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EXECUTIVE SUMMARY
Volume II

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 Congress stating whether the goals of the Act are being achieved. As indicated, Volumes I, II, and the Defense Finance and Accounting System (DFAS) 1996 Chief Financial Officers Act Financial management 5-Year plan of this DoD Annual Statement of Assurance for FY 1996 provide the basis for the Department's position on reasonable assurance.

-- Enclosure A provides a statistical summary of DoD FMFIA performance. It summarizes all DoD Component weaknesses noted in both Volume I and Volume II. DoD systemic weaknesses are not included in this count. Of the 880 problems identified from FY 1983 through FY 1996, 750 (85 percent) have been resolved. It also shows the number of nonconforming financial management systems: 211.

-- Enclosure B-1 contains two lists: 53 DoD Component material weaknesses not related to the DoD systemic weaknesses that require corrective action (Enclosure B-2) and weaknesses corrected this period (Enclosure B-3).

-- Enclosure B-2 describes the 32 pending material weaknesses contained in this volume and action plans to correct them. Other pending DoD Component material weaknesses are itemized as a supplement to the DoD systemic weaknesses in Volume I.

-- Enclosure B-3 contains information about the 21 material weaknesses contained in this volume which were corrected during FY 1996. Other corrected DoD Component material weaknesses are itemized as a supplement to the DoD systemic weaknesses in Volume I.

-- Enclosure C references the attached DFAS 1996 Chief Financial Officers Act Financial management 5-Year Plan which contains the data required at this tab: a report on accounting systems conformance and nonconformance.

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	719	674	45
1994 Report	69	46	23
1995 Report	37	18	19
1996 Report	<u>55</u>	<u>12</u>	<u>43</u>
Total	<u>880</u>	<u>750</u>	<u>130</u>

* Number reported for "prior years" and "1994" modified from previous reports to reflect consolidation of related weaknesses.

Of the total number corrected, how many were corrected in FY 1996? 68

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	43	-31	250	245
1994 Report	250	245	+11	261	256
1995 Report	261	256	-12	249	244
1996 Report	249	244	-32	217	211

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 which is common to both (i.e.: consolidation). As the number of financial management systems is reduced, some system consolidations and revisions affect the number of systems, but may or may not affect the number of nonconforming systems.

DoD decertified the major of its systems and increased the number of reportable systems in conjunction with the revised requirements of OMB Circular A-127, issued July 23, 1993.

ENCLOSURE B-1

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
LISTS OF UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

This enclosure contains two lists. The first list, starting on page B1-2, enumerates those topical areas identified as having uncorrected material weaknesses. However, weaknesses which are subsets of a DoD systemic weakness are not reported in Enclosure B, but are identified in an itemized listing at the conclusion of each applicable systemic weakness in Volume I. DoD Component uncorrected weaknesses not covered by the systemic weaknesses, but material enough to be reported by Components, are disclosed in Enclosure B-2. The first list includes the title of the weakness, fiscal year in which it was first reported, target year for correction reported in the FY 1995 FMFIA report, current target year for correction, and the page number in Enclosure B-2 where the material weakness and corrective action plan are described in greater detail.

The second list, starting on page B1-6, is a compilation of Enclosure B-3 material weaknesses corrected during FY 1996 which are not itemized in Volume I as a subset of a systemic weakness. The fiscal year in which the weaknesses were first reported and a corresponding page number in Enclosure B-3 are provided.

Weaknesses, both uncorrected and corrected, are listed by the Department of Defense category designations displayed below. Within each category, weaknesses are listed chronologically, starting with the most current year, FY 1996.

- Supply Operations
- Contract Administration
- Information Technology
- Comptroller/Resource Management
- Research, Development, Test and Evaluation
- Major Systems Acquisition
- Procurement
- Force Readiness
- Manufacturing, Maintenance & Repair
- Property Management
- Communications/Intelligence
- Personnel and Organizational Management
- Support Services
- Security Assistance
- Other

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>Supply Operations</u>				
Price Challenges on Selected Spare Parts	1996	N/A	1997	B2-1
Inventory Accuracy Rates	1993	1997	1998	B2-3
DoD Small Arms Serialization Program	1995	1997	1998	B2-5
<u>Contract Administration</u>				
Contract Security Requirements	1996	N/A	1997	B2-7
Placement of Intra-Government Orders Under the Economy Act	1992	1996	1997	B2-9
<u>Information Technology</u>				
Computer Equipment Control and Accountability	1993	1996	1997	B2-11
Defense Communications Systems Management Information Systems	1990	1998	1998	B2-13
<u>Comptroller/Resource Management</u>				
Disbursements in Excess of Obligations	1994	1996	1998	B2-16
Civilian Retirement Claims Processing	1991	1998	1998	B2-19
Funds Used for Attaché Tours	1996	N/A	1997	B2-22
Contingency Funds Used for Gift Locker and Counterpart Visit Programs	1996	N/A	1997	B2-25

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>	
Computing of Temporary Duty Service Charge Rates	1996	N/A	1997	B2-28
Aviation Continuation Pay Bonus Program	1993	1996	1997	B2-31
DLA Distribution Cost Accounting	1996	N/A	1997	B2-33
Internal Controls Over Accuracy of Product Inventory	1996	N/A	1999	B2-35
Routine Close-out Procedures on Unliquidated Obligations	1996	N/A	1997	B2-38
<u>Procurement</u>				
Procurement Management	1995	1996	1997	B2-40
<u>Force Readiness</u>				
Automated Mobilization System	1988	2002	2002	B2-42
Host Nation Support	1995	1996	1998	B2-47
<u>Property Management</u>				
Poor Utilization of Bachelor Enlisted Quarters Berthing Spaces and Transient Bachelor Officer Quarters	1992	1997	1997	B2-49
Navy Management of Missile Storage, Handling and Inspections	1996	N/A	1997	B2-52
Military Construction Value Engineering Program	1996	N/A	1997	B2-54

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>	
Inadequate Master Plans	1993	1997	1999	B2-56
Controls Over Expedited Disposal Processing	1996	N/A	1997	B2-58
<u>Communications/Intelligence</u>				
Call Accounting System Not in Operation	1996	N/A	1997	B2-60
<u>Personnel and Organizational Management</u>				
Navy Enlisted Classification Code Training	1993	1996	1997	B2-62
Naval Selected Reserve Force Mobilization Requirements	1992	1996	1999	B2-65
Family Service Centers	1990	1996	1997	B2-68
Lessons Learned Information from Major Training Exercises	1996	N/A	1998	B2-70
Misuse of Temporary Appointing Authority and Intermittent Work Schedules of Commissary Employees	1992	1996	1997	B2-72
Records Management	1993	1998	1999	B2-75
<u>Support Services</u>				
Management of Historical Property in the Air Force Museum System	1996	N/A	1998	B2-78

LIST OF MATERIAL WEAKNESSES CORRECTED IN FY 1996
(DESCRIPTIONS FOUND AT ENCLOSURE B-3)

<u>Title</u>	<u>Year First Reported</u>	<u>Page Number</u>
<u>Supply Operations</u>		
Control of Small Arms Weapons Spare Parts	1991	B3-1
Inventory Management - Material Returns Program	1994	B3-7
War Reserve - Requirements Determination and Management	1994	B3-10
Management of Assets Withdrawn from the Defense Utilization and Marketing Service	1992	B3-13
<u>Contract Administration</u>		
Institutional Providers for Outpatient Services	1996	B3-15
Validity of Providers Claims	1996	B3-18
<u>Information Technology</u>		
Controls Over Copyrighted Computer Software	1993	B3-20
Air National Guard Management of Automated Data Processing Systems	1993	B3-22
<u>Comptroller/Resource Management</u>		
Morale, Welfare, and Recreation Program, "Declining Funds"	1994	B3-24
Budgeting of Aircraft Modifications for the NAVSTAR Global Positioning System	1995	B3-26

LIST OF MATERIAL WEAKNESSES CORRECTED IN FY 1996
(DESCRIPTIONS FOUND AT ENCLOSURE B-3)

<u>Title</u>	<u>Year First Reported</u>	<u>Page Number</u>
<u>Procurement</u>		
Air Intelligence Agency Acquisition Process	1994	B3-28
<u>Property Management</u>		
Base Realignment and Closure Commission Military Construction Costs Data	1994	B3-30
Invalid Military Construction Projects	1996	B3-32
Management of the Resource Recovery and Recycling Program	1994	B3-34
<u>Communications/Intelligence</u>		
Telephone Control Procedures	1992	B3-36
<u>Personnel and Organizational Management</u>		
Navy Personnel and Transition Services	1994	B3-38
Sexual Harassment	1992	B3-40
Lack of Baseline Manpower Survey	1990	B3-42
<u>Support Services</u>		
International Agreement Tracking and Reporting	1996	B3-44

LIST OF MATERIAL WEAKNESSES CORRECTED IN FY 1996
(DESCRIPTIONS FOUND AT ENCLOSURE B-3)

<u>Title</u>	<u>Year First Reported</u>	<u>Page Number</u>
<u>Security Assistance</u>		
Financial Reconciliation of Foreign Military Sales in the F-16 Multinational Fighter Program	1996	B3-46
<u>Other</u>		
Vehicle Misuse Prevention	1993	B3-48

ENCLOSURE B-2

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Price Challenges on Selected Spare Parts. The Navy provided inadequate responses to 24 of 45 selected price challenges submitted under the Buy Our Spares Smart (BOSS) challenge program. As a result, unreasonable pricing of spare parts was not detected, and the undetected unreasonable prices may be used as a basis to justify prices for future procurements.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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: Determination as to whether or not contractor prices were fair and reasonable will result in refunds from contractors and prevent unreasonable prices on subsequent procurements.

Source(s) Identifying Weakness: Department of Defense Inspector General Report No. 96-035, "Price Challenges on Selected Spare Parts," of 12 December 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Issue guidance to reemphasize price challenge program policy and ensure that Navy inventory control point personnel respond promptly and accurately to price challenge hot line requests for information.
C	Reemphasize process requiring the Navy price fighter activity to forward all pricing issues not evaluated by the price fighters to the appropriate activity on behalf of the price challenger.
C	Issue guidance emphasizing the responsibility of the Navy buying activity contracting officer to determine price fairness and reasonableness.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Amend the Navy memorandum of agreement with the Defense Logistics Agency (DLA) to incorporate the requirement for processing Navy pricing inquiries received by DLA inventory control points.
9/97	Verification: Subsequent on-site verification, audit, inspection, quality assurance review, and management control review verifies adequate pricing responses to BOSS pricing challenges.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Inventory Accuracy Rates. Prescribed Department of Defense (DoD) guidance does not provide adequate procedures to achieve DoD required inventory accuracy rates.

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 1997

Current Target Date: FY 1998

Reason for Change in Date(s): Limited resources and the requirement to validate new formulas with all Services have prevented the DoD working group from completing its revisions.

Component/Appropriation/Account Number: Air Force, Defense Business Operations Fund , 97*4930

Validation Process: The effectiveness of new procedures will be verified by headquarters review of field implementation.

Results Indicators: Corrective actions will help to substantiate inventory accounts more accurately.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: "Internal Control and Management Issues Related to Air Force Supply Management, Systems Support Division, Fiscal Year 1992 Financial Statements, Project 92068040." November 16, 1993.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish a DoD Multi-Service group to develop a proposed inventory sampling technique to enhance the inventory accuracy rates.

C Conduct a joint Air Force/Army test of procedures.

C Implement interim DoD procedures.

Planned Milestones (FY 1997):

Date: Milestone:

3/97 DoD develop revised procedures.

9/97 DoD test revised procedures.

Planned Milestones (Beyond FY 1997):

Date: Milestone:

3/98 Air Force implement new procedures.

9/98 Validate implementation of new procedures.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Department of Defense (DoD) Small Arms Serialization Program (DoDSASP) Not Accomplished to Standard. Defense Logistics Agency (DLA) assumed the weapons storage mission from the Army as a result of Defense Management Review Decision (DMRD) 902 on March 16, 1992. Due to known long term systemic problems in the Army's serial number tracking system, numerous suspect serial numbers have been entered into DoDSASP. Required annual inventory is not correcting the mismatches between serial number and custodial records. Rebaselining under these circumstances only perpetuates the reporting of corrupted records. One hundred percent inventory and sight verification is needed prior to Approval Military Change Letter (AMCL) 8 and before a rebaseline of the Defense Distribution Depot Anniston Alabama (DDAA) local and DoD Central Registry records is performed.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1995

Original Targeted Correction Date: FY 1997

Targeted Correction Date in Last Year's Report: FY 1997

Current Target Date: FY 1998

Reason for Change in Date(s): Milestone "Complete 100 percent inventory and sight verification of all small arms at DDAA on a National Stock Number (NSN) by NSN basis" delayed into FY 1998 while the Army Material Command determines and approves required funding.

Component/Appropriation/Account Number: DLA/Defense Business Operations Fund/97X4930

Validation Process: Validation/Certification will be accomplished by quarterly in-process review of major milestones and performance statistics and by quarterly staff assistance visits by Defense Distribution Region East personnel.

Results Indicators: Complete match of DoD Registry records, DDAA custodial records, and DDAA Local Registry records by NSN, quantity, serial no., and condition code.

Sources Identifying Weakness: DDAA Small Arms Serialization Program reports.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Confirm with the Armament and Chemical Acquisition and Logistics Activity (ACALA) the acceleration of the demilitarization/disposal schedule projected for FY 1996 through FY 1997.
C	Identify and draft changes/modifications/enhancements to the DoDSASP system needed to allow correction of known errors and corrupted records.
C	Ensure implementation of DoDSASP reporting system changes for acceptance of DLA Department of Defense Automated Addressing Codes (DODAACs).

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Draft changes to existing regulations to provide clarification for inconsistencies in small arms inventory procedures.
3/97	Complete causative research for all remaining inventory discrepancies.
3/97	Verify that all incorporated procedural and system changes are in place and functional.
3/97	Develop/implement Bar Code System.
9/97	Verify that all incorporated procedural and system changes are in place and functional.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
3/98	Complete 100 percent inventory and sight verification of all small arms at DDAA on an NSN by NSN basis.
3/98	Complete rebuild of the DoD Central Registry records for DDAA hand held small arms.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Contract Security Requirements. During FY 1996, US Army Audit Agency (USAAA) conducted a multilocation audit of contract security requirements at the request of the US Army Contracting Support Agency and the Office of the Assistant Secretary of the Army (Research, Development, and Acquisition). As a result, USAAA found that the Army did not adequately manage contracts containing Sensitive Compartmented Information (SCI) requirements. Controls and safeguards over access to SCI were not effective. These conditions occurred because the Army did not have adequate oversight over contracts containing SCI requirements. The lack of oversight allowed contractors to have access to SCI without a valid need. As a result, the Army has no assurance that SCI was not compromised. USAAA recommended that the Office of the Deputy Chief of Staff for Intelligence (ODCSINT), who has policy proponency for SCI, revise Army Regulation (AR) 380-28, Department of the Army Special Security Systems, and strengthen controls over contractor access to SCI.

Functional Category: Contract Administration

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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

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

Validation Process: ODCSINT, will conduct management reviews of the functional proponents to validate for compliance with new policy guidance.

Results Indicators: Increased oversight will result in a reduction of contractor access to SCI.

Source(s) Identifying Weakness: USAAA, Audit Report AA 97-2, "Contract Security Requirements," October 21, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Staffed draft AR 380-28, Department of the Army Special Security Systems to the field for comment.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Review field comments and incorporate changes into final draft regulation.
3/97	Submit final draft regulation for Headquarters, Department of the Army (HQDA) staff approval.
3/97	Review HQDA staff approvals and make final changes to the regulation.
3/97	Revise AR 380-28, Department of the Army Special Security Systems. publish and distribute.
9/97	ODCSINT conducts management reviews to validate effectiveness of revised policy guidance.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Placement of Intra-Government Orders Under the Economy Act. Internal controls did not prevent the improper placement of orders with other agencies under the Economy Act.

Functional Category: Contract Administration

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1994

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1997

Reason for Change in Date(s): Additional validation actions are scheduled to ensure corrective actions were effective.

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

Validation Process: Compliance will be verified by an Air Force Inspector General Inspection, and Major Command assessments of Economy Act procedures in the field.

Results Indicators: Corrective action will reduce risks of contract overpricing, improper usage of appropriated funds, and susceptibility to mismanagement, abuse and fraud.

Source(s) Identifying Weakness: Department of Defense Inspector General (DoDIG) Quick Reaction Report 92-069: "DoD Procurements Through Tennessee Valley Authority," April 3, 1992, and DoDIG Project 1CH-0033, "Allegations of Improprieties Involving DoD Acquisition of Services Through the Department of Energy," June 30, 1992.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Draft model "Determination and Finding" and instructions for contracting officers to use when reviewing interagency acquisitions.

- C Review Military Interdepartmental Purchase Request (MIPR) process to identify potential correction areas.
- C Revise Defense Federal Acquisition Regulation Supplement (DFARS) to require that MIPRs be used to place interagency orders and require Contracting Officer signature on MIPRs for interagency orders.
- C Publish interim guidance in Air Force Acquisition Regulation Supplement (AFFARS) Circular.
- C Review Economy Act and other laws and regulations that control interagency purchases.
- C Request corrections to DoD Instruction 4000.19 to insert coverage on the Economy Act.
- C Request corrections to accounting & finance regulations to insert coverage on the Economy Act.
- C Publish change to AFFARS that will include the model "Determination & Finding" for contracting officers to use when reviewing interagency orders.
- C Publish guidance in AFFARS on Economy Act procedures for all acquisition personnel.
- C Publish revised guidance in AFFARS incorporating legislative and Secretary of Defense - directed changes.
- C Air Force Inspector General evaluated Air Force sites to ensure corrective action was effective.
- C Complete Major Command assessments of Economy Act procedures in the field.

Planned Milestones (FY 1997):

Date:	Milestone:
9/97	Complete Air Force validation of corrective actions.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Computer Equipment Control and Accountability. Internal controls were not effective to ensure that computer equipment inventory is accurately maintained.

Functional Category: Information Technology

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1997

Reason for Change in Date(s): Revisions to the Information Processing Management System (IPMS) will not be completely implemented until FY 1997.

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

Validation Process: Major Commands (MAJCOM) required to annually certify accuracy of computer equipment database with physical inventory records.

Results Indicators: Corrective actions should ensure financial reports will accurately reflect computer equipment valuation and be able to identify and locate specific equipment.

Source(s) Identifying Weakness: Air Force Audit Agency Reports of Audit: "Review of General Fund Equipment and Vehicle Accountability, FY 1992 Air Force Consolidated Financial Statements, Project 92053018," January 24, 1994 and "Review of the Equipment and Vehicle Inventory, FY 1993 Air Force Consolidated Financial Statements, Project 93053007," July 22, 1994.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Assign additional manpower at each base for computer equipment management.
C	Direct MAJCOMs to implement oversight procedures to regularly review computer inventory status to ensure it is accurate and complete.
C	Direct MAJCOMs to instruct base communications personnel to use IPMS to notify personnel at receiving bases and document equipment transfers between bases.
C	Send message to all MAJCOMs implementing procedures and provisions to annually certify that equipment custodians have conducted required inventories and notify applicable base equipment control officers when equipment is purchased for their bases.
C	Developed and issued procedural guidance to MAJCOMs requiring computer equipment custodian training and precluded personnel with access to the Information Processing Management System from also being equipment custodians.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Implement an upgrade to the Information Processing Management System.
9/97	Certify the inventory data is complete and accurate.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Defense Communications Systems Management Information Systems (DCS/MIS). Our 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 proven to be outright wrong in Department of Defense Inspector General (DoDIG) audit analyses. These systems constitute the controls for managing a significant portion of Defense Information Systems Agency (DISA) mission. 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 1998

Current Target Date: FY 1998

Reason For Change in Date(s): The verification of completion disclosed that this material weakness was only partially corrected. Therefore, in FY 1994, the effort was re-focused to replace both the aging World Wide On-Line System (WWOLS) and multiple DISA telecommunications network provisioning and configuration management systems. The former effort is designated as the WWOLS Replacement (WWOLS-R); the latter as the Defense Information System Network-Integrated configuration control system (DISN-I). WWOLS-R is currently scheduled for implementation in March 1997. DISA intends to continue to improve this area by consolidating the WWOLS-R and the DISN-I databases and expanding the resulting database, designated the Integrated DISN Data Base (IDDB), to satisfy and/or support all applications in areas such as provisioning, configuration management, performance assessment, modeling and simulation, network management, requirements validation, status reporting, and engineering. The IDDB and applications which will be migrated to it will effectively replace the original, planned Telecommunications Management System (TMS). The milestones for correction of the second part of this material weakness have been updated, including target dates for the IDDB.

Component/Appropriation/Account Number: Operations and Maintenance, Defense Agencies, 970100 and Defense Business Operating Fund (DBOF), 97X4962

Validation Process: The correction of the material weakness will include testing by individual users and oversight by the DISA Management Control Program Office and the DISA Inspector General. The DoDIG could assist the DISA in performing elements of the testing as an integral part of their audits.

Results Indicators: The DCS (now a component of DISN) represents the common user long-haul communications trunks, circuits, and equipment of DoD. These trunks, circuits, and equipment cost DoD 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 thousand per month. 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 Management Control review).

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Conduct a 100-percent physical inventory of the DISA telecommunications assets for inclusion in the Defense Information Services Database (DISD) by September 30, 1992.
C	Develop inventory procedures to keep the asset inventory perpetually up-to-date by September 30, 1992.
C	Reconcile the WWOLS and Defense Information Technology Contracting Office (DITCO) databases.
C	Begin 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.

Planned Milestones (Fiscal Year 1997):

Date:	Milestone:
3/97	WWOLS Replacement Installed.
9/97	WWOLS-R and DISN-I integrated with other key telecommunications systems data bases, including DISD within the IDDB. Operational IDDB replaces WWOLS-R and DISN-I databases, transparent to applications users.
9/97	Central data base and functions for controlling communications network resources fully operational, worldwide.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
3/98	Interfaces to network modeling, simulation, planning, and systems established: key systems applications have been migrated.
9/98	Objectives of IDDB fully accomplished.
9/98	Verify that material weakness has been corrected.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Disbursements in Excess of Obligations. As of December 31, 1993, the Defense Finance and Accounting Service (DFAS) reported that this office had a number of appropriations in which disbursements exceeded obligations or account balances were negative. As of September 30, 1996, there were still 10 appropriations in which disbursements exceeded obligations or account balances were negative.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1998

Reason for Change in Date(s): To allow adequate time to continue the ongoing process to research, establish, record and report all necessary transactions to match disbursements to appropriate obligations. Also, 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 DoD Component.

Component/Appropriation/Account Number:

Original List of Defense-wide Appropriations (December 1993):

0103 Base Realignment and Closure, Part 1, Defense	4/5*
0106 Goodwill Games, Defense	9*
0130 Defense Health Program, Defense	4/6*
0132 Disaster Relief, Defense	X*
0350 National Guard and Reserve Equipment, Defense	4/6*
0706 Family Housing, Defense Agencies	4/8*
0819 Humanitarian Assistance, Defense	4/5*
0828 Reinvestment for Economic Growth, Defense	3/5*
3910 Automated Data Processing Equipment Fund, Defense	X*
0116 Summer Olympics, Defense	2/3*
0130 Defense Health Program, Defense	4/5*
0131 Real Property Maintenance, Defense	4.5*
0131 Real Property Maintenance, Defense	3*

0300 Procurement, Defense Agencies	9/1*
0300 Procurement, Defense Agencies	8/0
0390 Chemical Agents and Munitions Destruction, Defense	0/1*
0400 Research, Development, Test and Evaluation. Defense Agencies	9/0
0450 Developmental Test and Evaluation, Defense	8/9*
0460 Operational Test and Evaluation, Defense	0/1*
0706 Family Housing, Defense Agencies	9/3
0827 World University Games, Defense	4*
0100 Operation and Maintenance, Defense	M
0400 Research, Development, Test and Evaluation	7/8
0400 Research, Development, Test and Evaluation	M

* - The initial negative balances in these appropriations are currently resolved.

Additions to Original List:

0100 Operation and Maintenance, Defense	X
0390 Chemical Agents and Munitions Destruction. Defense	1/3
0460 Operational Test and Evaluation, Defense	2/3
0706 Family Housing, Defense Agencies	8/2

Current List (as of September 30, 1996):

0100 Operation and Maintenance, Defense	M
0100 Operation and Maintenance, Defense	X
0300 Procurement, Defense Agencies	8/0
0390 Chemical Agents and Munitions Destruction, Defense	1/3
0400 Research, Development, Test and Evaluation	M
0400 Research, Development, Test and Evaluation	7/8
0400 Research, Development, Test and Evaluation. Defense Agencies	9/0
0460 Operational Test and Evaluation, Defense	2/3
0706 Family Housing, Defense Agencies	8/2
0706 Family Housing, Defense Agencies	9/3

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) (OUSDC), the DFAS, or the DoD Components, as appropriate. When necessary, additional funding is provided. These actions have resolved all but 10 appropriations with negative balances. Additionally, the DoD Inspector General 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 are taken.

Results Indicator: The number of appropriation accounts in a negative condition has been reduced significantly to ten. 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)

Completed Milestones:

Date:	Milestone:
C	Identified Appropriation Manager Responsibilities.
C	Issued stop payment policy for account balances with disbursements in excess of obligations until the correction is made.
C	Identified DFAS responsibilities--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	Reduced number of appropriation accounts with negative cash balances.
C	Policies and procedures put in place by the DFAS Indianapolis Center, which is acting as the single point of contact for this action, for researching and correcting disbursements in excess of obligations in the Defense-wide "97" Accounts.

Planned Milestones (FY 1997):

Date:	Milestone:
on going	Continue the ongoing process to research, establish, record and report all necessary transactions to match disbursements to appropriate obligations. Evaluate monthly problem disbursement reports provided by the Defense Finance and Accounting Service.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
3/98	Perform a comprehensive review of the status of all problem disbursements, by appropriation and by DoD Component, in order to assess the success of prior fiscal year efforts and determine the current materiality of this management control weakness.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Civilian Retirement Claims Processing. Army is not meeting the Office of Personnel Management (OPM) goal for agencies to submit 80% of all retirement, refund and death claims to OPM within 30 days from the date of separation. Some known factors are delays by employees in applying for separation and delays of finance and personnel offices in forwarding retirement/separation records to OPM.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1991

Original Targeted Correction Date: FY 1992

Targeted Correction Date In Last Year's Report: FY 1998

Current Target Date: FY 1998

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

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

Validation Process: Assistant Secretary of the Army (Financial Management and Comptroller) will monitor and validate each of the planned milestones until completion.

Results Indicators: Meeting OPM processing goals ensures that payments and claims are processed in timely manner. This reduces hardship to the claimants.

Source(s) Identifying Weakness: Management Review; Congressional Inquiry.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Mandated use of OPM optional checklists to eliminate errors which cause delays.

- C Emphasized Army and OPM performance goals and educate workforce on responsibility to submit claims in timely manner.
- C Provided feedback to installations on quality and quantity of submissions.
- C Devised and installed automated monitoring system to identify source and cause of late submissions.
- C Finance network quality personnel review retirement processing as part of routine visits to Army finance and accounting offices.
- C Produced and provided regular performance reports to major commands and responsible headquarters Department of the Army activities and agencies.
- C Initiated a joint payroll/personnel Total Quality Management (TQM) task force to identify and correct problems.
- C Developed and distributed to the payroll and personnel offices, comprehensive guidance, e.g., Desk References pertinent to retirement, death and refund claims, as part of the TQM Program.
- C Ensured that the TQM Process Action Team, organized to address this weakness, used the various "tools" and reports provided by the Army Civilian Personnel Reporting System (ACPERS) to specifically pinpoint the delays at each step in the process, identified the reasons for the delays and provided detailed performance data to appropriate Headquarters, Department of the Army and Major Command functional activities.
- C The Army developed a timeliness tracking system in ACPERS. All Army personnel and payroll offices were notified of its establishment and the mandatory requirement to input special data elements into the systems.
- C The Office of the Assistant Secretary of the Army (Manpower and Reserve Affairs) refined the ACPERS report to reflect who is not meeting the processing standards and which side of the house, payroll or personnel, is at fault when the 80% timeliness standard is not met.

Planned Milestones (FY 1997):

Date:	Milestone:
On-Going	Continue to emphasize through messages and memoranda the importance of meeting the 30 day standard for processing claims.

9/97

The DFAS will deploy DCPS through out the Army.

Planned Milestones (Beyond FY 1997):

Date:

Milestone:

9/98

The validation of this material weakness will be accomplished by requesting that DFAS provide performance data for six to nine months after the implementation of DCPS to verify that 80% of all retirement, refund and death claims are submitted to OPM within 30 days from the date of separation.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Funds Used for Attaché Tours. During FY 1996, U.S. Army Audit Agency (USAAA) conducted an audit of the Office of the Deputy Chief of Staff for Intelligence (ODCSINT) use and control over .0012 contingency and attaché funds for foreign liaison attaché tours. This audit was conducted at the request of the Assistant DCSINT. As a result, USAAA found that management controls were not in place to adequately manage, or account for the contingency and attaché funds that were spent on attaché tours. The lack of adequate management controls enabled the ODCSINT Class A Agent to receive and claim expenditures of \$10,980.41 of Contingency, Attaché, and Operations and Maintenance Army funds for which the Agent wasn't entitled. Additionally, the ODCSINT Class A Agent could not account for the disposition of \$12,043.41 that was collected from tour participants.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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

Component/Appropriation/Account Number: Army/Operations and Maintenance. Army:
Army/Contingency Funds; Army/Attaché Funds

Validation Process: ODCSINT, Internal Review will conduct a follow-up review to validate corrective actions.

Results Indicators: Controls in-place and effective to manage and account for the use of Contingency and Attaché Funds.

Source(s) Identifying Weakness: Director, Foreign Liaison and USAAA, Audit Report AA 96-174, "Funds Used for Attaché Tours." March 29, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Quarterly review by Director, Foreign Liaison (FL), found accounting irregularities.
C	ODCSINT requested USAAA perform audit of FL use of Secretary of the Army (SECARMY) Contingency Funds because of possible identified loss of funds.
C	Criminal Investigation Command (CIDC) began investigation into possible loss of funds.
C	Administrative Assistant to the SECARMY appointed a budget analyst in Resource Services, Washington as .0012 Contingency Fund Custodian for FL programs.
C	CIDC issued interim report identifying theft of government funds, false statements, and false claims.
C	USAAA issued audit report identifying the lack of adequate management controls.
C	Administrative Assistant to SECARMY appointed the Director Resource Management, U.S. Army Service Center for Armed Forces, as .0012 Contingency Fund Certifying and Approving Officer.
C	Director, FL, appointed the Chief, Coordination Division as the Class A Agent.
C	Developed and submitted SOPs on management controls and establishment of FL Fund to Office of the General Counsel (OGC) for review and comment.
C	Revised SOPs based on OGC comments and Director, FL, approved them under his authority.
C	Requested and received Army, General Counsel legal opinion on commingling of Contingency and Attaché Funds.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Submit paperwork to recoup loss of funds pending removal and court actions.
9/97	ODCSINT Internal Review completes validation of corrective actions.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Contingency Funds Used for Gift Locker and Counterpart Visit Programs. During FY 1996 US Army Audit Agency (USAAA) conducted an audit of the Office of the Deputy Chief of Staff for Intelligence (ODCSINT) use and control over .0012 Representation Contingency Funds for the gift locker, counterpart visits, and foreign liaison attaché tours. This audit was conducted at the request of the Assistant DCSINT. As a result, USAAA found that management controls were not always established, in place or working to adequately manage, or account for .0012 Representation Contingency Funds spent on the Gift Locker and Counterpart Visit Programs. Because of the apparent lack of emphasis to promote strong controls and subordinate failure to comply with those controls, the organization's critical processes didn't operate as intended; and there's no assurance that assets and resources are safeguarded from fraud; waste, and abuse.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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

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

Validation Process: ODCSINT, Internal Review will conduct a follow-up review to validate corrective actions.

Results Indicators: Controls in-place and effective to manage and account for Contingency Funds used for Gift Locker and Counterpart Visit Programs.

Source(s) Identifying Weakness: USAAA, Draft Audit Report, "Contingency Funds Used for Gift Locker and Counterpart Visits." 3 October 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Upon discovering accounting irregularities, the Director, Foreign Liaison (FL) did the following: <ul style="list-style-type: none">- Required review of all financial transactions.- Initiated action to commit/obligate funds prior to commitments.- Initiated a program of zero defects in preparing financial documents.- Initiated monthly Joint Reviews of Non Stock Report with Managerial Accounting Branch staff, Resource Services, Washington.
C	Captured verbal telephonic commitments. Brought accounts payable up-to-date.
C	ODCSINT requested USAAA perform audit of FL use of Secretary of the Army (SECARMY) Contingency Funds.
C	Organized FY 1995 files by document number so that they could be audited by USAA. Developed and designed Contingency Fund Log to control financial documents for FY 1996.
C	Initiated authorization procedures for use of SECARMY Contingency Funds in Foreign Liaison programs.
C	Developed initial Standard Operating Procedure (SOP) for use of SECARMY Contingency Funds in FL programs. Established separate Foreign Liaison Fund to control attaché funds. Also wrote an SOP for use of this Fund. Staffed both SOPs with Resource Services, Washington, Office of General Counsel (OGC). Incorporated recommended changes.
C	Constructed after-the-fact Contingency Fund Log for FY 1995 to account for FY 1995 expenditures.
C	Initiated computerized bar-coding system to control gift locker inventory.
C	Developed internal SOP for financial management of SECARMY Contingency Funds used in Foreign Liaison programs.

- C Published draft internal SECARMY Contingency Funds use and financial management SOPs. Staffed these SOPs with OGC.
- C Revised internal SOPs based on comments from OGC. Forwarded them to Administrative Assistant to the SECARMY for review and approval.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Review/comment on draft Audit Report of Contingency Funds Used for Gift Locker and Counterpart Visit Programs. Perform Management Control Evaluation.
3/97	Incorporate regulatory guidance, as well as the OGC's determinations pertaining to inclusion of U.S. escort officers as part of official party; and other essential personnel as part of the traveling party, into the internal FL SOPs.
3/97	De-obligate funds and amend travel orders for escorts and interpreters whose travel vouchers were never filed. Reimburse the Defense Intelligence Agency for \$1,376.61 incorrectly charged to their Operation and Maintenance appropriation during FY 1995. Prepare reply to final Audit Report on the Audit of Contingency Funds Used for Gift Locker and Counterpart Visit Programs.
9/97	ODCSINT Internal Review completes validation of corrective actions.

Planned Milestones (Beyond FY 1997):

Date: Milestone:

None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Computing of Temporary Duty Service Charge Rates. Army Housing Division (AHD) personnel developed detailed guidance and automated spreadsheet templates for FY 1996 to implement Department of Defense (DOD) and Headquarters, Department of the Army (HQDA) policies and procedures for computing, establishing and maintaining service charge rates for transient housing and temporary duty quarters. However, this guidance was not fully implemented because the Army's Transient Housing Managers did not compute the correct service charge rates for 56 of 63 billeting funds. As a result, the billeting funds generated excess income of about \$12 million during FY 1996. US Army Audit Agency's (USAAA) analysis determined that a majority of these problems occurred because Transient Housing Managers incorrectly calculated Capital Purchase and Minor Construction (CPMC) projects, additional occupant income working capital reserve, Army billeting fund surcharges and estimated bed days.

Army Regulation (AR) 210-50, Housing Management prescribes that a surcharge be added as a percent of the service charge rate to fund specified expenses. The Army established this surcharge at five percent in October 1991. Due to the problems discussed above, Transient Housing Managers incorrectly generated an additional \$2.25 million in revenues through this surcharge in FY 1996.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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

Component/Appropriation/Account Number: Army/Billeting Fund

Validation Process: Community and Family Support Center (CFSC) management will review the semi-annual installation Lodging Operation Service Charges and Inventory Reports to validate corrective actions. The CFSC Internal Review Office will independently validate the results of this review.

Results Indicators: Accurate temporary duty service charge rate computations.

Source(s) Identifying Weakness: USAAA Audit Report SR 93-715, "Transient Temporary Duty Quarters," February 26, 1993; USAAA Audit Report AA 96-280, "Transient Housing Service Charges," September 16, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	AHD issued FY 1997 budget guidance to installation transient housing managers.
C	AHD directed all individual lodging operation's budgets be approved and returned to the installations not later than 30 September 1996.
C	AHD raised approval authority for installation budgets schedules not receiving Major Army Command (MACOM) approval to HQDA level.
C	AHD instructed the Central Accounting Office to make payments only on invoices for capital expenditures and minor construction projects included on budgets approved by MACOMs and CFSC.
C	AHD provided Transient Housing Managers several methods for CPMC funding computations. Installations required to fully justify their CPMC funding requirements in the Housing Manager's narrative of their budget submission. They are also required to maintain an audit trail for their nonappropriated five-year plan funding strategy.
C	AHD instructed installations to set working capital reserves at the minimum level to sustain operations (normally one-twelfth of budgeted operating expenses). Additional amounts needed for unique operating conditions must be fully documented; justified in the Housing Manager's narrative; and approved by the MACOM and CFSC.
C	AHD revised FY 1997 budget templates to automatically link both sections of the service charge computation worksheets and estimated bed days from all categories of transient quarters to the service charge computation sheet. These template links will overcome future discrepancies in the calculation of additional occupant income and total estimated bed day use projections.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Installations provide first semi-annual requirements to CFSC for review and validation.
3/97	Installation Transient Lodging Managers conduct budget and performance review as of 31 January 1997. Based on the outcome of this review, Transient Lodging Managers will submit revised budgets to CFSC for approval.
9/97	CFSC to conduct a review installation budget performance to validate that corrective actions.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Aviation Continuation Pay (ACP) Bonus Program. Department of the Navy's (DON) FY 1993 ACP Bonus Program did not use a Center for Naval Analyses (CNA) bonus computation methodology. The lack of Department of Defense (DoD) and DON policy resulted in the DON using an inconsistent bonus computation methodology. Additionally, one of the DON's initial FY 1993 through FY 1998 budgets was overstated because it was based on the previous year's budget and did not consider the impact of a reduced FY 1993 program bonus level and related out-year budget adjustments.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1997

Reason for Change in Date(s): Issuance of the revised Secretary of the Navy Instruction has been delayed.

Component/Appropriation/Account Number: Military Personnel, Navy (171453.2201)

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 DON will use a consistent ACP bonus computation methodology, and budgets will accurately reflect ACP plans and costs.

Source(s) Identifying Weakness: Naval Audit Service Report 047-C-93, "Aviation Continuation Pay," of June 29, 1993

Major Milestones in Corrective Action: (C = Completed)

Completed Milestone:

Date:	Milestone:
C	Use the CNA ACP methodology to revise FY 1993 bonus levels and future bonus requirements.
C	Establish written policy and procedures that describe how annual department head requirements are determined.
C	Use the audit-developed out-year budget methodology to determine budget requirements.
C	Revise Secretary of the Navy Instruction 7220.79 to reflect guidance in Title 37 U. S. Code Section 301b, and Public Law 101-189.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Verification: Conduct/utilize a management control review or alternative management control review to certify the effectiveness of all corrective actions.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Defense Logistics Agency (DLA) Distribution Cost Data Is Inaccurate and Inappropriate. Cost information, needed by managers to support making decisions, such as: privatization, method of supply, stock positioning, pricing, and business process reengineering are based on broad averages of costs rather than on actual costs for the individual services that DLA distribution provides. Cost information is often in a format, i.e. cost per line item, that does not allow managers to compare themselves with private industry. Poor labor exceptioning practices have led to inaccurate cost accounting, which results in inaccurate pricing and impacts decision making.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: N/A

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

Current Target Date: FY 1997

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

Component/Appropriation/Account Number: DLA/Defense Business Operations Fund/97X4930

Validation Process: Validation will be accomplished through implementing Activity Based Costing (ABC).

Results Indicators: Managers will be able to make more informed decisions regarding distribution costs.

Sources Identifying Weakness: DLA Senior Management.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Charter a Distribution ABC Team. Begin pilot program as Defense Distribution Depot Susquehanna Pennsylvania (DDSP).
C	Establish an ABC Executive Steering Group.

Planned Milestones (FY 1997):

3/97	Complete the pilot program for modeling distribution costs to further discrete levels.
9/97	Review overhead allocation methodologies and provide recommendations for improvement.
9/97	Develop recommendations to improve labor exceptioning.
9/97	Export the Distribution ABC model to Defense Distribution Depot San Joaquin (DDJC).
9/97	Develop alternate work counts used for benchmarking with private industry.

Planned Milestones (Beyond FY 1997):

3/98	Implement recommendations to improve labor exceptioning.
3/98	Refine the ABC model to encompass other depot workload and export to remaining depots.
9/98	Develop and implement a centralized financial decision support system.
9/98	Verification of correction.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Internal Controls Over Accuracy of Product Inventory. Internal controls were not sufficient to ensure the fair presentation of Defense Mapping Agency (DMA) inventory in the financial statements required by the Chief Financial Officers Act. Specifically, DMA did not perform required inventories, and accounting records were inaccurate. Also, DMA performed only limited research on major inventory discrepancies.

Functional Category: Comptroller/Resource Management.

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1999

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

Current Target Date: FY 1999 (this date is subject to change based on the potential transfer of the distribution function to Defense Logistics Agency).

Reason For Change In Date: N/A

Component/Appropriation/Account Number: 9760100 4802 663200

Validation Process: Cross-check results of random sample inventory with what is included in the Depot Standard System database. Verify that the cost accounting system operations are in compliance with the Federal Managers' Financial Integrity Act of 1982.

Results Indicators: Physical inventory count matches with the inventory count in the database; associated cost reported in the annual financial statement represents a valid cost of the inventory.

Sources Identifying Weakness: Department of Defense Inspector General. Audit Report, Office of the Inspector General "Inventory at Defense Mapping Agency," March 26, 1996 - Report No. 96-088.

Major Milestones in Corrective Action: (C = Completed)

Completed milestones:

Date:	Milestone:
C	Establish controls that will ensure that DMA Philadelphia personnel enter all bulk storage locations into the bulk locator system.
C	Establish controls to ensure requests for products submitted outside the DMA Automated Distribution Management System are properly recorded in accountable records.
C	Establish controls to assure that DMA Bethesda personnel enter the correct computed costs in the DMA Automated Distribution Management System (DADMS) database.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Base inventory valuation on historical costs as information becomes available, and appropriately footnote financial statement to indicate the lack of historical data, until the cost of each product is available.
3/97	Review and adjust overhead rate calculations to ensure that DMA cost analysts include all costs and properly classify them as direct, indirect, or not applicable.
3/97	Include footnote to future financial statement to identify the estimated amount of inventory in excess of expected requirements and required war reserves.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
9/98	Adjust unit costs in the DMA Automated Distribution Management System for products when reproductions are made that change the unit costs.
9/98	Perform a wall-to-wall inventory of all products at Defense Mapping Agency Philadelphia, and adjust, as necessary, the Defense Mapping Agency Automated Distribution Management System database with the appropriate amount from the physical counts. (Note: This date is subject

to change based on the potential transfer of the distribution function to the Defense Logistics Agency (DLA)).

3/99 Perform annual random sample inventories of Defense Mapping Agency (Now National Imagery and Mapping Agency (NIMA)) products after the wall-to-wall inventory has been completed and appropriate adjustments have been made to the Defense Mapping Agency Automated Distribution Management System. (Note: DADMS will be replaced with the standard DLA inventory control system).

9/99 Verification.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Routine Close-Out Procedures on Unliquidated Obligations. On-Site Inspection Agency is establishing procedures that will require accounting technicians to research unliquidated obligations for close-out and finalizing of the obligation of funds.

Functional Category: Comptroller/Resource Mangement

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

Reason for Change in Dates: N/A

Component/Appropriation Account Number: Operation and Maintenance (O&M) and Procurement (PD)

Validation Process: Effectiveness will be verified by routine scheduled review of unliquidated obligations. Decrease the amount for funds left unliquidated.

Results Indicator: Unliquidated obligations decreased.

Sources Identifying Weakness: Internal Management Control Program Evaluation.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date: Milestone:

None.

Planned Milestones: (FY 1997)

Date:	Milestones:
Ongoing	Examine weaknesses in existing processes.
3/97	Establish procedures for routine use.
9/97	Conduct review of procedures using random sampling to determine continuous compliance or problem areas.
9/97	Guidelines established to close-out and finalize unliquidated obligations.
9/97	Validation of corrected weakness.

Planned Milestones: (Beyond FY 1997)

Date:	Milestones:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Procurement Management. Recent management reviews and audit reports indicate weaknesses in management controls over the Defense Information Systems Agency (DISA) procurement process. This condition has been attributed, in part, to inadequate/ineffective controls over the procedures that ensure accountability and adherence to established Federal procurement policy.

Functional Category: Procurement

Pace of Corrective Action:

Year Identified: FY 1995

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1997

Reason For Change in Date(s): One of the eight milestones planned for completion in FY 1996 remains incomplete at year-end. The milestone required the update of the DISA Acquisition Policy and Procedures (DAPP). DISA Acquisition Letter 96-01 was issued on February 23, 1996 and updated DAPP parts 1, 2, and 3. Additional updates are now in progress. Due to the DAPP sheer volume, a complete update by the original March 1996 date was overly optimistic. We anticipate that the remainder of the DAPP will be brought up to date by March 1997.

Component/Appropriation/Account Number: Operations and Maintenance, Defense Agencies, 970100. DBOF, 97X4962. Research and Development, Defense Agencies, and Procurement, Defense Agencies

Validation Process: The Deputy Director for Procurement and Logistics (D4) will conduct procurement compliance reviews to ensure that the material weakness has been corrected. In addition, the DISA Inspector General in conjunction with the Department of Defense Inspector General, will perform audit follow-up to monitor all planned corrective actions through completion.

Results Indicators: Implementation of improved management controls will strengthen accountability and ensure that DISA procurement actions are always in the best interest of the Government while being fully compliant with laws and regulations.

Source(s) Identifying Weakness: Department of Defense Inspector General and DISA Inspector General (multiple audits and investigations).

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish a procurement working group to take appropriate actions to close outstanding recommendations contained in previous audit reports.
C	Issue Contract Information Letters (CILs) on improper business practices, conflict of interest, and areas of prior abuse.
C	Initiate mandatory training for Contracting Officer's Representatives.
C	Develop and promulgate a guide on the Federal Acquisition Streamlining Act (FASA) and the Federal Acquisition Regulations (FAR) rules.
C	Develop quality control "check lists" for contracting officers and technical assistance efforts.
C	Begin pre- and post-award contract review and quality control analysis.
C	Begin legal sufficiency analysis of procurement and contract administration.
C	Publish Agency-level protest and contract approval business clearance review processes.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Update DISA Acquisition Policy and Procedures (DAPP).
3/97	Verify that material weakness has been corrected.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Automated Mobilization System. Army mobilization exercises in 1976, 1978, and 1980 highlighted that the capability did not exist within the Reserve Component structure (Army National Guard and Army Reserve) 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, National Guard Bureau (NGB). When completed the RCAS will satisfy the mobilization requirements of the reserve component for day-to-day operations and will significantly enhance 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 Component.

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

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

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; field participation in the evaluation process; quarterly reports to Congress; and semiannual program reviews by the Major Automated Information Systems Review Councils (MAISRC) at Department of the Army (DA) and Office of the Secretary of Defense (OSD) levels.

Results Indicators: The Army will be able to effectively plan and execute mobilization of 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: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Effectuated interim actions and controls to resolve the immediate deficiencies. a. Place management control of RCAS program with the Chief, NGB. b. New Program Manager (PM) charter approved by the Secretary of the Army and forwarded to Congress. c. Army Reserve General Officer assigned as 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 Office of Management and Budget Circular A-109, acquisition approach.
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 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, Guard and Reserve Components to Review the RCAS program, at the request of the Chief, NGB. The team recommended changes to the direction of the overall program. Changes include 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 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 which 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 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.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Complete data and applications software pilot project in December 1996.
9/97	Complete fielding pilot project in May 1997.
9/97	Conduct Operational Testing of Increment 2 in July 1997.
9/97	Projected Milestone Decision point for Increment 2 (database servers. Software Pilot project, some Logistics functionality and GOTS).
9/97	Begin Increment 2 fielding.
9/97	Contract Renewal (Option year 2).

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
9/98	Increment 3 Evaluation.
9/98	Contract Renewal (Option Year 3).
9/98	Projected Milestone Decision point for Increment 3 (user prioritized requirements and GOTS).
9/98	Begin Increment 3 fielding.
9/99	Increment 4 Evaluation.
9/99	Contract Renewal (Option Year 4).

9/99 Projected Milestone Decision Point for Increment 4 (user prioritized requirements and GOTS).

9/99 Begin Increment 4 fielding.

9/00 Increment 5 evaluation.

9/00 Contract renewal (Option Year 5).

9/00 Projected Milestone Decision Point for Increment 5 (user prioritized requirements and GOTS).

9/00 Begin Increment 5 Fielding.

9/01 Complete fielding of infrastructure (Increment 1) and functionality through Increment 6.

9/02 Full functionality with completion of Increment 7.

9/02 Finalize validation of RCAS deployment.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Host Nation Support (HNS). The Department of Defense Inspector General (DoDIG) Audit Report on HNS in Southwest Asia, Project No. 4RA-0061, identified United States Central Command (USCENTCOM) HNS program 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 areas of responsibility current threat/presence imbalance dictate that prior HNS arrangements for the immediate use of U.S. forces is vital.

Functional Category: 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 1996

Current Target Date: FY 1998

Reason for Change in Date(s): Delays in scheduling and agreement process progress.

Component/Appropriation/Account Number: Operation and Maintenance

Validation Process: As milestones are achieved, an ongoing Internal 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.

Results Indicators: Production of a component-validated list of HNS commodities and services required from the host nation, organized by location and operational plan 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 tailored continuously.

Source(s) Identifying Weakness: DoDIG Audit Report on HNS in Southwest Asia (SAW), (U), Report No. 96-045, December 14, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Assemble threat assessment and 14-, 45-, and 90-day combat unit beddown and associated HNS requirements.
C	Brief American Embassy Country Teams on access, beddown, diplomatic clearance and HNS requirements.
C	Validate component HNS requirements.
C	USCENTCOM General Officer present to the senior political/military leadership in each nation 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 Internal Management Control inspection.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Publish revised CCR 700-2, Logistics Host Nation Support.
3 97	Coordinate components detailed HNS logistical requirements with host nations.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
3/98	USCENTCOM will staff HNS agreement with Saudi Arabia on consummation of US-Saudi forces agreement.
9/98	Conclude HNS implementing arrangements with each host nation and publish a timed-phased HNS requirements document by beddown location.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Poor Utilization of Bachelor Enlisted Quarters (BEQs) Berthing Spaces and Transient Bachelor Officer Quarters (BOQs). Transient bachelor quarters/government quarters have an inefficient reservation system. Some Department of the Navy (DON) Commands are accumulating money collected from billeting service charges, rather than restricting or identifying them for projects, services, or amenities to benefit transients. Some DON Commands inappropriately exempt employees from using government quarters while on temporary duty travel. Revisions in policy and procedures to establish a different commuting distance (15 miles/30 minutes) could result in economies. DON field activities did not properly allocate or utilize available BEQ space prior to authorizing permanent duty and transient enlisted personnel to live off base. Field activity management reviews were not adequate to ensure maximum utilization of housing. Guidance on geographical bachelor personnel drawing basic allowance for quarters and living in bachelor quarters was not in conformance with DoD policy.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1993

Targeted Correction Date in Last Year's Report: FY 1997

Current Target Date: FY 1997

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

Component/Appropriation/Account Number: Military Personnel, Navy (17X1453), Operations and Maintenance, Navy (17X1804)

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: Claimant per diem costs will be reduced, as will training and mission essential travel costs. Funds from billeting service charges will be identified and used as intended. BOQ cost avoidances can be achieved. Economy and efficiency of BEQ will improve with a FY 1993 - FY 1998 cost avoidance of approximately \$156.7 million.

Source(s) Identifying Weakness: General Accounting Office NSIAD Report 92-27, "Transient Lodging Operations Need Effective Management Control," of October 1991; Naval Audit Service Report 090-S-92, "Navy's Management of Berthing Spaces at Bachelor Enlisted Quarters," of September 30, 1992; Naval Audit Service Report 004-S-93, "Utilization of Transient Bachelor Quarters," of October 27, 1992; Internal management reviews conducted during 1991 and 1992.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Issue policy prohibiting billeting offices from issuing certificates of nonavailability (CNAs) when government quarters are available.
C	Revise DON guidance to require that results of quarterly space utilization reviews be documented and retained for record purposes. Issue guidance to terminate geographical bachelor space assignments when the BEQ space is needed by higher priority personnel.
C	Identify appropriate management controls to ensure compliance with policies and directives.
C	Clearly identify potential uses of billeting funds, and urge commands to maximize use. Require commands with identified projects to restrict funds appropriately. Issue guidance requiring claimants to transfer excess billeting funds not reserved for projects to activities in need of nonappropriated funds.
C	Require that during periodic inspections reviews ensure that geographical bachelor space assignments are terminated when the spaces are needed for higher priority personnel.
C	Advise field activities to utilize all available spaces prior to authorizing unaccompanied enlisted personnel to live off-base.
C	Require that data be developed that depicts total BEQ capacity, occupancy, and the resulting number of authorizations to live on the economy due to BEQ utilization; and report the results at least quarterly.
C	Require that periodic inspections of field activities include reviews to certify BEQ space allocations are consistent with optimum utilization needs, and that authorizations to live off-base are limited to those instances where BOQ space is fully utilized or personnel are qualified for such entitlement.

- C Identify costs involved.
- C Issue policy and procedures requiring official travelers to make billeting arrangements through commercial travel offices (CTOs). Require use of BOQs within reasonable distances of temporary duty travel locations. Issue clarifying guidance regarding the use of adverse effect statements for temporary duty travel by defining specific instances when the statement would be justified.
- C Establish procedures to monitor the adequacy of BOQs through unannounced inspections and establish feedback procedures from users of BOQs to include appropriate corrective action.
- C Require BOQs located within local commuting areas to coordinate availability prior to issuance of certificates of nonavailability.
- C Establish a review of adverse effect exemptions as an issue in all Inspector General inspections.
- C Implement a standardized BOQ reservation system.
- C Issue guidance to BOQs to correct deficiencies in regard to climate control, furnishings, cleanliness, maid service and privacy, and notify them that they are to issue certificates of nonavailability if deficiencies are not corrected.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Verification: Conduct management reviews to certify the effectiveness of all corrective actions.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Navy Management of Missile Storage, Handling, and Inspections. The Department of Navy (DON) planned to construct explosive ordnance structures that it did not need. DoD Instruction 7040.4 specifies Military Construction (MILCON) funds are not to be used until full consideration is given to converting or altering existing structures to satisfy new requirements.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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

Component/Appropriation/Account Number: Military Construction, 17Y1205; various years

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 DON will put MILCON funds to better use for needed explosive ordnance structures, disposal of excess ordnance, increasing available space in ordnance structures, and consolidating the management of ordnance structures.

Source(s) Identifying Weakness: Department of Defense Inspector General Report No. 96-025, "Navy Management of Missile Storage, Handling, and Inspections," of November 27, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones

Date:

Milestone:

C

Establish a policy requiring the timely disposition of excess ordnance.

C Cancel \$56.0 million of constructions projects, including 11 of the 15 planned explosive ordnance storage structures.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Establish a specific DON activity as the worldwide manager of shore-based ordnance, and validate requirements for all future ordnance construction projects.
3/97	Revise procedures in DON Instruction for reporting use of ordnance structures to include clarification for reporting small arms ammunition space.
9/97	Verification: On-site verifications, subsequent audits, inspections, quality assurance reviews, and management control reviews verify elimination of unneeded and unjustified missile storage facilities.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Military Construction Value Engineering (VE) Program. Management controls were not sufficient to ensure that all required VE studies were accomplished and that all annual plans were submitted for military construction.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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

Component/Appropriation/Account Number: Air Force, Military Construction, 57*3300

Validation Process: Headquarters will review field activities for procedural compliance.

Results Indicators: All VE studies will be accomplished which will promote quality and remove nonessential costs from projects, programs and acquisitions.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: "Military Construction Value Engineering Program, Project 96052027," August 29, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Reemphasize to field activities the importance of supporting the Value Engineering Program.
C	Issue updated guidance on identifying projects for which VE should be performed, on methods to obtain training, and a new approach to requiring VE as part of the design process.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Publish revised Air Force Instruction 32-1023, "Design and Construction Standards and Execution of Facility Construction Projects."
9/97	Perform headquarters review to ensure field activities are complying with established procedures.

Planned Milestones (Beyond FY 1997):

Date: Milestone:

None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title of Material Weakness: Inadequate Master Plans. Historically, Defense Logistics Agency (DLA) Primary Level Field Activities (PLFA) have not developed comprehensive Installation Master Plans due to constrained resources, even though it has been a written policy. DLA Business Offices and their PLFA Commanders have not had good facility data to logically and orderly determine priorities of maintenance, repair, and construction funding of facilities and utility systems at all installation sites. During the Base Realignment and Closure (BRAC) 93 analysis, the need for complete Master Plans to provide accurate and complete facilities information became evident.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Corrections Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1997

Current Target Date: FY 1999

Reason for Change in Dates(s): Slippage is the result of personnel reductions which caused a backlog of work, and change in Agency priorities.

Component/Appropriation/Account Number: DLA/Defense Business Operation Fund/97X4930

Validation Process: Ensure that all installations, sites, and Distribution Regions receive published Master Planning guidance, understand their responsibilities, and understand submittal requirements. Verification will be by letter from PLFA Commanders to the Executive Director for Distribution for the Business Office.

Results Indicators: Development of comprehensive Installation Master Plans will lead DLA to properly execute its repair and maintenance budget and assist senior leadership in making better business decisions. The potential consequences of failing to correct this problem will lead to DLA spending its limited repair and maintenance budget on sites or buildings which may not be prudent for continued, long term use. There is neither a quantitative nor qualitative method for measuring the direct benefits of accurate Master Plans.

First indicator: Review of Annual updated Master Plans component plans as received from all sites beginning in January 1999.

Second indicator: Complete Master Plans, 5-Year update, received from all sites beginning in January 2000.

The benefits are derived from the use of the plans in making business decisions. Cost avoidances are subjective. An analysis has been done on the Cost/Benefit Submission.

Source Identifying Weakness: The weakness was identified by the Facilities Master Planning and Engineering Team in the availability of facility data provided by each PLFA command for use in the BRAC 93 evaluations. During BRAC 93 briefing to the Presidential Commission on BRAC these deficiencies were manifested and were identified as a material weakness in a briefing by DLA BRAC working group to the Executive Group on 3 August 1993.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Contracted with Public Works Center (PWC) Norfolk to prepare schedule for Facilities Master Plans.
C	Updated and published Master Planning regulatory guidance and submittal procedures.

Planned Milestones (FY 1997):

9/98	Complete Capital Maintenance Plans, Capital Improvement Plans and Future Development Plans at 5 permitted sites and 14 fuels permitted sites.
9/98	Complete Master Plans at 14 fuels permitted sites.
9/98	Complete Maser Plans at 5 permitted sites.

Planned Milestones (Beyond FY 1997):

9/99	Complete Capital Maintenance Plans, Capital Improvement Plans and Future Development Plans at remaining tenant depots, Inventory Control Points (ICPs), Defense Reutilization and Marketing Systems (DRMS) facilities and fuels sites.
9/99	Complete Master Plans at remaining tenant depots, ICPs, DRMS facilities and fuels sites.
9/00	Verification.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Controls Over Expedited Disposal Processing. Expedited processing can be authorized when there is: documented low potential for reutilization, transfer or donation (RTD); excessive backlog situations; potential deterioration from outside storage; or other compelling reasons impacting the Defense Reutilization and Marketing Offices's (DRMO) ability to store quantities of property. Expedited processing requires the DRMO to obtain written approval from their respective General Services Administration (GSA) Regional Office.

There were instances when DRMOs did not always obtain the necessary approval before initiating expedited processing. Therefore, screening time periods required for the disposal of excess and surplus federal personal property were not being provided. The existing Defense Reutilization and Marketing Service (DRMS) manual process for implementing expedited processing required validation of GSA approval waivers on a line item by line item basis in determining proper authorization for expedited processing, which DRMS workers did not consistently adhere to when making expedited processing decisions. There was a lack of management controls for ensuring an adequate reconciliation between property and GSA approval waivers authorizing expedited processing.

During FY 1996, controls and tighter procedures were established to be used when workload and other circumstances dictate that expedited processing is required. Management responsibilities and techniques were defined. Approval authority for the waiver request is now at Headquarters, DRMS.

In addition, a System Change Request (SCR) was implemented to allow for automated generation of Front End Screening (FES) notification to Inventory Control Points (ICPs) as well as the GSA Federal Disposal System (FEDS), thus providing full visibility of property processed under expedited processing.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

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

Current Target Date: FY 1997

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

Component/Appropriation/Account Number: P520, Reutilization

Validation Process: Quality Visits and Management Reviews.

Results Indicator: Established procedures are in place to be used when workloads increase and expedited processing is required. Management techniques are outlined with 100 percent approval controlled by the Disposal Operation Division (DRMS-SO) and Operations Reutilization Office (DRMS-SOR). Compliance will be measured by having zero violations found as a result of Management Evaluation Visits (MEVs), Inspector General (IG) inspections, and periodic spot-checks of DRMO inventories by DRMS-SOR. Additionally, the establishment of a new Material Screening Code (MSC) for sole use of expedited processing will place a control mechanism to identify any unauthorized items undergoing expedited processing.

Source(s) Identifying Weakness: Department of Defense Inspector General Evaluation of FY 1995 Defense Reutilization and Marketing Service Financial Data (Project No. 6LH-9006).

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Develop and maintain master list of DRMOs using expedited processing.

Planned Milestones (FY 1997):

3/97	Revise expedited processing policy to incorporate a delineation between excess and surplus property undergoing expedited disposal processing.
3/97	Implement a System Change Request (SCR) to define items undergoing expedited processing as opposed to those items processed directly to sales.
On-going	Ensure written authorization is obtained from GSA, and monitor and evaluate process.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Call Accounting System is Not in Operation. This system is operated by the Commander in Chief of the Atlantic Fleet (CINCLANTFLT) and when it comes on line will allow U. S. Atlantic Command (USACOM) to verify long distance calls. USACOM is working with CINCLANTFLT to push this system to activation. This system is a computerized database that affixes commercial rates to all overseas and U. S. telephone calls by each telephone line extension.

Functional Category: Communications/Intelligence

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: N/A

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

Current Target Date: FY 1997 (This is subject to change based on CINCLANT Fleet's ability and funding to complete the telephone call accounting system as projected).

Reason for Change in Date: N/A

Component/Appropriation/Account Number: Navy funding

Validation Process: Verify telephone long distance calls listing by division/directorate/staff.

Results Indicators: All long distance calls are accounted for as either official or unofficial. Unofficial calls are reimbursed back to the government.

Source Identifying Weakness: Assessable Unit Manager for this weakness, USACOM, J6.

Major Milestone in Corrective Action: (C = Completed)

Completed milestones:

Date: Milestone:

None.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	CINCLANT Fleet completes installation of call accounting system. Provides USACOM listing of all long distance calls by line extension and cost. USACOM publishes staff instruction on telephone management and usage policy.
9/97	USACOM J6 provides monthly listing to each division/directorate/staff of long distance calls with costs.
9/97	USACOM J6 validates 3 months worth of listings. J8F. Comptroller. receives reimbursement for unofficial calls.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Navy Enlisted Classification (NEC) Code Training. 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 Organizational Management

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1997

Reason for Change in Date(s): Issuing new/revised guidance is taking longer than originally expected.

Component/Appropriation/Account Number: Operations & Maintenance, Navy (17X1804). Military Personnel, Navy (17X1453)

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 accurately stated 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: Naval Audit Service Report 049-S-93, "Enlisted Classification Code Training," of June 30, 1993 and Naval Audit Service Report 016-95, "Utilization of Navy Enlisted Classification Code Training," of January 6, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
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 supervisory review of detailers' 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 1997):

Date:	Milestone:
3/97	Revise guidance to require Quota Control Authority approval for all assignments to NEC-producing courses. [Chief of Naval Operations guidance is expected to be issued in December 1996, followed by a Chief of Naval Education and Training Instruction in March 1997.]

9/97

Verification: Conduct/utilize a management control review or alternative management control review to certify the effectiveness of all corrective actions.

Planned Milestones (Beyond FY 1997):

Date: Milestone:

None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Naval Selected Reserve Force Mobilization Requirements. Department of the Navy (DON) field activities and manpower claimants did not always use effective procedures or policy guidance to develop and justify selected reserve (SELRES) manpower requirements. Field activities did not always review their mobilization requirements annually. Resource sponsors did not always consider active duty personnel filling peacetime-only billets as a source for filling ship and squadron mobilization requirements. Finally, 20 of the 22 manpower claimants interviewed did not include the function of determining SELRES manpower requirements as an assessable unit under the DON Management Control Program. An independent validation of mobilization requirements was not performed and, as a result, SELRES mobilization requirements were overstated.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Reports: FY 1996

Current Target Date: FY 1999

Reason for Change in Date(s): An additional weakness and associated milestones were added in FY 1996.

Component Appropriation /Account Number: Reserve Personnel, Navy (17X1405)

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: Valid mobilization manpower requirements will ensure, and result in DON activities having an enhanced ability to accomplish mission and functions during a mobilization. Adequate SELRES manpower authorizations result in proper Reserve Personnel, Navy programming and funding.

Source(s) Identifying Weakness: Naval Audit Service Report 049-S-91, "Naval Surface Reserve Force Personnel and Training Readiness," of June 25, 1991; Naval Audit Service Report 069-S-92, "Naval Selected Reserve Force Mobilization Requirements," of June 30, 1992; Department of

Defense Inspector General Report 92-116, "Naval Reserve Reinforcing and Sustaining Units," of June 30, 1992; Department of Defense Inspector General Report 96-173, "Requirements for Naval Reserve Component Units Not Assigned to Support Regional Contingencies," of June 21, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestone:

Date:	Milestone:
C	Ensure that SELRES manpower requirement is reported as an assessable unit.
C	Revalidate the responsible functional sponsor for each functional category. Revalidate all Navy Manpower Mobilization System (NAMMOS) functional categories for applicability under the new planning guidance. Revise the NAMMOS users manual.
C	Issue revised guidance on Navy total force manpower policies and procedures.
C	Provide guidance to manpower claimants on the procedures to be used to conduct a zero-based review of all mobilization manpower requirements.
C	Write and issue a Secretary of the Navy Instruction on Naval reserve policy.
C	Perform functional category reviews/update the Concept of Operations for each functional category based on the new planning guidance.
C	Add the determination/validation/ programming procedures for mobilization manpower requirements to the PERS-51 Total Force Manpower Management course.
C	Revalidate all mobilization manpower requirements, and submit necessary manpower change requests.
C	Identify any cost savings/increases resulting from the revalidation/ identification of alternate resourcing of SELRES requirements that results from the new guidance. [Since 1992, the DON has eliminated a substantial number of sea-based SELRES requirements, and a small number of shore-based requirements. End-strength was reduced from 127,269 in FY 1991 to 81,118 for FY 1996.]

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Establish a requirement for annual reviews of manpower claimants' mobilization requirements to ensure that they follow the policies and procedures in Chief of Naval Operations (CNO) Instruction 1000.16H, "Manual of Navy Total Force Manpower Policies and Procedures," 25 March 1994.
3/97	Establish guidelines for major claimants to require that independent personnel properly trained in the manpower functional area validate mobilization requirements. Guidance should specify that the independent manpower teams will report to the senior official of the major claimant being validated.
3/97	Include the requirement to screen civilian employees as a specific step in the assessment of mobilization workload in CNO Instruction 1000.16H.
9/97	Justify mobilization requirements for Reserve Unit 106.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
3/98	Review all zero-based documentation to ensure the correct productivity adjustment factor has been used, and make any necessary changes to mobilization manpower requirements.
3/99	Verification: Conduct management reviews to certify the effectiveness of all corrective actions.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Family Service Centers. The Department of the Navy's military family service centers serve as a focal point for information, referral and coordination of family support system programs and activities which help to prevent or reduce family and personal stress, and are intended to promote healthy community environments. However, program responsibilities at the installation level are not clear because of a lack of integration and an overlap of functions with other programs, standard criteria have not been established to assess future needs of the military community, and a system to measure program effectiveness is not in place.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action:

Year Identified: FY 1990

Original Targeted Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1997

Reason for Change in Date(s): Additional time is needed to verify the effectiveness of completed milestones.

Component/Appropriation/Account Number: Operations and Maintenance, Navy (17X1804)

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: Quality of Life surveys will verify that Navy family service centers are accomplishing requirements. Improvements to overall Family Advocacy Program (FAP) policies are in place and operating successfully.

Source(s) Identifying Weakness: Department of Defense Inspector General Inspection Report. "Military Department Family Centers." of June 27, 1990.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestone:

Date:	Milestone:
C	Identify data elements and develop a management information report which will allow Navy family service centers to accurately reflect actual center workloads.
C	Conduct quality of life surveys on a regular basis, perform trend analysis on the results, and furnish the outcome to appropriate command personnel.
C	Review FAP policies and implementation, and improve, as necessary, to heighten community awareness, controls, training, emphasis, oversight, and assignment of responsibilities.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Verification: Conduct management reviews to certify the effectiveness of all corrective actions.

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
None.	

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Lessons Learned Information from Major Training Exercises. 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 Department of the Navy (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 Organizational Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1998

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

Current Target Date: FY 1998

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

Component/Appropriation/Account Number: Military Personnel, Navy; Military Personnel, Marine Corps

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: General Accounting Office Report NSIAD-95-152, "Military Training: Potential to Use Lessons Learned to Avoid Past Mistakes Is Largely Untapped," of August 9, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Modify DON lessons learned program to capture and retain all significant lessons learned from operations and exercises.
C	Provide training to key personnel in the use of lessons learned information and the technology for accessing and reviewing that information.
C	Incorporate a validation process into the DON lessons learned programs.

Planned Milestones (FY 1997):

Date:	Milestone:
9/97	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.]

Planned Milestones (Beyond FY 1997):

Date:	Milestone:
3/98	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.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Misuse of Temporary Appointing Authority and Intermittent Work Schedules of Commissary Employees. Shortly after activation, Defense Commissary Agency (DeCA) began to receive correspondence alleging improper uses of temporary/intermittent employees. Research of individual situations resulted in the following determinations: (1) many temporary employees are being utilized to perform permanent, continuing work requirements; (2) some temporary employees have been on rolls beyond the four-year limit allowed by the U. S. Office of Personnel Management (OPM); and (3) many employees on intermittent work schedules are performing functions which can be staffed on a scheduled (i.e., part-time and full-time) basis.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1993

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1997

Reason for Change in Date: The misuse of temporary employees has been reduced to a few isolated cases, and the number of employees on intermittent work schedules has been reduced. OPM and DeCA have formed a joint team to review this situation. The team has visited the remaining three continental United States regions, but the final report will not be issued to DeCA until FY 1997.

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

Validation Process: All regional elements are to report actions to Headquarters DeCA which result from the implementation of DeCA's policy letters. Review of pertinent commissary data reflecting employee work categories, (i.e. full time personnel, part time personnel, etc.) agency-wide will be conducted in addition to the data submitted by our regional elements. Also, the DeCA Inspector General has incorporated these issues into their "no notice" inspections.

Results Indicators: Decline in total employment of intermittent employees and issuance of effective policies and procedures governing use of temporary, other than full time employees.

Source Identifying Weakness: During the first quarter of FY 1992, DeCA began to receive correspondence alleging improper uses of temporary/intermittent employees at specific commissaries. Correspondence was received from OPM, Congressmen, and employees (current and former). The General Accounting Office (GAO) conducted an investigation at one commissary. In response to these issues, research was conducted regarding agency-wide usage of temporary/intermittent personnel. Through personnel data printouts, telephonic inquiries and on-site visits, it was determined that misuse of temporary/ intermittent personnel had occurred.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Seek assistance from OPM regarding temporary appointment in violation of the four-year limitation. OPM granted an extension to all temporary appointments in violation of the four-year limitation on April 20, 1992.
C	Issue Agency policy.
C	Conduct Agency-wide review to insure regulatory compliance.
C	Conduct work-group meeting to develop methods for scheduling work in the customer service department that don't promote misuse of temporary employees or intermittent work schedules.
C	Develop and implement training on proper utilization of temporary and other-than-full-time employees for commissary level supervisors and managers.
C	Visit Midwest Region.
C	Receive draft OPM report on adequacy of corrective action.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Receive final OPM report.
3/97	Develop updated guidance.
3/97	Issue updated guidance to the field.

3/97 Achieve an optimum staffing posture in compliance with governing rules and regulations.

3/97 Verification and Validation/Close material weakness.

Planned Milestones (Beyond FY 1997):

Date: Milestone:

None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Records Management. A material weakness exists within the records management area because the records retention schedule has not been approved by the National Archives and Records Administration (NARA). NARA approval would allow destruction of official records. Due to the Defense Commissary Agency (DeCA) reorganization, several additional file numbers, descriptions and dispositions had to be included in the records schedule before NARA could approve.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1994

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason For Change in Date(s): Store Records Management and Electronic Data Interchange initiative.

Component/Appropriation/Account Number: DeCA/Defense Business Operation Fund/97X4930

Validation Process: Effectiveness of corrective actions will be determined by management visits, feedback from training sessions, results of Department of Defense Inspector General Process Reviews, Management Control Review, and feedback from records staging and holding areas.

Results Indicators: Benefits derived from the corrective action and overall impact:

- 100 percent of units have properly established records management systems.
- Current fiscal year records are properly controlled using DeCA records procedures.
- DeCA activities demonstrate compliance with annual records retention, destruction, or carrying forward requirements.
- Effective and efficient storage retrieval practices are in place to provide managers and action officers timely access to required records.

Source(s) Identifying Weakness: Managerial Assessment, Management Assistance Visits and functional information management program feedback.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Region management visits scheduled for FY 1992.
C	Draft Directive containing policies and operating procedures distributed.
C	Records retention schedule submitted to NARA.
C	Functional training scheduled for FY 1993.
C	Complete functional training.
C	Review Records Program implementation/spot remedial training.
C	Review FY 1992 Year-end records close out and first-year records disposition.
C	Complete records management visits to Regions, Service Centers and agency staff.
C	Publish draft Records Retention Schedule.
C	Complete Store Records Management Concept Development Plan, Requirements Analysis, and Market Survey.
C	Complete Store Records Management Analysis of Alternatives.
C	Evaluate Design for Electronic Records System.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Design Electronic Records System.
3/97	Procure and Install hardware at selected Pilot Test Region and commence pilot testing.

- 9/97 End Pilot Testing.
- 9/97 Procure hardware and software and begin deployment.
- 9/97 Train users on electronic system.
- 9/97 Publish final records management policy, procedures and retention schedule.

Planned Milestone (Beyond FY 1997):

- | Date: | Milestone: |
|-------|--|
| 3/98 | Verification and Validation/Close material weakness. |

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Management of Historical Property in the Air Force Museum System. Existing internal controls were not sufficient to properly manage 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: N/A

Current Target Date: FY 1998

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

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

Validation Process: MAJCOM/ Inspector General will perform Quality Air Force Assessments to check and report on historical property management at all bases.

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

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: "U. S. Air Force Museum System, Project 96051028." September 4, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:

Milestone:

C

USAF Museum conducted the first class of new basic curator course to provide training in the requirements and procedures of the USAF Museum System.

C Air Force Manpower Standards for Field Museums submitted to Headquarters U. S. Air Force Manpower Requirements Division for review. This new Air Force Manpower Standard will require a minimum of three positions to operate a field museum, or the museum will have to be closed or reduced to a heritage center.

Planned Milestones (FY 1997):

Date:	Milestone:
3/97	Obtain approval from Air Force Inspector General to make historical property accountability, inventory control, and protection a regular part of all Quality Air Force Assessments.
3/97	Conduct inventories of all historical property accounts.
3/97	Implement new manpower standard.
9/97	Publish revised Air Force Instruction 84-103. "Museums System." It will include a requirement for command-wide historical property control plans and authority to dispose of selected categories of historical property by unconditional deeds of gift.
9/97	Major Command History offices will conduct staff assistance visits.

Planned Milestones (Beyond FY 1997):

9/98	Major Command Inspector Generals will perform Quality Air Force Assessments to review historical property.
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ENCLOSURE B-3

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Control of Small Arms Weapons Spare Parts. This weakness was first detected by the General Accounting Office's (GAO) 1991 audit of the New York Army National Guard's (NYARNG) control over small arms parts. The loss of weapons spare parts was discovered when an investigation into the theft of military clothing was expanded into other items of supply. The GAO found that soldiers inspecting and repairing weapons were also the ones requisitioning repair parts and maintaining shop stock records. Parts were systematically pilfered in quantities below the \$50.00 inventory discrepancy threshold, allowing the thefts to go undetected. Actions were initiated by the National Guard Bureau (NGB) to correct these problems, with assistance from the Office of the Deputy Chief of Staff for Logistics (ODCSLOG).

The GAO's 1993 audit of three Active and three Army National Guard (ARNG) sites continued to find internal controls over small arms parts inadequate. Required inventories were not conducted, shop and bench stocks were mismanaged, duties of material repairers were not separated from those of shop stock clerks, and automated systems did not include edits to prevent unauthorized requisition of repair parts. Systems, policies, and procedures were vulnerable to criminal manipulation that resulted in the theft of parts used to make civilian semi-automatic AR-15 rifles operate in a fully automatic mode. The GAO noted lapses in physical security that enhanced the threat of simple pilferage and organized criminal activity.

The GAO's 1993 findings of criminal activity and recurring internal management control deficiencies similar to those detected in 1991 prompted the DCSLOG to declare Control of Small Arms Weapons Spare Parts an Army-wide material weakness and transfer responsibility for the management of corrective action to ODCSLOG.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1991

Original Targeted Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1996

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

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

Validation Process: The Small Arms, Ammunition and Explosives Business Action Plan (SABAP), identifies 66 issues which are individually tracked for closure and validation in coordination with US Army Audit Agency (USAAA) and Department of the Army Inspector General (DAIG). The DAIG to review the total program for adequacy of the corrective actions.

Results Indicators: Improved accountability and inventory management procedures will deter and detect incidence of theft. Modifications to automated systems can provide a historical review of the 12 repair parts that make an M16A1/2 a fully automatic weapon, reduce the opportunity for system abuse that could hide theft, and enhance stock control. Strengthening and enforcing physical security requirements protect small arms parts from theft. The combination of corrective actions will reduce the Army's risk of loss, demonstrate sound stewardship of resources, and minimize the potential for small arms parts being used in the illegal conversion of civilian weapons.

Source(s) Identifying Weakness: GAO/NSIAD-91-28, "Defense Inventory: New York Army National Guard Weapons Parts," November 1990; GAO/NSIAD 94-21, "Small Arms Parts: Poor Controls Invite Widespread Theft," November 1993. Special Inspection of Small Arms and Small Arms Repair parts, and Army Small Arms Task Force, DAIG, August 1994. This weakness has on-going corrective actions that were addressed on the GAO Letter Report, March 1994 and DAIG FY 1995 Follow-up Inspection of Small Arms and Small Arms Repair Parts.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date	Milestone:
C	The NYARNG instituted procedures to require separation of duties in the small arms repair facilities.
C	The NYARNG eliminated \$50.00 inventory discrepancy option, so that all discrepancies in weapons parts, regardless of dollar value, are investigated.
C	Notified all state National Guards of this problem and request them to verify their own procedures.
C	The NYARNG improved physical security at the Newburgh, NY warehouse, to include perimeter fencing repairs, placement of all weapons

parts in controlled storage areas, keeping unmanned doors locked, and prohibiting parking of personal vehicles next to the warehouse.

- C Reviewed GAO's draft report to determine recurring deficiencies and note where corrective actions are needed.
- C Released ODCSLOG message to the field directing separation of duties for weapons repairers and shop stock clerks.
- C Vice Chief of Staff, Army directed the DAIG to conduct a Special Inspection of small arms and small arms repair parts.
- C Added control of small arms parts as a Command Logistics Review Team (DCSLOG and Chief, NGB) Special Interest Item for FY 1994 and FY 1995.
- C Control of small arms parts approved as a Special Item Review topic for the DAIG and Chief, NGB for FY 1995 to validate the accomplishment and adequacy of corrective actions.
- C Office of the Deputy Chief of Staff for Operations (DCSOPS) released a message to enforce physical security requirements in and around warehouse and maintenance areas where small arms repair parts are stocked.
- C Established the Army's Small Arms Task Force. They are chartered to develop and implement courses of action to resolve small arms and small arms repair parts issues.
- C Added specific comments on control of small arms parts to the ODCSLOG's pre-command course presentation on logistics management.
- C Released a world-wide message to emphasize small arms repair parts management in installation conducted company pre-command courses, Command Supply Discipline Program initiatives, and Command Inspection Programs.
- C Released a world-wide message detailing the ODCSLOG managed material weaknesses and what commanders must do to assist in resolving deficiencies.
- C Chartered the Small Arms Parts Inventory Management and Explosives Ordnance Process Action Teams to initiate changes to system processes and procedures.

- C Initiated Armament and Chemical Acquisition and Logistics Activity Small Arms Business Process Review to initiate changes to system processes and procedures.
- C Published revised Army Regulation (AR) 710-2, Inventory Management Supply Policy Below the Wholesale Level, in Supply Update 14. This revision required separation of duties between materiel repairers and stock record clerks, and eliminated Controlled Inventory Item Code J (pilferable) items, to include all small arms parts, from bench stocks.
- C Sent joint stewardship message from the Secretary of the Army/Chief of Staff, Army (CSA) to the field discusses this weakness and provides their guidance on enhancing stewardship of resources.
- C Began development and documentation of a SABAP to enhance management and fix responsibilities for corrective actions.
- C The DAIG out-briefed the VCSA on their FY 1994 inspection results. Findings released to field commanders in August 1994.
- C Submitted 16 Engineering Change Proposals (ECP) to Information Systems Command Software Development Center-Lee that made necessary changes to catalog coding and STAMISs. These ECPs provide password and terminal security, print DEMIL codes on turn-in documents, restrict requisition of small arms repair parts to the authorized level of maintenance.
- C Completed development and distribution of a one minute public service announcement for airing on Armed Forces Network, Newswatch, concerning small arms repair issues. Also, made Army-wide distribution of two awareness posters to promote command and soldier awareness of responsibilities.
- C Published and distributed SABAP.
- C Reviewed Controlled Inventory Item Codes (CIIC) as they apply to small arms parts to determine if unique CIIC is needed for small arms parts and to decrease the number of parts requiring special management.
- C DAIG began Follow-up Inspections. Small Arms & Repair Parts Follow-up (SARP II).

- C The Public Affairs Office Command Information Package on Security Awareness, addressing theft of small arms, category I missiles, and small arms repair parts distributed to the field.
- C DCSLOG Power Projection message released discussing the need for commanders to ensure proper password controls on logistics STAMISs.
- C CIIC changes reflected in the Army Master Data File for Army managed items. Forwarded to the Defense Logistics Agency (DLA) recommendations for CIIC changes for DLA-managed items.
- C DAIG completed SARP II to include special inspection of Fort Riley.
- C DCSOPS directed ARNG to fall under the provisions of AR 190-11, Physical Security of Arms, Ammunition and Explosives.
- C CSA released Stewardship message addressing small arms, Category I missiles, and small arms repair parts.
- C Continued small arms parts as a special item of interest for review by Command Logistics Review Teams during FY 1996.
- C Published revised AR 190-11, Physical Security of Arms, Ammunition and Explosives. This revision includes ARNG responsibilities, 15 minute response time requirement for arms storage area intrusions and requirements for enhanced lighting of arms storage areas.
- C Conducted quarterly Small Arms Task Force meetings and two semi-annual Executive Task Force meetings. These meetings will ensure continual focus on near-term and systemic policy, process and system enhancements.
- C Obtained Director, Information Systems, Command, Control, Communications and Computers concurrence to focus automation changes on objective systems vice legacy systems.
- C Held periodic Small Arms Task Force and Executive Task Force meetings. Meetings will ensure continual focus on near-term and systemic policies, process, system enhancements, and ensure closure and validation of Small Arms, Ammunition and Explosives Business Action Plan issues.
- C Password and terminal security changes incorporated into Standard Army Retail Supply System-Objective (SARSS-O) and SARSS-Interim (I)

operating on Non-Developmental Items (NDI) desktop computers and the Standard Maintenance System (SMS) baseline.

- C System changes fielded which print DEMIL codes on turn-in documents in SARSS-O, SARSS-I (NDI and Tactical Army Command and Control System), Direct Support Unit Standard Supply System, Standard Army Intermediate Level Supply System, SMS, Unit Level Logistics System (ULLS)-Air and ULLS-Ground.
- C DAIG completed assessment of overall program.
- C Executive Committee assessed validation of over-all program and recommended closure of this weakness.
- C DAIG published the SARP-II report.
- C ARNG falls under the provisions of AR 190-11, Physical Security of Arms, Ammunition and Explosives.
- C USAAA and DAIG completed validation

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Inventory Management - Materiel Returns Program. The materiel returns program encompasses the management of retail inventory above the requisitioning objective (RO) that is retained for future requirements, redistributed, or retrograded to the wholesale system. Inadequate management controls, policy, and performance measures in the materiel returns program have resulted in suboptimization of resources in three areas.

We are experiencing extended receipt processing time for retrograde materiel. This is particularly true during peak periods at intermediate level supply activities. As a result, there is a loss of accountability for extended periods until receipt processing is completed. During this time frame those serviceable assets are not available for redistribution. Meanwhile, supported unit requisitions are passed to the wholesale supply system for items that are awaiting processing, incurring additional costs and generating excess. Additionally, items awaiting processing are not properly reported as excess preventing an accurate assessment of excess dollar value at the Major Army Command (MACOM) and departmental level.

The automatic retrograde of all items on-hand above the RO is significantly contributing to the backlog of items at the intermediate level described above. Units frequently re-requisition demand supported items that were recently turned-in, incurring additional costs, increasing customer wait time, and unduly workloading supply activities.

The lack of policy, doctrine, and resourcing for redistribution of assets results in low performance. Successful completion of referral orders through the Objective Supply Capability is only about 40%. Ineffective redistribution systems result in extended customer wait time and loss of accountability for assets placed in the system.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1996

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

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army; Supply Management, Army (Defense Business Operations Fund); Other Procurement, Army

Validation Process: US Army Audit Agency (USAAA) conduct audit of the effectiveness of corrective actions.

Results Indicators: Turn-in receipt processing within Army Regulation (AR) 710-2, Inventory Management Supply Policy Below the Wholesale Level standards; accelerated reduction of Corps Support Command/installation reported and actual excess levels; reduction in re-requisitioning of serviceables turned in; a reduction in overall processing returns to the wholesale supply system and an increase in closure rate for lateral referrals.

Source(s) Identifying Weakness: USAAA Report, NR 94-300, "Management of Equipment and Repair Parts 21st Theater Army Area Command, Kaiserslautern," May 1994; Management Control Review (U.S. Army Forces Command, Material Weakness J489001, Excess Stocks); and staff visits and report analysis.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Established a performance baseline for FY 1994 in results indicators listed above.
C	Initiated development of an Authorized Stockage List (ASL) Review Tool within the Integrated Logistics Assessment Program (ILAP) which provides commanders with an automated tool to consider readiness, mobility, investment dollars, and other constraints during semi-annual review process.
C	Initiated development of a retention/material returns tool within the ILAP that will allow Division Support Commanders to review demand patterns of items; thereby facilitating a retention decision.
C	Implement interim change to AR 710-2, Inventory Management Supply Policy Below the Wholesale Level to address automatic retrograde of all items above the RO. Concurrently provided guidance for Standard Army Intermediate Level Supply System (SAILS) changes which could be made by local commanders.
C	Chaired Excess Prevention/Material Returns Process Improvement Team meeting with participation from key MACOMs.

- C Completed fielding of SAILS system software change package to allow bar code reading of Standard Army Retail Supply System (SARSS) generated turn-in documents.
- C Chaired Excess Prevention/Material Returns Process Improvement Team meeting.
- C Reported trend analysis and progress to Total Army Inventory Management (TAIM) General Officer Steering Committee (GOSC).
- C Released ILAP retention/material returns tools to Divisions.
- C Deputy Chief of Staff for Logistics directed accelerated fielding of SARSS-Objective (O) to divisional and Corps level units.
- C Prototype ILAP ASL Review tool fielded at 2nd Armored Division and gained approval for Army-wide release.
- C Chair Excess Prevention/Material Returns Process Improvement Team meeting.
- C Publish updated Material Returns Business Action Plan.
- C Begin validation of corrective actions with USAAA.
- C Released SARSS-O Interim Change Proposal (ICP) (LIQ-03-05) to enable change of the requisitioning objective (RO) to facilitate retention of selected consumable items above the RO.
- C Released SARSS-O ICP (LIY03-06) which enhances visibility of assets thereby facilitating redistribution.
- C Reported trend analysis and progress to TAIM GOSC.
- C USAAA validated corrective actions.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: War Reserve - Requirements Determination and Management. The tremendous change in the war reserve mission has mandated the development of new processes for stock management, accountability, visibility, personnel structure, facilitation, operational employment of stockpiles, and financial management. Until these areas are reviewed, refined, and adequate control measures put into effect, the opportunity for equipment and dollar losses is heightened.

In May 1992, the Chief of Staff of the Army announced major policy changes in the Army War Reserve (AR3) programs. These policy changes reduced the programs, delinked accounts from specific Commanders-in-Chief (CINC), and distributed stocks into strategic common-user-stockpiles oriented toward supporting multiple CINCs. The concept shifted from developing requirements from the Global Planning Scenario to requirements for two Major Regional Contingencies (MRC).

War reserves are now centrally managed and controlled by Headquarters, Department of the Army. This provides the flexibility to implement the Office of the Secretary of Defense (OSD) and Joint Chiefs of Staff guidance to reduce the size and scope of the programs to meet budget constraints while continuing to provide the warfighting capability of supporting two MRCs.

The Army is working diligently to reduce stockpiles and still provide just enough in theater to sustain the warfighter until follow-on stocks can be brought forward from the other strategic common-user stockpiles. The Army is also working to ensure assets on-hand are redistributed in support of legitimate requirements. While assets on-hand appear to more closely meet new requirements levels, there are still shortfalls.

Failure to continue strengthening controls in this program could impact the Army's power projection capability. Failure of OSD to fund and protect an adequate secondary stockpile will jeopardize the Army's ability to sustain the fight for two MRCs. This program impacts training, readiness, force projection, and the ability of the Army to meet the requirements of the Defense Planning Guidance.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: N/A

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

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army; Supply Management, Army (Defense Business Operations Fund); Other Procurement, Army

Validation Process: In coordination with USAAA and the Logistics Management Institute (LMI), conducted validation of corrective actions.

Results Indicators: All programs visible and accurate in Total Asset Visibility, The Army Authorization Document System (TAADS), Commodity Command Standard System (CCSS), and other appropriate data bases. Requirements determination model validated. AR3 end-state plan approved, maintenance facility on line, testing of the program through exercises. Budget programs adjusted to end-state program.

Source(s) Identifying Weakness: Management control review.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Completed LMI study and produced recommendations on management structure and functions requiring change.
C	Completed staffing of final draft of Army Regulation (AR) 710-1, Centralized Inventory Management of the Army Supply System.
C	Continued to press OSD for authority to stratify peacetime excesses from additional drawdown into AR3/Operations protected levels.
C	Completed requirement planning, resourcing, and funding of the Contingency Corps sustainment package for AR3.
C	Completed automation structure changes in Standard Depot System and CCSS.
C	Completed transition of residual stocks in Europe and the Pacific.

- C Recomputed requirement under US Army Materiel Command (USAMC) management to assure redistribution of all assets available against the requirement.
- C Completed building of requirements documents and loaded into TAADS.
- C Completed loadout of warm data base for hand-off of preposition afloat sets.
- C Completed evaluation of Program Evaluation Group structure and implement recommended changes.
- C Begin Sea Emergency Deployment Readiness Exercise program to test AR3 training.
- C Started transition of Southwest Asia stockpile to USAMC (USAMC/Army Central Memorandum of Agreement signed, Army War Reserve Positioning Sets (AWRPS) loaded less Field Artillery Battalions). Assets will transfer to the CCSS database pending final AWRPS upload.
- C Completed transition of management of Prepositioned Materiel Configured to Unit Sets to USAMC, loaded asset accountability in CCSS.
- C USAAA and LMI completed validation of corrective actions.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Management of Assets Withdrawn from the Defense Reutilization and Marketing Service (DRMS). Air Force organizations did not establish accountability for DRMS withdrawals of unserviceable and expendable materiel.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1993

Targeted Correction Date in Last Year's Report: FY 1996

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: Conduct field review of base-level implementation.

Results Indicators: Corrective action will ensure increased accountability for assets withdrawn from the DRMS.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: "Management of Assets Withdrawn from the Defense Reutilization and Marketing Service, Project 91061017." January 28, 1992.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Develop and issue procedural guidance to ensure that all assets withdrawn from the Defense Reutilization and Marketing Office (DRMO) be processed by the base supply receiving function to establish control over the withdrawal of unserviceable and expendable materiel.

- C Revise Air Force Manual 67-1, Volume V, to emphasize that all property withdrawn from the DRMO is U.S. Government property for which authorizations and accountability must be established.

- C Standard Systems Center has submitted a communications-computer systems requirement document to revise the base-level supply system for accounting for unserviceable and expendable materiel.

- C Implement software change to automate supply system.

- C Complete required software revisions to automate supply system.

- C Major Command headquarters verified that field activities were complying with revised procedures and systems requirements.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Institutional Providers for Outpatient Services. According to the Department of Defense Inspector General (DoDIG) final report, No. 96-092, for the audit of "Payments to the CHAMPUS," institutional providers in the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) southeastern region submitted claims for technical component portions of outpatient services that were paid at amounts exceeding the CHAMPUS Maximum Allowable Charge (CMAC) or applicable prevailing State rate for the services provided. Office of CHAMPUS (OCHAMPUS) policy and procedures for the processing of claims by the fiscal intermediaries did not provide adequate controls to ensure that outpatient services included in claims submitted by institutional providers were not assigned miscellaneous procedure codes and that payments were not made in excess of the CMAC or prevailing State rate. As a result, CHAMPUS institutional providers in the southeastern region may have been paid about \$8.5 million more than was appropriate, based on the CMAC or prevailing State rates for the services provided during FY 1993. In addition, CHAMPUS beneficiaries may have incurred about \$2.3 million in unnecessary co-payment costs.

Functional Category: Contract Administration

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1996

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: Defense Health Program

Validation Process: Compliance has been ensured because the Department of Defense Inspector General (DoDIG) recommendations are currently being implemented through the TRICARE managed care contracts [e.g., hospital outpatient reimbursement will be improved by the advent of TRICARE and adoption of reimbursement techniques being currently researched by Health Care Finance Administration (HCFA), Department of Health and Human Services, as they become available]. Due to the at-risk features of these contracts, there is added incentive for the contractors to strictly comply with contractual requirements for quality management and utilization reviews.

Results Indicators: It is strongly agreed that it is undesirable to reimburse hospital outpatient departments more than doctor's offices for the same services. The difficulty is that the Agency's position is in conflict with the long-standing practice of hospitals and the health insurance industry which is to permit hospitals to bill and be reimbursed by broad revenue codes rather than on a procedure by procedure basis. The Agency has explored various alternatives to the current approach, including requiring submission of procedure codes and reducing payments via application of a cost-to-charge ratio. No approach which focuses on this narrow aspect of health care (hospital outpatient reimbursement) has proved practical; instead, the Agency is pursuing the broader strategy of placing the TRICARE managed care support contractors at risk for health care expenditures, and relying on the contractors' ability to negotiate discounts for hospital outpatient services. In the long-run, the Agency anticipates the emergence of alternatives to current approaches to hospital outpatient reimbursement. The Health Care Financing Administration is assessing the use of prospectively determined prices for outpatient services based on diagnosis, similar to the current approaches used for inpatient care. The Agency's plan is to consider the application of such an approach to DoD health care if, and when, it becomes available. Regarding the appropriateness of the estimates of potential monetary benefits, the Agency would point out that these benefits are subsumed in the cost savings arising from the implementation of TRICARE managed care support contracts.

Source Identifying Weakness: DoDIG Audit Report Number 96-092, dated April 3, 1996, "Payments to the Civilian Health and Medical Program of the Uniformed Services."

Major Milestones in Corrective Actions: (C= Completed)

Completed Milestones:

Date:	Milestone:
C	OCHAMPUS received DoDIG draft report
C	OCHAMPUS provides comments to the Office of the Assistant Secretary of Defense (Health Affairs) for response to the DoDIG draft report
C	DoDIG final report No. 96-092 published without CHAMPUS comments. DoDIG requests comments on the final report.
C	Office of the Assistant Secretary of Defense (Health Affairs) proposed reply to the DoDIG concurring with the findings and recommendations. The reply describes the features of TRICARE which serve to address the problems.

C OASD(Health Affairs) provided a description of the features of TRICARE which serve to address the problems outlined in the DoDIG final report. Completed with the implementation of TRICARE. (NOTE: The TRICARE contract for the region where the DoDIG audit was performed took effect July 1, 1996.)

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Validity of Provider Claims. According to the Department of Defense Inspector General (DoDIG) final report, No. 96-092, for the audit of "Payments to the." providers in the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) southeastern region submitted and received payment on claims for outpatient services at levels that exceeded services documented as being performed or for services that were not documented in patient medical records. CHAMPUS policies and procedures did not provide for validating the appropriateness of the levels of services or the actual performance of services claimed by providers. As a result, CHAMPUS may have overpaid providers in the southeastern region by about \$10.9 million and CHAMPUS beneficiaries may have incurred about \$.5 million in unnecessary co-payment costs on 1.3 million claims for services provided during FY 1993.

Functional Category: Contract Administration.

Pace of Corrective Action:

Year Identified: FY 1996.

Original Targeted Correction Date: FY 1996.

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: Defense Health Program

Validation Process: Compliance has been ensured because the DoDIG recommendations are currently being implemented through the TRICARE managed care contracts (e.g., the features of TRICARE which serve to address this problem include the fixed price contracts for health care benefits, along with the requirements for medical record reviews and other activities to detect and pursue aberrant providers). Due to the at-risk features of these contracts, there is added incentive for the contractors to strictly comply with contractual requirements for quality management and utilization reviews.

Results Indicators: The primary vehicle by which Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) is implementing the DoDIG recommendations is through the nationwide implementation of TRICARE, the Department's managed health care program. A principal feature of TRICARE is the procurement of regional

managed care support contracts which place a contractor at risk for the health care benefit expenditures under CHAMPUS. This provides powerful incentive for contractors to implement contractual requirements relating to quality management and utilization review, including medical record reviews to validate the information submitted on claims. An additional review process is undertaken via a separate National Quality Monitoring contract, which requires random review of thousands of medical records. In addition, managed care support contractors are required to track the results of record reviews. Finally, prepayment screens are used to track the frequency of visits and the number of ancillary services during a time period. Such information is reported periodically to CHAMPUS, and is used by the agency and its contractors to identify and pursue aberrant providers.

Source Identifying Weakness: DoDIG Audit Report Number 96-092, dated April 3, 1996, "Payments to the Civilian Health and Medical Program of the Uniformed Services."

Major Milestones in Corrective Action: (C= Completed)

Completed Milestones:

Date:	Milestone:
C	OCHAMPUS received DoDIG draft report
C	OCHAMPUS provides comments to the Office of the Assistant Secretary of Defense (Health Affairs) for response to the DoDIG draft report
C	DoDIG final report No. 96-092 published without CHAMPUS comments. DoDIG requests comments on the final report.
C	OASD(Health Affairs) proposed reply to the DoDIG concurring with the findings and recommendations. The reply describes the features of TRICARE which serve to address the problems.
C	OASD(Health Affairs) provided a description of the features of TRICARE which serve to address the problems outlined in the DoDIG final report. Completed with the implementation of TRICARE. NOTE: The TRICARE contract for the region where the Inspector General audit was performed took effect July 1, 1996.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Controls Over Copyrighted Computer Software. Internal controls were not sufficient to ensure proper management and use of copyrighted software.

Functional Category: Information Technology

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1996

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 Air Force Inspector General performed a follow-up review during FY 1996 and found internal controls were effective in tracking and validating the use of copyrighted software.

Results Indicators: Corrective actions should result in computer software being properly inventoried and only properly licensed software being used.

Source(s) Identifying Weakness: Department of Defense Inspector General Report 93-056, "Controls Over Copyrighted Computer Software," February 19, 1993; and Air Force Audit Agency Report of Audit: "Review of Local Area Network Security Management, Project 93054018," February 25, 1994.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:

Milestone:

C

Develop additional policy and procedures for the maintenance and use of copyrighted software.

- C Publish Air Force Instruction that includes additional policy.
- C Field activities will revise local procedures to ensure accountability and control of computer software.
- C Implement the revised policy to ensure compliance with copyright laws and maintenance of complete inventory.
- C The Air Force Inspector General reviewed the results of corrective actions and found them effective.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Air National Guard (ANG) Management of Automated Data Processing (ADP) Systems. The ANG Integrated Military Personnel System (IMPS) development was not efficiently and effectively managed and controlled in the areas of data records, user and maintenance manuals, system configuration management, and system internal control reviews.

Functional Category: Information Technology

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1994

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: N/A

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

Component/Appropriation/Account Number: Air Force, Other Procurement, 57*3080

Validation Process: Headquarters will review field implementation to ensure corrective actions were effective.

Results Indicators: As a result of corrective actions, documentation and modification procedures are accomplished according to Air Force standards which should improve the quality of IMPS/Making, Preparing, Producing Executive Reports (MAPPER) system updates thereby reducing correction requirements and non-standard system changes.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: "ANG Management of Automated Data Processing Systems, Project 92054010," February 17, 1993.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	ANG Readiness Command has developed and distributed a Communications-Computer System Directive including procedures for nonstandard ADP acquisitions.
C	Implement database access procedures to prohibit base-level access.
C	Create MAPPER Coordinator User Manual.
C	Develop and issue program guidance to the ANG units for managing ADP equipment.
C	Develop IMPS, and other applicable functional user manuals and issue to ANG units.
C	Develop and distribute a single standard interface retrieval to all ANG units.
C	Headquarters evaluation of field implementation has shown corrective actions to be effective.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Morale, Welfare, and Recreation (MWR) Program, "Declining Funds." MWR funding is declining faster than costs.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Corrected Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: N/A

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

Component/Appropriation/Account Number: All Services/Operation and Maintenance.
Nonappropriated Funds (NAF)

Validation Process: DoD has monitored and tracked the effects of revised directives, instructions and policy letters through financial reviews, adherence to reporting requirements, increased financial oversight, and implementation of study recommendations.

Results Indicators: Corrective actions have improved the management and oversight of the MWR program. These actions taken collectively will ensure in the future that the Services have sound financial management strategies for the management of MWR program appropriated and nonappropriated funds.

Source(s) Identifying Weakness: United States General Accounting Office (GAO) Report, dated February 28, 1994 (GAO Code 391174/Office of the Secretary of Defense Case 9621).

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish Services MWR, Exchange Services and Defense Commissary Agency Five Year Plan.

- C Issue DoD Directive 1015.2 - Military Morale, Welfare and Recreation (MWR).
- C Issue DoD Instruction 1015.10, Programs for Military Morale, Welfare and Recreation (MWR).
- C Informally coordinate DoD Instruction 1015.1, Establishment, Management and Control of Nonappropriated Fund Instrumentalities Related Activities.
- C Issue Policy Letters on Exchange Operations on Closed and Realigned Installations.
- C Issue Policy Letters on Credit Programs Operated by Nonappropriated Fund Instrumentalities.
- C Issue Policy Letters on MWR and Resale Support on Closed Installations.
- C Received and analyzed financial reports and Five Year Plans for the MWR programs and exchanges services.
- C Institutionalized biannual financial reviews where service resource managers and exchange Chief Financial Officers brief Office of the Secretary of Defense staff providing execution data, financial results, and out-year financial and program plans.
- C Implemented recommendations in Systems Research Analysis Corporation's study of exchange credit to consolidate exchange credit programs making the program more efficient, effective and responsive to customers needs.
- C Implemented revised quantitative and qualitative procedures for reviewing the nonappropriated and commissary surcharge construction programs, as well as implemented a review of the MWR appropriated fund construction program.
- C Rationalized Service and exchange requirements for the Five Year Plan, Project Objective Memorandum (POM), budget and DoD Directive 7000.12 execution reports to ensure consistency and thoroughness of financial data.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Budgeting of Aircraft Modifications for the NAVSTAR Global Positioning System (GPS). Existing internal controls did not effectively ensure that only relevant and timely data was utilized when developing budget requests for GPS modifications.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1995

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: N/A

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

Component/Appropriation/Account Number: Air Force. Aircraft Procurement, 57*3010

Validation Process: The effectiveness of new procedures was verified by a headquarters review of field implementation at the F-16 System Program Office.

Results Indicators: Budget requests from the System Program offices will more accurately reflect aircraft GPS modification costs and requirements.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: "Management of NAVSTAR Global Positioning System Modification, Project 94062003," May 22, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish headquarters Modification Review Group (MRG) comprised of acquisition, logistics and operational personnel, to review GPS requirements.

- C Establish Integrated Processing Team (IPT) to define user requirements.
- C Reemphasize to field program offices the requirement to verify the accuracy, completeness and timelines of budget estimates.
- C Revise Air Force Materiel Command Regulation 66-21 to include appropriate oversight controls, including the maintenance of adequate documentation supporting budget submissions.
- C The Air Force IPT developed a cost-effective time phased procurement strategy.
- C Headquarters performed appropriate review to ensure personnel were complying with established procedures.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Air Intelligence Agency (AIA) Acquisition Process. Inadequate guidance, untrained inexperienced project officers, and reduced senior management oversight degraded the AIA's ability to properly manage acquisition programs and acquisition funding.

Functional Category: Procurement

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: N/A

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

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

Validation Process: The Air Force Audit Agency will conduct a re-audit of the AIA acquisition process.

Results Indicators: As a result of corrective actions AIA acquisitions should comply with applicable appropriation and acquisition laws.

Source(s) Identifying Weakness: Air Force Audit Agency Reports of Audit: "Management of the Air Force Technical Applications Center Acquisition Process, Project 93063017," June 13, 1994 and "Management of the National Air Intelligence Center Acquisition Process. Project 93063018," June 13, 1994.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Initiate quarterly program reviews.

- C Provide training to budget analysts and resource advisors.
- C Issue guidance letter to applicable personnel.
- C Develop Project Officer's (PO) Handbook, establish PO qualifications and establish training requirements database.
- C Establish a centralized Contract Program and Policy Office.
- C Issue letter to unit personnel and project officers directing training and issuing new policy.
- C Revise sample memorandum of compliance and project officer training under new policy.
- C Develop guidance on cost/schedule reporting and monitoring of deliverables.
- C Initiate monthly reviews by senior management of ongoing projects.
- C Air Force Audit Agency performed a follow-up audit of AIA acquisition.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Base Realignment and Closure Commission (BRAC) Military Construction Costs (MILCON) Data. Internal control procedures either were not adequate or were not followed when developing cost estimates for Department of the Navy (DON) BRAC MILCON projects. A lack of internal control procedures resulted in requirements not adequately supported by valid or proper documentation, project cost estimates being developed improperly; and funding ceilings being established before project costs were known. BRAC process time constraints were a contributing factor.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1996

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

Component/Appropriation/Account Number: Military Construction (17Y1205); various years

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: Strengthening internal controls will ensure the accuracy of data for BRAC MILCON projects, and will allow better use of scarce BRAC MILCON funds.

Source(s) Identifying Weakness: Various Internal Control Reviews; two Naval Audit Service reports (1993 and 1994); and, twenty Department of Defense Inspector General reports (1994, 1995 and 1996)

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Issue guidance establishing a requirement at all DON activities to validate BRAC MILCON requirements and to improve the budget estimating process.
C	Issue a listing of BRAC MILCON "lessons learned" to all appropriate DON activities.
C	Issue guidance instructing all appropriate DON activities to establish BRAC MILCON as either a separate assessable unit or as part of an existing assessable unit.
C	Conduct management control reviews of BRAC MILCON. [The audit reports issued by DoDIG and Naval Audit Service noted as, " <u>Source(s) Identifying Weaknesses</u> ," were used as alternative management control reviews. DoDIG is reviewing all BRAC MILCON projects, as well as conducting follow-up reviews on completed projects and on DON implementation of his recommendations.]
C	Report results of the management control review via the chain of command in FY 1995 Annual (Management Control Certification) Statements of Assurance. Provide a plan of action and milestones for corrective action where material weaknesses are identified. [That internal controls have indeed improved is demonstrated by the significant reduction in the BRAC MILCON project error rate from 9.7 percent in FY 1994 to 0.73 percent in FY 1996.]
C	Establish procedures to validate accuracy and reliability of MILCON data.
C	Notify Defense Finance and Accounting Service of the edit requirement to ensure that allocations do not exceed authorizations in the BRAC appropriation.
C	Verification: Quality assurance reviews of BRAC MILCON funding verify accuracy of management reviews, and controls are in place and working. On-site reviews and continuous audits by DoDIG and Naval Audit Service of BRAC and regular MILCON projects also verify effectiveness of the actions taken

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Invalid Military Construction (MILCON) Projects. Department of the Navy (DON) activities justified MILCON projects based on incomplete, outdated, or erroneous data because management controls were not adequate to prevent or identify use of erroneous, outdated, or incomplete project-supporting data. The Shore Facilities Planning System does not have the controls necessary to identify inaccurate or incomplete project-supporting data.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1996

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

Current Target Date: FY 1996

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

Component/Appropriation/Account Number: Military Construction (17Y1205); various years

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: Invalid MILCON projects are canceled and reduced in scope, as necessary, so that management may put funds to better use.

Source(s) Identifying Weakness: Five Naval Audit Service Reports from 1994, 1995 and 1996.

Major Milestones in corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Emphasize a "MILCON Project Team" concept that includes members from the major claimant, local activity, appropriate functional experts, engineering field division, and headquarters commands.
C	Simplify and streamline MILCON project documentation.
C	Complete Shore Facilities Programming Board Redesign Committee Report on the MILCON process and documentation, and develop a MILCON acquisition process improvement plan.
C	Ensure appropriate personnel attend the facilities planner course.
C	Prepare and staff Installation Planning, Design, and Management Guide (E-1 Guide).
C	Verification: Continuous audits by Department of Defense Inspector General and Naval Audit Service of Base Realignment and Closure and regular MILCON projects, as well as program objective memorandum budget reviews, ensure that projects and funding controls are in place.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Management of the Resource Recovery and Recycling Program. Controls were not adequate to ensure that only appropriate recyclable materials were sold and that proceeds were used properly.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1996

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: Headquarters has reviewed field activity implementation of corrective actions through the Environment Compliance and Assessment Management Program.

Results Indicators: Morale, Welfare and Recreation will no longer be improperly credited with appropriated fund recycling revenues.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit: "Management of the Resource Recovery and Recycling Program, Project 93052010," April 15, 1994.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Review Air Force procedural guidance for implementing the Resource Recovery and Recycling Program (RRRP).
C	Develop new procedural guidance to ensure the proper implementation of the RRRP.

- C Direct field to require all recycling activities to be under the control of the installation Qualified Recycling Program.
- C Identify the RRRP as an Air Force Inspector General "Item of Interest" for annual review.
- C Issue a resource recovery and recycling program guide.
- C Publish revised AF Instruction 32-7080, "Pollution Prevention."
- C Review field implementation through the Environment Compliance and Assessment Management Program.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Telephone Control Procedures. Internal controls for telephone control procedures are not adequate to reasonably assure there is not fraud, waste and abuse. Because the current software in the base Command and Control Switching System (CCSS) does not allow for a complete call-detail history, we have limited itemized print-outs with which to compare our long distance phone logs.

Functional Category: Communications/Intelligence

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1993

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: N/A

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

Component/Appropriation/Account Number: Operation and Maintenance: 5753400 304 51HQ
20J600 49X 01 660000

Validation Process: After the milestones were completed, an Internal Management Control Review was performed to certify the effectiveness of the corrective action. The Headquarters, Inspector General (IG) played an active role in this verification process.

Results Indicators: Monthly telephone bills are reviewed monthly by the command telephone control officer and the unit telephone control officer. When questionable phone calls are identified, the source of the call is tracked with the assistance of contractor technicians. These procedures were developed shortly after the material weakness was identified. In the past three years since the enactment of physical controls and command oversight, unauthorized use of telephone for long distance calls has dropped to negligible levels.

Source(s) Identifying Weakness: Internal Management Control Review, October 21, 1992.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Rewrite USCENTCOM Regulation 105-7, to include policy on standardizing the telephone control process for the headquarters.
C	Upgrade current antiquated base telephone switch hardware to allow for tracking of long distance calls for all Super (A) lines connected to the base switch.
C	Install software release in USCENTCOM CCSS Switch that will provide call detail by specific phone.
C	The Defense Information Systems Agency (DISA) and the contractor, ESI, completed research on problems; software required to completely eliminate the problem is not available due to existing hardware configuration. While the switch doesn't provide itemized billing information, three years of monitoring monthly bills demonstrates that physical controls and command oversight can minimize the potential for fraud waste and abuse.
C	Verification of Telephone Controls by annual USCENTCOM IG Internal Management Control review.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Navy Personnel and Transition Services. Many Navy separatees and their spouses were not getting timely transition services. Navy officials responsible for providing transition services did not know who was separating from the Service.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: FY 1996

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

Component/Appropriation/Account Number: Various

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

Results Indicators: Navy will centrally maintain adequate transition assistance data. This data will be reviewed periodically to assure effectiveness of the transition assistance program.

Source(s) Identifying Weakness: GAO Report HEHS-94-39, "Military Downsizing: Persons Returning to Civilian Life Need More Help from DoD," of 21 January 1994.

Major Milestones in corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Create and maintain an accurate data base of Navy separatees and their spouses to ensure they receive timely transition services.
C	Verification: An on-site quality assurance review verifies an effective transition service program has been implemented.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Sexual Harassment. Deficiencies in the Department of the Navy's (DON) sexual harassment program as evidenced by inappropriate behavior, improper handling of sexual harassment grievances, and poor investigation of reported instances of sexual harassment have materially damaged the DON public image and impacted morale.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Reports: FY 1996

Current Target Date: FY 1996

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

Component/Appropriation/Account Number: Operations and Maintenance, Navy (17X1804): various years

Validation Process: Corrective actions will be validated during an internal management review. Sexual harassment will be included as a special interest item during IG command inspections, and on biennial Navy equal opportunity/sexual harassment (NEOSH) surveys and unit climate assessments.

Results Indicators: Training on sexual harassment prevention and on core values will be mandatory for all civilian and military members of the DON. This training, as well as other corrective actions such as the "zero tolerance/mandatory separation" policy and creation of a telephonic advice/counseling hot line demonstrate strengthening of the integrity of the employment relationship. The biennial NEOSH survey, to be completed in FY 1995, will validate progress.

Source(s) Identifying Weakness: The 1992 Naval Inspector General (Tailhook) Investigation; The 1991 Update Report on the Progress of Women in the Navy; NEOSH Survey Results; 1987 Navy Women's Study Group; and Navy Personnel Research and Development Center Study on Sexual Harassment in the Civilian Work Force.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Mandatory administrative separation directed to reinforce the Zero Tolerance policy on sexual harassment.
C	Reemphasize zero tolerance policy for sexual harassment.
C	Establish a standing committee on military and civilian women in the DON.
C	Complete a one-day stand down for training in preventing sexual harassment.
C	Upon receipt of the Sexual Harassment Feedback and Lessons Learned Report, the standing committee will chart further actions required to achieve Navy zero tolerance policy.
C	Incorporate core values training into all accession point training (officer and enlisted), all command courses, and key leadership courses.
C	Complete Chief of Naval Education and Training lesson plan for sexual harassment course.
C	Issue new preventing sexual harassment instruction.
C	Complete creation of a DON Informal Resolution System.
C	Establish a database to track instances of sexual harassment and assault.
C	Complete next (FY 1995) NEOSH survey to determine progress and realign training/policy initiatives accordingly.
C	Verification: Results of the 1995 NEOSH survey validate progress and the effectiveness of DON policy.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Lack of Baseline Manpower Survey. The Uniformed Services University of the Health Sciences (USUHS) had not performed a complete baseline manpower survey for the administrative, teaching and research areas to determine the manpower requirements for appropriated funding support.

Functional Category: Personnel and Organizational Management

Pace of Corrective Action:

Year Identified: FY 1990

Original Targeted Correction Date: FY 1991

Targeted Correction Date in Last Year's Report: FY 1996

Current Target Date: NA

Reason for Change in Date: NA

Component/Appropriation/Account Number: Uniformed Services University of the Health Sciences/Operation and Maintenance, Defense Agencies, 97X01008M; Research. Development. Test and Evaluation, Defense Agencies, 97X01008P

Validation Process: U.S. Army Force Integration System Agency (USAFISA).

Results Indicators: By correcting this material weakness, USUHS will have (1) met the DoD requirement to justify manpower for the organization; (2) established requirements and tracked changes in workload; and (3) determined a method to appropriately justify budget submissions.

Source Identifying Weakness: Department of Defense Inspector General

Major Milestones for Corrective Actions: (C = Completed)

Completed Milestones:

Date:

Milestone:

C

Review and brief working group on all relevant DoD regulations, guidelines, and methods to conduct baseline manpower surveys.

- C Manpower working group design survey approach for USUHS in collaboration with DoD liaison to ensure that the survey design and information to be gathered is appropriate and complete.
- C Distribute survey instruments to all University employees and conduct in-depth interviews with activity heads and approximately 10 percent of the workforce.
- C Convert names on survey instruments to numbers in a manner that assures confidentiality to the respondents but allows validation.
- C Input data and analyze the content of all survey responses.
- C Prepare report based on all information gathered and analyzed.
- C Complete manpower training for all non-academic supervisors.
- C Complete non-academic manpower validation and produce locally-justified Table of Distribution and Allowances (TDA) for non-academic sections of the university.
- C Produce TDA for academic sections of the University based on data collected in FY 1990 manpower review.
- C Complete planning for manpower validation of academic sections of the University.
- C Validation of manpower survey by USAFISA.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: International Agreement Tracking and Reporting. DoD General Counsel and the Joint Staff require activity heads who have cognizance over international agreements to report annually the index of all agreements managed by the agency head. Reports are due on a calendar basis. The previous Joint Chiefs of Staff (JCS) guidance required commands to report by November of each calendar year, thereby excluding two months of each calendar year. U. S. Atlantic Command (USACOM) database was not accurate. When the Joint Staff published new guidance to comply with the Audit Report, USACOM modified its instruction.

Functional Category: Support Services

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1996

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

Current Target Date: FY 1996

Reason for Change in Date: N/A

Component/Appropriation/Account Number: 1761804 11CL 068892

Validation Process: Maintain database of international agreements and keep instruction current. Database and reporting requirements comply with DoD General Counsel and JCS guidance.

Results Indicators: Database remains current and accurate. Reports to JCS are valid, timely and thorough.

Source Identifying Weakness: Department of Defense Inspector General, Audit Report. Office of the Inspector General "Agreements Concerning U.S. Defense Operations in Iceland" Report Number 96-152, dated June 10, 1996.

Major Milestone in Corrective Action: (C = Completed)

Completed milestones:

Date:	Milestone:
C	USACOM updated U. S. Commander in Chief Atlantic Command Instruction 5711.1A through interim guidance required by DoD General Counsel and Chairman, JCS Instruction 2300.01 of August 19, 1996. USACOM index (database) of international agreements was updated and submitted to the JCS in February, 1996. Ongoing evaluation provided by civilian paralegal whose primary duty is to track international agreements in the USACOM area of responsibility.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Financial Reconciliation of Foreign Military Sales in the F-16 Multinational Fighter Program. Management controls did not ensure that financial reconciliations of foreign military sales were performed, and that Memorandum of Understanding (MOU) were efficiently met.

Functional Category: Security Assistance

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1996

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

Current Target Date: N/A

Reason for Change in Date: N/A

Component/Appropriation/Account Number: Air Force, Aircraft Procurement, 57*3010

Validation Process: Compliance will be verified by headquarters review of field implementation.

Results Indicators: Corrective actions will ensure that financial records are properly reflected, and that cost sharing is proportionate among participating countries.

Source(s) Identifying Weakness: Department of Defense Inspector General Report 96-084, "Pricing and Financially Reconciling Systems Used to support the F-16 Aircraft Multinational Fighter Program Buy," March 15, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Review existing Air Force procedural guidance regarding required financial reconciliations.

- C Develop additional policy/procedures to ensure that proper financial reconciliations are performed.
- C Publish revised guidance in Air Force Manual 16-101, "International Affairs and Security Assistance Management."
- C Initiate new procedure for semi-annual reconciliation.
- C Contractual and financial committee meets to ensure MOU requirements are being met.
- C Headquarters review of field implementation verified that corrective actions were effective.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1996
CORRECTED MATERIAL WEAKNESSES

Title and Description of Material Weakness: Vehicle Misuse Prevention. Internal controls were not sufficient to ensure that vehicles were used only for official purposes.

Functional Category: Other

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1996

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: Major Command comparison of vehicle misuse incidents versus historical data.

Results Indicators: Inappropriate use of government vehicles at taxpayer expense should be sharply reduced.

Source(s) Identifying Weakness: Air Force Inspection Agency Functional Management Review: "Air Force Vehicle Misuse, PN 93-261." undated.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Amplify guidance so Air Force personnel can determine if vehicle requirements and use are official.
C	Develop and implement management controls to identify and correct unauthorized use.

- C Identify vehicle misuse as part of, and to be handled within, the Fraud, Waste and Abuse program.
- C Major Commands reviewed vehicle misuse statistics and found that corrective actions were effective.

ENCLOSURE C

DEPARTMENT OF DEFENSE **REPORT ON ACCOUNTING SYSTEM CONFORMANCE TO** **COMPTROLLER GENERAL ACCOUNTING PRINCIPLES, STANDARDS** **AND RELATED REQUIREMENTS**

Pursuant to Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982, we evaluated Department of Defense accounting systems, as defined by the Office of Management and Budget (OMB), during the fiscal year ending September 30, 1996. These reviews were conducted in accordance with U. S. Government guidelines to identify system nonconformances. The evaluation methods included reviews conducted by System Managers employing detailed accounting system review guides developed through the automated DoD Accounting Systems Requirements Database; independent detailed evaluations conducted by trained evaluators using standards established in the DoD Financial Management Regulation 7000.14R; and examinations performed by auditors of the DoD Inspector General, and Departments of the Army, Navy and Air Force using generally accepted government auditing standards prescribed by the Comptroller General.

DoD currently has 217 systems that meet the OMB definition of a financial management system, down from 249 systems reported in last years' Statement. The number of FMFIA systems, overall, has decreased by 32. The reduction is the result of 34 systems being eliminated because of the standardization of financial management systems and because 2 systems with improved functionality were implemented.

The results of the evaluations of these systems and audits conducted under the guidance of the Chief Financial Officers (CFO) Act, found that the majority do not conform with financial system requirements prescribed in OMB Circular A-127, "Financial Management Systems" and that many of these systems also perform similar functions resulting in inefficiencies and disparate business practices. DoD currently has projects underway to improve financial management processes and systems by streamlining business practices and implementing standard systems at consolidated operating locations. The Defense Finance and Accounting Service (DFAS) 1996 Chief Financial Officers Act Financial Management 5-Year Plan, dated December, 1996, provides the detailed description of the noncompliant systems and the corrective actions.

The information required at this tab, per the Federal Managers' Financial Integrity Act and OMB Circular A-123, "Management Accountability and Control," is also required by OMB Circular A-127. and is contained in the DFAS 1996 Chief Financial Officers Act Financial Management 5-Year Plan. The DFAS 1996 Chief Financial Officers Act Financial Management 5-Year Plan is attached and contains the appropriate accounting systems disclosures.