at least one contract action was undertaken in violation of the Appropriations Law time statute. Command and contracting officials were advised of audit results and implemented immediate corrective actions.

ENVIRONMENT

ENVIRONMENTAL COMPLIANCEThe IR Office at one command completed an audit of the command's compliance with applicable environmental protection statutes, policies, and regulations. IR identified potential improvements in management controls to ensure timely corrective action of problems identified by the Environmental Compliance Assessment System (ECAS). The factors that contributed to the weakness in management controls were lack of (i) staff organization of all environmental employees, (ii) training, (iii) time, (iv) command priorities, and (v) funds. As a result of non-compliance, some individuals could become liable for monetary fines if inspections by regulatory agencies find that activities aren't in full compliance with regulatory requirements. Specifically, in accordance with 40 CFR 122.41 Conditions Applicable to all Permits (NPDES) subpart C--Permit Conditions) "any permit non-compliance constitutes a violation of the Clean Water Act and is grounds of enforcement act". Depending on the conditions of the violations, a person or persons / government could be subject to civil or criminal penalties/fines ranging from \$2,500 to \$250,000 per day for each violation and/or imprisonment, or both. The monetary ramification for inadequate corrective actions exceeds \$2.3 million in potential fines.

RESOURCE MANAGEMENT

GOVERNMENT TRAVEL CARD USEThe IR Office at one command reviewed the use of Government Travel Cards (American Express Cards). IR found that approximately one out of 14 cardholders used the Card for personal expenses in violation of their travel card agreement. In addition, personnel were obtaining cash advances when they were not covered by Official Travel orders and there were instances where advances appeared to be excessive for the travel period. The audit found that cardholders were generally rendering payments within 30 days of receipt of the bill.

ENVIRONMENTAL DIFFERENTIAL PAY (EDP) AND HAZARDOUS DUTY PAY (HDP). The IR Office at another command, reviewed Environmental Differential Pay (EDP) and Hazardous Duty Pay (HDP). IR found that a number of personnel were receiving this pay improperly. As a result of the audit, EDP/HDP was discontinued when appropriate at an annual savings were over \$215,000.

UNLIQUIDATED OBLIGATIONSThe IR Office at one facility conducted a review of unliquidated obligations. IR found that consumer fund accounts had excess obligations, and recommended recovery of about \$74,000 of current FY funds and about \$240,000 in prior FY funds. IR also found improvements were needed in the management of supplemental care accounts to ensure that only valid reservations of funds remained in the system. IR assistance was also provided in correcting equipment cost applied to supply element of resource codes and by recovering related duplicate current FY obligations of

about \$337,000. Total monetary benefits from this project totaled almost \$650,000 for all fiscal years.

JOINT RECONCILIATION PROGRAMThe IR Office within one command conducted an audit of the Joint Reconciliation Program (JRP). IR concluded that improvements could be made in the joint review process to yield better fund controls. IR found that time allotted for individual budget analysts to conduct the joint reviews were insufficient. Also, lines of unliquidated obligations for supply transactions (Liquidation Indicators of A or Y) were skipped over during the reviews. IR also found that procedures for clearing negative unliquidated obligations were not fully effective, budget analysts were not fully familiar with transaction accomplishment codes employed, and several tenant activities were not included in the review schedule. IR in conjunction with accounting personnel and budget analysts identified about \$3.93 million in prior year funds as excess.

IMPROPER PAY TO PERSONNEL ON EXCESS LEAVEThe IR Office in another command reviewed pay to military personnel on excess leave. The audit was designed to identify the subsystems, functions, regulations, and procedures which impact the failure or delay of soldiers to comply with reassignment orders, and to recommend corrective actions. Results of the audit revealed the following:

<u>LOCATION</u>	<u>SOLDIERS ON EXCESS LEAVE</u>	<u>NUMBER ON PAYROLL</u>	<u>NUMBER IN AN ACTIVE DUTY STATUS</u>
A	42	3	18
B	53	0	10
C	31	8	23
D	436	20	187
E	286	11	60
F	0	0	0
TOTALS	848	42	298

IR found that problems resulted from a failure at the installation level to follow established guidance. Specifically, IR identified:

- failures to conduct a search for soldiers who do not arrive at the gaining installation as expected (AR 600-8-6, para 3-5).
- failures to submit dropped from strength transactions via EDAS or the Standard Installation or Division Personnel System (SIDPERS) (AR 600-8-6, para 3-22).
- instances of improper distribution of leave orders.
- absence of control numbers on the DA Form 31 (Request and Authority for Leave).
- failure of units, particularly Personnel Control Facilities, to receive excess leave documentation.
- failure of finance offices to receive any documentation to stop pay.

TRANSITIONAL COMPENSATION The IR Office at one command performed an audit of the Army Transitional Compensation Program to evaluate claims processing and effectiveness of the program and related management controls. Transitional Compensation provides monthly transitional compensation benefits for abused family members. IR found that the command had no infrastructure established for this program, lacked an integrated data base, needed improvements in management controls, and did not reconcile recommended amounts to be paid to actual amounts paid by DFAS. This resulted in approximately \$14,000 in overpayments according to the law at the time the payments were being made. DFAS disclosed that they will review all cases and make payments to those underpaid.

IMPREST FUND INVESTIGATIVE ASSISTANCE When fraud was detected in Imprest Fund activities within one command, officials requested that the Army Criminal Investigative Division (CID) conduct an investigation. During their investigation, CID agents specifically requested Command approval for the IR Office to develop the scope of Imprest Fund losses. IR activities focused on finding all duplicate payments of Imprest Funds. IR developed an automated data base containing over 4,000 transactions in two Imprest Funds covering a period of almost six years. IR found numerous instances of fraudulent duplicate Imprest Fund payments during this period amounting to almost \$34 thousand. The theft of imprest funds was perpetuated by the Imprest Fund cashier submitting copies of Purchase Request and Commitment documents (DA Form 3953) for reimbursement with copies of invoices, carbon copies of invoices, or receipts on bond paper with coerced or forged receiving officer signatures. Officials agreed with IR recommendations for corrective actions.

AUDITS OF MILITARY INTERDEPARTMENTAL PURCHASE REQUESTS (MIPRs). The IR Office within one command reviewed the execution and issuance of MIPRs. IR identified weaknesses in controls over MIPRs used to acquire mission related resources. IR recommended that command:

- Ensure vendors provide goods and services IAW MIPR requirements.
- Track MIPRs to ensure unused funds are reprogrammed to other current year requirements.
- Ensure command personnel follow contractual procedures for services obtained for non-DOD activities.

Internal Review estimates implementation of suggested corrective actions will result in potential monetary benefits of \$1.6 million.

INSTALLATION SITE SUPPORT FUNDS One IR Office performed an audit of Installation site support funds. IR concluded that command needs better controls to monitor the use of site support funds provided to installations for training support. Specifically:

- Operations and Maintenance, Army Reserve (OMAR) Funds were used to support non-Reserve soldiers.

- Installations used OMAR funds that should have been funded with Operations and Maintenance, Army (OMA) funds.

- Installations used OMAR funds to hire full-time and term personnel in direct contradiction of HQ, USARC guidance. Also, OMA funds should have been used for these personnel.

IR estimates that implementation of these recommendations would result in the reprogramming of approximately \$58.8 million.

RECONCILIATION OF FINANCIAL RECORDSThe IR Office at another command completed an evaluation of the DRM's recently completed reconciliations of property and financial records for in-house capital assets as well as Government property in the hands of contractors. IR found that DRM did not have a documented process for reconciling financial records with APPMS property and Government property in the hands of contractors. IR also disclosed that at least two general ledger (GL) accounts (numbers 1762 and 1763) did not contain accurate data. GL account 1763 (equipment with contractors) reflected a zero balance, while transaction records indicated that \$33.5 million should have been posted to this account. GL account 1762 (equipment in use) showed a balance of about \$97 million when the supporting accounts contained \$85.5 million. As a result of the audit, IR concluded that the command's GL balances could not be used to determine property values.

VIDEO TELECONFERENCE/TDY TRAVELThe IR Office at one installation performed an analysis of TDY orders and conducted interviews with travelers. IR found that use of the video teleconference center could satisfy some travel. Recommendations aimed at educating the traveler and implementing controls over TDY approval could produce potential monetary benefits of over \$50,000 annually.

EXAMINATION OF BUSINESS PRACTICES WITH ESTIMATING AND OBLIGATING FUNDS FOR TRAVEL AND TEMPORARY DUTY ASSIGNMENTS.

At one command, members of the IR staff served on a Chief of Staff Task Force to examine the business practices for estimating and obligating funds for travel and temporary duty assignments. The purpose of the task force was to develop recommendations for improving the accuracy of obligations in travel and TDY. IR identified numerous accounting and other processing errors. Command and Finance Office personnel acknowledged these errors and made immediate corrective actions. As a result, FY 96 funds of over \$428,000, which would have been lost, were made available for future use during the fiscal year.

INFORMATION MANAGEMENT

CONTROLLED CRYPTOGRAPHIC ITEMS (CCI)The IR Office at one command found that significant improvements were needed in the procedures for command's Controlled Cryptographic Serialization Program (CCISP). This program was implemented to help ensure the CCIs would be adequately accounted for in the standard logistics system. Physical inventories of CCIs were not always performed and procedures used to reconcile CCISP central registry and activity property book records were not adequate to detect CCI discrepancies. When discrepancies were detected there was limited assurance the discrepancies would be resolved or that related incidents of probable unauthorized access to CCIs would be reported to communication security (COMSEC) managers. A primary cause for these conditions was that CCI custodians were often unaware of CCI accountability requirements and procedures. As a result, IR found that 556 of 3,481 (about 16 percent) of the CCIs on-hand at activities included in the audit were not properly accounted for. IR also reviewed procedures for safeguarding CCIs. IR revealed that prescribed procedures were not followed in (i) conducting CCI access discrepancy investigations, (ii) reporting investigation results when unauthorized access had probably occurred, and (iii) ensuring corrective action was taken to prevent subsequent access discrepancies. Under these conditions there was limited assurance that CCI functional integrity would be maintained by (i) preventing the loss of CCIs, (ii) establishing corrective action plans to preclude the recurrence of identified access to CCIs was reported to appropriate intelligence activities.

SOFTWARE MANAGEMENT.One IR Office completed an audit of the command's ADP software management procedures. IR found that management controls could be improved in the areas of authorization, procurement and security of software. In addition, all existing management controls were not fully implemented. Specifically:

- The Director of Information Management (DOIM) policies and procedures did not establish sufficient requirements to prevent unauthorized or misuse of software.

- Distribution of funds for software allocation was not proportional to the number of computers within each of the three subordinate commands reviewed.

- There was no system in place to account for commercial copyrighted software issued with PC's as directed in Army regulations.

A sample of computer software revealed that approximately 30% was unauthorized. When projected to the total number of computers times the potential fines, the risk to agency would be in excess of \$9 million if prompt corrective action was not taken.

CELLULAR TELEPHONE EXPENSESNumerous Army commanders requested that their IR Offices review cellular telephone usage following a January 1996, Chief of Staff, Army, message stating that the number of cellular phones and beepers must be reduced to the absolute minimum. Brief results of two cellular phone audits are summarized below:

- IR in one command found that cellular phone and page justification, accountability and validation of expenses needed immediate management attention. As a result of the audit, Command guidance was developed for appropriate justification and use of cellular phones and pagers.
- IR within another command found that calls were made to Community Morale and Welfare activities such as DPCA, MWR sales, Golf Course, Recreation activities, Army Community Service and several activities on the installation. In addition, there were several calls to local residents and long distance numbers. There was a lack of control over the usage of cellular phones and pagers. There was no audit trail to trace calls to the individuals who placed them because telephone logs were not kept and these phones and pagers were assigned to teams or sections. Officials implemented immediate corrective actions in response to IR recommendations.

OTHER LOGISTICS

CARGO SECURITY PROCEDURESThe IR Office in one command completed an audit to help Command detect and prevent cargo losses. During one 15 month period, a port commander reported at least 11 incidents of missing cargo with a total value of over \$800,000. IR found that the primary causes for the missing cargo was insufficient physical security and documented controls over cargo. Most of the missing cargo was not properly secured in spite of its highly pilferable nature. Due to improper special handling codes, the cargo was staged in a less secure general cargo warehouse. Also, the contractor did not always secure marked pilferable cargo in a highly secured area. The audit recommended improved security controls for all cargo.

REQUISITIONS FOR CLASS IX MATERIAL IN SUPPORT OF CONTINGENCY OPERATIONS. The IR Office in one command conducted an audit to assess the validity of Class IX repair parts requisitions in support of a major OCONUS contingency operation. IR concluded that almost 13 percent of the line items requisitioned were made when authorized stock was on hand (or due in that exceeded established requisitioning objectives). Moreover, a program to screen Class IX requisitions for appropriate requirements justification was needed to discontinue unneeded requisitioning and reduce future transportation costs for excess repair parts. About 73 percent, or 46 of the 63 line items reviewed, showed either no demands in the last year, or substantially less demand than the quantities requisitioned. IR recommended that identified excess stock be turned in for DBOF credit for a cost savings of \$9 million. Additional recommendations and guidance for identifying additional excess quantities on hand and for developing a program to screen Class IX requisitions, identified additional monetary benefits of about \$44.4 million.

ACCOUNTABILITY OF MODIFIED TABLE OR ORGANIZATION AND EQUIPMENT (MTOE) EQUIPMENT.The IR Office at one Major Subordinate

Command (MSC), was asked to verify the accountability of MTOE equipment of twenty subordinate (20) units. The following conditions were identified:

- Unit commanders had reported approximately \$13.5 million worth of excess MTOE equipment to the MSC's DCSLOG for further disposition. However, the units had not received instructions on where to transfer this equipment.

- IR identified approximately \$145,000 worth of excess MTOE equipment that these units had not declared nor reported to the DCSLOG.

- The major reason units had excessive amounts of MTOE assets was due to the many MTOE changes that were occurring each year.

IR recommended that the DCSLOG ensure their written guidance on how to report and turn-in excess MTOE equipment was being implemented.

AUDIT OF REPAIR PARTSThe IR Office at one command conducted an audit of repair parts usage and accountability. IR found that supply support activities didn't effectively manage repair parts on stockage lists. Specifically, repair parts on hand exceeded authorized retention levels and repair parts on order exceeded requirements. These conditions existed because:

- Supply support activities didn't identify and report excess repair parts. These actions were required by established procedures.

- Use of stock status reports weren't properly emphasized by supply personnel.

As a result of these conditions, excess repair parts on hand valued at about \$747,000 had not been identified and reported for redistribution and use by other Army activities. Also, about \$588,000 of repair parts were on order but not needed. In addition, the excess repair parts on hand that were non-stocked items increased the Army's holding costs by about \$64,000 annually.

MATERIAL SCRAP PROCESSINGThe IR Office at one Army Depot reviewed the disposal of ammunition scrap. IR found that ammunition scrap was not processed correctly. Effective turn-in procedures, especially document preparation and issuance, were not in place and scrap weights were not always verified by depot personnel before release to DRMO. Consequently, sixty-four percent (\$227,000) of FY 96 sale proceeds was processed and recorded incorrectly and ammunition scrap estimated at over \$300,000 was inaccurately processed.

Management agreed with the findings and recommendations and initiated corrective actions. Potential monetary impact \$572,000.

FUNDS COLLECTED FOR MEALS DURING ANNUAL TRAINING (AT) The IR within the Army Reserves identified a need to improve controls for funds collected for meals during AT. Specifically, the auditors reported that:

- Basic Allowance for Subsistence was not adjusted for any of the Active Component or Active Guard/Reserve soldiers during AT.

- Payroll deductions were not accomplished for officers on field duty status during AT.

- Surcharges were either not collected or not correct for meals provided to units performing home station AT.

- Units were not following published guidance for travel orders for soldiers attending AT.

IR estimated that implementation of recommendations would result in over \$1.1 million of funds put to better use at three Major Subordinate Commands.

MEDICAL

FEE COLLECTIONS FOR ELECTIVE COSMETIC SURGERY The IR Office at one medical activity found fees for elective cosmetic surgery were not being collected. This was occurring because plastic surgeons did not always use prescribed prepayment procedures, or when they did, the surgeons did not always indicate all cosmetic surgery performed for other than active duty patients.

EMERGENCY ROOM TREATMENT The IR Office at another facility found that the emergency room was triaging and referring active duty military to the extended care clinic, a contract facility. On average, seven active duty patients per shift were being referred. Regardless of nature of illness, no attempt was made to enter Active Duty into regular system to be seen by Active Duty physicians. IR reported that if corrective actions were implemented, monetary benefits of more than \$160,000 could be realized.

ACCESS TO THE ALCOHOL AND DRUG CLINICS The IR Office at one facility consulted with Command to develop improved access to the Alcohol and Drug Clinic. IR determined that the time it takes to evaluate soldiers as possible substance abusers was excessive. Without compromising the quality of care, several recommendations were made that would reduce backlog and improve access to the clinic. Recommendations were based upon both time tested processes and contemporary techniques developed using principles of the National Performance Review. As a result service to the soldier was improved.

GENERAL SURGERY CLINIC.The IR Office at one medical facility concluded that the General Surgery Clinic was not making maximum utilization of clinic time and available physician / surgeon personnel resources. There appeared to be a significant amount of unaccounted for and/or unproductive time (conservatively estimated at 25%). In addition, IR believed that more time could be made available to see patients by scheduling appointments for the entire afternoon (in accordance with standing operating procedures) rather than just for the shorter available time periods the surgeons provided to the appointment clerk at the beginning of each month. IR recommended that routine and follow-up appointment times be expanded to allow for more patients to be seen, thus increasing the productivity, and ultimately the efficiency of the clinic.

ORGANIZATIONAL EFFICIENCY REVIEWThe IR Office at another medical facility participated in a multi-discipline team effort to assist command in the conduct of organizational efficiency reviews. IR assisted the team in evaluating the Inpatient Obstetrics function and defining the proper number of leased ambulances needed to meet the Army installation's medical mission. The studies culminated in the reduction of Obstetrics Inpatient Nursing staff by 5 full time equivalents (FTEs) in FY 96 and an additional potential 9 FTE reductions in FY 97 and the elimination of one emergency transport vehicle from the installation's leased GSA vehicle fleet. Potential monetary benefits exceeded \$181,000.

PHYSICAL EXAMINATIONS FOR SERVICE INDUCTEESThe IR Office at another medical facility, conducted a quick response audit and found that board actions for the Existed Prior to Service (EPTS) category had increased 215% since 1993. EPTS discharges result from a medical condition that generally would disqualify a military inductee for active duty due to existing medical conditions at the time of service entry. The Military Entrance Processing Station (MEPS) gives a physical examination to all service member inductees. However, auditors found that the screening process used was not effective in detecting such conditions. The report discloses that (i) the estimated cost of putting a soldier in basic training is \$10,000. During the audit period, the MTF processed 674 EPTS discharges resulting in an approximate cost of \$6.7M. This would result in an annual cost to this installation of \$16.2M; (ii) the number of EPTS discharges processed by the MTF have increased an average of 62.6 per month in 1993 to the 134.8 monthly average in 1996; (iii) a more thorough physical examination needs to be conducted during the MEPS exam to identify pre-existing medical problems so as to save DOD potentially millions of dollars.

THIRD PARTY COLLECTION PROGRAMThe IR Office at one medical facility found that the Pharmacy had not implemented the Third Party Collection Program. Procedures had not been established to identify and bill third party payers and collect claims for reimbursement of health care costs. The auditors estimated (and management agreed) that the activity lost an average of \$325,000 per year between 1990 and 1996 because of the failure to implement the program.