

DEPARTMENT OF DEFENSE



ANNUAL STATEMENT OF ASSURANCE

FISCAL YEAR 2000

VOLUME II

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Procurement	
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Supply Operations	
Other	

Comptroller and/or Resource Management

Force Readiness

Personnel and/or Organizational Management

Security Assistance

Supply Operations

Support Services

EXECUTIVE SUMMARY

The Federal Managers' Financial Integrity Act (FMFIA) requires that the head of each executive agency provide an annual statement of assurance to the President and the United States Congress stating whether the goals of the Act are being achieved. The Department of Defense (DoD) Annual Statement of Assurance is produced in two volumes. Volume I is a synopsis of the most significant internal management control problems (DoD systemic control weaknesses) and the corrective measures underway to resolve those weaknesses. Volume II is a detailed analysis of specific DoD Component internal management control weaknesses that have no clear correlation to the systemic weaknesses. DoD Component weaknesses, however, are considered significant by the management of those DoD Components that have reported them.

The requirements of Section 4 of the Federal Managers' Financial Integrity Act (FMFIA), are satisfied in the "DoD Financial Management Improvement Plan" (FMIP). The National Defense Authorization Act of 1998 directed the Department to produce the FMIP on a biennial basis; however, the Department has chosen to publish the FMIP on an annual basis. The FMIP addresses financial management within the Department, including feeder systems not owned or controlled by the financial community that provide data to the Department's accounting and finance systems. Since the FMIP addresses almost all aspects of DoD financial management operations, it covers many of the financial reporting requirements specified in other laws and regulatory legislation. It is structured as a single integrated document that incorporates all germane regulations and, consequently, satisfies the requirements of the FMFIA, section 4. Upon issuance, both the DoD fiscal year (FY) 2000 FMIP and the DoD FY 2000 Annual Statement of Assurance will be available on the Internet at <http://www.dtic.mil/comptroller>.

Volume II includes the following disclosures:

- Enclosure A provides a statistical summary of DoD FMFIA performance. It summarizes all DoD Component weaknesses noted in Volumes I and II. DoD systemic weaknesses are not included in this count. Of the 1,025 problems identified from fiscal year (FY) 1983 through FY 2000, 922 (90 percent) have been resolved. The enclosure shows also the number of nonconforming finance, accounting and feeder systems: 158.
- Enclosure B-1 contains two lists: 42 DoD Component material weaknesses not related to the DoD systemic weaknesses that require corrective action (further stratified in Enclosure B-2) and those weaknesses corrected in this period (Enclosure B-3).
- Enclosure B-2 describes the 29 pending material weaknesses contained in this volume and action plans to correct those weaknesses. Other unresolved DoD Component material weaknesses are itemized as related initiatives to the DoD systemic weaknesses in Volume I.

- Enclosure B-3 contains information about the 13 material weaknesses contained in this volume that were corrected during FY 2000. Other resolved DoD Component material weaknesses are itemized as related initiatives to the DoD systemic weaknesses in Volume I.

STATISTICAL SUMMARY OF PERFORMANCE

Section 2. Internal Control Number of Material Weaknesses

<u>Period Reported</u>	<u>Number Reported In</u>	<u>For Each Year Number Corrected</u>	<u>Number Pending at Year End</u>
Prior Years	909	869	40
1998 Report	42	33	9
1999 Report	38	13	25
2000 Report	<u>36</u>	<u>7</u>	<u>29</u>
Total	1,025	922	103

Of the total number corrected, how many were corrected in FY 2000? 42

Section 4. Financial Management Systems Number of Material Nonconforming Systems

<u>Period Reported (Reflects Current Status)</u>	<u>(1) Quantity All Financial Management Systems (Opening #)</u>	<u>(2) Nonconforming Financial Management Systems (Opening #)</u>	<u>(3) Net changes (Corrections, Consolidations, Eliminations, Additions)</u>	<u>(4) Quantity All Financial Management Systems (Closing #)</u>	<u>(5) Nonconforming Financial Management Systems (Closing #)</u>
Prior Years	281	276	-64	217	211
1998 Report	239	239	-47	192	192
1999 Report	192	192	-49	168	153
2000 Report	168*	153*	-1	167*	148*

NOTE: Column 2 is a subset of Column 1, and Column 5 is a subset of Column 4. Column 3 reflects all systems modifications. Because of the nature of some modifications, conforming and nonconforming systems may be affected by an action that is common to both (i.e., consolidation). As the number of systems is reduced, some system consolidations and revisions affect the number of systems but may or may not affect the number of nonconforming systems.

* After reviewing information generated for the DoD FY 1999 Annual Performance Plan, the Department restructured its financial management systems performance metrics. This change affects the reporting of the overall compliance status of the Department's financial management systems. The data presented above are consistent with information reported in the Department's FY 2000 performance plan mandated by the "Government Performance and Results Act of 1993." The Department, in its September 30, 2000, inventory of financial management systems, reported a total of 167 systems to the Office of Management and Budget (OMB). The DoD Components reported that nine of the systems comply with applicable requirements.

LISTS OF UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES FISCAL YEAR (FY) 2000

This enclosure contains two lists. The first list, starting on page B-1-2, enumerates those topical areas identified as having uncorrected material weaknesses. Those weaknesses, however, that are subsets of a DoD systemic weakness, are not reported in Enclosure B of Volume II but, rather, are identified in an itemized listing at the conclusion the applicable systemic weakness in Volume I. Those uncorrected DoD Component weaknesses not covered by the systemic weaknesses, but material enough to be reported by the Components, are disclosed in Enclosure B-2. The first list includes the title of the weakness, the fiscal year in which it first was reported, the target year for correction reported in the Department's FY 1999 FMFIA report, the current target year for correction, and the page number within Enclosure B-2 where the material weakness and corrective action plans are described in greater detail.

The second list, starting on page B-1-5, is a compilation of Enclosure B-3 material weaknesses corrected during FY 2000 that are not itemized in Volume I as a subset of a systemic weakness. The fiscal year in which the weaknesses first were reported and a corresponding page number in Enclosure B-3 are specified.

Weaknesses, both corrected and uncorrected, are listed by the DoD category designations displayed below.

- Comptroller and/or Resource Management
- Contract Administration
- Force Readiness
- Information Technology
- Major Systems Acquisition
- Manufacturing, Maintenance, and Repair
- Personnel and/or Organizational Management
- Procurement
- Property Management
- Security Assistance
- Supply Operations
- Support Services
- Other

Within each category, weaknesses are listed chronologically starting with the most current year, i.e., FY 2000.

**LIST OF UNCORRECTED MATERIAL
WEAKNESSES
(DESCRIPTIONS FOUND AT ENCLOSURE B-2)**

<u>Title</u>	<u>Year First Report</u>	<u>Correction FY Date</u>		<u>Page Number</u>
		<u>Last Statement</u>	<u>This Statement</u>	
<u>Comptroller and/or Resource Management</u>				
Air National Guard Manpower Authorization	2000	N/A	2001	B-2-1
Civil Air Patrol Oversight and Funds Control	1999	2001	2001	B-2-3
Overstatements of Accounts Payable	1998	2000	2001	B-2-4
Disbursements in Excess of Obligations	1994	2000	2001	B-2-6
<u>Contract Administration</u>				
Contract Services	2000	N/A	2001	B-2-8
<u>Force Readiness</u>				
Instructor Requirements and Student Input Planning	1999	2005	2005	B-2-10
Accuracy of the Air Combat Command Status of Resources and Training System	1999	2001	2001	B-2-12
Computer-Based Training in the Navy	1997	2002	2002	B-2-14
Automated Mobilization System	1988	2002	2002	B-2-16
<u>Information Technology</u>				
Intrusion Detection System	2000	N/A	2002	B-2-21
Military Health System Data Quality Management Controls	1999	2000	2001	B-2-23

**LIST OF UNCORRECTED MATERIAL
WEAKNESSES
(DESCRIPTIONS FOUND AT ENCLOSURE B-2)**

<u>Title</u>	<u>Year First Report</u>	<u>Correction FY Date</u>		<u>Page Number</u>
		<u>Last Statement</u>	<u>This Statement</u>	
Combating Computer Software Piracy	1999	2000	2001	B-2-26
Defense Communications Systems/Management Information Systems	1990	2000	2002	B-2-27
<u>Manufacturing, Maintenance and Repair</u>				
Management of Embedded Software Maintenance and Modifications	2000	N/A	2002	B-2-30
<u>Personnel/Organizational Management</u>				
Enlisted Administrative Separations	2000	N/A	2002	B-2-32
Individual Augmentation for Contingency Operations and Exercise Deployment Outside the United States	1999	2002	2002	B-2-34
Customer Service Call Center Call Center Call Backlog	1999	2002	2002	B-2-35
Workers' Compensation	1999	2001	2002	B-2-39
Manpower Requirements Determination System	1997	2002	2002	B-2-40
Navy Enlisted Classification Code Training	1993	2000	2001	B-2-48
<u>Procurement</u>				
Radio Frequency Spectrum Certification Process	1999	2003	2003	B-2-50
<u>Property Management</u>				

**LIST OF UNCORRECTED MATERIAL
WEAKNESSES
(DESCRIPTIONS FOUND AT ENCLOSURE B-2)**

<u>Title</u>	<u>Year First Report</u>	<u>Correction FY Date</u>		<u>Page Number</u>
		<u>Last Statement</u>	<u>This Statement</u>	
Initiate Effective Demilitarization Life Cycle Planning	2000	N/A	2001	B-2-52
<u>Supply Operations</u>				
Small Arms Management	2000	N/A	2001	B-2-53
Independent Logistics Assessment Process	2000	N/A	2001	B-2-55
Spare Parts Accountability Controls	1999	2001	2001	B-2-56
Requirements Determination	1993	2001	2001	B-2-58
<u>Other</u>				
Air Installation Compatible Use Zone Program	2000	N/A	2002	B-2-64
Hazardous Material Management	2000	N/A	2003	B-2-66
Pollution Prevention	1998	2001	2001	B-2-68

**LIST OF MATERIAL
WEAKNESSES CORRECTED IN FISCAL YEAR (FY) 2000
(DESCRIPTIONS FOUND AT ENCLOSURE B-3)**

<u>Title</u>	<u>Year First Reported</u>	<u>Page Number</u>
<u>Comptroller and/or Resource Management</u>		
Delinquent Unpaid Bills for Defense Automated Printing Service (DAPS)	2000	B-3-1
Unliquidated and Invalid Obligations	1999	B-3-2
Improper Utilization of Administrative Vehicles	1998	B-3-4
<u>Force Readiness</u>		
Air Combat Command Aircrew Ground Training	2000	B-3-5
Unit Chemical and Biological Defense Readiness Training	1999	B-3-6
Host Nation Support	1995	B-3-8
<u>Personnel and/or Organizational Management</u>		
Defense Civilian Pay System Input Fraud	1999	B-3-11
Air National Guard Training	1997	B-3-14
Lessons Learned Information from Major Training Exercises	1996	B-3-17
<u>Security Assistance</u>		
Financial Management of Foreign Military Sales	1997	B-3-18

**LIST OF MATERIAL
WEAKNESSES CORRECTED IN FISCAL YEAR (FY) 2000
(DESCRIPTIONS FOUND AT ENCLOSURE B-3)**

<u>Title</u>	<u>Year First Reported</u>	<u>Page Number</u>
<u>Supply Operations</u>		
Chemical and Biological Medical Supplies	2000	B-3-20
<u>Support Services</u>		
Management of Historical Property in the Air Force Museum System	1996	B-3-22
<u>Other</u>		
Productivity Gain Sharing	1994	B-3-23

**STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES
FISCAL YEAR (FY) 2000**

Air National Guard (ANG) Manpower Authorization and Funding

Description of Material Weakness: Management controls of ANG processes for allocating and managing active duty manpower authorizations, both Active Guard and Reserve (AGR) and Statutory Tour programs, are inadequate and have resulted in the possibility that the ANG will exceed both budgetary and end-strength authority. Significant disconnects exist between programmed manpower and actual execution. The lack of adequate internal controls within the ANG has created a systematic problem regarding the proper issuance of active duty hiring authority. A process better defined for programming, managing, and funding active duty manpower authorizations is needed in order to ensure funding and end-strength authorities are not exceeded.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2001

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air National Guard, Military Personnel, ANG, 57*3850

Validation Process: ANG guidance aligning authority, management and issuance of active duty manpower authorizations will be written, coordinated and approved. Processes will be in place that ensure both budgetary and end-strength authorities are not exceeded as validated by end of year reports.

Results Indicators: The ANG, including all units, will have accepted and implemented necessary process improvements and will ensure both budgetary and end-strength limitations are not exceeded. Quarterly and Annual Reports will indicate that management controls are adequate.

Source(s) Identifying Weakness: (G) ANG/FM

Major Milestones in Corrective Action:

Completed Milestones: None

Planned Milestones (FY 2001)

<u>Date</u>	<u>Milestone</u>
03/01	Review ANG guidance and regulations and incorporate necessary process improvements for managing manpower.
03/01	Provide improved oversight of ANG manpower and budgets.
03/01	Conduct management advisory audit to review manpower management systems and processes, as well as pricing and budget execution methodologies and accounting.
03/01	Develop an automated pricing model to ensure manpower variations from the program at the start of the fiscal year and during the year are accurately priced.
03/01	Make necessary changes in manpower systems, working with the active Air Force, to ensure proper charges to military personnel appropriations.
03/01	Review updated cost factors and processes to ensure foreign customers are being charged appropriately.
03/01	Build tracking metrics to provide necessary assurance that funds are being expended as budgeted and accounting information is accurate and useful.
03/01	Improve validity and integrity of ANG programs and budgets that include manpower by reducing disconnects and identifying offsets when required.
03/01	Implement the use of manpower documents that reflect only funded authorizations and eliminate unfunded positions and the need to issue employment authorizations.
09/01	Review end-of-year reports to ensure corrective actions are effective.

Civil Air Patrol Oversight and Funds Controls

Description of Material Weakness: The Air Force needs to improve controls over Air Force funds provided to the Civil Air Patrol. Existing controls did not ensure compliance with applicable laws and regulations or proper execution of transactions and events.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year's Report: FY 2001

Current Target Date: FY 2001

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: Air Force Audit Agency will perform a follow-up audit.

Results Indicators: The Air Force will have proper control over how funds are provided to the Civil Air Patrol.

Source(s) Identifying Weakness: (C) AFAA Report of Audit: Air Force Oversight of Fiscal Year 1996 Civil Air Patrol Corporation Activities, EB098013, May 12, 1998.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Air Force inspection team reviewed existing policy and procedures regarding Civil Air Patrol use of appropriated funds.
C	Civil Air Patrol agreed to implement the funding requirements contained in the Federal Grant and Cooperative Agreement Act.
C	Revise AFI 36-5001, Organization and Function of the Civil Air Patrol.

- C A cooperative agreement between the Civil Air Patrol and the Air Force was established that will allow the Air Force to have better accountability of funds given to the Civil Air Patrol.
- C Headquarters functional responsibility for Civil Air Patrol transferred from the Assistant Secretary, Manpower, Reserve Affairs, Installations and Environment (SAF/MI) to Deputy Chief of Staff, Air and Space Operations (AF/XO) on October 1, 2000.

Planned Milestones (FY 2001)

09/01 The Air Force Audit Agency will perform a follow-up audit.

Overstatement of Accounts Payable

Description of Material Weakness: An Office of the Secretary of Defense (OSD) review of the working capital fund accounts payable balances identified that the Defense Working Capital Fund, Communications and Information Services Activity (DWCF-CISA) accounts payable balance is overstated due to the 6-year retention of all unliquidated payables.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action

Year Identified: FY 1998

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2001

Reason For Change in Date(s): During implementation, the Defense Information Technology Contracting Organization (DITCO) determined that the previous strategy would not correct the underlying cause for the material weakness, nor would it ensure accurate recording of accounts payable against valid obligations. A revised strategy, which incorporates value-added points from the previous strategy, was developed.

Component/Appropriation/Account Number: Defense Working Capital Fund (DWCF), 97X4930.5F20.

Validation Process:

1. The DITCO reclassified \$53.6 million accounts payable balances dated in FY 1996 or earlier to a contingent liability account as of September 30, 1998, based on guidance in Volume 10, "Contract Payments," of the DoD Financial Management Regulation ("DoDFMR"). In FY 1999, the DITCO adjusted the account balance to reclassify all accounts payable balances dated FY 1997 or earlier. The contingent liability account balance as of September 30, 1999, was \$46,062,623.64 (a decrease of \$7,106,030.36).

2. In accordance with the "DoDFMR," the DITCO developed an automated process to reclassify accounts payable balances to a contingent liability at the 24-month point, if they have not been invoiced or disputed. This process also provides for reestablishing the liability and paying the claim if a valid invoice is presented within the period provided by the statute of limitations (6-year period per the Disputes Act). The DITCO will establish a contingent liability account to fund such potential claims.

3. The DITCO conducted a pilot statistical sample on the accounts payable items and reviewed the associated accounts payable processes. The DITCO concluded that conducting an expanded statistical sample would not provide additional information to resolve the problem.

4. The DITCO currently has a \$50 variance for accounts payable. This means that if the invoice comes in within \$50 (plus or minus) of the accounts payable established, then the invoice is paid. This variance will be discontinued. Instead, if the invoice comes in for more than the established accounts payable, only the established amount will be paid; the difference will not be recognized as an accounts payable. If the invoice comes in for less than the accounts payable, the invoice will be paid and the difference will remain an accounts payable.

5. The current variance and Financial Activity Control Tape (FACT) file will be combined into one outstanding accounts payable file.

Results Indicators: The valid invoices submitted after reclassification will be tracked via the automated process. After sufficient historical data has been developed, this information will be used to adjust the contingent liability amount quarterly. More accurate accounts payable balances will result in a smaller contingent liability. Further, the above process will accurately state the accounts payable and liability. The Accounts payable balance can then be substantiated against obligations.

Source(s) Identifying Weakness: Management review of high balances on accounts payable accounts.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Reclassify balances from FY 1996 and prior to a contingent liability account to be reflected in September 30, 1998, financial statements.
C	Conduct preliminary accounts payable sampling.
C	Implement automated reclassification process.
C	Develop a means to estimate the initial value of the contingent liability and adjust the contingent liability to this amount.
<u>Planned Milestones (Fiscal Year 2001)</u>	
03/01	Discontinue \$50 variance.
03/01	Verify correction of material weakness by adjusting the value of the contingent liability account quarterly, and monitoring balances.

Disbursements in Excess of Obligations

Description of Material Weakness: As of December 31, 1993, the Defense Finance and Accounting Service (DFAS) reported a number of appropriations in which disbursements exceeded obligations or account balances were negative. As of September 30, 2000, there were two appropriations in which disbursements exceeded obligations or account balances were negative.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified:

97 88/90 0300	FY 1994
97 89/90 0400	FY 2000

Original Targeted Correction Date: FY 1996 and FY 2001, respectively

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2001

Reason for Change in Date(s): The negative balance in Appropriation 97 89/90 0400 occurred in August 2000. A contractor for the Ballistic Missile Defense Organization has been researching Appropriation 97 88/90 0300 with DFAS and Treasury records. There appears to be a “decade” problem in recording transactions to the wrong fiscal year, but it has not yet been proven. The change in date is to allow adequate time to continue the ongoing process to research, establish, record, and report all necessary transactions to match disbursements to appropriate obligations. The revised date will also give time to evaluate monthly problem disbursement reports provided by the DFAS and to perform a comprehensive review of the status of all problem disbursements by appropriation and by Department of Defense (DoD) Component.

Component/Appropriation/Account Number:

0300, Procurement, Defense, 88/90

0400, Research, Development, Test and Evaluation, Defense, 89/90

Validation Process: Accounts with negative balances are researched to determine the cause(s) of the negative conditions and required corrections are identified by the Office of the Under Secretary of Defense (Comptroller), the Defense Finance and Accounting Service (DFAS), or the other DoD Components, as appropriate. When necessary, additional funding is provided. These actions have resolved all but two appropriations with a negative balance. Additionally, the Office of the Inspector General, DoD (OIG,DoD) was asked to investigate a number of accounts to determine if potential violations of the Antideficiency Act had occurred. To the extent that other accounts incur similar problems, comparable corrective actions will be taken.

Results Indicator: The number of appropriation accounts in a negative condition has been reduced. A process has been put in place to ensure that appropriation managers will be notified promptly of adverse account conditions and that actions are taken quickly to correct such conditions.

Source(s) Identifying Weakness: This weakness was identified by the Office of the Under Secretary of Defense (Comptroller).

Major Milestones in Corrective Actions (C = Completed)

Date

Milestone

Completed Milestones

- | | |
|---|--|
| C | Identified Appropriation Manager responsibilities. |
| C | Issued stop payment policy for account balances with disbursements in excess of obligations until corrections are made. |
| C | Identified DFAS responsibilities to notify appropriation manager of adverse negative condition, stop payment if applicable, research and correct negative condition, notify appropriation manager of |

need for additional funding, and notify appropriation manager that a potential violation of the Antideficiency Act should be reported and investigated.

- C Reduce the number of appropriation accounts with negative cash balances.
- C Policies and procedures put in place by the DFAS-Indianapolis organization, as the single point of contact, for researching and correcting disbursements in excess of obligations in the Defense-wide 97 Accounts.

Planned Milestones (FY 2001)

- Ongoing Review status of Treasury Index 97 problem disbursements by evaluating monthly problem disbursements reports provided by the DFAS.
- Yearly Perform a comprehensive review of the status of all Treasury Index 97 problem disbursements, by appropriation and by DoD Component, in order to assess the success of prior fiscal year efforts and to determine the current materiality of this management control weakness.

Planned Milestones (Beyond FY 2001): None.

Contract Services

Description of Material Weakness: Procurement and administration controls were inadequate on contracts for services. Controls did not ensure that tasks were properly planned to allow for requirements to be adequately determined and important documentation was lacking in contract files. In addition, controls were not adequate to ensure that surveillance was performed on contracts. Deficiencies leave the Government vulnerable to excessive costs and inadequate contractor performance. Cost-type contracts placed a higher risk on the Government.

Functional Category: Contract Administration

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2001

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various

Validation Process: All corrective action(s) are certified by the responsible Components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review and management control review.

Results Indicators: Overall, contract costs would reduce significantly through lower labor rates and travel costs, and the level of contractor performance would improve.

Source(s) Identifying Weakness: OIG, DoD Report No. D-2000-100, "Contracts for Professional, Administrative, and Management Support Services," March 10, 2000.

Major Milestones in Corrective Action (C=Completed)

Date

Milestone

Completed Milestones

- | | |
|---|--|
| C | Make all acquisition personnel aware of problems found in independent government cost estimates, technical evaluations and price negotiation memorandums. |
| C | Require personnel acquiring the professional, administrative and management services to convert, over 3 to 5 years, those repetitive cost-reimbursable contracts, or portions of contracts, to fixed price. |
| C | Require personnel acquiring the professional, administrative and management services to review the assignments of contract surveillance work for contracts for services and adjust assigned workload and staffing to resolve imbalances. |

Planned Milestones (FY 2001)

- | | |
|-------|--|
| 09/01 | Verification: Validation of the implementation of the corrective milestones will be accomplished by an on-site verification. |
|-------|--|

Planned Milestones (Beyond FY 2001): None

Instructor Requirements and Student Input Planning

Description of Material Weakness: Department of the Navy (DoN) training activities did not consistently support courses with valid, documented, fleet or type command requirements. This resulted in inefficient use of training resources adversely impacting unit readiness by unnecessarily taking personnel away from their assigned duties. The absence of a requirement to periodically review the need for training courses contributed to the lack of supporting documentation. The internal control system to develop and revise student-input plans was not adequate. These plans were based primarily on either historical input data or resource constraints, such as classroom capacity, instructor availability, student-instructor ratio, equipment limitations and budget controls. The DoN did not have an adequate basis for projected training loads to meet mission requirements causing inefficient use of training resources and lost operational work-years. There was an absence of a defined process and a lack of accountability to develop and revise these plans. Different methodologies were used to develop and revise training requirements and student input plans for skills training. Also, the lack of an audit trail for student input plans resulted in unreliable forecasting of funding requirements. The number of DoN instructor billets authorized exceeded requirements and was based on outdated information, contrary to DoN policy. There was no control to ensure that authorized instructor billets agreed with requirements reported.

Functional Category: Force Readiness

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2005

Targeted Correction Date in Last Year's Report: FY 2005

Current Target Date: FY 2005

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various (i.e., MPMC (171105), OMMC (171106), MPN (171453), OMN (171804))

Validation Process: All corrective actions are certified by the responsible Components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review and management control review.

Results Indicators: The DoN will support training requirements by developing, documenting and implementing standard procedures, by establishing internal controls requiring the periodic validation of student input plans and by ensuring that these plans are properly recorded and utilized.

Source(s) Identifying Weakness:

- NAVAUDSVC Report No. 020-99, “Reliability of Information Used for Student Input Planning for Initial and Advanced Skills Training,” January 8, 1999.
- NAVAUDSVC Report No. 033-99, “Requirements and Student Input Planning for ‘F’ School Courses,” April 16, 1999.
- NAVAUDSVC Report No. 052-99, “Marine Corps Instructor Requirements,” September 3, 1999.

Major Milestones in Corrective Action (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Establish internal controls to ensure only approved training requirements and student input plans are recorded in the Navy Integrated Training Resources Administration System.
C	Direct training activities to review “F school courses” they teach and deactivate those that do not support valid documented needs.
C	Direct training activities to obtain appropriate documentation from applicable commands when “F school courses” meet valid needs but lack supporting documentation.
C	Amend OPNAV Instruction 1500.47 to specifically require training activities to: (a) maintain documentation supporting the need for each “F school course” they teach; and (b) perform periodic reviews to validate the continuing need for each “F school course.”
C	Require training management systems similar to the Submarine Training Management Program System, be fully developed to identify specific “F school course” training requirements for all Navy communities and provide adequate procedures to assist training activities in planning student input loads.
C	Direct fleets, type commands and shore activities having “F school course” requirements to identify and consolidate requirements for subsequent input to a fully developed training management system and provide requirements directly to the applicable training activity until a fully developed system is available.

- C Direct training activities to use “F school course” requirement data received from the fleets, type commands and shore activities to plan annual student input loads and input those planned loads into the Navy Integrated Training Resources Administration System until a fully developed training management system is available.
- C The Marine Corps will develop a Training Development System (TDS) methodology to focus on staff resources and accurately capture the resources necessary to support not only a course of instruction but the school as a whole.

Planned Milestones (FY 2001)

- 03/01 Designate an accountable official to validate and approve changes to training requirements and student input plans.
- 09/01 Develop, document and implement standard procedures for determining: (a) formal training requirements; and (b) student input plans.

Planned Milestones (Beyond FY 2001)

- 09/04 Using the TDS methodology, the Marine Corps will modernize the nature of its training by developing more effective and efficient delivery techniques using technology, traditional instruction and practical application.
- 9/05 Verification: Validation of the implementation of the corrective milestones will be accomplished by an on-site verification.

**Accuracy of the Air Combat Command (ACC)
Status of Resources and Training System (SORTS)**

Description of Material Weakness: Internal controls do not effectively ensure the accuracy of status reporting of ACC personnel, equipment and supplies, and training. This could cause ACC to incorrectly conclude that units were ready to fully meet their wartime tasking, when in fact, qualifying conditions existed.

Functional Category: Force Readiness

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year’s Report: FY 2001

Current Target Date: FY 2001

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400.

Validation Process: The ACC IG will perform a follow-up audit.

Results Indicators: Corrective actions should ensure error-free, timely and accurate reporting of ACC unit personnel, equipment and supply status by unit SORTS monitors.

Source(s) Identifying Weakness: (C) Air Force Audit Agency Report of Audit: Status of Resources & Training for HQ ACC Operations, EL099077, July 15, 1999.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Provide audit findings to field activities to consider during self-inspections.
C	Review ACC units SORTS training.
C	Supplement existing AFI 10-201, “Status of Resources and Training System,” with specific procedures and examples for reporting ACC personnel, equipment and supply status.
C	Revalidate units’ Designed Operational Capability Statements.
C	Correct personnel specialty coding errors and mismatches.
C	Expand Unit SORTS Manager course to include training in reporting procedures and processes.

C Improve coordination of ACC SORTS trend analysis and “lessons learned” among ACC units.

Planned Milestones (FY 2001)

09/01 Increase emphasis on unit SORTS reporting and training during staff assistance visits.

09/01 The ACC Inspector General will perform a follow-up audit.

Computer-Based Training (CBT)

Description of Material Weakness: CBT offers a means of increasing training effectiveness and efficiency. The Department of the Navy (DoN) front-end analysis, configuration management and funding justification controls are weak, increasing the probability that benefits of CBT will not be achieved. About one-third of the activities reviewed did not implement CBT to take advantage of new technology, to keep pace with modern training techniques and to enhance existing training methods. Expected monetary benefits may not be achieved. The process used to determine whether CBT is the correct method of training and is kept current needs strengthening. Governing regulations contribute to activities failing to perform front-end analysis and configuration management planning, CBT and visual information regulations overlap, instructions provide no distinction in requirements for CBT development efforts differing in complexity, cost or distribution, and regulations do not provide for CBT development efforts that encompass multiple media.

Functional Category: Force Readiness

Pace of Corrective Action

Year Identified: FY 1997

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year’s Report: FY 2002

Current Target Date: FY 2002

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: OMN (171804)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Training time will be reduced by effective use of CBT. As a result, training costs also will be reduced.

Source(s) Identifying Weakness: NAVAUDSVC Report No. 034-97, "Implementation of Computer-Based Training in the Navy," April 29, 1997.

Major Milestones in Corrective Action (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	The problem of overlap between CBT and visual information regulations is resolved.
C	Correct Navy database errors.
C	Provide guidance for funding CBT projects.

Planned Milestones (FY 2001)

03/01	Establish a method to identify, document, track and reprogram projected benefits.
03/01	Establish thresholds for documentation requirements for CBT development.
09/01	Publish CBT development regulatory requirements.
09/01	Clarify governing policy for development of courseware using advanced training technology.

Planned Milestones (Beyond FY 2001)

03/02	Verification: On-site verifications, subsequent audits, inspections, quality assurance reviews and management control reviews verify to ensure appropriate use of CBT.
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Automated Mobilization System

Description of Material Weakness: Army mobilization exercises in 1976, 1978 and 1980 highlighted that the capability did not exist within the Reserve Component structure (Army National Guard (ARNG) and U.S. Army Reserve (USAR)) for maintaining mobilization essential data and the ability to rapidly respond to mobilization requirements was lacking. Managers at mobilization stations and transportation agencies did not have access to timely and accurate information necessary for the mobilization decision-making process. These mobilization needs were to be satisfied originally through the Continental Army Management Information System initiated in 1979. In August 1986, the Army restructured its Reserve Component Automation System (RCAS) and, in February 1988, the RCAS project effort was assigned to the Chief, ARNG. When completed, the RCAS will satisfy the automation requirements of the Reserve Components for day-to-day operations and will enhance significantly their mobilization preparedness and mobilization execution capability. It will provide timely and accurate data which can be accessed by Army systems and activities involved in the decision-making process for the mobilization of the Reserve Components.

Functional Category: Force Readiness

Pace of Corrective Action

Year Identified: FY 1988

Original Targeted Correction Date: FY 1990

Targeted Correction Date in Last Year's Report: FY 2002

Current Target Date: FY 2002

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army Reserve; Operations and Maintenance, Army National Guard; Other Procurement, Army

Validation Process: This will be a thorough process that will involve field and functional proponents' input; benefits analysis; independent verification and validation; technical test and evaluation; operational testing; and field participation in the evaluation process. The RCAS has an established and approved Acquisition Program Baseline which details the Department of the Army and Office of the Secretary of Defense (OSD) Major Automated Information Systems Review Council (MAISRC) review cycle for each incremental release. Defense Acquisition Executive Summary (DAES) Quarterly Reports are submitted to the Milestone Decision Authority providing an updated status. In addition, periodic General Officer Steering Committee meetings are held to monitor the progress of RCAS implementation.

Results Indicators: The Army will be able more effectively to plan and execute mobilization of the Army Reserve and Army National Guard contingency forces.

Source(s) Identifying Weakness: GAO Report, “General Management Review of the Reserve Components,” November 1988.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Effected interim actions and controls to resolve the immediate deficiencies. a. Placed management control of the RCAS program with the Chief, ARNG. b. New Program Manager (PM) charter approved by the Secretary of the Army and forwarded to Congress. c. Army Reserve General Officer assigned as the RCAS PM.
C	Developed an automated information system to satisfy the long-range permanent needs for mobilization and the administration and management requirements of the Army National Guard and Army Reserve for day-to-day operations. a. Complete Functional Description. b. Issue draft Request for Proposal (RFP).
C	Completed Department of the Army (DA) MAISRC Milestone I.
C	Completed OSD MAISRC Milestone I.
C	Released the final RFP for a fully competitive acquisition approach consistent with OMB Circular A-109.
C	Contracted for Competitive Demonstration.
C	Conducted and evaluated Competitive Demonstration.
C	Contracted for fielding of critical elements.
C	Completed DA MAISRC Milestone II.
C	Completed OSD MAISRC Milestone II.

- C Completed System Design Review.
- C Contracted for fielding of critical elements.
- C Established Technical Test Bed.
- C Completed Preliminary Design Review (PDR) for Block 1 software.
- C Completed Critical Design Review (CDR) for Block 1 software.
- C Installed the RCAS at Limited User Test sites.
- C Conducted Limited User Test at 21 sites.
- C Completed technical testing of improved Block X software.
- C Delivered Block X hardware and software to approximately 2500 units. Concluded preliminary design review for Block 1 software containing human resource and force authorization functionality.
- C Formed a Red Team of experts from the Active Army, ARNG and USAR to review the RCAS program, at the request of the Chief, ARNG. The team recommended changes to the direction of the overall program. Changes included moving from an x-terminal to a personal computer base, removing multilevel security requirements, providing a separate system for classified data and centralizing data at State Area Commands and Major United States Army Reserve Commands.
- C Formed a Validation Assessment Team consisting of members with functional, technical, budget and contracting experience to validate the Red Team recommendations and perform necessary contracting actions to effect program restructure. The direction of the revised program was briefed and approved by the General Officer Steering Committee and the OSD MAISRC.
- C Conducted Beta Demonstrations of revised architecture that is based on extensive use of commercial-off-the-shelf (COTS) and government-off-the-shelf (GOTS).
- C Completed Contract Modification/Proposal preparation.
- C Awarded renegotiated contract.
- C Completed Integrated Baseline Review.

- C Completed Independent Operational Test conducted by the U.S. Army Operational Test and Evaluation Command.
- C Completed a System Level Design Review (SLDR).
- C Received Overarching Integrated Process Team (OIPT) MAISRC approval to field Increment 1 COTS hardware and software and Wide Area Network telecommunications.
- C Completed data and applications software pilot project in December 1996.
- C Completed the RCAS Year 2000 Action Plan in December 1996.
- C Completed the Army Technical Architecture (ATA) Migration Plan--Part II Implementation Detail and submitted it to the Army Digitization Office.
- C Completed OSD MAISRC IPR (IIPT) in March 1997.
- C Completed Operational Testing of Increment 2 in October 1997.
- C Completed fielding pilot project in October 1997.
- C Received OIPT MAISRC Milestone IIIb (fielding) approval in January 1998. (Database servers, Software Pilot project, some Logistics functionality and GOTS software.
- C Began Increment 2 fielding in January 1998.
- C Completed integrated Baseline Review in March 1998.
- C Completed OSD IIPT in July 1998.
- C Contract Renewal in September 1998 with option year 3.
- C Completed OSD IIPT in April 1999.
- C Completed operational testing of Increment 3 in August 1999.
- C Contract Renewal in September 1999 with option year 4.
- C Integrated Baseline Review first quarter FY 2000.

C Milestone Decision point for Increment 3 in December 1999 (Force Authorization, Training and Security functionality).

C Began fielding of Increment 3 in July 2000.

Planned Milestones (FY 2001)

03/01 ATEC evaluation of Increment 5 in December 2000.

03/01 Milestone Decision point for Increments 4 and 5 in December 2000 (Personnel, Mobilization Planning, Force Authorization, Training Management (GOTS) and Occupational Health (COTS) functionality).

03/01 Begin fielding Increments 4 and 5 in March 2001.

09/01 OSD IPR in July 2001.

09/01 ATEC evaluation of Increment 6 in October 2001.

09/01 Milestone Decision point for Increment 6 in December 2001 (Safety, Force Modernization, Logistics (GOTS) and Mobilization Planning functionality).

09/01 Begin fielding Increment 6 in December 2001.

Planned Milestones (Beyond FY 2001)

03/02 ATEC evaluation of Increment 7 in May 2002.

03/02 Milestone Decision point for Increment 7 in July 2002 (Mobilization Planning, Safety, Logistics (GOTS) functionality).

09/02 Contract renewal with option year 7 in August 2002.

09/02 Begin fielding increment 7 in September 2002.

03/03 Post Deployment System Support (PDSS).

Intrusion Detection System (IDS)

Description of Material Weakness: The Greentree Group reviewed all Information Technology (IT) initiatives during June and July 2000. The group identified IDS as a negative finding in their assessment report dated August 8, 2000. Finding # 3.3.1.74-IDS stated:

“ Move existing IDS sensors to inside the firewall to determine if any traffic passing the firewall violates DeCA’s security policy. IDS management is internal to DeCA instead of contracted out. However, due to lack of personnel resources, no one is regularly monitoring the IDS's console or reports. Information System Security (ISS) Realsecure does have an alert capability. DeCA should regularly review the IDS reports and implement the alert functions on the IDS for events that violate the Defense Commissary Agency’s (DeCA) security policy. DeCA currently has the IDS active countermeasures disabled.”

Without anyone monitoring the console or reports, the DeCA can expect unauthorized agents to conduct hostile attacks on our corporate systems, compromising the integrity of the systems.

The DeCA needs to expand its ISS program for FY 2001 to include administrative and technical security and to establish a security relationship with other agencies. The DeCA needs a technical security team at HQ/IT and at each service center. Needed resources will be determined with DeCA Financial Management (FM).

The DeCA will implement the ISS program through a phased approach starting October 1, 2000, through September 30, 2002. The Phase 1 goal is to identify personnel, requirements, and funding for the program. Our Phase 2 goal is to implement a “single sign-on” capability for authentication DeCA-wide. The DeCA plans to implement Public Key Infrastructure (PKI) in FY 2002, which will enable “single sign-on” capability for the management of individual system authentication profiles.

We identify IDS monitoring as a material weakness because current staffing levels and resource constraints do not ensure routine IDS monitoring. IDS records intrusion attempts; that information is available on a need to know or as required basis.

Functional Category: Information Technology (IT)

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year’s Report: Not Applicable

Current Target Date: FY 2002

Reason for Change of Date: Not Applicable

Component/Appropriation/Account Number: DeCA/Surcharge Collections/97X8164

Validation Process: Effectiveness of Phase 1 of IDS, identification of requirements, personnel, and funding will be determined through IT oversight management review, trained ISS administrators, continuous monitoring and test of intrusion attempts, and assessments by the DISA.

Results Indicators: Reduction of external activities to penetrate DeCA ISS intrusion detection system by monitoring of IDS consoles and reports.

Source(s) Identifying Weakness: DeCA Information Resources Management

Major Milestones in Corrective Action

Date

Milestone

Planned Milestones (FY 2001)

03/01	Phase 1: Identify personnel, requirements, and funds with the DeCA FM.
09/01	Staff organization and monitor intrusion attempts.
09/01	Report intrusions to appropriate organizations for corrective action.

Planned Milestones (Beyond FY 2001)

03/02	Phase 2: Deploy single sign-on capability for authentication in CONUS (Public Key Infrastructure-PKI).
03/02	Deploy single sign-on capability for authentication Outside the Continental United States (OCONUS)–Europe and the Far East
09/02	Verification and validation/Close material weakness.

Military Health System Data Quality Management Controls

Description of Material Weakness: The Military Health System (MHS) cost and workload reporting systems provide data that are used throughout the military health care system by facility, service and headquarters managers to make policy decisions, evaluate program effectiveness and establish billing rates. An integral part of performance measurement is data quality. Poor quality data can bias performance measurements and can mislead important health care decision-making. To be useful, measurements must be based on data that accurately captures information about the patient, provider and the type and cost of care delivered. An OIG,DoD audit report, "Data Supporting the FY98 Military Retirement Health Benefit Liability Estimate," April 1999, states, "We identified material management control weaknesses, as defined by DoD Directive 5010.38. The Office of the Assistant Secretary of Defense (Health Affairs) did not develop and implement management controls to ensure the reliability of Composite Health Care System (CHCS) outpatient workload data."

Functional Category: Information Technology

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2001

Reason for Change in Date: The Data Quality Management Controls program was delayed into FY 2001 so that the program could be tested in TRICARE Health Services Region 11.

Component/Appropriation/Account Number: TRICARE Management Activity (TMA)

Validation Process: Correction of the problem will require a major and sustained effort to:

- Continuously measure and monitor data quality at all levels in the MHS.
- Enforce existing policies and regulations related to data capture, documentation and reporting.
- Identify, develop, resource and implement an MHS data quality management control program to improve data accuracy, timeliness and completeness.

The Acting Assistant Secretary of Defense (Health Affairs), TRICARE Management Activity (TMA) Executive Director, Service Surgeons General, Military Treatment Facility (MTF) Commanders and Information System program directors all play critical roles in improving data quality. Data quality is a critical and important issue, and additional investment and attention in this area will be required. The mission of the MHS IM/IT is to provide the *right* information to

the *right* people at the *right* time to improve and maintain health status across the entire continuum of health care operations. Implementing data quality management controls will be essential to support this mission.

Results Indicators: Performance measures will be developed to monitor, on a routine basis, indications such as timeliness of data submission, completeness of data, comparability of data in different systems and accuracy of data. Performance metrics are being developed and will be incorporated in the monitoring and validation of the corrective actions to improve MHS data quality.

Source Identifying Weakness: OIG, DoD report, "Data Supporting the FY 1998 Military Retirement Health Benefit Liability Estimate" Project No. 8FA-2016, April 7, 1999.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Established MHS Data Quality Integrated Program Team (IPT) to develop initiatives to improve data from various MHS Automated Information Systems (AIS).
C	Establish MHS Workload Standardization Workgroup to develop standard workload measurement collection and reporting requirements.
C	Establish Medical Expense and Performance Reporting System (MEPRS) Management Improvement Group to standardize business rules, establish reconciliation processes and management controls.
C	Establish Appointment Standardization Work Group to develop and implement standard appointment types to be used for all DoD MTFs.
C	Develop a Data Quality Policy establishing the responsibility for the Defense health Program (DHP) Resource Management Steering Committee (RMSC) to coordinate and oversee development of Management Control Program activities. Created a new full time staff position in TMA/RM as Internal Management Control Program Manager.
C	Establish Management Control Working IPT to develop standard management control program for MHS AIS (CHCS, Ambulatory Data System (ADS) and MEPRS).

- C Develop web based sites to monitor and report on timeliness and completeness of Ambulatory Data Collection System.
- C Develop website for Data Quality.
- C Issue policy for implementation of the MEPRS/EAS data validation and reconciliation--December 21, 1999.
- C Issue policy memo from ASD(HA) to enforce current policies and regulations for custodianship of outpatient medical records--January 31, 2000.
- C Issue policy for Standardized Appointment Types--May 25, 2000.
- C Test Data Quality Management Control Program in Region 11 MTFs--April 2000-July 2000.

Planned Milestones (FY 2001)

- 10/00 Begin implementation of standardized appointment type with a 12-month period expected for completing the conversion for all MTFs.
- 10/00 Issued data quality policy for MHS-wide implementation--expected mid-October 2000.
- 09/01 Validate that the management control program is fully implemented and includes adequate standardization, training and documentation.

Planned Milestones (Beyond FY 2001)

- Ongoing Monitoring and reporting of management controls metrics. Follow-up action to correct deficiencies. Review and enhance developed control procedures.

Combating Computer Software Piracy

Description of Material Weakness: The Defense Threat Reduction Agency (DTRA) was created in October 1998 by merging the On-Site Inspection Agency (OSIA), the Defense Special Weapons Agency (DSWA) and the Defense Technical Security Administration (DTSA). The DTRA is not currently able to account for all of the software in use throughout the agency. While the DSWA maintained records of all software purchased and was able to identify the individual and/or office that requested software, the agency lost track of it once the help desk picked up the software for installation. The DSWA help desk did not keep records of where software was installed. The DTRA has been unable to locate records of the software purchased by the OSIA and the DTSA.

Functional Category: Information Technology (IT)

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2001

Reason for Change in Date(s): While there have been some preliminary discussions about adopting measures to prevent software piracy, the ongoing DTRA relocation has prevented the Agency from devoting the time and resources necessary to correct the deficiency.

Component/Appropriation/Account Number: DTRA/Operation and Maintenance.

Validation Process: Implement software tracking procedures recommended by the Software Publishers Association (SPA). The DTRA processes will include an auditing service in verification of the corrective actions.

Results Indicators: Software tracking performance measures are being designed in accordance with guidance developed by the SPA. Measures include the dissemination of awareness notices to Agency personnel, the use of auditing software to identify all software installed on each workstation and file server, and the destruction of all illegal software or the "repurchase" of all software necessary for the Agency to operate legally.

Source(s) Identifying Weakness: The weakness was identified by the DTRA Certified Software Manager (CSM).

Major Milestones in Corrective Action

Date Milestone

Completed Milestones: None

Planned Milestones (FY 2001)

03/01 Issue software piracy awareness notices to Agency personnel.

09/01 Complete audit of all Agency workstations and servers.

09/01 Repurchase software necessary for the DTRA to operate legally.

Planned Milestones (Beyond FY 2001)

09/02 Conduct annual audit of all Agency workstations and servers and repurchase the software necessary for the DTRA to continue to operate legally. Identify repeat offenders and report to the DTRA Inspector General.

Defense Communications Systems Management Information Systems (DCS/MIS)

Description of Material Weakness. The management information systems that support decision making in the acquisition and management of the DCS (now a component of the Defense Information System Network (DISN)) were fragmented, contained duplicate data in multiple locations and had been shown to be inaccurate in OIG, DOD audit analyses. These systems constitute the controls for managing a significant portion of DISA's mission. The DISA lacked the mechanisms for performing periodic review and revalidation of circuits and also lacked the mechanisms to adequately control communications network resources.

Functional Category: Information Technology

Pace of Corrective Action

Year Identified: FY 1990

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2002

Reason For Change in Date(s): In 1990, the Telecommunications Management Program (TMP) was formed to correct this weakness. In FY 1994, however, verification of completion disclosed that this weakness was only partially corrected. Therefore, this effort was refocused to replace the aging World Wide On-Line System (WWOLS) and multiple DISA telecommunications network provisioning and configuration management systems. The WWOLS Replacement (WWOLS-R) was implemented in January 1997. Installation of WWOLS-R enhanced our ability to track and monitor circuit activation data.

The FY 1996 plan called for the DISA to continue to improve this area by consolidating the WWOLS-R and other legacy databases into the Integrated DISN Data Base (IDDB). When that development fell behind schedule and it was clear that the IDDB would not be available for the DISN transition, a decision was made to search for a COTS product to satisfy and/or support the majority of DISA's requirements in areas such as provisioning, configuration management, performance assessment, modeling and simulation, network management, requirements validation, status reporting and engineering. As a result, the COTS product was selected (i.e., "MONIES" from Stonehouse Technologies). This solution offered opportunities to improve DISA's business practices across the spectrum of circuit acquisition functions. The milestones for correction of this material weakness were updated to reflect the deployment of MONIES.

It became apparent that a single COTS product (MONIES) could not be customized to meet the needs of consolidating all the various legacy systems and perform all the functions that the DISA required. As a result, the DISA held a conference with its telecommunications customers in December 1998. Several areas requiring remedial action were identified and the Provisioning 2000 (P2K) project was initiated. The immediate action from this conference was to begin the design of a corporate database to support the provisioning and configuration management functions. By December 1999, the DISA had developed a baseline design of a relational database and a requirements document.

The P2K effort initiated a phased approach to migrate legacy systems in stages to a global Oracle database. Initial successes included the DISA Direct Implementation in January 2000 followed by the global consolidation of all router and Integrated Digital Network Exchange (IDNX) data and its migration into Oracle. Asynchronous Transfer Mode (ATM) information is chartered as the next legacy system to be completed followed by information on the bandwidth managers. Simultaneously, the Deputy Director for Information Engineering (D6) has initiated a prototype study to determine what may be the best long-term fix, while the Deputy Director for Strategic Plans and Policy (D5) reviews the entire business process (including provisioning). The current target date for resolution of the material weakness is FY 2002.

Although the target date has been extended, DISA's actions over this period have had a positive impact on improving our management controls. The DISA is completing its efforts to have an up-to-date and reliable circuit inventory. This effort will eliminate all aspects of this material weakness. The evolved solution will enable the consolidation of several stovepiped systems and ultimately prove most beneficial to the management and acquisition of DISA telecommunications products and services.

Component/Appropriation/Account Number: Operations and Maintenance, Defense Agencies, 970100 and Defense Working Capital Fund (DWCF) (formerly Defense Business Operating Fund), 97X4930.

Validation Process: The correction of the material weakness will include testing by individual users and oversight by the DISA MC program office and the DISA IG. The OIG,DoD could assist the DISA in performing elements of the testing as an integral part of OIG,DoD audits.

Results Indicators: The DCS (now a component of DISN) represents DoD's common user long-haul communications trunks, circuits and equipment. These trunks, circuits, and equipment cost the Department approximately \$600 million annually. The system is complex and involves both leased and purchased assets. Even small actions often represent significant expenditures. An example of this occurred when an AT&T proposal on a minuscule segment of the DCS resulted in potential savings of approximately \$300,000 per month. The DISA uses established processes, procedures, information systems and databases to make use of these assets. Decisions concerning procurement of new assets, use of alternative communications services to support users, long- and short-range planning and evaluation of proposals are also dependent upon these processes and information systems. Without adequate data or proper procedures, the decision-making process is subject to unfounded suppositions, erroneous assumptions and delays.

Source(s) Identifying Weakness: Telecommunications Management in DCA (alternative MC review).

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Conducted a 100-percent physical inventory of the DISA's telecommunications assets for inclusion in the Defense Information System Database (DISD) by September 30, 1992.
C	Developed inventory procedures to keep the asset inventory perpetually up-to-date by September 30, 1992.
C	Reconciled the WWOLS and DITCO databases.
C	Began periodic review and revalidation of Service and Agency telecommunication services and requirements.
Deleted*	Include the capital assets inventory in the DISD. *Milestone not required to correct material weakness. Information resides in a database for capital asset management and depreciation.

- C DISN-I installed.
- C WWOLS Replacement installed.
- C Web order-entry implemented to support web-based ordering.

Planned Milestones (Fiscal Year 2001)

09/01 Migrate seven legacy systems to global Oracle database and replicate world-wide.

Planned Milestones (Beyond Fiscal Year 2001)

- 09/02 Replace legacy systems with Provisioning Information Management System (PIMS) an integrated solution.
- 09/02 Objectives of PIMS integrated solution have been accomplished.
- 09/02 Verify that material weakness has been corrected.

Management of Embedded Software Maintenance and Modifications

Description of Material Weakness: Existing internal controls did not effectively ensure Air Force personnel properly computed and documented software maintenance and modification requirements.

Functional Category: Manufacturing, Maintenance, and Repair

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2002

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: Air Force Materiel Command (AFMC) headquarters personnel will perform a follow-up review of implementation during their User's Annual Review or the Logistics Support Review.

Results Indicators: Corrective actions should result in improved credibility and defensibility of software maintenance and modification funding requirements.

Source(s) Identifying Weaknesses: (C) Air Force Audit Agency Report of Audit: Followup Audit - Embedded Software Maintenance and Modifications, Project 99062013, May 30, 2000.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones:</u> None	
<u>Planned Milestones (FY 2001)</u>	
03/01	Revise AFMC Instruction 63-401, Software Requirements Review Process to ensure the software requirements process and necessary documentation are defined and captured.
03/01	Provide additional guidance in the AFMC Financial Management Handbook.
09/01	Ensure that software engineers and program managers are aware of the mandatory process for computing and documenting software requirements.
<u>Planned Milestones (Beyond FY 2001)</u>	
09/02	AFMC headquarters personnel will perform a follow-up review of implementation during their User's Annual Review or the Logistics Support Review.

Enlisted Administrative Separations

Description of Material Weakness: The Navy's policy is to promote operational readiness by maintaining high standards of conduct and performance. When the Navy decides that a member does not demonstrate potential for further useful service, the member is discharged through the administrative separation process. The Navy's process for administratively separating enlisted personnel takes longer than necessary and is costly. Separations are delayed due to an unclear physical examination policy and inefficient administrative practices. The Navy has not established a program to monitor enlisted administrative separations, and Bureau of Naval Personnel (BUPERS) is not maintaining complete separations records. Failure to separate members having no future useful service as quickly as possible is counter to Department of Defense and Navy separation policies pertaining to efficient use of limited defense resources, and is counter to promoting readiness—possibly contributing to the Navy's at-sea gapped billet problem.

Functional Category: Personnel and/or Organization Management

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2002

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Military Personnel Navy (MPN) (1453)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Members having no future useful service are separated as quickly and efficiently as possible.

Source(s) Identifying Weakness: NAVAUDSVC Report No. N2000-0026, "Timely Administrative Separations of Enlisted Personnel Would Significantly Reduce Costs," June 7, 2000

Major Milestones in Corrective Action (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Reemphasize to commands that they are required to retain separation packages for 2 years.
C	Reemphasize to commands they need to forward current and complete copies of separation packages, including DD 214s, to BUPERS.
C	Reemphasize to separating commands the need to schedule the separation physical examination update at the time of notification of separation.
C	Emphasize to medical treatment facilities the need to provide members being separated quick access to clinics for separation physicals.
C	Reemphasize to commands that members should not be held on active duty while awaiting HIV results.
C	Revise BUPERS Naval Military Personnel Manual (MILPERS-MAN) 1910-712 to eliminate the authorization for a 30-day delay to complete transition assistance services.
C	Reemphasize to separation officials that the lowest separation authority should be used whenever practicable to reduce processing time.
C	Determine whether or not the separation processing time goals in SECNAV Instruction 1910.4B should be revised to 15-day and 50-day goals to reflect expected and potential improvements to the program.
<u>Planned Milestones (FY 2001)</u>	
03/01	After taking actions to make the separation process more efficient, reemphasize to all activities the need to meet the Navy's goals for processing administrative separations.
03/01	Establish a monitoring program for enlisted administrative separations.

Planned Milestones (Beyond FY 2001)

03/02 Verification: Validation of the implementation of the corrective milestones will be accomplished by an on-site verification.

Individual Augmentation (IA) for Contingency Operations (CONOPS) and Exercise Deployments Outside the Continental United States (OCONUS)

Description of Material Weakness: The Army's controls for filling Commander in Chief (CINC) validated IA requirements (IAW CJCSI 1301.01A) are not in place and functioning because no single agency in the Army can tell how many personnel are involved in individual augmentation missions, where these personnel are, and how long the mission is supposed to last. There are also problems with timely notification of personnel to prepare for these missions and that the same personnel could be repeatedly tasked for these missions. This has a major impact on "low density/high usage" personnel. The end state of correcting this weakness will be that the Army will know how many personnel, where they are and for how long, to spread the mission load between the three components, and to give adequate notification to personnel tasked to perform these missions.

Functional Category: Personnel and Organization Management

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2002

Current Target Date: FY 2002

Reason for Change in Date: N/A

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army

Validation Process: This process can be validated by an internal or external audit, i.e., Command Inspection program. The IG can have a role in this process (to ensure external validation).

Results Indicators: Personnel with the appropriate skills are deployed in sufficient time to include a 1-week overlap with the soldier currently filling the position. Soldiers and their Commanders in the field will more readily support the IA program.

Source(s) Identifying Weakness: Management control evaluations; numerous complaints from Major Subordinate Command (MSC) commanders concerning the filling of requirements without sufficient resources.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Established Individual Augmentation Branch in DAMO-ODOM.
C	Established policy and procedures for Individual Augmentation Branch while conducting current operations.
C	Jointly explored the development of the Worldwide Individual Augmentation System (WIAS) with ODCSOPS PCC, and a civilian contractor.
C	DA Pam 500-5-XX staffed for comments.
<u>Planned Milestones (FY 2001)</u>	
10/00	Worldwide Individual Augmentation System operational.
06/01	Army Audit Agency validates system.

Customer Service Call Center Call Backlog

Description of Material Weakness: Statistical reporting information for the Customer Service Call Center reveals as many as 75 percent of the 25,000 calls per month to its 1-800 number are not fielded by a contact representative. Reasons for this failure stem from under-resourcing for the volume of customers utilizing this avenue for service and lack of standard call center information technology necessary for efficient operations. The net effect is large volumes of customers receive no service. Total volume of calls attempted and those handled is recorded by the supporting software application but insufficient information is available to determine the volume of true customers not receiving service as the system records redials as multiple customers. This function was established in the 1997 Concept Plan for Reorganization of Army Reserve Personnel Center (ARPERCEN) into the Army Reserve Personnel Command (AR-PERSCOM). Specifically the Call Center was established: to use “the capability of the automated phone system and a 1-800-number philosophy, and calls will be directed to customer service representatives (action officers) who will be empowered to take specific actions. This approach mirrors industry standards in the customer service arena.” The advantages specified include “a 1-800-number philosophy that supports empowerment, customer support and increased efficiency.”

Functional Category: Personnel and Organization Management

Pace of Corrective Action:

Year Identified: FY 1999

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2002

Current Target Date: FY 2002

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army Reserve

Validation Process: U.S. Army Audit Agency (USAAA) will validate the effectiveness of corrective actions.

Results Indicators: Total number of customers serviced will increase dramatically; level of service provided will exceed customer expectations; and customers will not have to find sources of information other than the Call Center. The goal is to service 100 percent of all inquiries, 30 percent through personal service and 70 percent through self-service options.

Source(s) Identifying Weakness: The Customer Contact Office (CCO), formerly under the Deputy Chief of Staff, Personnel, Administration, and Logistics (DCSPAL). Memorandum, ARPC-RM, 19 April 1999, subject: The Army Reserve Personnel Command (AR-PERSCOM).

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Telephone Management Configuration Control Board (CCB) formed by CCO to identify business process and information technology solutions to telephone problems.
C	Intecom representatives visit AR-PERSCOM to identify software requirements for reporting purposes.
C	Intecom CallWise contractor visits AR-PERSCOM to fix software used for reporting.

- C Submitted funding requirements through the AR-PERSCOM Budget Officer to OCAR for FY 1999-FY 2002 to purchase hardware/software, contracting support, consulting services and manpower support.
- C Obtained \$441,000 from OCAR for customer contact information technology (IT) projects including \$351,000 for Call Center IT alone.
- C Identify AR-PERSCOM CCO Voice Capabilities including tasks to be completed. Contractor Tapestry did not present their final report until February 2000.
- C Identify manning Program Evaluation Group resources to support computer telephony integration (CTI)/integrated voice response (IVR). Requirements were included and briefed in the AR-PERSCOM Core Automation (MXAR) Management Decision package (MDEP).
- C Include in the Program Objective Memorandum (POM) the requirement to export knowledge management technologies of customer integration of client/server, computer telephony integration (CTI)/ integrated voice response (IVR) to soldier management directorates within AR-PERSCOM.
- C Hire Call Center trainer to develop training (deleted) plan. No additional full-time equivalent (FTEs) will be used for this initiative. Contractors from Resource Consultants Incorporated (RCI) will be used as Customer Services Representatives (CSRs) with training provided by On-the-Job (OJT) and RCI.
- C (Revised) Ensure there are sufficient resources to accomplish the milestones because FY 2000 resources for most telephony FY 2000 initiatives have been funded using Other Procurement, Army (OPA) dollars leaving remaining funds to accomplish later initiatives.
- C Initial recommendations by Telephone Management CCB regarding business process and IT requirements to support telephone management. The Telephone Management Subcommittee (formerly the CCB) will not make IT recommendations. The IT and Customer Goal Teams working on the Strategic Plan have assumed those functions.
- C (Revised) Follow-up on the MXAR funding in the Manning PEG. (Added) IT requirements identified in the Manning PEG, for the most part, did not get funded.

- C (Revised) Fix existing problems associated with providing commandwide accurate telephone statistical data to improve workflow management. Part of the Tapestry Proposal included new hardware/software designed to provide accurate switch and Automatic Call Distribution (ACD) statistics. This proposal has been funded, briefed to the Commander and approved in May 2000, and is being implemented.
- C (Revised) Augment Call Center staffing plus hardware/software for increased staff to field incoming calls and walk-ins. Additional personnel will be hired from RCI as soon as construction for new area is completed in early summer 2000. Four additional personnel were hired effective 28 August 2000.
- C (Revised) Train new Call Center staff. OJT and contractor training will begin when additional personnel are hired. Training started August 28, 2000.

Planned Milestones (Fiscal Year 2001)

- 12/00 Implement IVR hardware, software, and consulting services to (revised) minimize human intervention and maximize service. Implementation of the Tapestry proposal for IVR hardware, software and consulting services will assist in implementation of self-service initiatives. IVR hardware/software installed. IVR programming starts September-December 2000.
- 12/00 (Revised) Integrate CIT/IVR capabilities with existing systems to maximize systems solutions and return on investment (ROI) by improving responsiveness of the Call Center agent.
- 12/00 New system development integrating CTI/IVR for improved (revised) processes by allowing customers/soldiers to have “self-service” capabilities (e.g., obtain documents, information, etc.).
- 03/01 Ensure there are sufficient resources to accomplish the milestones for FY 2001.
- 03/01 (Revised) Prepare written plan documenting business processes and voice capabilities, alternatives, costs, productivity enhancing technology, and prioritized phased approach for implementation. A Statement of Work (SOW) has been written to develop the Customer Relationship Management (CRM) Strategy. Building the Strategy will take 90 days.

TBD Extend Call Center integration with Internet system development for further ROI in self-service customer support. Internet development is already underway with initiatives for new design, functionality, and content. Changes to be implemented in the next 6 months.

Planned Milestones (Beyond Fiscal Year 2000)

03/02 Ensure there are sufficient resources to accomplish the milestones for FY 2002.

09/02 Further Business Process Reengineering (BPR) and custom integration of client/server, CTI/IVR, knowledge management technologies in soldier management directorates across AR-PERSCOM.

09/02 USAAA conducts final validation of corrective actions.

Workers' Compensation

Description of Material Weakness: The Defense Commissary Agency's (DeCA) Workers' Compensation costs remain at unacceptable levels. An internal audit report has identified case management and erroneous chargeback billings as areas that have not received sufficient attention. The report also identified a lack of program policy and billing review procedures.

Functional Category: Personnel and Organization Management.

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year's Report: FY 2001

Current Target Date: FY 2002

Reason for Change in Date: Delays in program management actions at Regions.

Component/Appropriation/Account Number: Defense Commissary Agency/Commissary Operations/97X4930

Validation Process: Verification/Validation by Internal Review.

Results Indicators: Reduction of Workers' Compensation Costs (\$500,000 per year for next two years), Reduction of Workers' Compensation Case Load (5 percent less than preceding year), and Published Policy and Guidance.

Source(s) Identifying Weakness: DeCA Internal Review, DeCA Directorate of Human Resources Management and DeCA Comptroller.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Employee Handbook
<u>Planned Milestones (FY 2001)</u>	
03/01	Workers' Compensation Directive
03/01	Development of Workers Compensation Performance Standards and Inclusion in Supervisory Performance Plans
03/01	Regional Reporting of Accomplishments
03/01	In-Progress Review Report from Regions
<u>Planned Milestones (Beyond FY 2001)</u>	
03/02	Validation of Case Cost and Case Load Reduction
03/02	Verification and Validation/Close Material Weakness

Manpower Requirements Determination System

Description of Material Weakness: The Army has not established effective manpower programs for managing and controlling Tables of Distribution and Allowances (TDAs) workload, organizations and manpower staffing, including reductions in force. The current system for manpower requirements determination lacks the ability to link workload, manpower requirements and dollars. Thus, the Army is not capable of rationally predicting future manpower requirements based on workload. As a result, managers at all levels do not have the information needed to improve work performance, improve organizational efficiency, and determine and support staffing needs, manpower budgets, and personnel reductions.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action

Year Identified: FY 1997

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: FY 2002

Current Target Date: FY 2002

Component/Appropriation/Account Number: Army/All Appropriations that contain dollars for the payment of personnel

Validation Process: Office of the Assistant Secretary of the Army (Manpower and Reserve Affairs) (OASA (M&RA)) and USAAA will validate corrective actions.

Results Indicators: Staffing levels of Army organizations will be workload based. Manpower requests contained in Army budget submissions and the dollars required to support the requested level of manpower will be developed logically from specific workload requirements that derive directly from missions directed or approved by higher headquarters and validated by a Headquarters, Department of the Army (HQDA) approved manpower requirements determination process.

Sources Identifying Weakness: USAAA Report HQ 92-T2, "Management of Army Workload of Tables of Distribution and Allowances Organizations", January 21, 1992; USAAA Report SR 94-702, "Civilian Workforce Reductions-U.S. Army Materiel Command," February 15, 1994; USAAA Report HQ 94-751, "Managing Workload, Organizations and Staffing", June 24, 1994; USAAA Report AA 96-768, "Workload-Based Manpower Requirements Program - US Army Materiel Command", August 30, 1996; USAAA Report AA 97-113, "Workload-Based Manpower Requirements Program - US Army Forces Command", February 7, 1997; GAO/NSIAD Report 97-66, "Force Structure - Army Support Forces Can Meet Two-Conflict Strategy With Some Risks", February 28, 1997; USAAA Report AA 97-202, "Workload-Based Manpower Requirements Program - US Army Training and Doctrine Command," May 30, 1997.

Major Milestones in Corrective Action (NOTE: The Army was cognizant of shortcomings in implementing its requirements determination processes prior to the declaration of this as a materiel weakness. Thus, some corrective actions are already in-progress or completed.)

Date

Milestone

Completed Milestones

C	OASA(M&RA) contracted for a study to perform a nation-wide search for determining best practices in the area of human resource management. This effort resulted in the identification of a workload planning system that had potential application to Army
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industrial type work environments. Based on the information obtained, a prototype system is being developed for use as an Army management tool to measure performance, forecast workload and forecast workforce requirements. It is referred to as the Army Workload and Performance System (AWPS).

- C Completed development and implemented a prototype of a revised manpower survey methodology, referred to as the 12 Step Methodology, used to determine manpower requirements. This methodology has become the doctrinal basis for manpower requirements determination policy.
- C Establishment of a command-wide manpower baseline begun in US Army Materiel Command.
- C Initiated military essentiality coding of military positions within TDAs.
- C Army Workload and Planning System (AWPS) field testing initiated at Corpus Christi Army Depot.
- C A contract study effort was initiated to examine the feasibility of linking the impacts of Institutional Army (TDA) workforce changes to military unit Modified Tables of Organization and Equipment (MTOE) readiness.
- C Completed coding of military essentiality of military positions within TDAs. This process enhanced the understanding (and the defense) of military requirements in Institutional Army organizations.
- C Initiated prototype testing of the Civilian Manpower Integrated Costing System (CMICS) during the development of the Mini POM. This system provides an automated tool with which manpower, program, and budget managers can immediately assess the impact of funding changes on the manpower program or the impact of shifting funding to other resources of the civilian manpower plan.
- C Initiated an in-house study to assess the feasibility of being able to identify and document the shadow work force.
- C Completed a 3-day conference of senior manpower analysts representing a broad cross-section of the Army. The primary focus of the conference was on manpower requirements determination

processes. The concept for a doctrinal framework for manpower requirements determination in the Institutional Army was agreed upon.

- C Initiated a contract study to conduct an assessment of the essentiality of military manpower in the Institutional Army (TDA) which will help to define and clarify the requirement for military manning in the Institutional Army.
- C OASA(M&RA) provided representatives to participate in DoD work groups to clarify policy criteria used to determine the non-contractible or contractible nature of positions within DoD organizations.
- C Command-wide manpower baseline for U.S. Army Materiel Command completed using the 12 Step Method as the basic methodology. This baseline will serve as a reference point for future manpower changes (plus or minus) affecting the command.
- C Contracted for a study to assess the coding of military essentiality of military manpower in TDA organizations completed. Study determined linkages between Army core processes, universal joint task lists and military essential codes. It also provided recommendations for improving the accuracy of coding which will help to define and clarify the requirement for military manning in the Institutional Army.
- C Initiated Army-wide staffing of UPDATE version of Army Regulation (AR) 570-4 (Manpower Management). This draft contains revised manpower requirements determination policy.
- C Completed revision of Workload and Manpower Determination Analyst's Handbook.
- C Initiated coding of Commercial Activities (CA) functions and the contractibility of positions within TDAs.
- C Completed procedures to be used for certifying manpower requirements determination processes and administered the quality assurance program.
- C Used contract manpower equivalents (CMEs) data to validate/audit CA inventory data.

- C Used available requirements determination products to review manpower issues and provided recommendations for the FY 2000-2005 Program Objective Memorandum (POM) development.
- C Provided for full use of CMICS during the FY 2000-2005 POM development for all users.
- C Initiated formal certification/approval action of requirements determination processes conducted by manpower requirements determination authorities.
- C Began HQDA certification of procedures used by manpower requirements determination authorities.
- C Major Army Commands (MACOMs) and independent reporting activities (IRAs) increased use of workload-based requirements determination in management decisions, such as workload forecasting, realignment initiatives, and budget development and execution.
- C Completed installation of AWPS and training of personnel on AWPS at Corpus Christi, Red River, Tobyhanna, Anniston, and Letterkenny Army Depots only for the direct labor maintenance mission.
- C Began quality assurance of manpower studies conducted under Headquarters, Department of Army (HQDA) approved processes.
- C Manpower requirements determination authorities submitted annual survey schedule to HQDA.
- C Update of AR 570-4 forwarded to US Army Printing and Publication Command (USAPPC) for administrative review, editing, and necessary legal coordination.
- C Established, through the use of web technology, a repository of approved manpower staffing standards and guides.
- C Completed initial coding of CA functions and the contractability of positions within TDAs.
- C Developed Army-level capability for allocating manpower (military and civilian) that considers the level of support provided by the contractor workforce.

- C Initiated the development of workload-based allocation rules for the integration of military, civilian, and contractor manpower requirements for the infrastructure (TDA) into the Total Army Analysis (TAA) model.
- C Developed functional data requirements for implementation of CMICS at MACOMs.
- C HQDA Depot Maintenance Corporate Board established.
- C Develop MMICS prototype. (Determined not to be required as decision made to use CMICS at MACOM level through web application).
- C CMICS fully implemented at HQDA, creating a distributed, integrated database linking civilian manpower and dollars.
- C Contractor manpower equivalents documented in a copy of The Army Authorization and Documents System (TAADS).
- C The Congress notified that AWPS is fully operational for the maintenance mission.
- C Extend AWPS to arsenals and ammunition depots of the U.S. Army Materiel Command. Deleted from plan so available resources can be devoted to maintenance mission. Extension will occur as an enhancement to AWPS at a later date.
- C Develop decision tools for HQDA Depot Maintenance Corporate Board. (Extended to September 2000 due to delay in funding and award of contract.)
- C AR 570-04 Update approved for publication. (Extended to March 2000).
- C Develop a plan to fully use requirements determination product in the manpower allocation process.
- C Update policy on what constitutes a manpower requirement, accounting for reimbursable manpower, loaned troops and contractors. (Extended to May 2000).
- C Establish accounting of core sub-process functions in TAADS or a copy of TAAQDS that will allow a cross walk to, but not be constrained by, the program element and management decision package. (Extended to August 2000).

- C Simplify and standardize accounting of core sub process functions and activity based codes in TAADS or a copy of TAADS for all Army infrastructure (MTOE, TDA, CME, etc). (Extended to August 2000).
- C Establish centralized documentation of the labor mix (military essential, civilian essential, or contractor) in TAADS or a copy of TAADS.
- C AR 570-4 Update approved for publication.
- C Provide MACOMs with the ability to view their command's manpower and costing position in CMICS via web technology. (Extended to 08/00)
- C Document interservice and intra-service support in TAADS. (Revised and extended to March 2001).
- C Fully implement CMICS between HQDA and the MACOMs, creating a distributed, integrated database linking civilian manpower and dollars. (Extended to September 2001).
- C Full integration of workload based military, civilian, and contractor manpower requirements into TAA model has occurred. (Revised and extended to March 2001).
- C Complete HQDA endorsement of procedures used by MACOMs in developing manpower requirements.
- C AR 570-4 Update published.
- C Establish accounting of core sub-process functions in TAADS for a copy of TAADS that will allow a cross walk to, but not be constrained by, the program element and management decision package.
- C Simplify and standardize accounting of core sub- process functions and activity based codes in CMICS via web technology.
- C Develop decision tools for HQDA Depot Maintenance Corporate Board. (Extended to March 2001).

Planned Milestones (FY 2001)

- 03/01 Recommend/establish a system that will track/account for all resource labor in the documentation systems, such as reimbursable requirements, contract manpower, troop diversions, and borrowed military manpower.
- 03/01 Develop/apply allocation rules for TAA including military authorizations versus civilian authorizations versus contractors.
- 03/01 Develop decision tools for HQDA Depot Maintenance Corporate Board.
- 09/01 Fully implement CMICS between HQDA and the MACOMs, creating a distributed, integrated database linking civilian manpower and dollars.
- 09/01 Identify MACOM management decisions supported by workload based manpower requirements determination processes.
- 09/01 MACOMs and IRAs management decisions, such as workload forecasting, realignment initiatives, and budget development and execution, are fully based on use of workload-based requirements determination processes.

Planned Milestones (Beyond FY 2001)

- 03/02 Complete certification of manpower studies conducted under HQDA approved processes.
- 03/02 Finalize performance measures for use in TAA.
- 03/02 OASA(M&RA) and USAAA jointly complete validation of corrective actions.

Navy Enlisted Classification (NEC) Code Training

Description of Material Weakness: The control system for NEC training records and assignments is not adequate to prevent or promptly detect all material errors and irregularities in operations. Data transmission errors have occurred, reducing the accuracy of the system; unqualified enlisted personnel were allowed to enroll in and complete NEC producing courses; all NEC codes earned by enlisted personnel through formal school training were not recorded in official personnel records; and valid NEC code transactions were lost each year during automated electronic data transmissions between the training and personnel systems.

Functional Category: Personnel and/or Organization Management

Pace of Corrective Action

Year Identified: FY 1993

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2001

Reason For Change in Date(s): Full implementation of the IT and associated systems began in July 1999. The accompanying OPNAVINST revision, OPNAVINST 1500.47A, remains a work in progress. Issuing new/revised guidance is taking longer than originally expected.

Component/Appropriation/Account Number: OMN (171804), MPN (171453)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: The inventory of NEC codes held by enlisted personnel will be stated accurately in official records. As a result, the Navy will train only the number of personnel needed to satisfy requirements, saving a portion of scarce training funds.

Source(s) Identifying Weakness:

- NAVAUDSVC Report No. 049-S-93, "Enlisted Classification Code Training," June 30, 1993
- NAVAUDSVC Report No. 016-95, "Utilization of Navy Enlisted Classification Code Training," January 6, 1995

Major Milestones in Corrective Action (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Establish separation of duties and accountability for NEC removals.
C	Research and, as appropriate, award the 121 identified NECs recorded in Navy Integrated Training Resources Administration System (NITRAS) but not listed in the personnel system.
C	Establish internal controls to ensure accuracy of all NEC data transmitted.
C	Require detailers to use the NEC Manual to determine qualifications for assignments to NEC producing courses.
C	Reemphasize to activities, including detaching commands and training activities, their responsibility for screening service members for proper qualifications before sending them to training.
C	Investigate interface problems between NITRAS and the personnel system, including transmission errors not appearing on reject listings.
C	Establish internal controls (such as detailers' supervisors review of detailer course assignments) so that questionable assignments can be identified, investigated, and corrected.
C	Require enlisted community managers to review and document approval of requests for waiver of qualifications for NEC producing courses prior to detailer assignment.
C	Document reason for and approval of training assignments that deviate from NEC requirements stipulated in requisitions. Require supervisory approval of detailer training assignments that do not meet documented job vacancies.

Planned Milestones (FY 2001)

03/01	Revise guidance to require Quota Control Authority approval for all assignments to NEC-producing courses. CNO will issue new PNAVINST 1500.47A early in 2001, which will be the governing authority.
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09/01 Verification: Conduct/utilize a management control review or alternative management control review to certify the effectiveness of all corrective actions.

Planned Milestones (Beyond FY 2001): None

Radio Frequency Spectrum Certification Process

Description of Material Weakness: Responsible officers fail to initiate spectrum certification processes and to secure host nation telecommunications agreements in a timely manner. This process failure reduces combat effectiveness of Air Force warfighter resources. As an example, the Kosovo contingency spotlights this management control material weakness. The Joint Surveillance Target Attack Radar System (JSTARS), Enhanced Traffic Alert & Collision Avoidance System (E-TCAS), and other systems lacking telecommunications agreements, were initially refused entry into the host nation's sovereign electromagnetic domain, or were forced to operate at significantly reduced capability. The theatre Commanders-in-Chief (CINCs) and, in some cases diplomatic staff, expended extraordinary effort to accomplish emergency coordination so these platforms could operate. This practice alienates the diplomatic corps and creates future spectrum support problems for theater CINCs.

Functional Category: Procurement (also effects Research, Development, Test and Evaluation, Major Systems Acquisition, Communications & Intelligence, and Information Technology)

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: FY 2003

Current Target Date: FY 2003

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Other Procurement, 57*3080, Air Force, Operation and Maintenance, 57*3400, Air Force, Research, Development, Test and Evaluation, 57*3600

Validation Process: The Air Force Audit Agency will be asked to review the effectiveness of corrective actions.

Results Indicators: The key indicator of results will be the initial reduction and eventual elimination of late requests for spectrum certification, foreign disclosure, and host nation supportability.

Source(s) Identifying Weakness: (B) IG,DoD Audit Report: Coordination of Electromagnetic Frequency Spectrum and International Telecommunications Agreements, Report No. 99-009, October 9, 1998, and (F) Air Force IG Eagle Look, Chief Information Officer Function, PN 99-505, July 29, 1999.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Contract a four-man team of subject matter experts to provide spectrum-engineering services to address the failure to secure host nation telecommunication agreements.
C	Include spectrum supportability into the Combat Air Force Requirements Oversight Council review procedures for radio frequency emitter submissions.
C	Chartered Combat Air Forces (CAF) Frequency Panel to address critical spectrum supportability issues for the eight CAF Major Commands.
C	CAF Spectrum Certification Team will field a host nation agreements database, address high priority certification problems or omissions, and generate recommendations for process improvements. They will also support the CAF Frequency Panel's efforts.
C	Promote efforts to initiate the reengineering of the spectrum certification process.

Planned Milestones (FY 2001)

09/01	Develop and deploy to all appropriate organizations education and training packages to inform responsible parties of the cited regulations and guidance.
09/01	Recommend the Secretary of the Air Force issue direction to ensure compliance and implement restrictions on government purchase card purchases of radio frequency emitters.
09/01	CAF Spectrum Certification Team will develop further software tools as the situation dictates.

09/01 Continue to promote efforts to initiate the reengineering of spectrum certification process.

Planned Milestones (Beyond FY 2001)

09/02 Ensure all Air Force activities have received an initial radio frequency emitter survey, customer interface and education, and a joint visit from the Air Force Frequency Management Agency and the owning Major Command.

09/03 The Air Force Audit Agency will be asked to review the effectiveness of all corrective actions.

Initiate Effective Demilitarization (DEMIL) Life Cycle Planning

Description of Material Weakness: The majority of DoD DEMIL Program implementation efforts and administration has focused on property predominantly in the end phase of its life cycle. Vulnerability, however, exists throughout the entire life cycle of a weapon system. A DoD Life Cycle Planning Center will need to be established in FY 2001 to review and/or develop DEMIL plans generated as a result of the acquisition phase of the weapon system's life cycle.

Functional Category: Acquisition and Logistics Operations

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2001

Reason for Change in Date(s): Upgraded from Management Concern to Material Weakness

Component/Appropriation/Account Number: N/A

Validation Process: Physical Verification

Results Indicators: Establishment of the DoD DEMIL Life Cycle Planning Center

Source(s) Identifying Weakness: DoD DEMIL Program Manager

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Drafted new Milestone 3 Exit Criteria (DEMIL Plans) language for DoD 5000 series.
C	Submitted proposed language to DoD Acquisition Reform Committee via DLSC representative.
C	Submitted proposed language to DLSC representative.

Planned Milestones (FY 01)

11/00	USD(AT&L) publish revised DoD 5000 series.
12/00	Prepare White Paper for Military Service Log and SysCom Reps.
01/01	Prepare and schedule standard brief for Log/SysCom community.
01/01	Prepare and present info brief to ARSSG. (ECD: TBD)
02/01	Completion/approval of Charter for Center.
03/01	Stand-up Center.

Planned Milestones (Beyond FY 01): N/A

Small Arms Management

Description of Material Weakness: The Air Force Small Arms Program needs to improve implementation of small arms protection controls. Compliance with existing internal controls is necessary for the Air Force to ensure security of small arms, accurately calculate authorizations, and properly acquire small arms.

Functional Category: Supply Operations

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2002

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: The Air Force Audit Agency will conduct a follow-up audit to ensure actions were completed and effective. The audit will assure that DoD 4160.21-M-1, Defense Demilitarization Manual that describes proper procedures for disposing and demilitarizing small arms is followed. It should also assure that AFI 31-101, Air Force Installation Security Program, which directs proper storage methods to include small arms, is complied with. AFMAN 23-110 requires all Air Force units to properly inventory, account, acquire, and establish small arms authorizations.

Results Indicators: By maintaining accurate and current authorizations, the Air Force can significantly reduce or eliminate excess on-hand weapons that consume scarce resources and adversely affect the ability to satisfy other requirements as well as reduce or prevent the pilferage of small arms and allow immediate traceability.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: Small Arms Management, Project 99061003, Draft.

Major Milestones in Corrective Action

Date

Milestone

Completed Milestones: None

Planned Milestones (FY 2001)

03/01	Issue a message to field activities emphasizing policy adherence.
03/01	Initiate program change action to modify the Standard Base Supply System (SBSS) to establish exception codes to limit the units/functions who can order small arms and repair parts.
03/01	Issue a message directing all units to compute requirements and, once adjusted, reallocate small arms based on adjusted requirements.
03/01	Complete the adjusted requirements process and initiate redistribution efforts.
09/01	Complete redistribution efforts.

09/01 Establish new exception codes in the SBSS and incorporate code in AFMAN 23-110 as permanent policy change

Planned Milestones (Beyond FY 2001)

03/02 The Air Force Audit Agency will conduct a follow-up audit to ensure corrective actions were effective.

Independent Logistics Assessment (ILA) Process

Description of Material Weakness: The Navy established the ILA process to bring attention and/or resources to logistics areas that needed more emphasis. The Navy intended that the process provide quality and timely information to decision authorities regarding adequacy of logistic support. The Navy, however, did not effectively implement the ILA process. Specifically, Program Executive Offices (PEOs) and Systems Commands (SYSCOMs) did not perform a significant number of ILAs, and did not always disclose results or the basis of logistics certifications to Milestone Decision Authorities. This was due to lack of consistency between Navy acquisition policies and ILA policies, and weaknesses in ILA policy itself. Ambiguous language and vague references in the policy documents did not support effective implementation and implied that performing ILAs was optional. This adversely impacted the strategic goals of the Assistant Secretary of the Navy (Research, Development and Acquisition) for improving business processes and improving warfighter satisfaction. The Navy self-initiated this audit by requesting the Naval Audit Service to review the Navy's ILA process when it became concerned that there might be uneven application of the ILA process.

Functional Category: Supply Operations

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2001

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Overall, the number of ILAs performed would be accurate, and the results or the basis of the logistics certification would be disclosed to the appropriate parties for making informed decisions.

Source(s) Identifying Weakness: NAVAUDSVC Report No. N2000-0027, "Independent Logistics Assessment Process," June 27, 2000

Major Milestones in Corrective Action: (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones:</u> None	
<u>Planned Milestones (FY 2001)</u>	
03/01	Revise Navy acquisition policy to clearly state: (a) whether performing independent assessments of logistics is a requirement, and is the basis for logistics certification; (b) the desired outcome of the ILA process; and (c) whether use of a CNO-validated assessment process (ILA implementation procedures) is required.
03/01	Revise ILA policy to: (a) clearly articulate the ASN (RD&A)-desired outcome of the ILA process; (b) clarify that the full scope of individual PEO or SYSCOM implementation procedures should include overall management of ILAs and all associated responsibilities; (c) clearly define submission of PEO and SYSCOM individual ILA implementation procedures to DCNO (N432) for validation; and (d) provide guidelines for PEO or SYSCOM development and implementation of a more timely and effective supportability review and decision opportunity prior to IOC.

Planned Milestones (Beyond FY 2001): None

Spare Parts Accountability Controls

Description of Material Weakness: Internal controls over Air Force spare parts management were not adequate to ensure necessary assets and visibility to meet mission needs.

Functional Category: Supply Operations

Pace of Corrective Action

Years Identified: FY 1999

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year's Report: FY 2001

Current Target Date: FY 2001

Reason for Change in Date: N/A

Component/Appropriation/Account Number: Air Force, Working Capital Fund, 97*4930

Validation Process: Headquarters personnel will review related metric information from the field to ensure that corrective actions were effective.

Results Indicators: Corrective actions will result in more reliable requirements computations, increased repair parts availability, and overall increased supply readiness rates.

Source(s) Identifying Weakness: (C) Air Force Audit Agency Reports of Audit: Standard Repair Cycle Times and Stock Level Days in Support of Lean Logistics, Project No. 97061025, September 30, 1998, and Landing Gear Repair Operations, Project No. 98062003, April 27, 1999; (D) GAO Reports: Air Force Supply: Management Actions Create Spare Parts Shortages and Operational Problems, Project No. NSIAD-99-77, April 29, 1999 and Defense Inventory, Project No. T-NSIAD-99-83, February 25, 1999.

Major Milestones in Corrective Action

Date

Milestone

Completed Milestones

- | | |
|---|--|
| C | Air Force Materiel Command (AFMC) Commander directed Ogden Air Logistic Center (ALC) to use the AFMC standard Inventory Tracking System (ITS) for landing gear components. |
| C | AFMC, in conjunction with the AFAA and the Logistics Management Institute, reviewed Materiel Support Division prices to ensure stabilized spare parts pricing for FY 1999 and FY 2000. |
| C | AFMC prepared an extensive report for the Office of the Under Secretary of Defense (Comptroller) on the Air Force requirements determination process. |
| C | An AFMC sponsored Integrated Process Team performed an analysis to determine the correct number of stock level days to be used in the Air Force Requirements Computation System spares computation. AFMC Manual 23-1, Recoverable Consumption Item Requirements System, accordingly was revised. |

- C AFMC assessed the Ogden Air Logistics Center (ALC) Parts Supportability Tracking and Reporting (PSTAR) system to determine whether functional requirements are being duplicated in the ITS standard AFMC system.
- C AFMC used revised stock level days in the Sept 2000 spares requirements computation.
- C AFMC initiated a Supply Chain Management improvement plan to focus on improving component spare parts support. A Constraints Analysis Program was also developed to identify systematic supply shortfalls.

Planned Milestones (FY 2001)

- 09/01 Headquarters personnel will review related metric information to ensure corrective actions were effective.

Requirements Determination

Description of Material Weakness: The Department of the Navy (DoN) has identified deficiencies in the area of requirements determination for equipment, supplies, materials, training, and systems acquisition. In many instances the requirements are overstated, understated, not realistic, inadequately supported or invalid, resulting in unnecessary purchases and hindering fleet readiness due to a lack of material to meet requirements. In numerous cases, requirements at individual DoN activities were reviewed, found overstated, and corrected.

These inaccuracies result from using out of date or inaccurate data, flawed assumptions, incorrect alignment of system resources and requirements, inadequate control of extant requirement's revalidation, miscommunication among responsible activities, requirements not updated to current DON force structure, lack of a documented process or standard methodology, and not following guidance to develop requirements.

[The following is a prior year DoN weakness that has been consolidated with OSD #93-061 under the systemic area: "Requirements Determination." Actions based on it are completed.]

OSD CASE #91-024: Requirements Determination for Aircraft Acquisitions. Inadequate controls prevented the DoN from using the best available data and techniques to develop accurate acquisition estimates. Consequently, procurement and flight hour requirements were overstated for several aircraft, including advance capability and training aircraft.

Functional Category: Supply Operations

Pace of Corrective Action

Year Identified: FY 1993

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 2001

Current Target Date: FY 2001

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: NWCF (17X4930), OPN (171810), OMN (171804), APN (171506), SCN (171611), MCN (171205), PMC (171109)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Better control of the requirements process will result in cancellation of excess requirements and may achieve a potential cost avoidance of \$2.3 billion.

Source(s) Identifying Weakness [for OSD Case #93-061]:

- IG,DoD Report No. 93-049, "Navy Requirements for Currently Procured Wholesale Inventories of Repairable Items," February 1, 1993
- NAVAUDSVC Report No. 021-N-93, "Selected Funded Planned Program Requirements at the Navy Aviation Supply Office," February 4, 1993
- GAO/NSIAD Report No. 93-131, "Navy Supply Improved Backorder Management Will Reduce Material Costs," March 19, 1993
- NAVAUDSVC Report No. 030-N-93, "Material/Equipment Requirements for Decommissioned Ships," April 9, 1993
- NAVAUDSVC Report No. 035-S-93, "Management of Secure Terminal Unit III (STU III) Telephones," May 1, 1993
- NAVAUDSVC Report No. 037-S-93, "Submarine Advanced Equipment Repair Program Requirements," May 19, 1993
- DODIG Report No. 93-102, "Acquisition of the Unmanned Aerial Vehicles," May 27, 1993
- NAVAUDSVC Report No. 036-C-93, "Attack Submarine Capable Floating Drydock Requirements," June 18, 1993

- NAVAUDSVC Report No. 043-C-93, "AH-1 Helicopter Requirements," June 18, 1993
- GAO/NSIAD Report No. 93-151, "Better Controls Needed Over Planned Program Requirements," July 1, 1993
- NAVAUDSVC Report No. 003-S-93, "Training Aircraft Requirements," October 15, 1993
- NAVAUDSVC Report No. 025-N-94, "Portable High Pressure Calibrator Requirements for Trident Submarines," January 26, 1994
- NAVAUDSVC Report No. 038-C-94, "Acquisition of AN/ARC-182 and AN/ARC-210 Radios," March 20, 1994
- NAVAUDSVC Report No. 060-C-94, "Acquisition and Modification of C-130 Hercules Aircraft," July 18, 1994
- IG,DoD Report No. 95-006, "The Navy's Process for Determining Quantitative Requirements for Anti-Armor Munitions," October 11, 1994
- NAVAUDSVC Report No. 001-C-94, "Floating Crane Requirements," October 12, 1994
- IG,DoD Report No. 95-057, "Spare and Repair Parts Affected By Design and Engineering Changes," December 16, 1994
- NAVAUDSVC Report No. 018-95, "Budgeting for AN/ARC-210 Radio and Global Positioning System Programs," January 18, 1995
- NAVAUDSVC Report No. 037-95, "Budget Estimates for Consolidated Automated Support Systems and Test Program Sets," April 14, 1995
- NAVAUDSVC Report No. 049-95, "T-45 Training System Program," June 22, 1995
- NAVAUDSVC Report No. 069-95, "Modifications for the H-46 Helicopter," September 21, 1995
- NAVAUDSVC Report No. 002-97, "C-2A(R) Aircraft Program," October 4, 1996
- NAVAUDSVC Report No. 066-99, "Marine Corps Management of Night Vision Programs," September 24, 1999

Source(s) Identifying Weakness [for OSD Case #91-024]:

- GAO/NSIAD Report No. 91-46, "T-45 Training System: Navy Should Reduce Risks Before Procuring More Aircraft," December 14, 1990

- NAVAUDSVC Report No. 013-S-91, “Requirements for T-44A Training Aircraft,” January 18, 1991
- NAVAUDSVC Report No. 038-S-91, “T-45A Aircraft Acquisition,” April 29, 1991
- NAVAUDSVC Report No. 010-C-91, “EA-6B Aircraft Requirements,” November 13, 1991

Major Milestones in Corrective Action [for OSD Case #93-061]: (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Ensure that DoN activities follow established backorder validation procedures, to include periodic revalidation.
C	Develop procedures for determining availability of on-hand assets prior to starting procurement or refurbishment of identical components.
C	Establish written procedures for recording requirements.
C	Clarify and document DoN activities' responsibilities for requisition and planned program requirement processing.
C	Review and revalidate requirements using current guidance.
C	Correct budgeted and programmed quantities for FYs 1996 through 2001 and planned out year quantities to reflect actual Consolidated Automated Support System (CASS) procurement requirements.
C	Update the engineering cost model as new information becomes available.
C	Establish a valid requirement of C-130s.
C	Base future revisions to T-45A aircraft requirement calculations on the most cost effective ways of meeting the Navy's training needs.
C	Revise guidance for the development and approval of weapons systems modification programs to require the weapons systems program managers to perform a breakout analysis of reparable items being removed from the weapons systems to identify components of those reparable items that are affected by the modification.

- C Issue supplemental guidance expanding the oversight responsibilities of weapons systems program managers to ensure that current and accurate program data are provided to inventory control points (ICPs), and revise guidance to establish controls to ensure cataloging actions for modification programs are completed.
- C Periodically review status of weapon inventory versus requirements to identify excess stockpiles which are in an inactive status or which have been disposed of.
- C Establish a procedure preventing program acquisition quantitative requirements that are determined by the non-nuclear ordnance requirements (NNOR) and non-combat expenditure requirements (NCER) processes. [NCER is an annual requirement. The program acquisition quantity includes NCER for the life of the program, and is not limited to the sum of NNOR and the annual NCER.]
- C Reduce the quantitative requirement for C-2A(R) aircraft to the number needed to support the current force structure and identify the potential funds put to better use as a result.
- C Require DoN activities to either follow prescribed life cycle management policies and prepare required acquisition documentation, or to request a waiver.
- C Review requirements documents annually for currency and validity, particularly considering any changes to the mission or the threat. *
- C Establish procedures for performing validation reviews in LMIS to ensure that the Approved Acquisition Objective/Total Quantity of requirements is supported by a valid requirements document. *
- C Coordinate with Marine Corps System Command (MARCORSYS-COM) concerning validation reviews and MOAs that affect the Approved Acquisition Objective. *
- C Review the Total Quantity of requirements in LMIS to ensure that it matches the Approved Acquisition Objective. *
- C Reexamination of the identified programs determined that alternate forms of requirements determinations adequately documented the programs. *

Completed Milestones [for OSD Case #91-024]:

- C Cancel the FY 1992 POM planned procurement of the EA-6B and consider options to eliminate the remainder of the planned buy.
- C Reduce planned procurement of T-44A aircraft by five, and adjust programmed T-44A flying hours to reflect actual requirements.
- C Develop guidance for reviewing and validating planning factors.
- C Align system inventories programmed/required with personnel/resources, and document the process.
- C Review requirements and adjust to reflect correct quantities, including force structure reductions.
- C Improve established procedures for verifying requirements data before initiating purchases and awarding contracts.
- C Calculate primary training requirements based upon planned training rates, supportable overhead hour requirements, the utilization formula, and supportable planning factor values.
- C Streamline development of planned program requirement training course, and include a yearly refresher course.
- C Reevaluate quantity requirements of the T-45A upon attainment of initial operational capability. Make appropriate revisions to production quantities of the T-45A.
- C Obtain independent validation of aircraft requirements data when developing major acquisition baselines.
- C Complete an internal control assessment of the existing production and spare kit requirements determination process for the H-46 Helicopter.

Planned Milestones (FY 2001) [for OSD Case #93-061]:

- 03/01 Develop procedures and processes for DoN program managers to notify the ICPs of all items affected by weapon system modification and to provide current and accurate information for the ICPs to use in forecasting changes in requirements for those items.

- 09/01 Revise MCO 3900.4D to require maintaining requirements documents for use as source documents for all programs. The Marine Corps is in the process of developing the Combat Development Tracking System database to store and catalog requirement documents for all programs. *
- 09/01 Establish a plan to ensure that a coordinated effort exists within the Marine Corps to guard against excess field inventory and to facilitate replacement of obsolete equipment. *
- 09/01 Validation of the implementation of the corrective milestones will be accomplished by an on-site verification. *
- 09/01 Verification: All corrective actions will be certified by the responsible component(s) through command inspections, audits, and quality assurance reviews.

Planned Milestones (Beyond FY 2001): None

Air Installation Compatible Use Zone Program (AICUZ)

Description of Material Weakness: Existing internal controls necessary for proper management of the AICUZ program are inadequate. The Air Force AICUZ program is designed to provide a safe area surrounding Air Force installations to minimize public exposure from aircraft operation hazards. Program success depends on Air Force efforts to promote compatible land development near Air Force installations and community leaders' voluntary compliance with the program. Air Force Civil Engineering personnel could improve management of the AICUZ program by providing local communities with better study data, interact more with local communities, identify and monitor incompatible land development, and plan long term strategies to achieve compatible land development by actively seeking available opportunities and promoting the AICUZ program.

Functional Category: Other

Pace of Corrective Action

Year Identified: FY2000

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2002

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: A DoD Tiger Team will re-evaluate the AICUZ program.

Results Indicators: Corrective actions will allow for better community understanding of the installation mission and activities. Civil engineering managers can better protect their installation's mission and reduce the risk of potential lawsuits against the Air Force and strengthen public confidence and safety.

Source(s) Identifying Weakness: (C) Air Force Audit Agency, Report of Audit: Air Installation Compatible Use Zone Program Management, Project 99052015, November 1, 2000.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Raise awareness and understanding of the AICUZ program and promote the importance of compatible development at congressional testimony, during speeches to commanders and to civic leader groups and at the Encroachment workshop attended by Air Force and OSD responsible officials.
C	Include AICUZ briefings at annual installation commander and MAJCOM commander meetings.
C	Advise the states of Arizona, Texas, Georgia and Florida on encroachment and infrastructure improvements that have led to compatible development legislation being passed near Luke Air Force Base (AFB) and the Barry Goldwater Range.

Planned Milestones (FY 2001)

09/01	Emphasize to all commanders and responsible officials the importance of ensuring that AICUZ reports reflect accurate flight operations information and that AICUZ managers establish working relationships with the local community governments, continuously monitor local development, and develop long-term planning strategies.
09/01	Identify a possible Air Force funding source for the AICUZ program.

- 09/01 Revise AFI 32-7063, Air Installation Compatible Use Zone Program to 1) include specific base-level responsibilities and require accountability for the AICUZ program at MAJCOMs and installations, 2) include the waiver approval process for construction within the clear zones, and 3) promote the goal that each installation appoint a manager with the AICUZ program as their primary responsibility.
- 09/01 Develop an AICUZ training program to educate installation personnel.

Planned Milestones (Beyond FY 2001)

- 09/02 A DoD Tiger Team will re-evaluate the AICUZ program.

Hazardous Material Management

Description of Material Weakness: A total life cycle cost estimate to establish total ownership cost objectives and threshold to include environmental costs, as it relates to hazardous material management of Nimitz-Class carriers, was not developed. Without a total life-cycle cost estimate, the Aircraft Carrier Program Office cannot accurately baseline the Nimitz-Class program costs to establish a total ownership cost objective and threshold as part of the Navy's long-term cost reduction initiative. The Program Office also had not developed a programmatic environmental, safety, and health evaluation that included a strategy for meeting environmental, safety, and health requirements; environmental responsibilities; and identified a methodology to track progress throughout the acquisition life-cycle of the Nimitz-Class Program. Without the evaluation, the Program Office cannot ensure that it is aware of the impact of environmental, safety, and health issues on mission and cost and may also be foregoing opportunities to further reduce environmental life-cycle costs over the life span of the Nimitz-Class Program.

Functional Category: Major Systems Acquisition

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2003

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various, i.e., SCN (1611)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: The Program Office would be able to accurately report the liability for demilitarization, disposal, and environmental cleanup costs in the Navy's financial statements when DoD guidance for reporting those costs becomes available.

Source(s) Identifying Weakness: IG,DoD Report No. D-2000-022, "Hazardous Material Management for the Nimitz-Class Nuclear Aircraft Carrier Program," October 27, 1999

Major Milestones in Corrective Action (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Develop a total life-cycle cost estimate that includes environmental costs for demilitarization, disposal, and associated cleanup of the Nimitz-Class carriers at the end of their useful life and for ship alterations and overhauls for the Nimitz-Class carriers in annual total ownership cost updates.

Planned Milestones (FY 2001): None

Planned Milestones (Beyond FY 2001)

03/02	Prepare a Nimitz-Class Nuclear Aircraft Carrier Program environmental management plan that addresses the strategy for meeting environmental safety, and health requirements; identifies demilitarization and disposal requirements; establishes program environmental responsibilities; and identifies a methodology to track progress for the remainder of the program's life cycle to include ship alterations and overhauls.
09/03	Verification: Validation of the implementation of the corrective milestones will be accomplished by an on-site verification.

Pollution Prevention

Description of Material Weakness: Army policies, plans, and programs have been established at all management levels. There remains, however, widespread recognition that the Army's pollution prevention program in particular is not effectively integrated into all Army mission areas. The IG,DoD report referenced below indicates a systemic problem in the DoD acquisition program. To address this concern, pollution prevention must be an integral part of the Army's acquisition and systems engineering processes and all Army organizations must plan, program, budget, and execute their portion of the Army pollution prevention program. An inability to perform these responsibilities properly has resulted in a failure to identify pollution prevention requirements and exploit opportunities to resolve these requirements. These opportunities could reduce costs associated with weapon system acquisition, logistics, training, occupational health, safety and environmental contamination and restoration.

For example, the OIG,DoD found that the compliance audit process does not include procedures for oversight and follow-up of pollution prevention program deficiencies. That office also found that opportunities for potential operational cost savings, reduced health risks, and reduced hazardous waste streams. As a consequence, future costs and potential liabilities associated with environmental compliance and restoration are likely to increase if these issues are not addressed and resolved.

Pollution prevention practices contribute to reducing costs in operations, training, logistics, acquisition, weapon system and materiel management research, development, test, and evaluation. For example, the Army Oil Analysis Program reduced maintenance costs by reducing the number of times that oil is changed from a vehicle. This reduces the purchasing requirements of new oil and reduces the waste oil stream. All Army commands and development agencies either have not recognized the benefits of practicing pollution prevention or have not placed a high priority on pollution prevention.

Actions will focus on total Army integration of pollution prevention and how Army communities can improve long-term cost avoidance through pollution prevention. The Assistant Secretary of the Army (Installations and Environment) (ASA(I&E)) will formulate a pollution prevention "Total Ownership Cost (TOC) Reduction" initiative for consideration by the TOC Directorate of the Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology). This program will involve installation managers, scientists, engineers, weapon system developers, program managers, maintainers, trainers, and logisticians.

Full integration of pollution prevention into the Army's acquisition and system engineering processes for all Army Acquisition Category (ACAT) I systems would begin late in FY 2001. Pollution prevention costs need to be identified and validated. Finally, the Army Acquisition Corps needs to be trained in the consideration of pollution prevention.

Functional Category: Major System Acquisition; Research, Development, Test, and Evaluation; Manufacturing, Maintenance, and Repair.

Pace of Corrective Action

Year Identified: FY 1998

Original Targeted Correction Date: FY 2001

Targeted Correction Date in Last Year's Report: FY 2001

Current Target Date: FY 2001

Reason for Change in Date(s): N/A

Component/Appropriate/Account Number: Army/Other Procurement, Army; Research, Development, Test and Evaluation, Army; Operations and Maintenance, Army Reserve and Army National Guard; Aircraft, and Wheeled and Tracked Vehicles

Validation Process: U.S. Army Audit Agency (USAAA) will validate final corrective actions.

Results Indicators: Alignment of resources during Mini-Program Objective Memorandum 2003-2007 formulation with policy and guidance to address pollution prevention requirements. Planning, programming, budgeting and execution of the Army pollution prevention program by Army commands. Development of an initiative(s) to support pollution prevention-driven weapon system Total Ownership Cost reduction. Documented compliance with pollution prevention aspects of DOD policies, Executive Orders, and federal and State regulations.

Source(s) Identifying Weakness: IG,DoD Report 99-242 Hazardous Material Management for the Black Hawk Helicopter Program, August 23, 1999. IG,DoD Report 99-221, Hazardous Material Management for the T-45 Undergraduate Jet Pilot Training System, July 21, 1999. IG,DoD Report 99-029, Data Supporting the DoD Environmental Line Item Liability on the FY 1998 Financial Statements. (No weapon system disposal costs); July 9, 1999. IG,DoD Report 99-177, Hazardous Material Management for the C/KC-135 Stratotanker Aircraft, June 4, 1999. IG,DoD Report 99-160, Hazardous Waste Management on the Grizzly Program, May 17, 1999. IG,DoD Report 98-001, Evaluation of the Department of Defense Pollution Prevention Program, October 30, 1997. IG,DoD Report 98-185, Financial Management of the RAH-66 Comanche Helicopter Program, August 6, 1998. IG,DoD Report 97-009, Strategies for Improving DoD Environmental Compliance Assessment Program, October 1996. AAA Environmental Training, Audit Report 99-295. AAA, Affirmative Procurement Program, Audit Report AA99-235, 20 April 1999. AAA Report 98-3, Eliminating Hazardous Materials in Weapon Systems program Executive Officer for Ground Combat Support Systems. AAA Report 98-24, Eliminating Hazardous Material in Weapon Systems Program Executive Officer for Tactical Wheeled Vehicles. AAA Report 98-251, Reusing Tank-Automotive items. AAA Report 97-114, Management of the Army's Pollution Prevention Program. AAA Report 97-115, Eliminating Hazardous Materials in Weapon Systems Program Executive Officer for Aviation and U.S. Army Aviation and Troop Command. AAA Report 97-116, Environmental Budget Process.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Established Environmental Technology Technical Council (ETTC) and Army Investment Strategy Policy addressing environmental quality technology Research, Development, Test and Evaluation critical needs.
C	Reviewed and revised compliance audit processes to better address pollution prevention requirements and to ensure systemic, quality based approach to environmental management.
C	Re-evaluated the role of the “Environmental Quality Control Committee” and proposed to change to “Energy and Environmental Policy Board” (co-Chaired by the Under Secretary of the Army and Vice Chief of Staff of the Army).
C	Completed implementation actions for an Affirmative Procurement Program as recommended by the Army Audit Agency. Full implementation will occur as Army technical and procurement personnel implement Federal Acquisition Regulation Case 1998-015.
C	Completed “Pollution Prevention (P2) in Acquisition Process” Study. Preparing reports addressing (1) Environmental Policy and (2) System Engineering Environmental Methodology Evaluation/Proof of Concept.
C	Adjusted Program Objective Memorandum FY 2002-2007 to better focus on environmental goals.
C	Conducted Senior Environmental Leadership Conference (SELC). Developed an SELC Campaign Plan for USA/VCSA approval.
<u>Planned Milestones (FY 2001)</u>	
12/00	As part of Operations under the SELC Campaign Plan, “must fund” environmental management policies will be linked to the Army Planning, Programming, Budgeting, and Execution System (PPBES) process. Review funding policies for environmental quality management and revise as needed to ensure “must fund” environmental management policies are consistent with overarching guidance; e.g., Defense Planning Guidance and The Army Plan.

- 12/00 Provide guidance for and oversight of pollution prevention plans and strategies preparation, updating, and implementation.
- 12/00 Review compliance and pollution prevention funding streams and revise funding strategy.
- 07/01 Complete Mini-Program Objective Memorandum FY 2003-2007 to address pollution prevention requirements within appropriate Program Evaluation Groups.
- 09/01 Begin integrating environmental quality considerations into weapons system acquisition system and the system engineering process. Full integration into all ACAT I Army weapon systems' development programs will begin in late FY 2001.
- 09/01 Develop a pollution prevention training program for use in Army Acquisition Corps training.
- 09/01 U.S. Army Audit Agency to validate completion of this corrective action.

Planned Milestones (Beyond FY 2000): None

**CORRECTED MATERIAL WEAKNESSES
FISCAL YEAR 2000**

Delinquent Unpaid Bills for Defense Automated Printing Service (DAPS)

Description of Material Weakness. Delinquent unpaid bills have been a weakness for the DAPS since the advent of electronic invoices in July 1998 and expanded use of government purchase cards. The DAPS incurred \$118,089 in late interest charges in fiscal year (FY) 2000 (through July 2000), as compared to \$274,457 in FY 1999. Late interest charges still are being received from prior periods that had been paid by the Navy.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: March 31, 2000

Targeted Correction Date in Last Year's Report: September 30, 2000

Current Target Date: N/A

Reason for Change in Date(s): Correction: N/A

Component/Appropriation/Account Number: DAPS, 97X4930.5G10

Validation Process: DAPS management review, especially the tracking of late interest charges.

Results Indicators: Reduction of late interest penalty charges. Interest charges in FY 2000 were 48 percent below the FY 1999 level.

Source(s) Identifying Weakness: DAPS management reviews.

Completed Milestones

<u>Date</u>	<u>Milestone</u>
C	Policy guidance was issued by DAPS Headquarters on late payments. It has been supplemented since then by numerous guidance from DAPS-M on use of purchase cards.
C	Training plan was developed and training is an on-going process.

Unliquidated and Invalid Obligations

Description of Material Weakness. Within the Operation and Maintenance, Navy (O&M,N) appropriation, some activities were not verifying that only valid obligations were entered into the accounting system. “Holding” documents (existing valid obligations to which funds were being added, or the creation of an invalid obligation for the same purpose) were being used to maintain control of funds while waiting for valid obligation documents to be processed. Major claimants were deobligating funds from field commands without the knowledge or approval of those commands. Additional guidance was needed to instruct field activities to commit rather than obligate funding for “holding” documents in order to maintain control of funds and that funds not be deobligated from field activities without the field activities’ knowledge and approval.

Invalid obligations also were associated with indefinite delivery contracts and basic ordering agreements. Systems Commands did not have adequate internal controls to ensure that they and their subordinate commands would perform complete and timely reviews of unliquidated contractual obligations and deobligate invalid contractual obligations. Unmatched disbursements existed in the Department of the Navy (DoN) accounting system because: (1) funding organizations did not always obligate funds properly; (2) disbursing office controls were not adequate to ensure prompt detection and correction of errors; (3) accounting data accuracy was not maintained; and (4) efforts to resolve unmatched disbursements were not timely.

Fund Authorization Holders (FAH) did not perform adequate reviews to determine work request status, and to identify and deobligate excess funds. Major claimants did not establish internal controls to ensure accountability for their own and their subordinate activities’ performance of credible and complete obligation validation reviews. Unliquidated work request obligation balances remained unresolved because FAHs had not: completed their research on these documents, determined how to handle overage problem disbursements with duplicate obligations, deobligated excess funds, or responded to requests for verification.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year’s Report: FY 2000

Current Target Date: FY 2000

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various, i.e., OMN (171804), OPN(171810), NWCF (17X4930), APN (171506), WPN (171507)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: DoN activities have implemented various policies and procedures to ensure that (1) funds control systems maintain accurate unobligated and unexpended balances, (2) reviews of unliquidated contractual obligations are timely and complete, and (3) invalid contractual obligations are deobligated. Proper funds control will reduce the likelihood of a violation of the Antideficiency Act.

Source(s) Identifying Weakness:

- NAVAUDSVC Report No. 053-98, “Deobligation and Reobligation of Operation and Maintenance, Navy Funds,” September 30, 1998
- NAVAUDSVC Report No. 025-99, “Obligations Associated Primarily with Indefinite Delivery Contracts and Basic Ordering Agreements,” February 18, 1999
- GAO/AIMD Report No. 99-19, “Financial Management: Problems in Accounting for Navy Transactions Impair Funds Control and Financial Reporting,” January 19, 1999
- NAVAUDSVC Report No. N2000-0016, “Validation of Selected Work Request Obligations in the Standard Accounting and Reporting System,” January 28, 2000

Major Milestones in Corrective Action: (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Instruct field commands to discontinue using “holding” documents and stress the importance of entering only valid obligations into the accounting system.
C	Promulgate policy that funds not be deobligated from field activities without the field activities’ knowledge and approval.
C	Verification: All corrective actions will be certified by the responsible component(s) through command inspections and quality assurance reviews, and audits.

Improper Utilization of Administrative Vehicles

Description of Material Weakness. The DoN did not have a systemic mechanism (validation process) within the transportation management structure to enforce DoN policy requiring that resources be organized and managed to ensure optimum responsiveness, efficiency, and economy in support of DoD missions. Naval installations did not ensure that only the minimum necessary number of administrative vehicles was used to satisfy mission requirements.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action

Year Identified: FY 1998

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2000

Reason For Change in Date(s): N/A

Component/Appropriations/Account Number: Various

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: With the implementation of Installation Management Regionalization, transportation management will be consolidated and centralized under regional commanders, who will issue regional guidelines that will set a clear process for allocation of vehicles.

Source(s) Identifying Weakness: NAVAUDSVC Report No. 030-98, "Management of Non-Tactical Administrative Transportation Vehicles," March 24, 1998.

Major Milestones in Corrective Action (C=Completed)

Date

Milestone

Completed Milestones

C	Coordinate and/or direct major Claimants, Regional Commanders, and Installation Commanders to review and rejustify all administrative vehicles (Alpha Codes A through N) using DoD mileage standards of other documented alternative measurement criteria to justify vehicle retention.
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- C Coordinate and/or direct major TEMCs to redistribute those vehicles identified through Recommendation 1 as not justified or needed to where vehicles are needed, dispose of overaged and unneeded vehicles, and delete the inventory objective associated with these vehicles to avoid future procurements.
- C Centralize vehicle transportation management function into a single process under Regional Commanders and/or Host Installation management Claimants to include a validation unit and a vehicle supplier, and develop a regional transportation program.
- C Verification: On-site verifications, subsequent audits, inspections, quality assurance reviews, and management control reviews verify all actions are completed.

Air Combat Command (ACC) Aircrew Ground Training

Description of Material Weakness: Internal controls within the ACC did not ensure that aircrew ground training programs were effectively managed. Adequate monitoring and compliance with ground training requirements is necessary to ensure aircrews maintain the qualifications and proficiency needed to effectively perform their mission. Specifically, aircrews were overdue one or more grounding training events, aircrews were overdue non-grounding training events, and there was insufficient support for completion of training events that could ground aircrews.

Functional Category: Force Readiness

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: The ACC Inspector General reviewed aircrew ground training as a critical compliance objective during each Unit Compliance Inspection.

Results Indicators: Accurate and complete support documentation of all squadron aircrew life support training and training requirements, will help ensure that units are ready to fully meet their wartime tasking.

Source(s) Identifying Weakness: (C) Air Force Audit Agency Report of Audit: Aircrew Ground Training Headquarters Air Combat Command, Project EL 000094, June 20, 2000.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Revised life support guidance to include a self-assessment checklist for wing and squadron life support officers which includes a review of problem areas identified during the audit.
C	Sent a letter to all ACC wings to emphasize the wing life support office represents the Operations Group Commander in all matters regarding compliance with the life support program.
C	Revised life support guidance to require squadron life support officers to provide the wing life support officer a copy of squadron semiannual life support self-assessment reports.
C	Tasked ACC units that were not part of this audit to perform a thorough one-time review and research grounding and non-grounding events for aircrew members with no dates or overdue dates in the Air Force Operations Resource Management System (AFORMS). AFORMS is used to track individual aircrew training.
C	ACC Inspector General reviewed aircrew ground training as a critical compliance objective during each Unit Compliance Inspection.

Unit Chemical and Biological Defense Readiness Training

Description of Material Weakness: The DoN management controls were not adequate to ensure that unit commanders fully integrated chemical and biological (CB) defense with unit mission training exercises. The requirement to fully integrate CB defense training with unit mission training included conducting combat, combat support, combat service support, and command and control exercises. Although DoN required training assessments at different levels, unit level CB defense readiness assessment and reporting did not provide adequate measures and feedback to determine whether units could successfully complete their wartime missions under CB conditions.

Functional Category: Force Readiness

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2000

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various, i.e., OMMC (171106) and OMN (171804)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Full integration of CB defense with unit mission training and accurate readiness reports reflect unit readiness to successfully conduct wartime missions under CB conditions.

Source(s) Identifying Weakness: IG,DoD Report No. No. 98-174, "Unit Chemical and Biological Defense Readiness Training," July 17, 1998.

Major Milestones in Corrective Action (C=Completed)

Date: Milestone

Completed Milestones

- | | |
|---|---|
| C | Marine Corps commanders will conduct periodic training briefings to address unit readiness under chemical and biological conditions. |
| C | Prior to deployment, unit commanders are provided updated intelligence reports that include the chemical and biological threat in their area of operations. |
| C | The Marine Corps will use both the Marine Corps Combat Readiness Evaluation System and Marine Corps Inspector General (IG) Readiness Assessment team reports in assessing unit readiness under CB conditions. |

- C Marine Corps Combat Readiness and Evaluation System evaluations are conducted biannually for all Marine Air Ground Task Force elements. These evaluations include chemical and biological scenarios. Marine Expeditionary Units must accomplish a mission under chemical and biological defense condition to be certified as special operation capable.
- C The Marine Corps will require the results of the Marine Corps Combat Readiness Evaluation System evaluations and IG Readiness Assessment team visits be forwarded through the chain of command to Headquarters, Marine Corps (HQMC).
- C Require DoN activities to report periodically to the appropriate DoN Commander on chemical and biological defense training conducted.
- C Verification: Validation of the implementation of the corrective milestones will be accomplished by an on-site verification.

Host Nation Support (HNS)

Description of Material Weakness: The IG, DoD Audit Report on HNS in Southwest Asia, Project No. 4RA-0061, identified the HNS program of the United States Central Command (USCENTCOM) as a material weakness. Specifically, USCENTCOM and component commands have not fully identified their wartime HNS logistical requirements, validated quantities of wartime HNS presumed to be available for use by U.S. Forces, or established reporting procedures for logistical HNS received by U.S. Forces. Accordingly, USCENTCOM has few assurances that HNS will be available when or where needed. The vast deployment distances and the current threat/presence imbalance in the Area of Responsibility (AOR) dictate that prior HNS arrangements for the immediate use of U.S. Forces is vital.

Functional Category: DOD Category 05 - Force Readiness

Pace of Corrective Action

Year Identified: FY 1995

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 2004

Current Target Date: FY 2000

Reason for Change in Date(s): USCENTCOM has established a Host Nation Support Branch and has procedures in place for establishing HNS in the USCENTCOM AOR. Successful completion of “milestones to date” confirms that management controls are in place, and are properly functioning. On September 9, 1997, the IG,DoD notified the USCENTCOM that the case was closed for follow-up purposes. Follow-up monitoring is being accomplished through the USCENTCOM Management Control Program.

Component/Appropriation/Account Number: All Components: Cost avoidance in all Operation and Maintenance budget authorities.

Validation Process: As milestones are achieved, an ongoing management control review will be performed to verify the effectiveness of the corrective action. The USCENTCOM Inspector General (IG) will play an active, independent role in the internal review to verify the validity of corrective actions. Periodic status updates are forwarded to the Joint Staff and the Office of the Secretary of Defense (OSD) for review of the program’s legality and sufficiency.

Results Indicators: Production of a component-validated list of HNS commodities and services is required from the host nation, organized by location and OPLAN phase, and agreed to by the host nation’s political and military leadership. Furthermore, the country specific HNS requirements and procedures will be exercised periodically and continuously tailored.

Source(s) Identifying Weakness: IG,DoD Audit Report on HNS in Southwest Asia (SWA), (U), Report No. 96-045, 14 Dec 95. IG,DoD notified USCENTCOM that the case was closed for follow-up purposes on September 9, 1997.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Assemble threat assessment and 14-, 45-, and 90-day combat unit bed-down and associated HNS requirements.
C	Brief American Embassy Country Teams on access, bed-down, diplomatic clearance, and HNS requirements.
C	Validate component HNS requirements.
C	A USCENTCOM General Officer presents to the senior political/military leadership in each nation an executive briefing highlighting the need for detailed HNS Mil-to-Mil planning to preclude deployment delays and to assure sustainment of U.S. Forces.
C	Begin inserting HNS into USCENTCOM exercise scenarios.

- C Verification of corrective actions by the USCENTCOM IG as a Special Interest Item during the annual command MC inspection.
- C Publish revised CCR 700-2, Logistics Host Nation Support.
- C HNS requirements determined for Bahrain, Oman, Qatar, Saudi Arabia, UAE, and Egypt
- C HNS requirements presented to Bahrain Defense Force. Implementing Arrangement (IA) to the Defense Cooperation Agreement (DCA) drafted for support. Proposed amendment and IA to the Acquisition and Cross Servicing Agreement (ACSA) for mutual logistical support.
- C HNS requirements determined for Kuwait. Initial presentation to the Kuwait Executive Council completed May 1999.
- C HNS requirements presented to Oman Armed Forces. No IA to the Access Agreement proposed pending negotiation of Access Agreement. Proposed Acquisition and Cross Servicing Agreement for mutual logistical support.
- C HNS requirements presented to Qatar General Headquarters. An IA to the DCA drafted for support. An ACSA for mutual logistical support is approved by JCS, awaiting review and signature by Qatar Armed Forces.
- C HNS requirements presented to UAE Armed Forces. Proposed ACSA for mutual logistical support.
- C HNS requirements presented to Egyptian Armed Forces. Proposed ACSA for mutual logistical support.
- C Jordan ACSA was reviewed for complete access to mutual logistical support. Completed Amendment to ACSA and IA complete.
- C Kenya, Seychelles and Djibouti ACSA designation approved by JCS. Kazakhstan ACSA eligibility forwarded to JCS for approval.
- C Initial ACSA program proposal forwarded to Krygystan and Turkmenistan country teams.
- C ACSA program briefed to OMC-Kuwait, and Kingdom of Saudi Arabia Friendly Forces Coordination Cell, USMTM, and U.S. Embassy.

Defense Civilian Pay System (DCPS) Input Fraud

Description of Material Weakness: This weakness occurred at the Military Traffic Management Command (MTMC) U.S. Garrison, Oakland Army Base (OARB), Oakland CA. OARB was part of the Base Realignment and Closure (BRAC '95) and closed September 30, 1999. An employee designated as the "Super Timekeeper" input time and attendance to DCPS for payroll purposes for a given organizational element. There was no direct oversight of the actual data input. That Super Timekeeper input data without regard to the time card data input feeder sheets. While the DCPS system has multileveled password protections to ensure only the bonafide Super Timekeeper can access the given organization's input screens, there is nothing to preclude a dishonest Super Timekeeper from entering false information. In this case, the Super Timekeeper entered overtime or compensatory time hours in excess of those actually worked or failed to enter annual or sick leave taken--regardless of the data on the time card sheet. There are ceilings on the total amounts that may be entered for a day, week, month, but these did not prevent fraudulent entries for amounts below that ceiling.

A weakness also existed with the DCPS generated management reports. DCPS management reports were forwarded through distribution in an envelope addressed to the designated management official for the given organizational element, e.g., the Commander. The annual/sick leave and overtime/compensatory time activity and balance reports are exception driven. They are generated and provided to management officials and supervisors only if there is activity or open balances. So, if and when overtime/compensatory time activity is unanticipated, management would have no way of knowing if the Super Timekeeper making the fraudulent entries intercepted the report package from distribution and removed the reports for the individual employees for whom these entries were made. This appears to have occurred in this case.

Since the OARB was downsizing (due to BRAC '95), the supervisor for some of the employees involved in this case did not have a designated timekeeper. As a check and balance, the procedure calls for an individual other than the Super Timekeeper to serve as timekeeper. The timekeeper normally prepares the time card feeder sheet input, which the supervisor then signs to authenticate. While this procedure was not followed across the board, it would not have prevented the fraudulent input. The dishonest Super Timekeeper could and did make fraudulent entries regardless of the existence of properly prepared and submitted time card feeder sheets. Existence of such sheets would have made determination of the fraudulent amounts an easier process when the fraud was discovered, but would not have precluded the fraud.

Functional Category: Personnel and/or Organizational Management

Pace of Corrective Action

Year Identified: FY 1999

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2000

Reason for Change in Date(s): N/A

Component/Appropriation /Account Number: Army/OMA & Transportation Working Capital Fund/97X4930

Validation Process: DCPS input fraud at Oakland Army Base being investigated by the USA Criminal Investigation Command (CID)

Results Indicators: N/A

Sources(s) Identifying Weakness: Multiple (see description)

Several sources surfaced the weakness at the same time. In late April 1999, the Resource Management (RM) staff noticed unusually large amounts of overtime hours in the reports for certain employees. RM asked management to validate these amounts. Subsequent review revealed suspect employees and the potential scope of the fraud. At approximately the same time, the dishonest Super Timekeeper transferred to another organization. The alternate Super Timekeeper told her supervisor she was uncomfortable assuming the Super Timekeeper function because the previous individual failed to follow proper procedures. The supervisor surfaced the issue to senior management. This further alerted management to the problem. At the same time, senior management was reviewing leave usage data for the quarter. This review revealed an employee with no leave usage reported in a period while a substantial amount of leave was known to have been used, e.g., one month of emergency leave as a result of a death in the family. Management promptly conducted a brief analysis and conferred with both involved supervisors and RM personnel. This brief analysis quickly revealed the existence of a substantial amount of unearned overtime. Management surfaced the issue to the Staff Judge Advocate (SJA). After consultation, the Garrison Deputy Commander directed the SJA to initiate action with CID for a formal criminal investigation. The CID began its investigation in May 1999. CID investigators provided the Deputy Commander an initial summary report confirming the existence and extent of the fraud on September 21, 1999.

Major Milestones in Corrective Action (C = Completed)

Date

Milestone

Completed Milestones

- | | |
|---|--|
| C | Management review of overtime reports revealed the extent of the fraud. |
| C | Management surfaced the issue to the Staff Judge Advocate. After consultation, the Commander directed SJA to initiate action with CID for a formal criminal investigation. |

- C CID began a formal criminal investigation.
- C CID gave the Garrison Commander an initial summary report confirming the existence and extent of the fraud on September 21, 1999.
- As the Garrison employees under investigation were scheduled to depart OARB via retirement or reduction in force (on 9/30/99), CID and the Assistant U.S. Attorney's Office requested OARB management initiate appropriate action against the individuals involved to prevent this. The SJA requested assistance in determining options regarding the delay or termination of payment of Voluntary Separation Incentive Pay (VSIP) and severance pay.
- HQMTMC SJA, DCSPAL and DCSR and the Garrison and DSC Oakland staff representatives determined that a HQMTMC DCSPAL representative would assist the Garrison in determining the appropriate course of action and to maintain continuity after the September 30 base closure.
- Since the CID report was not releasable to the employees in question, the Deputy Garrison Manager conducted an administrative investigation to determine what disciplinary actions could be taken. Written records of disciplinary investigation were prepared and personally issued by the Deputy Garrison Manager stating the alleged charges.
- C Immediate action was taken to remove the employees from the DoD Priority Placement Program. Four suspects resigned prior to conclusion of the administrative investigation. One employee retired (without receiving VSIP) after receiving written notice of proposal to remove from federal service. Administrative investigation (confirmed by CID) cleared two employees from charges.
- Ongoing To be determined upon the final report from CID. Criminal prosecution of the employees involved is likely.
- C U.S. Attorney's Office, San Francisco, believes there is sufficient cause to refer cases to Grand Jury for decision to prosecute. Criminal prosecution of OARB cases subject to Grand Jury review. No further action required of MTMC on quality assurance issues.

Air National Guard (ANG) Training
(Formerly known as Aircraft Maintenance Training Within the Air National Guard)

Description of Material Weakness: Existing controls failed to ensure that Air National Guard members were properly trained, and that the training was properly documented. The documentation of training did not support certification of required training for ANG members' current status of qualification and skill level in the duty position in which the member is assigned.

Functional Category: Personnel or Organizational Management

Pace of Corrective Action

Year Identified: FY 1997

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, ANG Operation and Maintenance, 57*3840, and ANG Military Personnel, 57*3850.

Validation Process: The USPFO reports that document the effectiveness of corrective action as determined by audit review of training and certification records, were reviewed by a team of experts, consisting of base education and training managers and headquarters ANG functional managers. The results were disseminated ANG-wide.

Results Indicators: Implementation of additional controls will better ensure proper training and accurate and timely certification of members' duty training requirements.

Source(s) Identifying Weakness. (C) Air Force Audit Agency Reports of Audit: Aircraft Maintenance Training within the Air National Guard, Project 96062024, September 19, 1996, and ANG Medical Training Program, Project 97051025, August 13, 1997 and (G) Various internal reviews.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	ANG Manual 36-2201, Maintenance Training Policy, was created. It outlines specific duties of the Unit Maintenance Training Manager. One chapter deals with formal training. It advertises formal training as being advantageous to maintenance personnel in that it delivers standardized training by professional instructors and reduces the on-the-job training time at home-station.
C	ANG Instruction 21-010, Aircraft Maintenance, now includes a statement referring to a new ANG Manual 36-2201, Maintenance Training Policy.
C	A second position was created and filled in the ANG Reserve Center Logistics Training Management section.
C	An ANG Special Interest Item (SII 97-001) was issued for active duty Inspector Generals regarding the 100 percent internal audit.
C	ANG has initiated procedures to centrally fund Field Training Detachment (FTD) classes provided they fall within certain criteria. Anyone attending a FTD for an egress course or in lieu of a technical school will be funded. The latter includes waivers of the technical school and accessions falling within criteria set forth in ANG retraining policy.
C	ANG worked with the Air Force Major Commands to redefine the process of obtaining seats in FTD courses. An All-Major Command (MAJCOM) meeting was held at Sheppard Air Force Base (AFB) to streamline the process and provided relief for scheduling difficulties previously encountered by everyone. The following were outcomes of that meeting: <ol style="list-style-type: none">1. The “using” maintenance training managers no longer would schedule seats through the Air Force Training Management System (This is only applicable to units sending their personnel temporary duty (TDY) to the FTD site).2. Personnel utilizing FTDs for skill-level awards (such as ANG and Air Force Reserve Component) would be raised to a priority 3 (MAJCOM priority courses are a priority 5) instead of the priority 7, which is the normal limitation.

3. Students with a confirmed seat in a class will no longer be bumped by the host unit except for a higher priority situation.

- C ANG Unit training managers performed 100 percent audit of ANG maintenance personnel training records. This was ordered by ANG/LG. All state headquarters were required to submit an audit summary identifying that there was no maintenance being performed on equipment for which personnel were not properly trained, and that controls are in place to ensure that training documentation discrepancies are resolved.
- C Developed a Compliance Review Guide for ANG aircraft maintenance training that will be implemented by each ANG unit.
- C Developed a Compliance Review Guide for all on-the-job training requirements and documentation and required completion by each ANG unit.
- C Reemphasized the importance of training and documentation compliance at the ANG Personnel and Training Conference.
- C Requested all National Guard United States Property and Fiscal Officers to have their Internal Review auditors perform a statistical sampling of on-the-job training records at all ANG units and to provide results to ANG headquarters.
- C Analyzed the review reports and provided appropriate personnel with a results summary for corrective action.
- C The USPFO reports documenting the effectiveness of corrective actions as determined by audit review of training and certification records, were reviewed by a team of experts, consisting of base education and training managers and headquarters ANG functional managers. The results were disseminated ANG-wide.

Lessons Learned Information from Major Training Exercises

Description of Material Weakness: Despite lessons learned programs, many of the same mistakes are repeated during subsequent major training exercises and operations. Some of these mistakes could result in serious consequences, including friendly fire incidents and ineffective delivery of bombs and missiles on target. As a result, the DoN cannot be assured that significant problems are being addressed or that resources are being devoted to solve the most serious problems already identified.

Functional Category: Personnel and/or Organization Management

Pace of Corrective Action

Year Identified: FY 1996

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2000

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: MPN (171453), MPMC(171105)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Lessons learned information is used to identify and make known recurring problems, and is used to develop and put into practice corrective measures so problems are not repeated.

Source(s) Identifying Weakness: GAO/NSIAD Report No. 95-152, "MILITARY TRAINING: Potential to Use Lessons Learned to Avoid Past Mistakes Is Largely Untapped," August 9, 1995.

Major Milestones in Corrective Action (C=Completed)

Date

Milestone

Completed Milestones

C

Incorporate a validation process into the DoN's lessons learned programs.

- C Provide training to key personnel in the use of lessons learned information and the technology for accessing and reviewing that information.
- C Modify DoN lessons learned program to capture and retain all significant lessons learned from operations and exercises.
- C Analyze lessons learned information so that trend data can be developed to identify recurring problems, and prioritize these recurring problems so that limited resources can be concentrated on the most pressing areas. [Present funding does not support the long-term addition of Remedial Action Program analysts at the Fleet Management Sites (FMS). In the interim, emphasis within the FMS on reviewing and categorizing lessons learned databases has reduced the number of active lessons and eased the burden of tracking and analyzing. Other options to provide manpower using Naval Reservists are being considered.]
Status: Revised. After additional resources identified, identify and analyze lessons learned information so that trend data can be developed. Trend analysis requirements and procedures to be provided by the Department of Defense. Program would identify recurring problems, and prioritize these recurring problems so that limited resources can be concentrated on the most pressing areas. In the interim, emphasis within the FMS on reviewing and categorizing lessons learned databases has reduced the number of active lessons and eased the burden of tracking and analyzing. The audit findings and recommendations for this material weakness have been closed for further follow-up.
- C Verification: Subsequent on-site verification, audit, inspection, quality assurance review, and management control reviews verify that an active lesson learned program has reduced incidence of problems recurring.

Financial Management of Foreign Military Sales (FMS)

Description of Material Weakness: Internal controls necessary for proper financial management of FMS line execution were inadequate. Weaknesses existed in the areas of recording of payments, proper reimbursement of expenses, and delivery reporting which especially impacted the collection of nonrecurring costs for major defense equipment (MDE).

Functional Category: Security Assistance

Pace of Corrective Action

Year Identified: FY 1997

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: FMS Trust Fund, 9711 X8242, and Treasury Miscellaneous Receipt Account, 57*3041

Validation Process: The effectiveness of new procedures was verified by self-inspection.

Results Indicators: Appropriate accounts are being charged in accordance with Volume 15 of the DoD Financial Management Regulation, thereby resulting in timely reimbursement to the Treasury Miscellaneous Receipt Account.

Source(s) Identifying Weakness: (D) GAO Report: Foreign Military Sales: Millions of Dollars of Nonrecurring Research and Development Costs Have Not Been Recovered, October 1998, and (E) Management Control Review, June 1997.

Major Milestones in Corrective Action

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Reviewed existing Air Force procedural guidance.
C	Met with DFAS representatives from Security Assistance Accounting to discuss appropriate procedures and determine training needs.
C	Established new procedures for case implementation that ensured accounting records were established and obligation authority made available prior to issuing TDY orders.
C	Initiated collections for outstanding nonrecurring cost charges from FMS customers.

- C A contractor completed a review of all security assistance financial management procedures and identified standard processes that include adequate internal control features.
- C A contractor developed a financial handbook and identified training needs.
- C Drafted revised nonrecurring cost collection procedures. Letters of Offer and Acceptance, which include MDE, are required to include a statement specifying whether or not nonrecurring costs are included.
- C Completed review of open MDE cases to ensure nonrecurring costs have been collected or properly identified for collection when the MDE is delivered.
- C Established a nonrecurring cost focal point within the Air Force Security Assistance Center.
- C Completed the development of a Case Reconciliation and Closure course to train the Air Force FMS community on sound financial management practices.
- C Established procedures to use Case Management Control System reports to provide Air Force managers the necessary information to ensure timely collections and reimbursements.
- C Performed self-inspections.

Chemical and Biological Medical Supplies

Description of Material Weakness: The inventory control system did not accurately track federal medical supplies. In comparing the Marine Corps Chemical Biological Incident Response Force's (CBIRF) medical supplies with the records in its inventory tracking system, for approximately 26 percent of the inventory items, the audit found either discrepancies between the inventory records and the amount in stock or errors in the recording of lot numbers and expiration dates. The responsible agencies did not implement basic internal controls that would reasonably assure that all medical supplies and pharmaceuticals are current, accounted for, and available for use. Problems were identified in all major aspects of internal controls. The ability of the United States to respond effectively to chemical or biological terrorist incidents is compromised by poor management controls and the lack of required items.

Functional Category: Supply Operations

Pace of Corrective Action

Year Identified: FY 2000

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2000

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: The inventory control system will accurately track federal medical supplies, and there will be few discrepancies detected within the stockpile inventories.

Source(s) Identifying Weakness: GAO Report No. HEHS/AIMD-00-36, "Combating Terrorism: Chemical and Biological Medical Supplies are Poorly Managed," October 1999.

Major Milestones in Corrective Action (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestones</u>	
C	Conduct an independent physical security of medical supplies.
C	Review supply operations to ensure compliance with established supply policies and procedures.
C	Develop written policies to ensure proper rotation of medical supplies.
C	Verification: Validation of the implementation of the corrective milestones will be accomplished by an on-site verification.

Management of Historical Property in the Air Force Museum System

Description of Material Weakness: Existing internal controls were not sufficient to manage properly and control historical property at Air Force museums and other locations.

Functional Category: Support Services

Pace of Corrective Action

Year Identified: FY 1996

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: The effectiveness of corrective actions has been verified by headquarters review of Air Force museums.

Results Indicators: Corrective actions will result in fewer missing, improperly documented, or inadequately protected artifacts.

Source(s) Identifying Weakness: (C) AFAA Report of Audit: USAF Museum System, Project 96051028, September 4, 1996.

Major Milestones in Corrective Action

Date

Milestone

Completed Milestones

- | | |
|---|--|
| C | USAF Museum conducted new basic curatorial course to provide training in the requirements and procedures of the USAF Museum System. |
| C | AF Manpower Standard for Field Museums (requiring minimum of three positions to operate a field museum or having it closed or reduced to a heritage center) published. |

- C Implementation of Air Force Museum Artifact Tracking System (AFMATS) to provide a standard database for historical property begun.
- C Special teams completed inventory of 383 historical property accounts.
- C Staff assistant visits performed at major historical property holdings.
- C Issued detailed guidance to museum personnel for disposing of historical property.
- C New AFMATS software distributed for inventorying and reporting historical property.
- C Unreported historical property identified for possible accessioning as artifacts.
- C Headquarter review of field implementation found that corrective actions were effective.

Productivity Gain Sharing (PGS)

Description of Material Weakness: Execution of PGS programs in the DoN needs improvement. Weaknesses identified in the PGS program included: limited independent review and approval of final PGS award calculations to ensure adherence to approved financial constraints; insufficient guidance on productivity measurement requirements; and a lack of program effectiveness reviews to assess the programs on which the awards were based. (The DoN suspended the PGS programs to allow time for the development of a comprehensive policy document, which provides clear guidance and procedures for executing the program.)

Under Secretary of Defense (Comptroller) (USD(C)) policies impact the extent to which DoN PGS policy and guidance need to be modified. Financial management policy issues referred to USD(C) included concern about the extent to which current Navy Working Capital Fund (NWCF) (formerly Defense Business Operations Fund (DBOF)) accounting methods and systems can support the detailed measurements and accounting data needed to support financial audits. Current USD(C) policies do not address accounting methods and systems for PGS programs at non-DBOF and unit cost activities. Any proposed revisions and guidance are subject to review by the Defense Partnership Council.

During reorganization in the 1990s, the Defense Productivity Program Office was disestablished and incentive and award programs were decentralized. OSD is not issuing guidance for such programs. Productivity Gain Sharing programs may be implemented at the discretion of the

Component head but component resources must be used for development, administration and maintenance of any programs. The DoN has determined that there is no need for a Productivity Gain Sharing program within the Navy and will not re-institute such a program.

Functional Category: Other - Productivity Improvement

Pace of Corrective Action

Year Identified: FY 1994

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2000

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Various

Validation Process: All corrective actions(s) will be certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review. During reorganization in the 1990s, the Defense Productivity Program Office was disestablished and incentive and award programs were decentralized.

Results Indicators: Appropriate guidance will enhance productivity measurement abilities, ensure proper PGS award calculations and an effective program.

Source(s) Identifying Weakness: NAVAUDSVC Report No. 007-S-94, "Productivity Gain Sharing," November 16, 1993.

Major Milestones in Corrective Action (C=Completed)

<u>Date</u>	<u>Milestone</u>
<u>Completed Milestone</u>	
C	Suspend the PGS program to allow time for the development of a comprehensive policy document which provides clear guidance and procedures for executing the program.
C	Require DoN activities to follow DoD Financial Management Regulation guidance, and deduct extraordinary expenses from revenue in arriving at net operating results.

C Require appropriate DoN activities to disclose in financial statement footnotes that general and administrative expenses had been understated in the past.

C Verification: During reorganization in the 1990s, the Defense Productivity Program Office was disestablished and incentive and award programs were decentralized. The DoN has determined that there is no need for a PGS program within the Navy and will not reinstitute such a program.

Planned Milestones (FY 2001): None

Planned Milestones (Beyond FY 2001): None