SYNOPSIS OF SIGNIFICANT

INTERNAL REVIEW REPORTS

FY98 - VOLUME II

Army Internal Review

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

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Procurement - Other

International Merchants Purchase Authorization Card (IMPAC). Several Internal Review Offices performed audits of the IMPAC program. Summaries of their findings follow:

• Internal Review's overall objective was to evaluate IMPAC program performance. Specific objectives sought to determine the potential for increased usage and to assess management controls over existing purchases made via IMPAC. The audit found that during FY 97 command made dramatic progress in establishing IMPAC as the preferred method for making micro purchases. Usage of the IMPAC increased four-fold from FY 96 to FY 97, and 33 percent of all micro purchases were made via IMPAC. However, this usage still fell far short of the DA Goal that 90 percent of all micro purchases are made via IMPAC. Internal Review's examinations disclosed that, had the IMPAC been used for all micro purchases, the IMPAC usage rate would have increased to 76.6 percent command-wide. Additionally, usage of IMPAC would have contributed to monetary benefits of an estimated $962,125. Internal Review found that some improvements could be made. Internal Review's recommendation will ensure the use of the card is maximized.

• Internal Review's objective was to determine the effectiveness of the IMPAC Program. Specific objectives were to determine whether (i) units/activities are taking full advantage of the IMPAC Program, (ii) units/activities were using the IMPAC for only authorized purchases, and (iii) adequate management controls have been established to prevent unauthorized use of the IMPAC.

The audit revealed that there were opportunities to expand the use of the IMPAC Program. However, shortcomings in the Program should be corrected before taking further actions to expand the Program. In many cases, commanders had not established IMPAC cardholders at division, branch, or section levels. Adequate guidance and procedures for approving officials/certifying officers and cardholders had not been developed at some units/activities, and adequate supporting documents for IMPAC card purchases were not being maintained.

In addition, cardholders made purchases of Automated Data Processing equipment that exceeded the single purchase limit of $2,500 and units/activities had not established adequate procedures to ensure that accountable property book items were promptly posted to the installation property books. Credit card charge receipts, vendor invoices, purchase requests, receipt documents, and capability requirements were not always being maintained to support IMPAC purchases. As a result, management controls were not adequate to prevent the unauthorized use of the IMPAC.

• Internal Review's objective of this multi-location audit was to review usage of IMPAC cards under current regulations. Specifically, the auditors reviewed IMPAC purchases to determine if (i) purchases were being split into two or more transactions; (ii) internal controls were in place to properly account for IMPAC purchases; and (iii) if supporting documents were kept on file for all IMPAC purchases.

There was no indication of fraud found during the audit. All items of equipment were found. Also, documentation was available to support charges appearing on the IMPAC bank statements. However, a number of procedural deficiencies were identified during the audit.

The following significant problem areas were identified:

- There was a high frequency of purchases for computer equipment and accessories from one supplier.
- Split purchases.
- Fund Manager did not approve purchases nor were purchases recorded on the property book.
- Seven purchases were prohibited or otherwise improper. For example, furniture purchased during moratorium and some equipment items were not authorized on TO&E.
- Documentation supporting IMPAC transactions needs improvement. Specifically, requisition form lacked required signatures; requisition form was not available; and purchase date preceded funding approval date.

This audit resulted in monetary savings of $173,520.

• Internal Review performed an audit to provide reasonable assurance that internal management controls of the IMPAC Program were adequate. Internal Review focused on the degree of management oversight of the program and to determine if purchases were properly authorized and accounted for when using the IMPAC. Internal controls were not always in compliance with requirements and procedures to prevent misuse of the credit card. Some cardholders were making unauthorized purchases, some were exceeding single purchase limits and an unauthorized software program purchased to monitor receipts and track expenditures was used rather than the required AF Form 4009. Personnel assigned to certify availability of funds were also cardholders or approving officials, which violates the separation of duty control standard. In some cases, evidence of invoice reconciliation procedures and copies of sales receipts were not available. Internal Review made recommendations to establish internal controls clearly defining policies and procedures for the IMPAC Program. Re-training should be conducted on cardholders and approving officials in reference to purchasing with IMPAC. Monthly, or as needed, establish a method to randomly check cardholder files for adherence to regulatory guidance. Internal Review also made recommendations to establish procedures for the use of AF Form 4009 and ensure certifying officers, fund managers or payment clerks return their IMPAC to avoid "conflicting duties".

• An Internal Review audit of the IMPAC credit card covered transactions representative of the program in effect at the time of the audit. Overall, Internal Review reviewed applicable laws, regulations, operating procedures, and policies; available management reports; and previous audit reports. Internal Review also interviewed key personnel who were responsible for establishing, implementing, and executing the Army Credit Card Program within the States Army National Guard.

Internal Review found that the State's National Guard IMPAC Credit Cardholders were not making purchases in accordance with the Federal Acquisition Regulation (FAR). Part 8.001 of the FAR mandates that Government agencies shall satisfy requirements for supplies and services in accordance with prioritized sources. Cardholders were making the majority of purchases from commercial sources, which are the last option on the prioritized list. A random analysis of government required supply sources versus commercial sources revealed that commercial prices were equal to or higher 64 percent of the time. Subsequently, cardholders routinely made purchases from commercial sources, which violated FAR requirements.

Additionally, the State's National Guard did not meet the National Guard Bureau goal for micro-purchases using the IMPAC credit card for 1997. Micro-purchases are defined as those purchases under $2,500. In 1996, the Director, ARNG established a 100 percent usage goal for all micro-purchases. A review of eligible micro-purchases made in 1997 by the Purchasing division of the USPFO revealed that only 39 percent had been made using the IMPAC credit card. Consequently, the credit card had not bee utilized to the maximum extent required and had not attained the NGB goal for 1997.

Finally, the Agency Program Coordinator (APC) for the State's National Guard IMPAC credit card program had developed a letter of instruction (LOI), however it did not clearly define policy for cardholders and approving officials. The APC is responsible for overseeing the IMPAC credit card program and establishing guidelines. Internal Review reviewed the LOI published by the USPFO, however, it did not address such critical issues as (a) the requirement to use mandatory sources in accordance with the FAR; (b) specific listing of allowance purchases; (c) a simplified flow process chart documenting reporting and record keeping requirements. AS a result, management did not have a current, uniform standard to implement the IMPAC credit card program.

• During another audit of the IMPAC Purchase Card Program, Internal Review found indications that implementation planning and general management controls were not effective enough to ensure a well balanced transition to the new micro purchase procedures. Lack of collaborated financial management policy was an impediment to the micro purchase reform, especially in the area of reducing administrative workload.

Internal Review also found that cardholders didn't always take the necessary steps for controlling purchase transactions and acquiring essential documentation. Reviews and certifications by Approving Officials weren't effective enough to ensure purchases were proper and supported by required documentation. Traditional micro purchase methods were often used when the purchase card could have been used. Primary reasons for not using the card was related to complications and frustrations of integrating existing financial management controls with purchase card controls. Using statistical sampling methods, Internal Review determined that the State Guard could have saved $104,696 in direct labor costs if the purchase card had been fully and effectively implemented in FY 97.

- Internal Review identified significant weaknesses in internal management controls. Out of the four specific objectives reviewed, all four had shortcomings. They were consolidated into two significant findings and ten recommendations. Cardholders were making unauthorized purchases and were improperly accounting for all items received. Administrative oversight procedures were ineffective because approving officials did not properly review and approve purchases by cardholders. The causes for these shortcomings were:

  - Some cardholders made split purchases to avoid single purchase limits and requirements.
  - Approving Officials did not provide proper oversight to detect such activity and/or take corrective action.
  - Monthly statements were not being properly reviewed, verified, and reconciled.
  - Lack of surveillance programs to ensure approving officials were reviewing cardholder's purchases.
  - Lack of coordination between the APC and Financial Manager to ensure essential IMPAC monthly management tools were identified and distributed.
  - Updated list of approving officials was not being provided to the Commercial Accounts Branch.

To overall improve the State's IMPAC Program, Internal Review recommended the following: (1) a surveillance program to ensure approving officials are detecting irregularities and are taking appropriate corrective actions; (2) a policy to address improper uses/abuses of the IMPAC Card; (3) procedures for purchases of accountable, nonaccountable/durable items valued at $2,500 or less; and (4) improved utilization of management reports.

The objective of the audit was to review IMPAC Credit Card usage at each Armed Forces Recreation Center to verify compliance with Army-wide procedures. IR found some omissions of required approval and support documentation, some purchases of travel services which currently conflict with the NAF SOP, and conflicting duties between some cardholders that were also petty cash custodians. IR made recommendations to management to correct these problems.

• Another Internal Review's findings included: (1) a lack of centralized, current guidance and non local SOP; (2) a significant misclassification of resource codes; (3) interpretation differences with LM requirements; and (4) a need for updated training for CEFMS related aspects, such as deobligating funds and handling credits. There were no questionable charges noted. Internal Review is working with responsible offices to resolve these issues.

DPW Shop Stock. DPW requested a review of the current system. The audit objectives were to determine if; (a) adequate controls were implemented over shop stocks; and (b) shop stock inventories were adequate. Internal Review found that DPW needed to improve shop stock controls by: (a) purging shop stock lists of items that were not demand supported, were sensitive, and were high cost; and (b) establishing and maintaining adequate documentation on the purchases and usage of shop stocks. Internal Review also found that the management oversight needed to improve to ensure that controls were in place and implemented. Management agreed to the recommendations and is currently working with the MACOM to change the procedures and provide better oversight.

Verification of U.S. Geological Survey Bills. Internal Review reviewed eight disputed bills that were submitted to the Public Works Business Center (PWBC) by the U.S. Geological Survey (USGS). The eight bills totaled over $5.1 million. The review showed that the eight disputed bills were accurate based on USGS' costing methodology and guidance. The USGS records also showed that the installation owed about $1.4 million for several projects that were completed. After review of the Internal Review report by the installation's Staff Judge Advocate (SJA) office, they recommended that the $1.4 million not be paid. The SJA office recommended that a MACOM Dispute Resolution Committee review and validate (i) the bills to calculate overhead rates; (ii) the method of applying overhead rates to net costs; (iii) the apportionment of charges to direct versus indirect accounts; and (iv) the allocation of costs when evidence exists that some of the charges may be allocated to other USGS projects.

Moisture Probe. The Command contracted with an architect-engineering firm to procure a moisture probe for work on Government projects. The probe contains a small amount of nuclear material and therefore is heavily regulated. A cost analysis was done to determine if the Government should become certified to handle the probe or contract with a certified firm to maintain it. It was determined that it would be more cost effective to contract it out. During the review, it was noted that there was a lack of property accountability. A separate review will be performed on this issue.

Fuel Credit Card Purchases. The Supply Management Officer requested Internal Review perform an audit to determine whether credit card charges for fuel purchased with the U. S. Government Fleet Service Card (USGFSC) were valid. Internal Review detected possible fraudulent activity in connection with use of at least one USGFSC fuel credit card. Internal Review recommended initiation of a criminal investigation by the local CID unit. It was determined that a member of the unit had conspired with a convenience store clerk to defraud the U. S. Government by use of USGFSC fuel credit cards. Internal Review discovered approximately $74,530 of fraudulent credit card transactions over a 34-month period. The individuals were formally charged with a lesser amount (approximately $63,951). Internal Review recommended restitution by the responsible individual(s) to the U. S. Government equal the amount of all fraudulent transactions; implementation of existing internal controls by logistics personnel when reviewing and reconciling fuel purchase receipts to vendor bills; and, use of automated reports and tools to analyze fuel purchase trends.

Contract Administration

Audit of Environmental Contracts. Internal Review found that modifications were made to 13 of the 25 environmental contracts that were reviewed due to poor specifications or design. These changes resulted in additional contract costs of about $800,000 to date. Inaccurate or incomplete specifications resulted in noncompetitive modifications. These modifications were non-competitive because they were issued after the contracts were awarded and they were negotiated with the contractor on a sole-source basis. Army Audit Agency reports state that modifications to contracts negotiated on a sole-source basis increase the average cost of a contract by 25%.

Contract Offloading. Contracts were offloaded to agencies/activities that provide their own acquisition support rather than the installation's assigned contract office. These agencies/activities were selected because of their expertise, technical capability, quality, cost, and timeliness. Offloading was not done to avoid competition. There are a wide variety of policy and guidance relating to procedures when offloading a contract. In the past, the installation had not always complied with regulatory guidance, but was taking steps to ensure appropriate notifications and approvals were obtained. Cost of offloading was approximately 5 to 6 percent of the contract cost. The Public Works Business Center (PWBC) was the biggest user of contract offloading. In FY 1997, contract offloads totaled $20 million; in FY 1998, $51 million. The PWBC was not coordinating their contract offloading with the Directorate of Contracting (DOC). By involving the DOC, the PWBC knows which contracts that the DOC can handle. This could save the installation up to $3.06 million annually, depending on how much of the workload is performed by the DOC.

Job Order Contracting. The audit was requested to determine if (i) Job Order Contracting (JOC) projects were based on accurate requirements; (ii) job order contracting resulted in reasonable contract costs; and (iii) management controls, as they relate to job order contracting, were effective. Internal Review determined that the installation needed to improve the management of the JOC program. Internal Review reviewed six projects and determined the installation probably incurred unnecessary costs of up to $108,000 because the installation did not always properly plan and administer projects. These are the same problems noted by the MACOM inspection team during a 1996 review. The Director of Public Works established a corrective action plan which included replacing the quality inspector, appointing a new contracting officer's representative, requesting assistance from the Corps of Engineers to help restructure the JOC program, and establishing a check-and-balance procedure which included the director's personal review of each JOC scope of work.

Contract Cost. Customer alleged that contract price for repair of a heat and power plant was increased significantly due to lack of effective response to clean-up of environmental hazards and non-availability of a full time on-site Quality Assurance Representative (QAR). The review found that the allegations were unfounded and not supported by available documentation. The customer initially stated it would do the abatement with its personnel but later found they could not perform the abatement. This led to a one-year suspension of work, which resulted in the contractor performing the abatement. The Command had a full-time dedicated QAR (not necessarily on site full-time). Specialists were hired on an as-needed basis due to the age and condition of the plant.

Advisory Audit of Contract Management. Internal Review's evaluation of contract administration of lease operations revealed management controls and contract administration policies and practices were inadequate. The identified deficiencies in management controls and contract administration policies and practices are based upon a review of contract files and records for lease operations; interviews with personnel and site visits; and corresponding field work. Internal Review was unable to determine if the Government and specifically the Contracting Office:

- Is prorating costs in accordance with established industry standards;
- Has established procedures which will be defensible in any upcoming litigation;
- Validated that the government Housing inspectors, who are making carpet replacement decisions for Housing, are technically correct in the decisions;
- Validated the contractor's overhead and margin charges and these overhead and margin charges are correct;

- Validated the Housing Corporations method of calculating depreciation or the Housing Corporations schedule of depreciation for carpeting, vinyl flooring and household appliances;

- Determined the Housing Corporation is in compliance with their contractually agreed upon replacement schedule as cited in the "Maintenance Repairs and Operational Service Standards Annex" in the Lease Agreement.

This was due in part to incomplete contract files and records in the contract administration office and the refusal of the contractor to allow Internal Review to review financial records and statements.

Evaluation of those records available at the contract administration office indicated the contractor had not complied with the requirement of the Federal Acquisition Regulations (FAR) or the Cost Accounting Standards (CAS) Board. Internal Review found no records waiving Section 801 Housing from FAR. Internal Review found no records indicating that CAS or related cost principals were used in estimating, accumulating, and reporting cost in connection with pricing, administration, and negotiations of this Section 801 contract.

Adequacy of Contract Administration. The auditor at one facility evaluated the adequacy of administration of the Magnetic Resonance Imaging contract and identified problems with contract obligation management. The auditor identified overestimated obligations and lack of timely adjustment of obligations after payments were made. The unneeded obligations were encumbering funds, which could be put to better use. The auditor made recommendations for improvements and reported potential monetary benefits of over $99,000.

Training Site Cooperative Funding Agreement. Internal Review evaluated the implementation of the Training Facilities Real Property Operations and Maintenance Agreement. It is used to reimburse the state for authorized expenditures to maintain approved facilities. Audits by comptroller personnel, state auditors, and Internal Review revealed potential problems. Internal Review determined that the agreement was not properly implemented. Internal Review determined that management controls were not present to give the USPFO reasonable assurance that federal funds were used for authorized purposes. Internal Review found they met three of the twelve management control standards.

Required administrative procedures were not followed. Management did not properly oversee the agreement or transactions. Internal Review reimbursed the state for expenditures made before the agreement was signed. Water and sewage bills may have been paid for unauthorized facilities. Stock record cards did not reflect accurate quantities on hand for 36.84% of the items checked. This amounted to $13,687.32 when projected for all repair parts. Program income was not applied to the proper accounts. It was put into one portion of the income. SOPs were not developed or were not adequate to meet the needs of the personnel. Modifications to the agreement were not done each time the funding allocation target was changed.

Findings on previous audits were not corrected. Recommendations to a state audit completed a year before this audit had not been implemented. Also, the recommendations from an audit completed in 1991 had not been implemented. The same problems were found on this audit as the two previous audits.

Innovative Readiness Training. A congressional authorized program called "Innovative Readiness Training" allows the National Guard to engage in engineer projects directly benefiting local communities. Federal/State cooperative agreements are used to execute the program. A performance audit of these Civil/Military projects showed cost over runs and disallowed charges totaling over $63,000. Audit recommendations assisted local command in tracking authorized expenses and improving overall project management.

Forces Management

Operation Noble Safeguard Costs. Internal Review's objective was to evaluate controls over and the reasonableness of costs incurred during Operation Noble Safeguard. Overall, Internal Review found that costs, which they could test, were generally prudent and good efforts were made to control and track costs. Internal Review did note that total obligations recorded for Noble Safeguard were overstated. Internal Review's findings and recommendations contributed to monetary savings of $436,604.

Attrition. The purpose of this Quick Response audit was to determine whether there is a correlation between attrition of USAR soldiers and the inability of Commanders to have timely fills of their full-time AGR's and civilian positions.

The USAR, compared to the Navy and Air Force Reserves, has a much smaller FTS percentage of force authorized to support its reserve force. The USAR only has approximately 9% of its force as authorized to fill FTS positions. Both the Navy and Air Force Reserves are staffed at 100% and 91% of their required FTS strength. The FY 97 attrition rate for the Navy was 17.8% and 13.1% for the Air Force. The USAR has maintained a mid-30% rate of attrition over the past several years without reduction. The units reviewed proved a correlation between high attrition and the lack of FTS support.

Recommendations made were the USAR leadership: (i) needs to continue the support by increasing the authorized to require FTS positions and (ii) must continue to emphasize timely requisition and fill of both civilian and military FTS positions. While implementation of the audit recommendations should result in significant potential monetary benefits, they could not be quantified.

Maintenance and Repair of Equipment

The Equipment Maintenance Center-CONUS (EMC-C) Property Accountability of Repair Parts. The EMC-C had not initiated the Army Management Control Program, procedures had not been diagramed or flowcharted and risk had not been identified. The EMC-C Supply Support Activity (SSA) held items ($1,058,997) that were not authorized for stockage by current criteria. This included 92 lines ($143,849) that did not meet Acquisition Advice Code (AAC) criteria and 2,391 lines ($915,148) that did not meet the Essentiality Code or Supply Category Code (SCMC) criteria. Nearly 15% ($34,304) of the EMC-C-GS bench stock did not meet stockage criteria of Control Inventory Item Code (CIIC) or did not have a low cost unit price (<$50). There were 75 lines ($17,948) of EMC-C-DS bench stock that did not have a low unit price (<$50).

Manufacturing and Production

Utility Privatization Study. At the request of the Directorate of Public Works, Internal Review auditors reviewed and addressed specific comments, questions, and concerns in reference to draft utility privatization study to assess the feasibility of transferring ownership of the installation electric distribution system to a private company. Auditors questioned a number of assumptions used and made suggestions for revision of the study.

Supply Operations - Wholesale

Review of FWA Furniture Management Office (FMO). Internal Review's evaluation of FMO's property records, procedures and Reports of Survey revealed inventory records were not properly maintained and the Reports of Survey had an unacceptable number of processing errors. Reconciling the inventory records to the wall-to-wall inventories taken, revealed there were numerous instances whereby the quantities on the records did not reflect the actual quantities on hand. Adequate management controls must be in place to ensure the records are reflective of actual inventories on hand and to protect government property against fraud, waste and abuse. As a result of the review, Internal Review determined there was an inventory accuracy rate of 69 percent, which is considered seriously below acceptable standards for accuracy.

A review of DA Form 4697 (Report of Survey) processed for the FMO, during FY 97, disclosed numerous errors. The errors appeared to be the result of incorrect processing. Missing, incorrect or insufficient information on DA Form 4697 can result in inventories being improperly written off the books; creating a condition whereby excessive procurement of items already on hand occurs; opportunity for waste, fraud and abuse of government property and tax payers funds; and could be cause for legal review to discuss financial liability of personnel for lost or missing items.

Internal Review's evaluation of the FMO Management Control Process disclosed deficiencies with Hand Receipt and Furniture History documentation. FMO does not always have hand receipts on file because the receipts are not sent to FMO for the Housing Office. As a result, there are instances when FMO does not know who is assigned responsibility for the property. FMO is not maintaining a furniture history documentation file. The supply Chief stated maintenance float computations were trashed. As a result, documentation is not readily available for support of purchase based on maintenance float data.

Supply Operations - Retail

Supply Operations at RPMA Activities. Internal Review' s objective of the audit was to review supply operations and related internal controls of RPMAs. The audits specific objectives were to evaluate the management of RPMA Inventories, stockage levels, excess stocks and material holding areas. Internal Review performed a trend analysis of RPMA supply operations by reviewing three Command Supply Discipline Program inspection reports and two Area Support Group (ASG) internal review reports. Internal Review identified that RPMAs could improve their day to day DPW supply support mission and better protect and maximize Command's investments in RPMA stocks by improving internal controls and oversight over management of inventories, stockage levels, excess stocks and material holding areas. Implementation of recommendations will provide an estimated $4 million in monetary benefits, strengthen internal controls and correct conditions that were conducive to the undetected loss of supplies, unnecessary procurements and excess stocks.

Flying Hour Program. Internal Review's objective was to verify if excess requisitioning of aviation repair parts was causing increased operational costs in the flying hour program when the number of hours were decreasing. Specific objectives were to determine whether; (1) requisitioning of repair parts were demand supported, and (2) repair parts inventories were excess to requirements. A trend analysis performed of historical data for flying hour operating costs and hours maintained in the Operating and Support Management Information Systems (OSMIS) clearly showed that operating costs were increasing while operating hours were decreasing. Results of the review disclosed that aviation repair parts were requisitioned and stocked at the unit level without being supported by valid demands. As a result unit prescribed load lists (PLL) contained excess repair parts. Also, from a financial reporting standpoint, aviation repair parts are considered consumed when issued to supply support activities (SSAs) from wholesale and retail intermediate supply levels. The requisitioning practices and the current accounting policies, appeared to explain the increases in operating costs when flying hours were decreasing and potentially overstated flying hour operating costs. Recommendations contributed to potential savings of $9 million.

Accountability of Federal Property. Internal Review was requested to perform a quick response audit to determine whether accountability of Federal property issued was established and maintained IAW applicable laws and regulations. Internal Review determined through review of applicable regulations, instructions and local SOPs, interviews, observations, and inventories that accountability of Federal property issued was not established and maintained IAW applicable laws and regulations. Internal Review's 100 percent inventory of CA/CRL accounts 380 MC and MB revealed shortages totaling more than $33,184. Internal Review found excess individual clothing items estimated at approximately $32,500. In conjunction with this audit, the Commander directed a 100 percent inventory of all Federal property to identify any other shortages or excess items on-hand. Results of this inventory revealed approximately $200,000 of improperly documented and accounted for assets. Approximately $100,000 was excess to the unit's requirements. The Commander directed that (1) an inventory be conducted for applicable property accounts to identify all accountable Federal property; (2) procedures be established and implemented to ensure adequate control of inventories are kept current, i.e., spreadsheets, databases, filing system to maintain supporting documentation; (3) reports of survey on all equipment shortages be initiated; (4) items of supply and Federal property for which the Supply Technician is responsible be consolidated; and (5) all clothing, equipment and supplies not mission essential be turned-in.

OCIE Accountability. This audit identified the primary reason for OCIE losses as non-compliance to applicable regulations at the unit level. This condition was caused by the slow replacement of AGR supply sergeants. Another significant contributing factor was the lack of communication between the unit administrator and the supply sergeant when soldiers are transferred due to unsatisfactory participation. The auditors recommended OCIE become part of birth month audit process and have DCSLOG include additional information into POI for Commanders Mentoring Workshops. Once recommendations are implemented, the results will be better accountability over OCIE inventories and the timely recovery of any funds owed the Government. With the command using less OMAR dollars to replace items, the dollars can be used on other priorities.

Class IX Creditable Returns. The overall objective of the audit was to determine whether or not approximately $1.5M credit reversal order from the NICP against the DOL (SMA Class IX) funds was valid. Material release orders (MROs) were processed by the Bde Class IX activity for items that could not be verified, items had not been shipped, items type classified and receipt verified at the NICP. The State did not verify the monetary credits were valid before spending the funds. During site visits, Internal

Review found excess parts, incorrect inventory procedures being used, and a lack of documents to support shipments. Internal Review also identified numerous additional items for which turn-in notice had been sent to the depot, but the items had not been shipped. Monetary credit had not been received.

Internal Review recommended that the (1) funds manager implement controls to verify that monetary credits received are valid by ascertaining that parts were actually shipped; (2) correct inventory procedures be implemented and a proper inventory be conducted; and, (3) problem with receipt of moneys for parts not shipped be identified as a Material Weakness on the States' Management Control Annual Assurance Statement.

Civilian Personnel Management

Validate CPAC/CPOC Savings. The objective of the audit was to compare cost of the Command providing civilian personnel services in FY96 with the cost of implementing CPAC/CPOC in FY97 and validate the savings generated as a result of regionalizing Civilian Personnel services. Audit disclosed the CPAC/CPOC regionalization was not generating savings, instead it had cost Command. The civilian personnel cost in FY97 was $2,174,222 - an increase of $708,331 - over FY96 cost of $1,465,889. Of the total FY97 cost, $1,125,454 was incurred due to CPOC services.

Employment Contracts. Internal Review evaluated the use of temporary employees during FY 97 against existing regulations to determine whether these contracts are adequately administered. Employment contracts were evaluated against the criteria listed in CFR 5, Chapter 1, Use of Private Sector Temporary Employees. The review specifically evaluated and tested the use of five temporary workers. The total cost for the five temporary workers of $406,983 for FY 97 was absorbed by the District.

The overall conclusion of the report is that weaknesses exist and they should be corrected. Specifically, temporary employees are kept on for periods that significantly exceed regulatory requirements; and costs for some temporary employment services appeared excessive. Internal Review recommended that a Standard Operating Procedures (SOP) be developed and implemented. The SOP should include management controls that will preclude violation of civilian personnel regulations. The other recommendation is that each currently existing temporary employment contract should be reviewed against the civilian personnel regulations to determine whether problems exist. Problems should be resolved as quickly as possible.

Possible Duplicate QSI Awards. Resource Management noted that two employees received duplicate and/or erroneous cash performance awards. This was caused by miscommunication between the CPOC and DFAS in that paperwork for these employees was processed twice. Internal Review was requested to review personnel records to ensure that no quality step increase awards were also duplicated. Working with CPAC representatives, the pay status of 43 employees that were granted a QSI award during the fiscal year were reviewed. Internal Review noted that seven of the 43 employees received two step increases during the year. Based on further review Internal Review determined that each case consisted of an employee receiving a QSI award and a normal within-grade increase. This is allowable per personnel regulations. Personnel representatives also informed Internal Review that the personnel system is configured to prevent any employee from receiving two QSI awards within a 52-week period. Personnel provided an example of the system rejecting a QSI award which was submitted within 52 weeks (in week 51) of a prior QSI award.

Joint Office Composition. Review was designed to establish the composition of both the Contracting Division and Internal Review Division. Specifically, the report addressed the costs and benefits, quantified, of each division to the Command Group, both Army and Air. Analysis within the report was able to provide the cost of doing business as an in-house activity as opposed to contracting outside. On the Internal Review side, the report was able to provide to management the percentage of workload allocated to each activity over a five year span, and the value of that work in terms of monetary benefits. Management was able to use this analysis to aid in the allocation of scarce manpower funding.

Working Out Of Job Descriptions. This consulting service report stemmed from an anonymous request concerning staff members working outside of their job descriptions. The objectives of the audit were to determine: (i) if instructional duties and education technician duties are included in the Management Services Assistant job descriptions, and (ii) the number of hours spent by the Management Services Assistant performing instructional and educational technician duties.

Auditors found the job description did not contain instructional nor educational technician duties, therefore the Management Services Assistants were working outside of their job descriptions. As of the report date, neither Management Services Assistant had instructional hours reported. Furthermore, one Management Services Assistant was planning to instruct after the report date. The other Management Services Assistant had over three hundred hours performing Education Technician duties even though a STEP was hired to help the Education Technicians.

An earlier audit revealed overstaffing of instructors in the Training Divisions which made use of the Management Services Assistant as an instructor, a more serious problem. This Management Services Assistant was taking work away from an instructor.

Recommendations included finding an alternative instructor for the blocks the Management Services Assistants planned to instruct, and filling the Education Technician vacancy.

Military Personnel Management

Management of the Recruiting and Retention Program. Internal Review was requested to perform an audit of the Recruiting and Retention Program to determine the extent to which the Recruiting and Retention Program achieved the desired results and benefits of management, and its compliance with laws and regulations. Internal Review conducted analysis of recruiting and retention records and unit records to determine whether the three tenets of the Strength Maintenance Program were achieved, and whether Commanders were held accountable for attaining and maintaining strength maintenance goals and objectives. Internal Review found that the desired results and benefits of the Strength Maintenance/Management Program were not achieved as required by regulations, policies and procedures. Internal Review also found that Command did not fully and effectively implement Strength Maintenance Plans for fiscal years 1997 and 1998. Internal Review recommended:

- The TAG develop an equitable measurement system to ensure commander accountability in attaining and maintaining goals and objectives;
- The RRM assign each RR NCO, Area NCO and RR SGM with a strength maintenance mission that includes the three tenets of the Strength Maintenance Program.
- The RRM develop an equitable measurement system to evaluate the performance of the recruiting and retention force.

Military School Process. Internal Review performed a quick response audit to evaluate the process for requesting, approving, and authorizing personnel to attend military schools. The auditor found that the process for requesting, approving and authorizing personnel to attend military schools was designed in a manner that reduces the risk of fraud, waste, and mismanagement of school funds. A complete review of all internal management controls was not conducted but the specific controls dealing with the request, approval and authorization processes appeared to be sufficient to reduce risk to an acceptable level. The auditor made three recommendations that will improve economy and efficiency of the process and eliminate duplication of efforts identified during the audit.

Educational Services Tuition Assistance. The Education Services Officer (ESO) was unable to validate $23,452.25 in disbursed Fiscal Year TA funds, due to missing grade reports. AR 621-5, para 6-12, directs the ESO to expeditiously process TA recoupment action on incomplete grades NLT 120 days after completion of the class. These funds could have been put to better use if management had established a suspense file to obtain grade reports upon a soldier's completion of a course of instruction.

Military Off Duty Employment (ODE). At one facility, the auditor's review of military ODE showed that: (a) local guidance needed to be published, (b) military personnel were engaged in ODE without approval, (c) ODE hours were not being reported timely, applicants were working more than the 16 ODE hours approved, and (d) applicants were working at more than one location without approval. The Commander took disciplinary action by terminating individual military personnel ODE and flagging their records.

Retention Survey. The purpose of this consulting service audit was to identify systemic issues, both positive and negative, that effect the retention of soldiers with the Major Subordinate Command.

A sample of 197 randomly selected soldiers in 18 of 26 Major Subordinate Command units were surveyed to determine if these soldiers intended to reenlist and why or why not. Seventy-four percent of the soldiers were in pay grades E5-E7. Sixty-one percent of those interviewed were planning to reenlist and thirty-three percent were not.

The top six strengths of the units noted were Teamwork; Camaraderie; Experience of assigned personnel; Training Opportunities; Unit completes all missions, and The Leadership.

The top five possible reasons for leaving the unit were Promotion opportunity (or the lack thereof); Job or family conflict; Better position; Better unit location; and, Lack of teamwork.

The top three reasons for soldiers not re-enlisting were Reaching retirement eligibility; Lost or have no further interest in the Reserves; and Family and work conflicts.

Recommendations made were: (1) Unit commanders and first sergeants must be held accountable for retention responsibilities and need to be sufficiently involved in soldier development and retention. Commanders should be directed to appoint a sufficient number of additional duty Retention NCOs so that retention duties are performed in a timely and consistent manner. (2) Commanders should increase emphasis on assessing unit attitudes, reviewing administrative procedures (are things working as they should), and developing realistic, meaningful training plans. (3) Developing a "good news" table whereby soldiers would gather for a few minutes each drill and share good news. Implementation of these recommendations could result in potential monetary benefits of $992,000.

Sponsorship Program. This full scope audit was conducted to review the effectiveness of the Sponsorship Program in integrating new soldiers into their units. Specifically to determine whether (i) units have sufficient guidance to maintain an effective program, (ii) units are using the program, and (iii) the most effective programs and processes have been identified.

The units visited had sponsorship programs although the programs were inconsistently executed. The auditors found units are using the sponsorship program in the integration of new soldiers into the units. In all cases, the units had sufficient guidance to develop and maintain an effective program, and more importantly, are using the Command's Sponsorship Guide in the development of the program. Although pockets of excellence do exist, many of the units appear to have initiated their programs in recent months. Documentation in most of the units was not in accordance with published guidance, in that, the Sponsorship Checklist was not always used and welcome packets for the soldiers were not always used. In addition, sponsors were not adequately trained and most units did not conduct a formal orientation.

The auditors recommended improvements in the Sponsorship Program by (i) developing a video tape on sponsorship to train the sponsors; (ii) developing a video taped orientation; (iii) directing the units to use the Sponsorship guide in the development and the execution of their programs; and (iv) providing more articles on sponsorship in the Command's newsletter with a training focus in mind.

Reducing Military Losses. This Quick Response audit was conducted to determine what actions could be implemented to reduce manageable losses and improve overall strength with the Command. The specific objectives were to determine (i) why soldiers left the Command, (ii) if Commanders at all levels are taking actions which identify potential losses and take necessary actions to retain the soldiers and (iii) if the strength and retention program is effective in retaining soldiers.

The results of the audit indicate soldiers were leaving the Command at an alarming rate. This was due to the lack of leadership involvement in the process. In addition, the chain of command was either not significantly involved as soon as a potential loss was identified or in many cases not involved at all. Although there are pockets of excellence, many of the programs are not effective in retaining soldiers. Moreover, soldiers reported travel to drill, employer conflict, and the lack of job satisfaction were repetitive motivations for soldier losses. Ultimately, the chain of command at all levels is not identifying the losses early and taking the required actions to retain the soldier. Many of the programs themselves are not effective.

The auditors recommended:

- developing a portable training package to train new retention NCOs
- the retention office contact all recoverable soldiers
- developing guidance outlining both Commander and soldier responsibility to ensure accountability of instructors
- Commanders develop a comprehensive program to identify all potential losses
- document actions taken in accordance with published guidance
- ensure all the soldiers receive retention counseling in accordance with regulations.

Compressed Work Schedule. The 5/4-9 work schedule has resulted in cost savings to the ARNG of $49,753 in utility costs annually. An additional $45,000 in savings on annual utility costs may be realized if a 4-10 work schedule is established. Management decided to stay with the 5/4-9 work schedule, which has a verified cost savings of $299K.

Real and Installed Property

Controls Over the Acquisition and Use of Small Computers. Auditors at one facility found that controls needed strengthening. While policies and procedures DA developed were generally adequate to request, account, maintain, transfer and turn in small computers; local management of acquisition and use of small computers needed improvement. The auditors found there were further opportunities available to assist the facility in avoiding loss of government owned computers and related equipment, funds, or resources - such as physical security and property book accountability. The auditors reported one-time monetary benefits of $113,850 and $35,000 recurring for a 3-year period.

Information Technology

Y2K Project Implementation. Internal Review performed at least eight audits of the Command's implementation and conduct of the Y2K effort. The Team audited Y2K Infrastructure Systems, Installation Support Systems, Business Systems, and Weapons Systems Diagnostic Equipment. The objectives of the audits were to determine if there was reasonable assurance that the inventory of Y2K compliant and non-compliant systems hardware/software and equipment was complete and accurate. Also, if actions taken to fix, replace, or eliminate specific non-compliant systems hardware/software and equipment were sufficient and adequately documented. The various audits found that some infrastructure inventories and Installation Support inventories were incomplete. Also, that some Business Systems were not adequately documented to support they were Y2K compliant.

Transition Assistance Program. Internal Review's program audit of the automated transition assistance program (TAP) known as TAP-in-the-Box was performed to (1) identify and evaluate the adequacy of administrative oversight procedures; (2) evaluate if results to date and planned expenditures through fiscal year 2005 justify full funding and retention of the system, and (3) evaluate the effectiveness of key management controls as they relate to TAP-in-the-Box. Involuntary military force reductions started at the conclusion of the Cold War. These reductions had to be fair and equitable to ensure that the services could recruit a quality military force in the future. Therefore, Congress passed the National Defense Authorization Act of 1991 (Public Law 101-510, 5 November 1990) and subsequent provisions to the U.S. Code required that the Secretary of Defense ensure that departing military personnel and their families be assisted for their transition back to civilian life. Required assistance included counseling on education benefits, medical benefits, and information to successfully obtain a civilian job. Assistance at that time was being provided by personnel within the Army Career and Alumni Program. But this staff was being reduced because of budget cuts. Development of TAP-in-the-Box began in September 1994, as an alternative method to provide users with the assistance required by law. The auditor concluded that the TAP-in-the-Box Program was a viable alternative to personal assistance and was cost effective.

Alternate Methods of Providing Services to Customers. A review of information technology services at one facility resulted in management reviewing alternate methods of providing services to customers. The auditor presented a cost comparison of government contractors for like services and provided several Internet Sites of Government Contractors for future comparisons. The auditors reported monetary benefits of $400,000.

Unauthorized Software. The auditors conducted multi-location audits on Unauthorized Software. The objectives of the audit were to determine if internal controls are operational within the commands and if they prevent/detect improper use of software on PCs. Furthermore, the extent of (i) unauthorized or illegal software within the Major Subordinate Command and (ii) guidance from the Major Subordinate Command's Information Management staff to the field regarding illegal and unauthorized software.

The auditors at one of the sites found no formal process in place and suggested the following improvements:

- To heighten awareness of the requirement to use only authorized software on government PCs; all disk/CDs and manuals should be marked as property of the US Government and a short brief/statement be prepared that can be used to inform new and existing individuals of the Software policy.

- Allow no software on the PCs without DCSIM approval, to include: Demos, screen savers, AutoMap. Graphic and games software. If there is a business need to use the software then it should be officially purchased.

- DCSIM must develop some basic process to provide local managers a means to test PCs for unauthorized software.

The auditors at another location determined the Major Subordinate Command had not published appropriate guidance on the use of illegal or unauthorized software. During the course of the fieldwork, the auditors noted a total of 38 occurrences of unauthorized or illegal software and identified a lack of policy regarding use of unauthorized software. Based on the results at this location, there is a monetary benefit of $9,500,000 determined by the possible penalties for unauthorized use of licensed software.

Property Accountability. The objective of this audit was to access the level of compliance with AR 735-5 and whether adequate accountability of Army computer equipment was correctly performed and documented.

The auditors identified deficiencies in the following areas: (i) computer equipment was often moved to different locations (units and sections) without proper supporting documentation and (ii) computers were not secured by security devices and doors to areas with equipment were left unlocked and unattended.

The auditors made three recommendations to correct these deficiencies. They were to discontinue removing equipment without proper authorization and supporting documentation; implement a bar-coding inventory system to better track computer equipment; and procure locking devices for Personal Computers and Laptops as well as ensuring all spaces are secure when vacated.

Office Automation and Computer Usage. This audit was requested by the USPFO because of his concern over computer assets and the controls in place to ensure the accountability of those assets. Internal Review found that:

- Accountability Controls were identified, but not implemented.
- Vulnerability evaluations accomplished by Management, in accordance with the Management Control Program, rated this area Low, thus leaving this significant area of importance and value to operate without reasonable assurance that assets were being safeguarded.
- Risk assessments were not being accomplished.
- Computer custodians and alternates were not being assigned and kept current with training and current policies.
- Inventories were not being accomplished in accordance with regulatory requirements, thus identifying $430,000 of equipment that was listed on the IPMS, but was not on hand.
- Equipment was being moved between sections without notifying the Equipment Control Officer (ECO) to update the IPMS listings.
- New equipment was not being received and accounted for properly. Internal Review identified $395,000 of new equipment that was not recorded on the IPMS listings. The failure to properly receive, turn-in, and identify equipment caused inaccurate inventories and invalid IPMS

- listings to be produced, thus causing loss of visibility and accountability of computer assets. This further skewed accounting figures and allowed additional purchases of equipment without knowledge of on hand assets available.

Communications

Review of Cellular Telephones, Pagers and Telephone Credit Cards. Internal Review found firm controls over cellular telephones and telephone credit cards. Excess cellular telephones and telephone credit cards were disconnected. Fourteen pagers were found and another 43 pagers could not be found. Internal Review took action to terminate pagers that could not be found and properly account for the fourteen other pagers.

Review of Telephone Lines. Internal Review performed a review of telephone lines. Internal Review found that of 453 lines, 42 needed to have service disconnected and 411 needed to have their validity checked before taking action to disconnect them. A follow-up will take place in FY 99.

Cooperative Agreements Security Systems Repair Costs. Internal Review evaluated the Electronic Security System Operations and Maintenance Appendix to the Federal State Cooperative Agreement. Internal Review sought to: (1) determine the nature of all worked performed, (2) determine cost increases for salaries and Per Diem for the past four years, (3) review repair parts costs and inventory levels, and (4) Management Controls. Review parameters were Fiscal Years 1994 through 1997. Internal Review determined that all work performed qualified for reimbursement and no significant increases in repair parts, inventory levels, and salaries and Per Diem had occurred over the review period. The total amount disbursed to the State in FY 97 exceeded the Appendix amount in the Agreement. The Federal Government failed to modify the Agreement to reflect the increased amount. Personnel involved with Funds Control tracked reimbursements to the State but failed to include in-kind assistance provided by the Federal Government. In-kind purchases reduce the amount available for reimbursement to the State. The Agreement should have been increased by $3,267.81 prior to Fiscal Year end. Internal Review recommended year end MOD's be calculated with in-kind included and all involved with Funds Management responsibility track in-kind purchases as well as Federal reimbursements to the State. Internal Review further recommended that a separate Roll Account be established on the Financial Plan Status Report to provide visibility to the Program. Internal Review also recommended that the Federal State Agreements be front loaded with a maximum dollar limitation in the Commercial Accounts Processing System (CAPS). When dollar disbursement limitations are loaded into CAPS a control mechanism prevents the contract from being over disbursed without increasing the limit.

Administrative Processing Of Telephone Bills and Line Service Requests. Through interviews with Information Management staff at a Major Subordinate Command and document reviews, the auditor found the staff followed the published procedures for line service requests. While controls over expenditures for communication services were in place, they were not being followed. Enforcement of telecommunications controls was not adequate. Review and certification of bills needed to take place at the unit level. The Major Subordinate Command was not getting the full benefits of the funds being used to procure communications services. Internal Controls have been enforced which has limited some of the line service expenditures and led to the recovery of expenditures paid in error. There were 12 recommendations made to correct deficiencies found in this area. In addition, there were potential monetary benefits of $77,000.

Review Of Telephone Usage. This audit reviewed telephone usage within the Major Subordinate Command. Specifically, to review (i) the low usage of telephone lines; (ii) whether telephone bills are verified from the CD-ROMs provided; (iii) usage of RCAS phone lines; and (iv) usage of the FTS 2000 contract. The auditors found problems with telephone usage within the Major Subordinate Command's scope of command. Specifically, the auditors found low usage on 25% of the telephone lines reviewed. These lines had ten or fewer calls billed to them. The review of telephone calls made on the CD-ROMs provided by the Telephone Company was not being made due to lack of manpower. Furthermore, the Command was not utilizing the FTS 2000 contract for their long distance carrier. The auditors made these recommendations: (i) Use the telephone companies' CD-ROM provided each month to identify low usage phone lines and consider converting them to an RCAS dedicated line and (ii) review existing telephone contracts to ensure compliance with Army mandated use of FTS 2000 contract. The audit resulted in monetary benefits of $200,000.

Cellular Phone Usage. Internal Review audited National Guard cellular phones for FY 1997. Management concurred with strengthening implementation of management controls. As such about $35,000 in funds could be put to better use over five years. Internal Review found that policies, procedures and internal controls needed to be more effectively aligned and implemented to ensure cellular phones were used for official business only. Management action to plan, authorize, acquire and account for growth in federal cellular phones and services from four each to 46 needed improvement.

Management controls were ineffectively implemented to control growth in customer requests for cellular telephones. Subordinate National Guard organizations were not formally requesting and forecasting their cellular phone requirements and costs. Cellular phones were acquired without documenting analysis conducted on a case-by-case basis. State instructions on cellular phones were not written and given to end-user managers. Acquisition of cellular phones were not routinely reported to the federal property book officer to track accountability. Vendor cellular phone invoices were not redistributed to end-user supervisors to review and certify.

Only four of 46 cellular phones that were on-hand were listed as authorized requirements on the federal property book in FY 1997. Audit trails to justify increased requirements for cellular phones were not effectively established. Program supervisors given responsibility to use cellular phones were not required to certify billing invoices, and fund costs from program funds they had control of. Therefore, personnel that used cellular phones did not have much of an incentive to limit their requirements. As such cellular phone requirements and service costs increased the ARNG communication budget costs by over $7,000 per year.

Transportation

AGR PCS Funds/Request/Receipt Process. Internal Review's objective on this audit was to determine if internal controls for the AGR PCS funds request and receipt process were effective and efficient and to determine if this process could be improved to avoid fiscal policy deviation. Internal Review found the appropriated PCS funds request and receipt process between the AGR Office and NGB required improvement. The AGR Office has already incorporated the improvements recommended during this review into the PCS funds required and receipt process. This change will alleviate fiscal year end shortfall of funds in the PCS fund account and will allow the AGR office to switch from reimbursement funding to direct funding. This change switches the process to a more sound fiscal policy. Previously the AGR Office was required to publish orders and obligate funds prior to receipt of funds from the program manager. In the future, the AGR Office will submit requests for PCS funds before orders are published, and orders will be provided to the program manager after the funds are received. The request must include the name of the AGR soldiers, the dates of PCS and the estimated cost of the PCS.

Additionally, PCS funds can be requested months in advance and not monthly, as was previously the case.

Base Operations Support and Material Handling/Transportation Factors. The customer reimbursable program had recently undergone some significant changes. A standard rate billing system was put into service, replacing the previous job order cost system. Internal Review found that the Base Operation Support (BOS) rate in effect during FY 1997 was too low and needed to be increased. The Command had not considered all possible costs when developing the BOS rate. The Material Handling/Transportation (MH/T) rate used during FY 1997 was not developed to recover all allowable costs from customers. The review established a methodology to develop and keep current BOS and MH/T rates. This methodology was provided to Command to use on a yearly basis to adjust the rates used when charging BOS and MH/T costs to range customers.

Military Pay and Benefits

Student Loan Repayment Program. During this audit, Internal Review determined that the Student Loan Repayment Program lacked internal controls. Specifically, no separation of duties existed. The Incentive Manager determined eligibility, calculated the payments and then certified the validity and accuracy of those payments. Based on his certification, the loan repayment was made. Individual SLRP files did not have documentation to support the eligibility of soldiers for reimbursement, and in most cases supporting documents could not be found, i.e., Incentive Program Letters listing eligible MOS's at the time of enlistment. Internal Review discovered individuals who had payments made to their loans who should have been terminated from the program for various reasons and some members were over or under paid. Monetary benefits totaled $54K. Internal Review felt that guidance was not adequate to accurately support the program.

Civilian Pay and Benefits

Review of Additional Extensions for Temporary Quarters Subsistence Expense (TQSE). Internal Review conducted the review to ensure that procedures to grant additional TQSE extensions were in compliance with regulatory guidance. The scope of the review was 15 employees granted additional TQSE extensions as of 15 August 1998, which were funded. Employees granted additional TQSE extensions funded from RM were reviewed by Internal Review and reported to the Chief of Staff. Internal Review found that procedures to grant additional TQSE extensions needed supporting documentation and one extension had a questionable justification. During the audit, leadership designated a single approving official to review and grant additional TQSE extensions. Internal Review suggested that the designated official obtain and review supporting documentation from seven employees without supporting documentation and one employee with a questionable justification. Internal Review staffed the report with designated approving official who concurred with review results and suggested actions.

Law Enforcement Availability Pay. The review focused on management procedures used to document and validate work performed by civilian agents during unscheduled duty hours to qualify for Law Enforcement Availability Pay (LEAP). Management concurred with Internal Review's recommendations to require that agents:

- Only record tasks performed during the unscheduled duty hours on agent activity sheets rather than include tasks performed during the core 8-hour workday. This action will reduce documentation requirements by 80 percent and eliminate documentation of work effort not necessary to compute an agents LEAP hours.

- Prepare and submit agent activity sheets used to compute LEAP hours on a monthly rather than b-weekly basis. This action will result in a 54 percent reduction in activity sheets prepared and submitted by agents for supervisory review.

Time and Attendance Reporting. The auditors at one facility reviewed Time and Attendance in the Department of Nursing to evaluate personnel utilization and accuracy of time reported. The auditors found that nurses on inpatient units could have been utilized more effectively. Improved scheduling through the use of existing staff, supplemented by intermittent employees, could save the facility about $25,000 annually, or $125,000 over a five year period. The auditors also found that critical data used to evaluate the facility and recommend staffing required improvement. In two instances, civilian employees were not charged for leave taken. The approximate value of the leave not charged was $1,000. The auditors recommended additional training in preparation of time reports and reconciliation of all official time reports with actual schedules worked to help ensure accuracy.

Night Differential Pay. The auditor at one facility reviewed an employee's claim that he was not being paid the correct amount of night differential pay. As the previous year's records had not been maintained, the auditor reviewed the employee's records and copies of his leave and earnings statements. The auditor found that the employee had taken leave that had not been recorded. After making corrections for the unreported leave, the auditor determined that the employee was owed $91.66, a reduction of over $2,900 in the amount of the claim.

Civilian Time Cards. The objective of this Quick Response audit was to determine if time cards were being completed within established regulations/guidelines and if there are discrepancies or abuses. The auditors found in general, time cards in the Major Subordinate Command Headquarters were being completed within generally accepted civilian pay management standards. Two problem areas were identified and corresponding recommendations were made. The first area of concern, the command Executive Officer stated there was no reason for his secretary to work extra time during the week. The auditor recommended he direct his secretary, in writing, to immediately stop this practice. In the second case, there were no written procedures addressing compensatory time or work schedules. The auditor recommended the Command Executive Officer and the Chief of Staff create written policies and procedures that are in line with CPO or U.S. Army Reserve Command policies and procedures governing these two issues.

Civilian Time and Attendance Files and Back-up Documents. The objectives of this Quick Response review were to ensure the consistency and accuracy in the processing of these documents; to verify that civilian personnel who are filling Military Technician positions were being charged with the appropriate leave when performing military training; ensure the leave policy was not being abused in any way; to ensure time and attendance reports were being filled out in their entirety and the information was being certified as correct by the supervisor with his/her signature; and to provide feedback to supervisors of any errors found.

The auditors found time and attendance documentation was being processed as required by governing directives. Authorized certifying officials were certifying timecards. All directives were available and current. Personnel assigned to Military Position positions were being charged with the appropriate leave (military leave) when assigned military active duty or active duty for training. Military leave was being used until it is exhausted. There were no indications of leave policy abuse. Documentation was processed in a timely manner. Appropriate codes were being used to identify each transaction in accounting for the individual's official time. Time and attendance documentation was kept in secured areas and was controlled by each timekeeper. All of the payroll records were being held at least six years before destruction.

Technician Incentive Awards. The administrative process of screening nomination packages for a NG Technician Incentive Award needs improvement. Of 79 incentive awards for Fiscal Years 1996 and 1997, deemed as acceptable by the NG Incentive Awards Program Manager, 20 were actually ineligible for the nomination award. As a result, four awards were improperly approved, and 16 awards were processed that should have been returned to the supervisor for administrative corrections and resubmission.

Program and Budget

Project Cost Transfer Process. The District was not processing Transfer and Acceptance of Military Real Property (DD Form 1354) through the Finance and Accounting Office in a timely manner. During the audit, 14 DD Forms 1354 valued in excess of $64 million were found and not processed through Finance and Accounting Office but had been transferred to the owner of the real property in the Army and Air Force. If the DD Forms 1354 had not been processed prior to end of FY 98, the District's financial statement would have been overstated by $64 million. This would have had a direct effect on both the Army and DOD's Financial Statements by overstating Construction-in-Progress Account. As a result of the audit, the District took immediate action to process all 14 DD Forms 1354 before 30 September 1998. A recommendation was made and is being adopted to improve the system for processing the DD Form 1354.

Other Comptroller Functions

Directorate of Public Works Reimbursables. Internal Review was asked by the Commander to evaluate the procedures related to reimbursable goods and services supplied to tenant activities by the Directorate of Public Words (DPW). Internal Review found that, in FY 97, DPW undercharged eligible reimbursable customers for utilities by more than $270,000. For FY 98, auditors found that, through May 1998, recognized reimbursable customers had been undercharged $422,000 for electricity and refuse services. Internal Review projections of reimbursable electric, water, sewer, and refuse services for FY 98 showed that funds presently allocated by their reimbursable customers would fall $1.5 million short of costs for the services.

Activity Based Costing. Internal Review provided consulting and advisory services to sustain and update the Activity Based Costing models for the "Big Four" directorates (Public Works, Logistics, Community and Family Activities, and Plans, Training, Mobilization, and Security). Also, services were provided to support aspects of ongoing Commercial Activities' studies. Base operations costs with the "Big Four" totaled 83 percent of installation Base Operations funding.

Unliquidated Obligations.

• One Internal Review of supply actions on unliquidated obligations identified $946,000 in invalid obligations prior to year-end. Based on the review, actions were taken to deobligate the funds to make them available for other purposes. If the funds had not been identified, they would have become prior year deobligations and could only be used by the installation for certain restricted actions. Internal Review identified where funds were still obligated for supply orders which the installation had cancelled and orders cancelled by the depot. Internal Review also identified rejected cancellations and transactions that were not recorded in the financial systems. Internal Review assisted in resolving these incomplete supply transactions to ensure that valid requisitions were processed and input into accounting records.

• Another Internal Review of prior year unliquidated obligations (ULOs) found 221 possibilities for recovery. Causal factors included: (i) the paying office changed three times in a short span of time, (ii) ULOs less than $5,000 were often overlooked during Joint Reconciliation, (iii) there were vendor pay and data entry errors, and (iv) coordination of paperwork between activities was inadequate. As a result, the auditor determined that $259,000 could be put to better use. Due to the excellent relationship between the auditor and management, over 87% were processed for recovery before the audit was concluded.

Travel Authorization and Reimbursement Process. A change in the business process from the Corps of Engineers Management Information System (COEMIS) to the Corps of Engineers Financial Management System (CEFMS) has resulted in significant changes to the travel authorization and reimbursement process. Internal Review's overall objective was to evaluate the travel authorization and reimbursement process. Specifically, to determine whether (a) travel orders and vouchers were approved at the appropriate level; (b) costly entitlements were approved; (c) outstanding travel orders were timely canceled or reimbursement claims filed; and (d) travel claims were supported by appropriate documentation and receipt.

Overall, the travel authorization and reimbursement process was working. Of 130 vouchers sampled, 16 had instances where settlements did not agree with entitlements. The total value of over/underpayments ($690.13) was less than one-half of one percent of the total dollar value of all vouchers reviewed. Generally, travel orders and vouchers were approved at the appropriate level and costly entitlements weren't approved.

To improve management controls, Internal Review recommended the Chief of Finance and Accounting Branch issue guidance to approving officials addressing the following: (a) supervisors should do a quarterly review of outstanding travel orders to ensure travel vouchers are submitted or long-outstanding travel orders are cancelled; (b) the remarks section of both travel order and voucher should be used to the fullest extent, explaining non-routine travel plans or situations; and (c) additional information regarding retention of vouchers and receipts should be provided. Management concurred with the recommendations.

Dining Facilities Food Service Program. Command needed improvements in the management of its dining facilities. The dining facilities account status was $507,747 out of tolerance by March 1998. Poor management of food purchases contributed to the problem. Auditors found that unit commanders did not prepare accurate requests for meals. Additionally, auditors found that dining facilities had poor headcount and inventory procedures. Implementation of auditor recommendations would create savings over the POM years amounting to approximately $3M.

Internal Review Community Schools' Cafeteria Fund. The installation Community School administration requested Internal Review auditors to audit their Cafeteria Fund. Because record keeping was inadequate, auditors could not perform sufficient testing to conduct an audit of their financial statements. However, as a service to the schools, the auditors expanded the scope to an advisory and consulting service, and assisted the schools in establishing proper accounting procedures and internal controls. The Internal Review office was reimbursed $14,000 for these services.

American Express Travel Card Program.

• One Internal Review office reviewed the American Express Travel Card Program and found that administration was not adequate to prevent delinquent payments or card misuse. Statements of Understanding were not being given to potential cardholders. Cardholders were using their travel cards for their own personal use. There was a high rate of delinquency. Cardholders who had moved, separated from service, or died were still on the active list of cardholders. No initiatives had been taken to lower retail sales purchases or excessive teller machine withdrawals.

• Another Internal Review office reviewed the American Express Charge Card Program and identified a need to improve overall program management. Specific problems included a (i) high delinquency rate, (ii) misuse of AMEX cards, (iii) lack of management follow-up of delinquencies and misuse, (iv) lack of cardholder training, and

(v) no in-/out- processing control of cardholders by the local program coordinator. The program coordinator began initiating recommendations for improving the program before the review was completed.

Payment of Uniform Allowances to Firefighters. Internal Review was requested by the local Inspector General (IG) to determine whether payments of uniform allowance to firefighters (state employees) were IAW applicable laws and regulations. Internal Review found that improprieties did exist in the administration of uniform allowance payments. Analysis revealed that six firefighters were paid in excess of the maximum annual monetary allowance. Firefighters received both in-kind uniforms and monetary uniform allowances. Internal Review found indications of possible coercion, intimidation and fraud. Cash totaling approximately $1,475 could not be accounted for. Analysis indicated someone personally benefited from these transactions. Internal Review recommended that a criminal investigation be initiated to determine whether fraud was involved in uniform allowance payments to firefighters and subsequent purchase of unauthorized clothing. Further, Internal Review recommended a full scope audit of Uniform Allowance Program for all base fire stations.

Management Control Program. Internal Review found that overall, the Management Control function generally met goals and objectives of sound and effectively implemented management controls. However, the methodology used to complete the review guides did not meet standards for documentation of the work performed. In addition, management controls were not included as critical elements to be rated as a part of functional manager's performance evaluations. All but one of the required management control reviews had been completed. The other was completed as part of a "self-evaluation" and not reported to the Management Control Manager. Most of the completed Management Control Reviews did not have sufficient documentation to support the results. Review of position descriptions and evaluation critical elements indicated that major functional managers were not being held accountable for management controls.

Financial Operations. After FY 97 was closed out, travel vouchers were still being submitted for payment. However, funds were not available in the travel account to cover all the travel expenses. The cause of this problem was the travel clerk didn't obligate travel orders. Funds were moved from the supply accounts to cover travel expenses and supply requisitions had to be cancelled to prevent a violation of the Antideficiency Act.

Travel funds were not obligated when orders were issued. Since, IOAS and ATRAS systems were not interfaced, obligation or deobligation of funds required manual input of orders into ATRAS. Orders were mailed by inter-office mail to the travel section, which delayed the obligation or deobligation of travel funds. Delays in recording obligations causes the available funding balances to be overstated and reported obligations to be understated which increased the potential for a violation of the Antideficiency Act. Additionally, delays caused payment transactions to be rejected unnecessarily during the prevalidation process and consequently resulted in unmatched disbursements.

Education Expense Reimbursement. Tuition Assistance (TA) payments for soldiers for FY 1998 and prior years have not been classified or recorded properly in the accounting system at the USPFO. Tuition Assistance payments were only recorded as obligations and were never set up as "advance payments" to the soldiers receiving TA. As a result, collection actions for past due advances have never been initiated.

The Army Continuing Education System Program was not managed in compliance with Army Regulations and National Guard Bureau Policy in that 29% of the applications processed for FY 1997 were in error. The Education Services Officer (ESO) submitted tuition bills for payment before receiving evidence that the soldier had attained a satisfactory grade for the course. The ESO must now devote valuable time assisting the USPFO Financial Manager in identifying and initiating collection actions for approximately $17,400 of overdue advances.

A complete historical record of each soldier's civilian educational progress and tuition assistance awards was not available. The ESO had not maintained the ACES record DA Form 669 as a permanent record for each soldier. As a result, there was a potential for soldiers to receive Tuition Assistance benefits for which they were not eligible.

Accounting Controls. Internal Review found that fiscal accounting procedures were insufficient to ensure Federal construction contract dollars were properly classified, obligated, and safeguarded. Fiscal accounting personnel routinely transferred obligations between Army Management Structure Codes (AMSCO) without program manager knowledge, authority, or approval. As such, discrepancies were common between official accounting records and the records maintained by program managers. This occurred because management controls were inadequate at every level to ensure adequate stewardship of appropriated funds. In addition, fiscal accounting personnel and program managers were not performing routine joint quarterly funding reconciliations as required by DFAS Manual 37-1. As a result funds control was lost. Accounting personnel had obligated approximately $719K in incorrect AMSCOs and failed to obligate another $180K of Fiscal Year 1997 Federal in-kind assistance contract monies prior to year-end closeout. Further, since the end of the fiscal year an additional $46K was obligated when no additional funds were needed.

Audit of Travel Vouchers. Internal Review's objective was to determine if travel vouchers were properly controlled and processed. Specific areas reviewed were travel advances, travel expenses, comp time earned while traveling, and electronic fund transfer. Internal Review completed a random review of travel vouchers and reconciled the Due US and accounts payable ledger. While completing these steps, the auditor noted that reconciliation of accounts payable and Due US amounts had not previously occurred. This resulted in 7 percent of advances issued and 27 percent of Due US Amounts not being collected. The recommendation to implement a suspense and follow-up process for advances resulted in collection actions being initiated for $41,461 of outstanding advances and $21,298 to be put to better use over the next three years.

Support Services

Food Service - Meal Card Controls. Controls over meal cards were either not in place or were not operating effectively to ensure that meal cards were properly accounted for. Documentation (DA Form 410, Receipt for Accountable Form) supporting the issue of the meal card books from DOIM to the Book Control Officers was destroyed without first determining if the books had been destroyed. Documentation supporting the issue of meal card books from the Book Control Officers to the Meal Card Control Officers was not retained. The Book Control Officers were not: performing their annual reviews of the meal card system to ensure subordinate activities were accounting for and controlling meal cards; accounting for all meal cards prior to destroying the meal card books; reporting lost meal cards to the dining facilities. The Meal Card Control Officers were destroying the meal card control registers instead of returning them to their Book Control Officers and not accounting for all meal cards annually. These weaknesses in the meal card system were perpetuated by inadequate checklists and non-technically qualified inspectors in the installation Organization Inspection Program.

Basic Daily Food Allowance (BDFA). The review of a reported dining facility inventory shortage of $90,000 disclosed that the monthly inventories taken by dining facility personnel and the 30 September 1997 close-out inventory taken by the government disinterested officer were overstated. Internal Review auditors were unable to balance the physical inventory with the book inventory for the period June 1997 through January 1998. Auditors estimated that $79,000 of the $145,000 adjustment at the end of January 1998, actually applied to erroneous figures carried forward from FY 97 to FY 98. Errors noted during the review include: Balance of items on hand increased without a receipt or transfer; perishable items remained in the inventory long after the shelf life had expired without a purchase or an issue; purchases were made for items with large inventory balances; large quantities were adjusted during the 31 January 1998 inventory. As a result of the inaccurate monthly inventories, the dining facility account status reflected reduced monthly operating costs, which made it appear that the dining facility was run more efficiently than it actually was. Because of the errors auditors could not determine if theft occurred nor if receipts and issues were accurately posted.

Housing Management. Internal Review's overall objective of this audit was to evaluate the effectiveness of procedures and internal controls established to ensure adequate housing facilities and services were available to soldiers and to determine whether property and other resources were appropriately managed. The Housing Manager maintains and controls approximately $3,200,000 in Federal assets to support the Housing Program. Internal Review found ineffective controls and inventory procedures which allowed discrepancies between on-hand assets and accountable records. Discrepancies including both unrecorded property and shortages. As a result, Federal property assigned to the Housing Manager wasn't properly safeguarded against the possibility of waste, misuse or abuse. Over $124,600 of monetary savings were identified as a result of differences between on-hand property and recorded balances. In addition, reports issued by the Housing Manager lacked sufficient information to determine whether the overall performance of the Housing Program was adequate; and specific controls, policies, and procedures had not been established to assist Housing personnel manage, maintain, and safeguard property and facilities.

Family Assistance Review. Internal Review's objective of this audit was to determine if internal controls of the Army Family Program were effective and efficient and to determine if appropriated funds, nonappropriated funds and Youth Camp Program funds were managed in accordance with federal regulation requirements. Internal Review found appropriated and nonappropriated funds received from NGB by the State Family Program Coordinator were effectively and efficiently managed. Internal Review found internal controls were used to ensure that there were no incidences of fraud, waste, abuse or mismanagement. It was also found that the Youth Camp Program lacked internal controls and standard methods for funds and records management. The Youth Camp Program is supposed to be a self-sustaining program, not federally funded, and is State endorsed. Internal Review determined that in January 1998 the Youth Camp Program would be State administered using State regulations. Based on information from AGOY-JA, NGB-FP and NGB-JA, the Youth Camp Program is not one of the NGB sanctioned and supported youth programs. It cannot be supported with federal resources except in conjunction with family program training and training materials. Therefore, Internal Review recommended the Military Personnel Director and the Family Program Coordinator apply the NGB-JA legal opinion and limit the use of federal human resources when requesting volunteers to support the Youth Camp Program.

Nonappropriated Fund Activities

Community Club. Internal Review evaluated key management controls over resale merchandise, cash, fixed assets, special function contracts, bingo operations, and labor costs. Internal Review found that the Community Club did not have effective management controls in place and functioning in all key areas of its operations. Auditors found that (1) adequate safeguards did not exist to preclude the diversion of resale merchandise; (2) improvements were needed in the controls over cash and negotiable instruments; (3) Club personnel frequently did not collect payment for special function contracts before the date of the event and did not access a gratuity charge for food and beverage service on all applicable contracts; and, (4) the Club manager did not compare actual hours worked by employees against scheduled hours to make sure labor costs were kept to the minimum amount necessary.

Management agreed with Internal Review's observations and conclusions and the twenty recommendations included in the report.

Sales Accountability. Internal Review's objective was to evaluate the adequacy of internal controls for inventory and sales accountability; specifically, to determine whether inventory issues were compared with sales and that sales were made only to authorized patrons. IR found that formal sales accountability was not being performed even though graphs of the cost of goods sold percentages showed variance from month-to-month exceeding official guidance. IR recommended implementation when discrepancies warranted it. Management concurred and additionally pointed out that the recent creation and staffing of a food and beverage controller position will effect better control.

Commercial Sponsorship. Internal Review's objective was to determine actual expenses and income received for the Commercial Sponsorship Office. Internal Review found that administration of the Commercial Sponsorship Office was well managed and with revenues generated it was found to be self-supporting. However, problems were found with the recording of income and in-kind items received from sponsors. Internal Review recommended and management agreed to the following: (a) Income received from sponsors be recorded under the Commercial Sponsorship Office income account rather than under individual MWR program activities accounts; (b) Periodic reviews be performed to ensure all income recognized is actually received; (c) Financial Management Directorate develop and forward to DFAS a proposed policy for the recording of in-kind items. DFAS policy, 8 June 1998, indicated that when the NAFI receives merchandise or other non-cash items from commercial firms, no accounting entries are required. The only time commercial sponsorship items are entered in the financial records is when a sponsor receives cash or checks to the NAFI; and (d) In-kind items be recorded by the program manager on an off-line data base for tracking purposes.

Audit of Cash Receipts and Disbursements and Selected Financial Controls, Consolidated Chaplains' Fund. Internal Review performed the audit to determine if (a) cash receipts were supported and deposited promptly as required, (b) if the purchases were properly approved, (c) if the disbursements were fully supported and recorded correctly in the books of account, and (d) to evaluate the effectiveness of management controls for cash operations and the financial reporting system. Internal Review found that most cash receipts generally were supported; however, some did not support documentation including the donor's name and date of receipt, amounts deposited did not agree with the deposit slip and other supporting documentation. The difference in the amounts deposited and supported were small. Payment information was not recorded on the supporting documentation for some disbursements. Several personal service payments were not adequately reviewed resulting in overpayment, and some were not supported by either the contract or a purchase order. While the unsupported payments generally were not material; however, it is important that all payments for personal services are made in accordance with written agreements (contract or purchase order). There should be no exception to this policy. Although there were not any discrepancies in the monthly bank reconciliations, they were not performed as of the end of the month.

They were performed as of date of receipt of the bank statement in the following month and included daily transactions to the date of receipt. Also, appropriate corrective action had not been taken on the ten old outstanding checks, some dating back to 1996. Although the operating guidance was adequate, it was not always followed.

Selected Financial Controls, Veterinary Treatment Facility. Internal Review's overall objective was to determine if the policies and procedures for cash receipts and inventory controls were adequate to ensure accountability for all monies and resale merchandise. Summarily, (a) management controls were not adequate to ensure that cash receipts were deposited daily as required; (b) personnel were adequately trained to use the inventory system software; (c) the inconsistencies in the markup of resale items were eliminated; (d) sales accountability tests were performed as required; (e) variance statements were property prepared; (f) explicit statements of responsibility were included in each supervisor's performance standards; and, (g) the management control evaluation certification statement was completed and retained as required.

Specifically, Internal Review noted that deposits were not always made daily as required. Also, the veterinary treatment facility used a good automated sales accountability and inventory system; however, it was not used to its full potential. The use of particular menu features such as inventory markup, inventory reorder points, changes to inventory, and purchase orders for vendors would enhance management control over purchases and inventories on hand. The staff was not trained to use these features; consequently, either they were not used or were not used effectively. Because the markup feature was not used properly, there were numerous inconsistencies in the markup of resale items. The results of operations were not reviewed sufficiently to ensure that the goals established were achieved.

Golf Course. Internal Review found that the joint user's fee charged to the German golf club for its members was below average membership rate charged to another German golf club. The German golf club current annual fee of $320,000 did not meet guidance of command regulation. In Europe, the U. S. Forces and the host country golf clubs jointly use MWR golf courses. Normally, the number of German club members and their guests outnumbered the US ID cardholders. Internal Review computed the joint user's fee and recommended that it be increased to $373,053. Additionally, the DCA agreed to reimburse DPW $10,582.50 for utility costs incurred in FY 96. However, these reimbursements were not negotiated and agreed in joint use agreement signed in April 1997. In addition, the DCA staff processed the utility cost charges late in October 1997. As a result of this action, NAF Finance could not post the utility expense in FY 97, so income was overstated by $10,582.50.

Recreation Activity Program. The Recreation Program is supported from funds derived from four sources. About $2 million annually is generated from these sources. The review focused on the overall effectiveness of the operation and management of the recreation program.

Internal Review found that contractor developed financial reports provided to the Government needed improvement to better relate the fiscal condition of the program. Cash-in bank figure presented on monthly financial statements could not be reconciled to bank statements covering the same accounting period. Also Internal Review found merchandising profits were slow in being deposited to the recreation account. In addition the review showed the annual operating budget could be improved by providing incoming and expenditure projections by month instead of being annualized. Finally, the review indicated that an assessment was needed of the reasonableness of the program personnel requirements. The review offered suggestions to program managers that would allow better visibility over all facets of the program.

Controls Over Bingo Operations. Review revealed need for stronger controls over QuickShot Bingo Cards. Inventory and reconciliation revealed potential losses on Bingo profits of $ 225,418 for 12 months ending 31 March 1998.

Procedures for Monitoring Offenses for Dishonored Checks. The audit showed that improvement was needed in the procedures used to process dishonored checks. The Installation Check Control Officer (ICCO) did not always ensure that dishonored checks were processed in accordance with prescribed guidance. Because of these weaknesses, management officials could not be reasonably assured that the processing of the dishonored checks was effective, controls over check cashing privileges were adequate, and dishonored check writing prevented. As a result of Internal Review's audit, the following actions were taken to improve the procedures.

- Notification of dishonored check memoranda were prepared and issued more timely.

- A grace period was established to give individuals time to redeem dishonored checks in accordance with DA regulatory and local policy standards.

- The dishonored check list was updated monthly to show the names of individuals who had their check cashing privileges suspended.

- An approved written policy for a partial payment plan was developed for individuals to redeem dishonored checks.

- Guidance was developed for determining when two or more dishonored checks were related.

- Controls to identify unredeemed dishonored checks at the end of the grace period were established so that follow-up action could be taken.

- Controls to identify individuals who committed check cashing offenses were established so that check cashing privileges could be suspended when required.

Billeting Rates. In a validation of billeting rates at one facility, the auditors reviewed the computations used by the Billeting Office to determine the room rate for FY 99. Computations were generally correct; however, the auditors found that some key data were excluded from the computations. The auditor reported monetary savings of $267,972.

Precontract Renewal. This Quick Response Audit reviewed contractor operational revenue for the prior year against the reported revenue. The objective of the audit was to determine the revenue level at which the contract would be renewed or cancelled. The Commander requested assurance that a contract increase had been earned by the contractor-on-site. The auditor found an increase to be justified even though the contractor had been under-reporting revenue to his superiors.

Commercial Activities Program

Review of Government Costs for Child Development Centers. At the request of the Directorate of Resource Management, Internal Review auditors conducted a commercial activity audit of the Child Development Services. The review was made to determine whether the in-house cost estimate was based on the same workload, required services and performance standards outlined in the performance work statement. The auditors concluded that the performance work statement needed to be revised to accurately reflect the number of children to be cared for, the amount of government furnished equipment, and needed to be amended for purposes of clarifying the two-caregiver requirement and staff-to child ratios.

Health Care

Composite Health Care System (CHCS). An audit of the Medical Services Account at one facility revealed that the Composite Health Care System (CHCS) did not promptly record earnings in patient accounts for patients currently in the facility or those who had been discharged. As a result of a team effort involving the auditor, Patient Administration Division and Resource Management personnel, the review resulted in approximately $2.8 million in monetary benefits for FY 98.

Medicare Reimbursement. At one facility, the auditor reviewed Medicare Reimbursement and found that the facility had been authorized to bill Medicare directly for emergency medical services provided to Medicare beneficiaries since 1 Oct 96. However, because of a change in Medicare billing procedures, the facility's unpaid Medicare bills exceeded $1.0 million as of March 1998. As a result of the review, the Fiscal Intermediary agreed to promptly begin processing payment.

Analysis of Provider Productivity in the Primary Care Clinics. At one facility, the auditor performed an Analysis of Provider Productivity in the Primary Care Clinics. The objective was to evaluate the productivity of providers within each clinic, how providers allocated their time, identify unaccounted for time, and project the potential capacity of clinics if providers were fully productive. Methodology involved collecting data from several management information systems. Finally, the auditor had to determine the moral hazard (extra visits the military medical community experiences as a result of providing free care) and the HMO Efficient Utilization in visits to project the demand for clinic visits. Results have been and will continue to be used in making critical decisions regarding staffing and the provision of care.

Instrument Sterilization. At one facility, Internal Review found that personnel had been operating its steam and gas instruments sterilization's utilizing what is known as a Time-related concept. That is, instruments were sterilized as used or on a 6-month timetable - whichever came first. Internal Review found that about 17 percent of the total labor hours used for sterilization were utilized on 6-month expiration sterilization tasks. The auditor recommended that the facility adopt Event-related sterilization, the practice most civilian hospitals used in a procedure. The auditor reported about $3,000 in monetary benefits.

Financial Statements (CFO)

Asset Reconciliation. Review of supporting documentation for original and acquisition costs disclosed few errors. However, there were two large entries that were misstated in the CEFMS asset cost table that needed correction in order to ensure that the financial statement would not be misstated. An expired license with a book value of $964,742 had not been removed from the asset cost table. Also, a deed with a historical cost of $13,600.00 had been erroneously entered in the asset cost table with a book value of $1,360,000. These entries were adjusted by the staff, which resulted in a downward adjustment of the District's original land acquisition costs by approximately 5 percent.

Use of Management Controls for Regulating Permissions and Access of CEFMS Permissions. Internal Review was tasked to perform a CFO validation on the use of management controls for regulating permissions and access to CEFMS functions. The overall objective was to determine whether local management controls were used to regulate individual permissions and access to the CEFMS database and to designated CEFMS functions. The management controls should encompass: (a) procedures for an individual to apply for basic connectivity to the CEAP network through the user identification and password system; (b) procedures for an individual to apply for permission(s); (c) approval and loading for specific permission(s); (d) coordination, where necessary, of electronic signature capability; (e) storage and maintenance of all permission request forms indicating permissions granted; and (f) procedures for removing or changing permissions when a person moves within the organization, terminates, or a reorganization occurs within the activity.

Management controls related to application, approval, and maintenance of permission requests weren't functioning as intended. Otherwise, basic connectivity and other management controls were functioning as intended. Access control permissions allowing execution of CEFMS functions weren't fully supported. Basic on a sample of 53 employees, 30.5 percent of the permissions granted in CEFMS weren't supported by an authorization. District employees may have more permissions than required to perform their work or may have more permissions than intended by their supervisors.

Internal Review recommended the Finance and Accounting Branch should: (a) revalidate all employee access permissions with employees' supervisors; (b) require all revisions be on a request form, signed by the supervisor; (c) ensure all employees have a request form that supports the permissions in CEFMS; (d) change CEFMS permissions as indicated by revalidation request forms; and (e) retain a file of all request forms. Management took immediate action to implement the recommendations.