Audit Report

ADMINISTRATION AND MANAGEMENT
OF THE CIVIL AIR PATROL

Report No. D-2000-075 February 15, 2000

Office of the Inspector General
Department of Defense

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Acronyms

CAP	Civil Air Patrol
CAP-USAF	Civil Air Patrol-U.S. Air Force

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

February 15, 2000

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NATIONAL COMMANDER, CIVIL AIR PATROL

SUBJECT: Audit Report on the Administration and Management of the Civil Air Patrol (Report No. D-2000-075)

We are providing this report for review and comment. We performed the audit at the direction of the Conference Report on the National Defense Authorization Act for FY 2000. This report is the first of two reports on the administration and management of the Civil Air Patrol. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all unresolved issues be resolved promptly. Comments from the Air Force and the Civil Air Patrol were generally responsive, but several issues remain unresolved. Therefore, we request that the Commander, Civil Air Patrol-U.S. Air Force, provide additional comments on Recommendation E.2., and the National Commander, Civil Air Patrol, provide additional comments on Recommendations B.1.a., B.1.b., C.1., D., and E.1.a. We request that management provide comments by April 17, 2000.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Harlan M. Geyer at (703) 604-9174 (DSN 664-9174) (hgeyer@dodig.osd.mil) or Mr. Richard A. Brown at (703) 604-8630 (DSN 664-8630) (rbrown@dodig.osd.mil). See Appendix C for the report distribution. Audit team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. D-2000-075
(Project No 9LA-5020)

February 15, 2000

Administration and Management of the Civil Air Patrol

Executive Summary

Introduction. The Civil Air Patrol (CAP) was founded December 1, 1941. The principal purpose of CAP was to allow private pilots to use their aircraft and flying skills in civil defense efforts. In 1943, CAP was transferred to the War Department and came under the control and direction of the Army Air Corps. On July 1, 1946, Congress enacted Public Law 476 establishing CAP as a federally chartered private, not-for-profit organization devoted to humanitarian activities. In May 1948, Public Law 557 made the organization the official auxiliary of the U.S. Air Force and authorized the Secretary of the Air Force to assign military and civilian personnel to liaison offices at all levels of the organization. The CAP organization is a 501(c)(3) nonprofit corporation that consists of a national headquarters, 8 geographic regions, 52 wings (1 for each state, the District of Columbia, and the Commonwealth of Puerto Rico), and more than 1,700 units. CAP has more than 60,000 members, of whom 34,000 are senior members and 26,000 are cadets. CAP performs three primary functions: aerospace education, cadet training, and emergency services. The CAP corporation owns and operates a fleet of about 530 corporate aircraft, primarily Cessna 172s and 182s, and 950 ground vehicles in support of the organization's programs. The highest governing body of CAP is its National Board. The National Board is chaired by the National Commander and includes the National Vice Commander, National Chief of Staff, National Controller, National Finance Officer, National Legal Officer, 8 region commanders, 52 wing commanders, and the Senior Air Force Advisor. The Civil Air Patrol-U.S. Air Force (CAP-USAF) is the U.S. Air Force organization responsible for providing advice, liaison, and oversight to CAP. The CAP corporate headquarters and the CAP-USAF headquarters are collocated on Maxwell Air Force Base, Alabama.

Objectives. The overall objective of the audit was to evaluate the administration and management of the CAP program, as directed by the Conference Report on the National Defense Authorization Act for FY 2000. This report is the first of two reports on the administration and management of the CAP program. This report covers aircraft and vehicle requirements, management authority, property accountability, and reimbursables. A second report will address financial operations, pilot certification, and safety.

Results. The CAP corporate headquarters did not have authority to enforce corporate and Federal Aviation Administration regulations over the volunteer force. As a result, the CAP corporate headquarters could not ensure adequate management control over assets assigned to the volunteer force (finding A).

Neither the CAP nor the CAP-USAF was adequately administering or managing nonexpendable equipment items (excluding aircraft and vehicles) acquired in support of

the CAP mission and valued at about $19 million. As a result, property accountability was significantly reduced and equipment was subject to abuse, loss, and misappropriation (finding B).

The CAP did not adequately manage its flying mission reimbursement program and mission paperwork was not always submitted and processed within required time frames. As a result, CAP wings and squadrons might not be able to pay members for the costs incurred for flying missions. Also, CAP-USAF might be liable for reimbursements for flying missions that took place in previous fiscal years (finding C).

The CAP was procuring aircraft without establishing a valid size requirement for its fleet. As a result, CAP might not have the required number of aircraft necessary to perform its Air Force-assigned missions (finding D).

The CAP purchased vehicles without establishing a valid requirement. As a result, the CAP might have purchased and was maintaining vehicles that were not necessary to perform its Air Force-assigned mission (finding E).

Summary of Recommendations. We recommend that the CAP National Board and National Commander delegate authority to the Executive Director to perform day-to-day management of the volunteer force. We recommend that CAP implement its policies and procedures for accounting for nonexpendable DoD excess and appropriated fund equipment and establish a training program for property accountability of nonexpendable equipment items. In addition, we recommend that CAP monitor the filing of CAP Form 108, "CAP Payment and Reimbursement Document for Aviation, Automotive, and Miscellaneous Expenses;" establish procedures and conduct annual training classes for filing for reimbursement; and update CAP Regulation 173-3, "Payment for Civil Air Patrol Support," May 1, 1996, to allow reimbursement claims to be filed for multiple missions. Further, we recommend that CAP expand the CAP Form 18 database to document aircraft flights and member-owned aircraft flights for 3 years and conduct an aircraft requirement study to determine the appropriate size for the aircraft fleet. Finally, we recommend that CAP delay procurement of additional motor vehicles until its needs have been properly justified and validated by historical use data, and develop a database to track vehicle use. We recommend that CAP-USAF update and adhere to policies and procedures concerning DoD property and update the CAP logistics inventory in a timely manner. We also recommend that CAP-USAF establish thresholds on accounting for equipment, initiate a legislative proposal to authorize the establishment of a surcharge fee to be added to all search and rescue missions to cover administrative and operational expenses, and direct that no motor vehicles be procured for the CAP until its requirements have been justified and validated.

Management Comments. The Air Force's CAP Management Improvement Team, commenting for the Commander, CAP-USAF, concurred with the findings and recommendations in the report and provided details on specific actions taken and the estimated completion dates. The National Commander, CAP, partially concurred with the report. The National Commander concurred that authority should be delegated to the Executive Director for management decisions associated with management control issues relating to funds and assets, but not to safety issues. He stated that, in all other matters, the National Commander should remain the foremost authority over the volunteer force. The National Commander nonconcurred with consolidating

reimbursements for multiple missions on a single voucher because it would confuse the audit trail. A discussion of management comments is in the Findings section of the report, and the complete text is in the Management Comments section.

Audit Response. We consider the CAP Management Improvement Team's comments to be fully responsive, with the exception of their comments on advising CAP to cease procurement of vehicles with appropriated funds until further notice. The Management Improvement Team did not define "further notice." We request clarification.

The National Commander's comments were partially responsive. We maintain that, in order to make management decisions associated with management control issues relating to funds and assets, and to exercise management control over assets, the Executive Director must have some authority over safety issues. Without authority over safety issues, assets (both equipment and personnel) could be subjected to undue risks and the Executive Director would not be able to properly exercise accountability for management and control of those assets. However, because the audit of the CAP safety posture is continuing, we have determined further consideration of this issue should be deferred until the audit is completed.

Although the National Commander concurred with the recommendations to establish a standardized equipment authorization that a wing needs to accomplish its mission and to implement the policies and procedures for accounting for nonexpendable equipment acquired with DoD appropriated funds, we consider his comments not fully responsive. His comments do not address implementation of policies and procedures for accounting for nonexpendable equipment acquired with appropriated funds. Also, the National Commander cited a PricewaterhouseCoopers study, but did not provide details concerning expected inputs from the study or how the study will achieve the intent of our recommendations. Although the National Commander concurred with recommendations concerning the filing of CAP Forms 108, he stated additional staff would be required to implement the recommendations. We believe adequate staff is already in place. As a result of CAP comments, we revised the recommendation on consolidation of mission reimbursements to clarify our intention. The National Commander also concurred with the recommendation to expand the CAP Form 18 database to include the ability to document individual CAP aircraft flights and member-owned aircraft flights, but we do not consider the comments to be fully responsive. His comments do not provide the specific details to support the actions taken to expand the database or a plan for implementing the database.

We request that the Commander, CAP-USAF, and the National Commander, CAP, provide additional comments in response to the final report by April 17, 2000.

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Background

The Civil Air Patrol (CAP) was founded December 1, 1941. The principal purpose of CAP was to allow private pilots to use their aircraft and flying skills in civil defense efforts. In 1943, CAP was transferred to the War Department and came under the control and direction of the Army Air Corps. On July 1, 1946, Congress enacted Public Law 476, establishing CAP as a federally chartered private, not-for-profit organization devoted to humanitarian activities. In May 1948, Public Law 557 made the organization the official auxiliary of the U.S. Air Force and authorized the Secretary of the Air Force to assign military and civilian personnel to liaison offices at all levels of the organization.

CAP Organization. The CAP corporate organization consists of a national headquarters, 8 geographic regions, 52 wings (1 for each state, the District of Columbia, and the Commonwealth of Puerto Rico), and more than 1,700 units. CAP has more than 60,000 members, of whom 34,000 are senior members and 26,000 are cadets. The CAP corporation owns and operates a fleet of about 530 corporate aircraft, primarily Cessna 172s and 182s, and 950 ground vehicles in support of the organization's programs.

Mission and Functions. CAP performs three primary functions: aerospace education, cadet training, and emergency services. The aerospace education programs provide its membership, and the educational community, information about aviation and space activities. During 1998, CAP supported 114 aerospace workshops at 78 educational institutions in 42 states and prepared more than 2,850 teachers to teach aerospace-related subjects in their classrooms. The cadet training program develops and motivates youths of the country to become leaders and responsible citizens through an interest in aerospace. The CAP cadet training program is open to youths who have satisfactorily completed the sixth grade or are at least 12 years old and are not older than 18. The emergency services program includes air search and rescue, disaster relief, and civil defense. CAP members fly more than 85 percent of the Federal inland search and rescue missions directed by the Air Force Rescue and Coordination Center, Langley Air Force Base, Virginia. In 1998, CAP aircrews flew about 71,000 flying hours in support of federally funded programs, including search and rescue, disaster relief, and counterdrug operations, and were credited with saving 113 lives.

CAP operates in accordance with its constitution and bylaws, as well as with regulations and other directives approved by the National Board and National Executive Committee that are issued by the Executive Director. The highest governing body of CAP is its National Board, chaired by the National Commander, a member elected to the post by the CAP membership. Other members of the Board include the Senior Air Force Advisor, the 8 region commanders, the 52 wing commanders, and the elected National Vice Commander, National Chief of Staff, National Controller, National Finance Officer, and National Legal Officer. The Senior Air Force Advisor is an active duty Air Force colonel who is responsible for all active duty and DoD civilian

employees assigned to the Civil Air Patrol-U.S. Air Force (CAP-USAF), which provides advice, liaison, and oversight to CAP. The Senior Air Force Advisor is also the Commander, CAP-USAF.

Relationship Between CAP and CAP-USAF. The CAP corporate headquarters and the CAP-USAF headquarters are collocated on Maxwell Air Force Base, Alabama. The relationship between the Air Force and CAP is outlined in a memorandum of understanding executed by the Commander, CAP-USAF, and the National Commander, CAP, and approved by the Deputy Assistant Secretary of the Air Force (Reserve Affairs) in 1991. The memorandum defines the duties and responsibilities of CAP as a volunteer auxiliary of the Air Force and defines and establishes responsibilities and respective support between the Air Force and CAP.

CAP Funding. In May 1948, Public Law 557, "CAP Supply Bill," made CAP the official auxiliary of the Air Force and authorized the Secretary of the Air Force to assign military and civilian personnel to liaison offices at all levels of CAP. Congress also authorized the Secretary of the Air Force to provide CAP with equipment, supplies, services, and facilities, as well as funds for specified purposes. The CAP Supply Bill was amended by Congress to permit the Secretary of the Air Force to support CAP as described below.

- Amendments to section 9441, title 10, United States Code (10 U.S.C. 9441), "CAP Supply Bill," in 1984 authorized the provision of appropriated funding to CAP. The Secretary of the Air Force is authorized to reimburse CAP for major items of equipment, such as aircraft and motor vehicles.

- Amendments to 10 U.S.C. 9441 in 1994 authorized the Secretary of the Air Force to provide funds for CAP headquarters, including payment of staff compensation and benefits, administrative expenses, travel, per diem and allowances, rent and utilities, and other operational expenses.

As authorized by the CAP Supply Bill, 250 active duty Air Force personnel were assigned or detailed to CAP-USAF and served at CAP headquarters and at region and wing liaison offices.

Air Force Oversight. In 1995, an Air Force reorganization reduced the number of Air Force personnel assigned to CAP-USAF. The Air Force converted 175 of 250 active duty positions to CAP employee positions, transferring corresponding appropriated funds to CAP for personnel to direct CAP activities previously directed by CAP-USAF personnel. The reorganization changed the Air Force role from one of functioning as the national headquarters to one of providing advice, liaison, and oversight to CAP activities and operations. To accomplish its role, the Air Force has a CAP-USAF headquarters to coordinate activities of assigned Air Force personnel. CAP-USAF has 75 positions, with about one-third at CAP-USAF

headquarters and two-thirds at liaison offices in the 8 regions. The CAP-USAF headquarters staff is similar to other commands, in that it comprises a chaplain, an information management office, an inspector general, a judge advocate, a personnel office, a public affairs office, and a safety office. Other significant elements of the CAP-USAF headquarters are as follows.

- The Financial Management Directorate provides oversight of CAP financial operations.

- The Logistics Directorate manages aircraft procurement and maintenance, vehicle procurement and maintenance, and CAP supply. Logistics personnel are dual-hatted, performing duties representing both CAP-USAF and CAP. The formal chain of command is through CAP-USAF while a large percentage of duties performed are in support of CAP policies and procedures as directed by the CAP Executive Director.

- The Operations Directorate is responsible for flight operations and training of CAP-USAF pilots. Operations personnel are also responsible for providing advice, liaison, and oversight of CAP flight operations and training, including search and rescue, disaster relief, and counterdrug operations.

The Air Force set guidelines for support and use of CAP in Air Force Policy Directive 36-50, "Civil Air Patrol," August 23, 1993. The directive establishes the Secretary of the Air Force, through the Office of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Environment), as responsible for policy, resource advocacy, and oversight of Air Force support for CAP. Air Staff headquarters, through the Air Education and Training Command, the Air University, and CAP-USAF, is responsible for establishing CAP support programs, to include identifying requirements and executing the programs, in accordance with Air Force Policy Directive 36-50.

Objectives

The overall objective of the audit was to evaluate the administration and management of the CAP program, as directed by the Conference Report on the National Defense Authorization Act for FY 2000. This report is the first of two reports on the administration and management of the CAP program. This report covers aircraft and vehicle requirements, management authority, property accountability, and reimbursables. A second report will address financial operations, pilot certification, and safety. See Appendix A for a discussion of the audit's scope and methodology and Appendix B for prior coverage.

A. Authority

The CAP corporate headquarters did not have the authority to enforce corporate and Federal Aviation Administration regulations, because the CAP command structure required National Executive Committee approval before the CAP corporate headquarters could resolve problems pertaining to volunteer members. As a result, the CAP corporate headquarters could not ensure adequate management control over assets assigned to the volunteer force.

Organizational Structure

CAP Manual 20-1, "Organization of Civil Air Patrol," June 1, 1993, establishes the CAP organizational structure, including position descriptions, from the headquarters to the regions, wings, groups, and squadrons. The structure provides for an Executive Director at the headquarters level, who is responsible for administering the day-to-day activities of CAP. The Executive Director issues rules, regulations, and other directives in accordance with the resolutions of the National Board and the National Executive Committee. The Executive Director acts as the chief executive officer of CAP, but is responsible only for employment and management decisions associated with the paid staff. The CAP volunteer force operates through a separate CAP command structure, with a chain of command from the National Commander through the region commanders, wing commanders, group commanders, squadron commanders, and flight commanders. Region commanders are appointed by the National Commander and are also members of the National Executive Committee. The eight region commanders are the senior corporate officers for their regions, with command authority over all units and members within their respective regions. As a result of that structure, the Executive Director must work through the responsible region commanders to implement and enforce CAP corporate, Federal Aviation Administration, Air Force, and other directives or regulations outside of the headquarters element.

Flight Management

Regulatory Guidance. CAP Regulation 60-1, "CAP Flight Management," August 1, 1998, establishes general operating rules, policies, and procedures to ensure the safe and efficient conduct of CAP flight operations. To conduct flight operations, the regulation requires pilots to satisfactorily meet requirements for a CAP pilot, a check pilot, a cadet orientation pilot, a search and rescue and disaster relief mission pilot, or a mission check pilot. A check pilot is a pilot qualified within a group of aircraft to administer flight checks on pilots qualifying for that aircraft. A mission check pilot is a pilot who administers flight checks on mission pilots to determine a pilot's qualifications for general emergency services (search and rescue and disaster relief) or

counterdrug missions. The regulation requires unit commanders to maintain a file or record for each active CAP pilot assigned to their unit. The regulation also requires the CAP wing's Standardization and Evaluation Office to maintain a duplicate file or record for each check pilot to ensure currency of certification requirements. Pilot files or records must contain current copies of the following items.

- Federal Aviation Administration pilot certificate.
- Federal Aviation Administration Certified Flight Instructor certificate (renewed every 2 years).
- Federal Aviation Administration medical certificate (renewed every 2 or 3 years for pilots under 40 years of age).
- Current biennial flight review (required every 2 years).
- Flight check evaluation (required annually).
- Proof of completion of the CAP written examination (the examination must be completed as part of the annual flight check evaluation).
- Aircraft questionnaire(s) (required annually in conjunction with the annual flight check evaluation, for each aircraft that a CAP pilot is authorized to fly).
- Statement of understanding (required to ensure that CAP members comply with applicable directives and regulations).
- CAP mission pilot checkout form (required every 2 years for mission pilots).
- Designation as a cadet orientation pilot, check pilot, instructor pilot, or mission check pilot.
- National Check Pilot Standardization Course certificate (required every 2 years for check pilots).

Management of Pilot Certification. Units were not following CAP flight management guidance, and corporate headquarters did not have the authority to enforce regulations. At least two wings, the California Wing and the Idaho Wing, had not been ensuring safe and efficient conduct of CAP flight operations. Furthermore, although assigned lives and assets were knowingly at risk, the volunteer force continued with its operations until grounded as a result of outside pressure. In addition, because the Executive Director did not have authority over the volunteer force, grounding actions did not occur until other personnel finally confronted the safety issues.

California Wing. The California Wing was not following CAP flight management guidance. The California Wing was not effectively maintaining pilot records to ensure that only pilots meeting requirements were granted flying privileges. Although aware of pilot record certification deficiencies, the California Wing continued with its flight operations until grounded by the region commander in December 1999 as a result of details discovered during our review.

In December 1999, the California Wing listed 216 pilots assigned: 137 pilot members assigned to wing headquarters and 79 check pilots assigned to wing headquarters or groups and squadrons within the wing The California Wing did not have a database that could identify which of their pilots were actively flying. We did not perform a review on the 137 pilot member records because wing personnel admitted that they had recently performed a review and found that not one of the folders was current or complete. Therefore, our review focused on the 79 check pilot records. We randomly selected 30 check pilot records for review and found only 1 to be complete and current. The other 29 folders were missing Federal Aviation Administration medical certificates, biennial flight reviews, flight check evaluations, proofs of completion of the written examination, aircraft questionnaires, or statements of understanding. The wing commander indicated that although the records were not complete or current, he was sure that only pilots meeting requirements were released for flight. The commander was confident that mission coordinators checked for currency of pilot documentation before flight.

Concerned about the safety and conduct of the California Wing's flight operations, we contacted the Executive Director on December 8, 1999, and provided details on our review. The Executive Director stated that he had no authority to resolve the problem but would convey our concerns to the region commander. The Executive Director contacted the Pacific region commander, who in turn contacted the National Commander. On December 9, 1999, the Executive Director stated that the volunteer force had agreed with our concerns and that the Pacific region commander had ordered the grounding of the California Wing until pilot records were validated for currency and qualification requirements. As of December 12, 1999, the California Wing had approved only 3 of the 137 pilot members and 24 of the 79 check pilots to resume CAP flying operations.

Idaho Wing. In 1996, CAP-USAF reported that the Idaho Wing was not effectively ensuring that only pilots meeting requirements were granted flying privileges. The Idaho Wing continued with its flight operations despite the wing commander's awareness of pilot deficiencies and two crashes. The wing commander grounded the Idaho Wing in August 1996 as a result of the initiation of a CAP-USAF flight safety investigation. Details of the two crashes are as follows.

- On June 14, 1996, a Cessna 182R CAP corporate aircraft on a counterdrug mission crashed. The pilot was not following mountain search procedures and flew the aircraft into rising terrain. The aircraft was totally destroyed, and the pilot was restricted from mission flying pending additional training.

- On August 24, 1996, a member-owned aircraft on a counterdrug mission crashed. The pilot, while conducting the counterdrug mission, decided to practice a downwind touch-and-go landing on a downhill-sloping gravel runway lined with boulders. Although the plane struck one of the boulders during the landing, the pilot continued the takeoff portion of the touch-and-go, resulting in the landing gear striking the fuselage. During the final landing, the aircraft's right wing touched the ground and the aircraft spun (ground looped) off the runway, further damaging the right wing. The wing commander suspended the pilot's flying privileges for a period of 90 days, citing the pilot's need for additional instruction on high-density altitude operations, short field approaches, and landings on mountain-type airstrips.

Concerned about flight safety, the Director of Operations, CAP headquarters, contacted the commander of the Idaho Wing on August 24, 1996, to discuss grounding the wing until apparent safety problems were identified and resolved. Although grounding of flight operations was justified, the wing commander did not want to order the grounding action. Rather, the wing commander requested that the Director of Operations order the grounding action instead, which he did. However, the National Commander subsequently reversed the action, because CAP headquarters did not have any authority over the volunteer force. As a result, the Commander, CAP-USAF initiated a flight safety investigation of the Idaho Wing.

On August 25, 1996, the commander of the Idaho Wing suspended flight operations pending completion of qualification requirements and demonstration of individuals' knowledge and proficiency. To resume flight operations, pilots, observers, and release officers were required to complete a comprehensive operational and safety qualification program. The first safety qualification program, initiated on September 5, 1996, included flight checks. The Idaho Wing resumed its flight operations on December 23, 1996. Only pilots and check pilots who had successfully completed the safety qualification program were authorized to fly missions. Of the 30 pilots assigned to the wing, 22 had completed the program.

Vehicle Management

Because the corporate headquarters did not have authority over the CAP volunteer force, CAP had not established the means to adequately determine its vehicle requirements and might be purchasing and maintaining unnecessary

vehicles. In January 1999, the Air Force Logistics Management Agency initiated a study, as recommended by the Air Force Audit Agency in "Installation Report of Audit EB098013, Air Force Oversight of FY 1996 Civil Air Patrol Corporation Activities, CAP-USAF Maxwell AFB [Air Force Base] AL," to determine vehicle fleet requirements for both CAP and CAP-USAF. However, the CAP volunteer force did not provide the information necessary to successfully complete the study. Although the Executive Director had issued a memorandum requesting information be provided, wing commanders ignored the memorandum because the Executive Director did not have authority over the volunteer force. If the Executive Director had been delegated authority over the volunteer force, we believe that a much greater response would have been obtained. See finding E for additional details.

Conclusion

We recognize that the volunteer force generally manages its assigned assets in accordance with rules and regulations issued by CAP headquarters. However, good management of flight operations, including assets assigned to the volunteer force, cannot be achieved if the Executive Director does not have some authority over the volunteer force. The Executive Director, who is responsible for employment and day-to-day management decisions associated with the paid staff, should also be authorized to act as the chief executive officer for CAP, responsible for the day-to-day management decisions associated with the volunteer force. We believe that if the Executive Director were delegated a reasonable degree of decision making authority for safety and other issues, CAP would have more effective and efficient management control over activities, assets, and operations.

Recommendations, Management Comments, and Audit Response

A. We recommend that the National Commander, Civil Air Patrol, through the National Board and the National Executive Committee, delegate authority over the volunteer force to the Executive Director, Civil Air Patrol, for management decisions associated with safety and management control issues.

CAP Comments. The National Commander, CAP, concurred in part, stating that authority should be delegated to the Executive Director for management decisions associated with management control issues relating to funds and assets. The National Commander stated that accountability for appropriated funds and assets should ultimately rest with one individual. That individual is logically the Executive Director, who should be the final authority empowered to suspend funding to and retrieve assets from units in extreme cases. However, the National Commander nonconcurred with the part of the recommendation to

delegate authority for management decisions associated with safety issues. He stated that in all other matters, the National Commander should remain the foremost authority over the volunteer force.

Audit Response. We considered the National Commander's comments to be nonresponsive. We maintain that, in order to make management decisions associated with management control issues relating to funds and assets, and to exercise management control over assets, the Executive Director must have some authority over safety issues. Without authority over safety issues, assets (both equipment and personnel) could be subjected to undue risks and the Executive Director would not be able to properly exercise accountability for management and control of those assets. Because our review of the CAP safety posture is continuing, we have determined that further consideration of this recommendation should be deferred until that additional audit work is completed.

B. Property Accountability

Neither CAP nor CAP-USAF was adequately administering or managing nonexpendable equipment items (excluding aircraft and vehicles) acquired in support of the CAP mission and valued at about $19 million. Inadequate administration and management occurred because of a lack of standardized equipment authorizations, inadequate written policies and procedures for property accountability, ineffective implementation of policies and procedures for property accountability that did exist, and a lack of training of personnel in property accountability of nonexpendable equipment items. As a result, property accountability was significantly reduced and equipment was subject to abuse, loss, and misappropriation.

Public Law and Guidance

Public Law. Public Law 557, 10 U.S.C. 9441, May 26, 1948, authorizes the Secretary of the Air Force to give, lend, or sell to the CAP aircraft, communications equipment, vehicles, and related supplies to assist the CAP in fulfilling its mission. In addition, the Secretary of the Air Force is authorized to reimburse the CAP for costs incurred in purchasing major items of equipment.

CAP Guidance. CAP Manual 67-1 "Civil Air Patrol Supply Manual," March 1, 1989, with change 1, January 1, 1990, establishes a standard system for CAP commanders and supply officers to obtain, control, and dispose of equipment and other material. The manual also provides policy and guidance for all CAP personnel in receiving, safeguarding, and using DoD excess material and CAP assets.

CAP-USAF Guidance. CAP-USAF Regulation 67-2, "Acquisition, Accounting, and Disposal of Excess and Surplus Department of Defense Equipment and Supplies," June 15, 1990, establishes policy and prescribes authorities, limitations, guidance, and responsibilities of CAP-USAF headquarters and liaison personnel in acquiring and accounting for DoD excess property in support of the CAP mission.

Property Accountability

Neither CAP nor CAP-USAF was adequately administering or managing nonexpendable equipment items (excluding aircraft and vehicles) acquired in support of the CAP mission and valued at about $19 million. As a result, property accountability was significantly reduced and equipment was subject to abuse, loss, and misappropriation. We judgmentally selected seven CAP wings, based on the results of annual surveys of CAP property records and inputs from senior CAP and CAP-USAF officials, for review of property records and operating procedures. Those seven wings accounted for 23 percent

(5,359 items, valued at about $4.4 million) of the National CAP Equipment Listing of nonexpendable items as of September 2, 1999. We then judgmentally selected 492 items, valued at about $1.4 million, to test property accountability and management. We were able to account for 428 out of 492 items selected (87 percent). The 64 items that we could not account for (including a camcorder, computers, generators, and transceivers), valued at about $330,000, represented about 24 percent of the total value of the items selected. As a result, we concluded that property accountability was not functioning as intended. Specific problem areas were:

- standardized equipment authorizations did not exist to identify types and quantities of items wings needed to accomplish their missions;
- policies and procedures were inadequate for procuring and accounting for equipment acquired with DoD appropriated funds;
- practices for adjusting or changing inventory records were not in compliance with CAP-USAF Regulation 67-2;
- an accurate equipment inventory database was not maintained;
- equipment inventories were not accomplished as required;
- policies and procedures were not followed for suspension of eligibility to receive DoD property as required;
- equipment items were not being issued, revalidated, and disposed of appropriately;
- the National CAP Equipment Listing database was not being updated in a timely manner; and
- personnel were not receiving adequate training in property accountability policies and procedures.

Equipment Authorization. CAP did not have standardized equipment authorizations to identify types and quantities of items wings needed to accomplish their missions. In the absence of a standardized authorization document, equipment was acquired and distributed based on the availability of funds and the judgment of CAP headquarters officials. As a result, equipment items might be unnecessarily procured and distributed to the wings, or there could be an inequitable allocation of resources.

Procurement and Accounting Practices. Neither CAP nor CAP-USAF had adequate policies and procedures for procuring and accounting for equipment acquired with DoD appropriated funds. Also, there was no mechanism in place to ensure that all newly acquired property was added to the receiving wing's property inventory listing. Unless the wings reported new equipment items to the CAP-USAF logistics officer at the region liaison office, through the wing

liaison office, the equipment might not have been added to the wing's property inventory listing. For example, in August 1999, CAP headquarters' Mission Support Directorate procured 80 computers, at a cost of $106,000, for various wings. The Directorate did not coordinate the procurement action with CAP-USAF Logistics Directorate personnel to ensure that the computers would be properly accounted for. In addition, the Mission Support Directorate did not coordinate with the wings and did not provide them with receipt and accountability instructions for the new computers. The computers were shipped directly to the wings by the vendor, in accordance with the Mission Support Directorate's instructions. However, the vendor's invoice did not identify the destination of the computers shipped. As a result, neither CAP nor CAP-USAF could adequately account for the computers.

Compliance With CAP-USAF Regulations. CAP-USAF practices for adjusting or changing inventory records were not in compliance with CAP-USAF Regulation 67-2. The regulation states that additions and deletions to S-3 reports, "CAP Logistics Inventory," are to be submitted to the CAP-USAF Logistics Directorate on CAP Form 37, "Shipping and Receiving Documents," and the CAP-USAF Logistics Directorate would process the changes. However, both the CAP Communications Section and the Mission Support Directorate were making additions to the wings' S-3 reports. In addition, the region liaison offices and wing liaison offices were also making additions and deletions to the wings' S-3 reports. For example, the CAP Communications Section made additions to wings' S-3 reports before shipping new communications equipment and the Mission Support Directorate added computer equipment to wings' S-3 reports based on the shipping invoice from the vendor.

Equipment Inventory Database. CAP did not maintain an accurate equipment inventory database. The National CAP Equipment Listing database, containing the CAP logistics inventory of nonexpendable items, was developed and maintained by the Mission Support Directorate. Because of numerous errors in the database, the accuracy of the CAP logistics inventory of nonexpendable items could not be determined. For example, the database contained duplicate entries involving 217 items for 30 wings, 2 regions, and CAP headquarters. Additionally, the National CAP Equipment Listing for one wing had 60 duplicate items. The region liaison officer for that wing believed that part of the duplicate listing was generated by a database system error. He also stated that no mechanism was in place within the database to alert him when a duplicate entry was made. Furthermore, he said that equipment items were appearing and disappearing from the database for no logical reason. For example, the region liaison officer stated that he had deleted three radios from the database on July 31, 1998, but that those radios appeared back on the wing's inventory as of September 2, 1999. Another example involved the wing's photocopy machine, which was procured in August 1993 and was located at the wing's headquarters since that time. The machine was placed on the wing's inventory when it was procured. However, over the years, the machine first

was erroneously deleted from the wing's inventory and then later added back to the wing's inventory as "found on base." The supply officer for the wing confirmed the problems.

Equipment Inventory Practices. CAP did not accomplish annual equipment inventories as required by CAP Manual 67-1. Four of the seven wings we visited had not conducted annual inventories of their nonexpendable equipment items and had also failed to conduct inventories when supply officers were changed.

Annual Inventory. CAP Manual 67-1 states that an inventory of nonexpendable equipment items should be performed annually as of March 31st each year to ensure accountability and control of CAP assets and to provide a consolidated record and quick reference of corporate property. At four of the seven wings we visited, the supply officers had not performed an inventory within the past 12 months or more. For example, one supply officer had signed the annual inventory document without having performed an inventory for 3 years. He stated that he signed the inventory document to avoid hassles from the region liaison officer and because he felt that he could account for the equipment assigned to the wing. At another wing, the supply officer stated that the wing had not conducted an annual inventory of its nonexpendable equipment items for over 5 years because the wing's supply directorate was in a restructuring mode during those years. However, that wing completed a 100 percent inventory of its nonexpendable equipment items in April 1999, after an annual survey reported a large quantity of nonexpendable equipment items as unaccountable.

Change of Supply Officer Inventory. Complete joint inventories of wings' nonexpendable equipment items had not been performed when supply officers changed at four of the wings we visited. CAP Manual 67-1 states that when changing supply officers, the outgoing and incoming supply officers are to conduct a complete joint inventory of the equipment account. The joint inventory is conducted to ensure that all accountable property is accounted for, and to clear the account of missing or misidentified items before the transfer of property responsibilities from the outgoing supply officer to the incoming supply officer. A senior official from one wing stated that during her 20-year association with the wing, the outgoing and incoming supply officers had never performed a joint inventory of the equipment account. An outgoing supply officer of another wing stated that he saw no reason for performing a joint inventory, because the new supply officer was planning to do a complete equipment inventory upon assuming the position. A supply officer at another wing stated that he was unaware of the joint inventory requirement.

Suspension of Eligibility to Receive DoD Property. CAP-USAF was not following the policies and procedures for suspension of eligibility to receive DoD property as required. CAP Manual 67-1 and CAP-USAF Regulation 67-2 both state that a wing be suspended from eligibility to receive DoD excess property or property acquired through DoD appropriated funds based on evidence of poor property management. One of the seven wings we visited had

received items valued at about $22,000 while on suspension. The wing had been placed on suspension because of the severity of accountability problems on an annual survey. The report on the annual survey recommended that the wing be suspended from receiving new vehicle deliveries and aircraft upgrades until the problems were corrected. However, the wing received a new Ford van, valued at about $22,000, while on suspension.

Issuing, Revalidating, and Disposing of Equipment Items. CAP was not issuing, revalidating, and disposing of equipment items appropriately.

Issuing Equipment Items. CAP Manual 67-1 states that CAP Form 37 be used for recording nonexpendable property transactions. CAP Form 37 is also used to record issuance of nonexpendable equipment items to ensure accountability. One wing had issued two Sony Video Cameras, with a combined value of about $3,000, without preparing a CAP Form 37. Another wing had issued an emergency locator transmitter, valued at about $1,000, to a squadron without preparing a CAP Form 37. That wing could not properly account for the item during our physical inventory; however, during our subsequent visit to one of the wing's squadrons, we did observe the transmitter.

Revalidating Equipment Items. Annual revalidation for equipment issued to individual members was not accomplished as required at two of the wings we visited. CAP Manual 67-1 requires that all CAP Forms 37 for items issued to individuals be reviewed and validated annually, during the month of April. The review and validation ensures that the person is a member of the unit in good standing and still has the property listed on the form. For example, at one wing, the supply officer had been in the position since March 1998 but stated that he did not understand the instructions for equipment accountability requirements. For example, on November 27, 1993, the wing had issued to an individual a spectrum analyzer, valued at about $7,000, using a temporary issue receipt instead of a CAP Form 37. The wing had not revalidated the existence of the item since it was originally issued. In another example, a monitor and a radio, valued at about $16,000 and $3,000, respectively, had been issued to an individual on April 15, 1994, and not revalidated since.

At another wing visited, the responsibility of equipment accountability was divided between the supply officer for non-communications equipment and the Director of Communications for communications equipment. The supply officer mailed CAP Forms 37 to 17 individual hand receipt holders for 34 nonexpendable equipment items on May 18, 1999. As of December 6, 1999, 22 items still had not been revalidated. Some of those items had not been revalidated since 1996, and others since 1998. The Director of Communications had 80 nonexpendable equipment items issued to individual members that required revalidation. No revalidation of any of those items was attempted. The Director stated that he was aware of the requirement but had just not gotten around to complying with it. As a result, the wing had only revalidated about 10 percent of the 114 nonexpendable equipment items issued to individuals.

Disposing of Equipment Items. Items were being turned in to the Defense Reutilization and Marketing Office without following required procedures. CAP Manual 67-1 states that all property disposed of should be accounted for on a CAP Form 37. Also, disposition of all DoD excess property or property acquired with appropriated funds requires that the wing initiate a disposal request by completing a CAP Form 37 and forwarding it to its liaison officer for approval. The liaison officer provides the wing with disposition instructions, thus enabling the wing to reallocate items, return items to the Defense Reutilization and Marketing Office, sell items, or scrap items, as deemed appropriate. In addition, the liaison officer prepares the return document, DD Form 1348-1, "DoD Single Item Release/Receipt Document." Once items have been disposed of, the liaison officer signs the CAP Form 37, returns the original copy to the wing for its disposal file, and forwards a copy to the CAP-USAF Logistics Directorate through the region liaison office to adjust the wing's accountable inventory records. When testing property accountability at one wing, we could not locate three computers, with a combined value of about $5,000. However, we subsequently determined that the computers had been turned in to the Defense Reutilization and Marketing Office in February 1997 without a CAP Form 37, as required. As a result, those items were still on the wing's equipment inventory listing.

Updating the National CAP Equipment Listing Database. CAP-USAF was not updating the National CAP Equipment Listing database in a timely manner. CAP-USAF Regulation 67-2 states that additions and deletions to S-3 reports are to be submitted for processing to the CAP-USAF Logistics Directorate on CAP Forms 37 through the wing liaison office and the region liaison office. The CAP-USAF Logistics Directorate produces a CAP transaction register monthly to reflect S-3 report changes or corrections submitted by the region liaison office. To ensure CAP accountability records are properly updated, the wing liaison offices and the region liaison offices validate the CAP transaction register using the CAP-USAF headquarters suspense file. For example, one wing had obtained approvals in May 1994 from its liaison officer to transfer 13 computers and related items, 2 projectors, and 2 rate meters to the Defense Reutilization and Marketing Office for disposal. Subsequently, those items were provided to the Defense Reutilization and Marketing Office. However, as of September 2, 1999, the items were still shown on the wing's equipment inventory listing. In addition, two other wing liaison offices had backlogs for processing CAP Forms 37 involving 88 items. As of October 1999, the backlogs ranged from 6 to 10 months.

Training Personnel. CAP did not train personnel in property accountability policies and procedures to ensure that accountability of its assets was accomplished as required by CAP Manual 67-1. Although supply officers at the wings we visited had the CAP manual on hand, not all of them followed the instructions for accounting of nonexpendable equipment items. The supply officers stated they did not understand the duties and responsibilities of the position and had not received any formal training on how to implement the requirements of the manual. One of the supply officers making that statement

had not inventoried nonexpendable equipment items for 3 years; was issuing items without preparing CAP Forms 37; and had not revalidated items issued to individual members.

Low Dollar Value Items

The National CAP Equipment Listing database contained about 23,000 nonexpendable equipment items, valued at about $19 million. However, of those items, about 15,500 (68 percent), valued at about $2.2 million (11.6 percent), of those items had no value assigned or were valued at less than $500, as shown in Table 1

Table 1. Low Dollar Value Items in Database

Individual Item Value	Number of Items	Total Value
None assigned	1,671	$ 0.00
$0.01 - $99.99	2,447	139,665
$100 - $199.99	3,514	362,875
$200 - $299.99	2,466	590,006
$300 - $499.99	5,487	1,063,018
Total	**15,585**	**$2,155,564**

As a result, tracking the majority of the items may not be cost-effective. Many of the items were technically outdated and nonsensitive in nature. For example, technically outdated items included computers, external floppy drives, external hard drives, first- and second-generation pagers and beepers, monitors, tape drives, and early vintage transceivers. Nonsensitive items included coffeemakers, fire detectors, floor fans, heaters, lawn mowers, power supplies (for communications equipment and computers), refrigerators, and scales. In our opinion, it is not cost-effective to formally account for or track on the National CAP Equipment Listing low dollar value items that are outdated or nonsensitive. In addition, the volume of such items to be tracked is a heavy burden for individuals who perform their CAP duties on a volunteer basis. Therefore, we believe that CAP and CAP-USAF should review their policies on accounting for nonexpendable equipment items. Reducing the number of line items being tracked to only the most important items would significantly streamline property accountability and should improve the overall administration and management of nonexpendable equipment items.

Recommendations, Management Comments, and Audit Response

B.1. We recommend that the Executive Director, Civil Air Patrol:

a. Establish a standardized equipment authorization that a wing needs to accomplish its mission.

b. Implement the policies and procedures for accounting for nonexpendable equipment acquired with DoD appropriated funds.

CAP Comments. The National Commander, CAP, concurred with Recommendations B.1.a. and B.1.b., stating that CAP has standardized communications equipment authorizations as part of its Communications Strategic Plan, December 1, 1998. He also expected additional inputs as a result of an ongoing PricewaterhouseCoopers study in connection with the negotiation and implementation of the cooperative agreement. Additionally, inputs from selected regions and wings will also be solicited. The National Commander expected to complete actions in response to Recommendations B.1.a. and B.1.b. by August 1, 2000.

Audit Response. Although the National Commander concurred with the recommendations, we consider his comments not fully responsive. His comments do not address implementation of policies and procedures for accounting for nonexpendable equipment acquired with appropriated funds. Also, we have no details concerning the additional inputs expected by the National Commander as a result of the PricewaterhouseCoopers study. Therefore, we request that the National Commander, CAP, provide specific details on how the PricewaterhouseCoopers study will satisfy the intent of Recommendations B.1.a. and B.1.b. in response to the final report.

c. Update and implement the policies and procedures of CAP Manual 67-1, "Civil Air Patrol Supply Manual," March 1, 1989, with change 1, January 1, 1990, for conducting annual inventories of nonexpendable equipment items; for conducting joint inventories of accountable property when supply officers change; and for issuing, revalidating, and disposing of nonexpendable equipment items.

CAP Comments. The National Commander, CAP, concurred, stating that CAP will rewrite its supply manual to conform to the DoD Grant and Agreement Regulation that will become applicable under the cooperative agreement between the CAP and the U.S. Air Force. The National Commander expected to complete actions in response to the recommendation by August 1, 2000.

d. Initiate actions to correct the problems and errors in the National Civil Air Patrol Equipment Listing database.

CAP Comments. The National Commander, CAP, concurred, stating that the system problems leading to the errors are being analyzed and corrected, with an estimated completion of August 1, 2000.

e. Develop and establish a training program for property accountability of nonexpendable equipment items.

CAP Comments. The National Commander, CAP, concurred, stating that he considers Internet-based distance learning as most amenable to the recommended training and is seeking funds to develop and test such training. The National Commander estimated completion would be 6 months after funding availability.

B.2. We recommend that the Commander, Civil Air Patrol-U.S. Air Force:

a. Update the policies and procedures in Civil Air Patrol-U.S. Air Force Regulation 67-2, "Acquisition, Accounting, and Disposal of DoD Excess and Surplus Equipment and Supplies," June 15, 1990, to ensure inventory records are accurately and efficiently adjusted and changed.

CAP-USAF Comments. Responding for the Commander, CAP-USAF, the CAP Management Improvement Team concurred, stating that it was updating the regulation to address the concerns cited in the report. The Management Improvement Team expected actions to be completed by July 1, 2000.

b. Adhere to policies and procedures concerning suspension of eligibility to receive DoD property.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that CAP-USAF instituted a three-tier "logistics freeze" policy in November 1999. That policy, along with revisions of to CAP-USAF Regulation 67-2, would provide a clearer chain of command for enforcement of existing policies. The Management Improvement Team stated that action is complete and policies and procedures are being adhered to.

c. Update the S-3 reports, "Civil Air Patrol Logistics Inventory," in a timely manner, as required by Civil Air Patrol-U.S. Air Force Regulation 67-2, "Acquisition, Accounting, and Disposal of Excess and Surplus Department of Defense Equipment and Supplies," June 15, 1990.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that changes to CAP Manual 67-1 and CAP-USAF Regulation 67-2 would place responsibility for supply accountability initially at the CAP region level and finally to the wing level. The pending statement of work with CAP, which will become effective October 1, 2000, will establish

clear lines of responsibility for logistics reporting with penalties for ineffective or insufficient reporting. The Management Improvement Team expected actions to be completed by January 1, 2001.

d. Establish policies and procedures for acquiring, accounting, and disposing of nonexpendable equipment items acquired with DoD appropriated funds.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that the new CAP-USAF Regulation 67-2 and procedures contained in the pending statement of work with CAP should correct the problem. The Management Improvement Team expected actions to be completed by January 1, 2001.

e. Review the policy on accounting for DoD excess and appropriated funded nonexpendable equipment items and establish a dollar value threshold and sensitivity level for accountability.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that the pending statement of work with CAP will require CAP to follow guidance in DoD Regulation 3210-6-R. Sections 32.33 and 32.34 of that regulation raise the dollar threshold to $5,000, specify a sensitivity level of accountability, and cover disposition of items. The Management Improvement Team expected actions to be completed by January 1, 2002.

C. Flying Mission Reimbursements

CAP did not adequately manage its flying mission reimbursement program and mission paperwork was not always submitted and processed within required time frames. Paperwork was not timely processed because personnel were not adequately trained and procedures were cumbersome. In addition, CAP had not updated its regulation on reimbursement for support to allow reimbursement claims to be filed for multiple missions. As a result, CAP wings and squadrons might not be able to pay members for the costs incurred for flying missions. Also, CAP-USAF might be liable for reimbursements for flying missions that took place in previous fiscal years.

CAP Policies and Procedures

CAP Handbook. The CAP Handbook, "Civil Air Patrol Counterdrug Operations Handbook," August 1, 1999, is a compilation of procedures, techniques, and guidelines prepared as a reference for the day-to-day conduct of counterdrug operations in the field.

CAP Regulations. CAP Regulation 55-1, "CAP Emergency Services Mission Procedures," October 15, 1998, contains CAP operating concepts and policies governing flight, ground, and supervisory personnel in the accomplishment of CAP operational missions. Chapter 4 of the regulation describes the procedures for search and rescue missions, and chapter 7 describes procedures for counterdrug operations.

CAP Regulation 60-1, "CAP Flight Management," August 1, 1998, prescribes the responsibilities of all CAP personnel as applicable to the control and management of the CAP flying program. The regulation provides mission symbols for seven types of reimbursable missions (such as Air Force Rescue Coordination Center Search and Rescue Missions, Search and Rescue and Disaster Relief training and evaluation missions, and Counterdrug Missions).

CAP Regulation 173-3, "Payment for Civil Air Patrol Support," May 1, 1996, establishes procedures for processing claims by CAP members and wings for costs incurred while participating in Air Force-assigned reimbursable missions.

Air Force-Assigned Reimbursable Missions

In 1998, CAP flew nearly 130,000 hours, of which about 71,000 hours were missions subject to Air Force reimbursement. Of the total reimbursable flying hours, search and rescue missions and training accounted for more than 21,000 hours and counterdrug for 37,000 hours. Those hours were flown primarily in corporate Cessna 172 and 182 aircraft.

Search and Rescue Missions. The Commander, Air Force Rescue and Coordination Center, is responsible for the coordination of search and rescue missions for the Inland Region of the continental United States. CAP, as an auxiliary of the Air Force, provides the majority of the primary resources available to the Air Force in filling that requirement. Historically, CAP has flown about 85 percent of inland search and rescue missions in the continental United States, authorized by the Air Force Rescue and Coordination Center. The search and rescue missions represented about 30 percent of all reimbursable hours that CAP flew.

To activate a mission, the Air Force Rescue and Coordination Center contacts the CAP alert officer who selects the mission coordinator and opens the mission. The alert officer receives the Air Force mission number, objective, general area of concern, information gathered by the controlling agency, and specific instructions or considerations unique to the mission. The CAP mission coordinator organizes the personnel and equipment under his control to maximize the efficiency and economy of the mission. The command and control of CAP resources remains within CAP. For example, in Colorado, CAP flew more than 280 sorties, about 504 hours, in search of the missing Air Force A-10. After all reasonable probability of locating survivors had been exhausted and continuing the operation was no longer cost-effective, the Air Force Rescue and Coordination Center closed the mission.

Counterdrug Missions. In November 1985, CAP, the Air Force, and the U.S. Customs Service entered into an agreement whereby CAP would assist the U.S. Customs Service by performing aerial reconnaissance flights along U.S. borders and coastlines in support of the Government's drug interdiction effort. The agreement was later expanded to cover other areas. In 1989, CAP entered into similar agreements with the Drug Enforcement Administration and the U.S. Forest Service. The CAP role in counterdrug missions is limited to aerial reconnaissance, transportation, and communications support. During 1998, CAP assisted in confiscating or eradicating more than $2.8 billion in illegal drugs.

Payment for Civil Air Patrol Support

CAP Regulation 173-3 establishes procedures for processing claims by CAP members and wings for costs incurred while participating in Air Force-assigned reimbursable missions. Reimbursable expenses for Air Force-assigned missions are:

- automotive fuel, lubricants, and aircraft oxygen service actually used while en route to and from and during the performance of the mission;
- aircraft expenses based on Air Force-established flying hour rates;

- commercial communications expenses associated with the mission; and

- administrative costs, equipment, travel, and per diem expenses (for CAP counterdrug missions only).

Reimbursement claims for missions flown are filed on CAP Form 108, "CAP Payment and Reimbursement Document for Aviation, Automotive, and Miscellaneous Expenses." The wing is responsible for checking the pilots' mission forms and receipts for accuracy. The wing then forwards the completed claim to the wing liaison office for review and processing.

Timely Filing for Reimbursement

CAP did not adequately manage its flying mission reimbursement program and mission paperwork was not always submitted or processed within required time frames. CAP Regulation 173-3 directs the wing to submit the completed CAP Form 108 to its liaison office within 60 days of the completion of the mission. We reviewed reimbursement claims for FY 1999 to determine if CAP was filing claims for search and rescue and counterdrug missions in a timely manner.

Search and Rescue. At 1 of the 7 wings we visited, the review of reimbursement claims for search and rescue missions revealed that 12 of the 23 CAP Forms 108 were filed after the 60-day deadline because pilots were filing inaccurate or incomplete forms. To resolve the problem, the wing commander and the wing liaison officer conducted a training program and, as a result, significantly improved the timeliness and accuracy of reimbursement claims. The wing was planning on making the training a regular requirement.

Delays in filing were also caused by the time it takes to receive the bills for communications expenses. At one wing, for example, the billing records for cell phones caused six of the nine claims to be filed late. If filing a CAP Form 108 is delayed by that type of allowable expense, reimbursement claims have a tendency to be filed late, which impacts the ability of CAP to reimburse members for costs incurred for participating in Air Force-assigned reimbursable missions. Further, CAP-USAF may be liable for reimbursement of flying missions that took place in previous fiscal years.

Counterdrug Missions. Reimbursement claims for counterdrug missions were generally filed in a timely manner. They were timely because the wings emphasize timely submission of reimbursement claims for counterdrug missions. However, there were problems found in the counterdrug reimbursements. At two wings, wing personnel filed all the paperwork for reimbursement; individual members filed only if claiming reimbursement for mission expenses paid out of their pocket. At one wing, because of the number of administrative duties performed by the wing's staff, the paperwork for reimbursement was often filed late. Of 209 claims filed by that wing, 81 claims were filed after the 60-day deadline and 45 of those were filed after 90 days. For example,

reimbursements for U.S. Customs Service missions flown on November 14, 1998, and February 23-25, 1999, were not processed until September 14, 1999, and September 23, 1999, respectively. In another example, a wing recently filed for reimbursement of $441 for missions flown from March through August 1994. Table 2 depicts the filing status of reimbursable claims at four of the wings we visited.

Table 2. FY 1999 Filing of CAP Form 108

Wing	Flying Mission	Vouchers Reviewed	Over 60 Days	Over 90 Days
Colorado	Search and rescue	38	9	0
	Counterdrug	29	4	2
Maine	Search and rescue	23	12	0
	Counterdrug	172	34	12
New Mexico	Search and rescue	6	4	0
	Counterdrug	209	81	45
Texas	Search and rescue	26	0	0
	Counterdrug	51	0	0
Total		**554**	**144**	**59**

CAP headquarters added an additional 15 percent to the amount claimed for counterdrug missions to cover administrative expenses incurred for counterdrug missions regardless of when the claim was filed. A CAP headquarters memorandum dated September 7, 1999, stated that effective October 1, 1999, CAP Forms 108 received at headquarters more than 90 days after completion of the counterdrug mission date would not receive the 15 percent increase for administrative expenses. The need for such a statement reveals that there was a problem with timely filing of counterdrug mission reimbursement claims. With the 15 percent additional reimbursement for timely filing, CAP has provided an incentive for timely filing of counterdrug claims.

Submitting Vouchers for Costs Incurred

CAP Regulation 173-3 requires individual CAP members and wings to submit vouchers for costs incurred while participating in Air Force-assigned reimbursable missions. The regulation states that when more than one payment is required, the wing will prepare Standard Form 1035, "Public Voucher for Purchases and Services Other Than Personal." When the wings were asked whether they used the form, officials indicated that they were not aware that

such a form existed. CAP headquarters stated that Standard Form 1035 was obsolete and no longer in use by the Air Force. The Air Force had not substituted or created another form to be used in its place. As a result, one wing started using the CAP Form 108 instead of the Standard Form 1035 to file for reimbursement for multiple missions. For example, one CAP Form 108 filed by the wing claimed 11 search and rescue missions, requesting multiple reimbursements ranging from about $56 to about $209. The amounts claimed on that CAP Form 108 totaled about $1,171. The claim was processed and paid by the Defense Finance and Accounting Service. Search and rescue reimbursements are processed and paid by the Defense Finance and Accounting Service, which allows the filing of claims for multiple missions on a single CAP Form 108. However, counterdrug mission reimbursements are paid from CAP headquarters, which accepts only one mission number per CAP Form 108. If the wings were able to file claims for multiple missions on a single CAP Form 108, it would significantly reduce the amount of paperwork required in filing for reimbursement and possibly speed up the submission of claims. For example, one wing filed approximately 3,000 CAP Forms 108 for counterdrug mission reimbursements in a year. If it had been able to file multiple missions on a single form, the paperwork forwarded to the wing liaison office would have been significantly reduced. The regulation needs to be updated to clarify the procedures for filing claims for those types of reimbursements and to allow filing claims for multiple missions on a single CAP Form 108.

Surcharge for Administrative and Operational Expenses

Although there was no surcharge paid on search and rescue missions to compensate for administration and operational expenses, there was a 15 percent surcharge on counterdrug missions to cover administrative expenses such as postage, telephone calls, facsimile transmissions, general office supplies, pagers, and office equipment. A separate account, as required by CAP Regulation 173-3, was maintained at the wing to account for the counterdrug administrative fee paid by the CAP.

Because there was no surcharge for similar types of expenses incurred for search and rescue missions, one wing submitted 23 claims for reimbursement for long distance phone calls. The claims ranged from a low of $0.28 to a high of $15.38 (an average of $5.58 per claim). Those small reimbursement amounts were not cost-effective to process. Other costs incurred for search and rescue missions not covered for reimbursement include replacement of office equipment, such as facsimile and photocopy machines, that is used in association with search and rescue missions. Other wings voiced concerns about operational expenses incurred for search and rescue missions that were not covered for reimbursement. Two wings stated that they incurred on-site costs for portable toilets, ranging in cost from $85 to $140. Such expenses are currently paid out of pocket by the wing.

The types of expenses just discussed are incurred by the wings when they conduct Air Force-assigned search and rescue missions. A surcharge to help cover those types of operational and administrative costs could speed up the filing of claims. For example, if a surcharge had been in place, one wing that had filed nine claims late could have significantly reduced the time it took to file six of those claims because it could have avoided delays caused by billing for cell phones. However, the CAP Supply Bill (10 U.S.C. 9441) does not authorize the Commander, CAP-USAF, to pay such a surcharge.

Conclusion

CAP needed to take a more active role in monitoring the wings' timely submission of claims for reimbursement and also needed to update CAP Regulation 173-3 to allow for filing claims for reimbursement for multiple missions on one form. The wings should develop training programs to ensure that their members know the correct processing procedures for filing claims for reimbursement.

Recommendations, Management Comments, and Audit Response

Revised Recommendation. As a result of CAP comments, we revised Recommendation C.1.d. to clarify our intention.

C.1. We recommend that the Executive Director, Civil Air Patrol:

a. Monitor the filing of CAP Form 108, "Civil Air Patrol Payment and Reimbursement Document for Aviation, Automotive, and Miscellaneous Expenses," and provide guidance to those wings in need of assistance.

b. Establish procedures for the timely submission of mission paperwork.

c. Develop and conduct annual training classes on the procedures for filing for reimbursement.

CAP Comments. The National Commander, CAP, concurred, stating that accomplishment is contingent on availability of funding for additional staff, information systems, software, and programming to automate and streamline submission, approval, and reimbursement processes and to develop and provide Internet-based training. The National Commander expected to complete actions in response to Recommendations C.1.a., C.1.b., and C.1.c. within 6 months of funding availability.

Audit Response. Although the National Commander concurred, we do not believe that additional staff is needed in order to satisfy the intent of Recommendations C.1.a., C.1.b., and C.1.c. Liaison office personnel and the counterdrug officer for each wing are aware of the proper procedures for filing claims and could provide guidance and assistance as needed. In addition, liaison office personnel are paid employees and are responsible for reviewing claims for reimbursement. Therefore, we request that the National Commander reconsider his position and provide additional comments in response to the final report.

d. Update Civil Air Patrol Regulation 173-3, "Payment for Civil Air Patrol Support," May 1, 1996, to allow the use of a single CAP Form 108 to file claims for reimbursement for multiple missions of similar type, including counterdrug missions.

CAP Comments. The National Commander, CAP, nonconcurred, stating that consolidation of reimbursements for multiple missions on a single form may cause commingling of funding appropriated for specific purposes and confuse the audit trail.

Audit Response. We disagree with the National Commander, Civil Air Patrol, that using a single CAP Form 108 to file for reimbursements for multiple missions would commingle funding appropriated for different purposes and confuse the audit trail. Each mission is assigned a mission control number that is used for accounting for and tracking of the mission. That control number could be used to identify and track specific funding and provide an audit trail. However, as a result of the National Commander's concerns, we revised the recommendation to clarify our intention that claims for reimbursements for multiple missions of similar type be allowed to be filed on a single form. Therefore, we request that the National Commander, Civil Air Patrol, provide additional comments on the final report.

C.2. We recommend that the Commander, Civil Air Patrol-U.S. Air Force, initiate a legislative proposal to authorize a surcharge fee to be added to claims for all search and rescue missions, to cover administrative and operational expenses.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that the recommendation was being studied to determine the best way to address the issue of covering administrative and operational expenses and that it has initiated the legislative proposal. The Management Improvement Team expected actions to be completed by April 1, 2000.

D. Aircraft Fleet Size

CAP was procuring aircraft without establishing a valid size requirement for its fleet because CAP did not capture aircraft use data necessary for establishing its aircraft requirements. As a result, CAP might not have the required number of aircraft needed to perform its Air Force-assigned missions.

Public Law and Guidance

Section 9441 of title 10,United States Code, authorizes the Secretary of the Air Force to reimburse CAP for major items of equipment, such as aircraft and motor vehicles.

The memorandum of understanding between the Air Force and CAP, January 25, 1991, as amended November 8, 1991, states that appropriated funds will be used for CAP support in those areas deemed necessary by the Air Force. That includes the cost of aircraft, vehicles, equipment, maintenance, commercial communications, fuel, and lubricants associated with Air Force-assigned missions.

Air Force Audit Agency Report. On May 13, 1998, the Air Force Audit Agency issued "Installation Report of Audit EB098013, Air Force Oversight of FY 1996 Civil Air Patrol Corporation Activities, CAP-USAF Maxwell AFB [Air Force Base] AL." One area of concern in the report was the size of the CAP corporate aircraft fleet. The report stated that CAP-USAF had reimbursed CAP for corporate aircraft without determining the size of the aircraft fleet CAP needed to carry out its assigned missions. The report concluded that CAP could perform its missions with between 157 and 330 corporate aircraft. The CAP aircraft fleet numbered 530 aircraft at the time of the report. Therefore, 200 to 373 aircraft could be reduced from the CAP corporate fleet. The report recommended that a source outside of CAP and CAP-USAF determine CAP corporate aircraft requirements, taking into consideration such things as cost factors, mission flying hours, member-owned aircraft, and allowable areas of appropriated fund reimbursement.

Air Force Logistics Management Agency Report. In September 1998, the Air Force tasked the Air Force Logistics Management Agency to determine the appropriate size of the CAP corporate aircraft fleet. The study objective was to determine the CAP corporate aircraft fleet size needs to support Air Force-assigned reimbursable missions, Air Force-assigned nonreimbursable missions, and all other CAP missions. The study was constrained because data were available only for calendar year 1998 and only total, not individual flight and mission, flying hours were available. In April 1999, the Air Force Logistics Management Agency issued Report No. LM199900600, "Civil Air Patrol (CAP) Aircraft Requirement Study." The report found that CAP was successful in meeting its current mission requirements with 530 aircraft. The study also

concluded that 200 hours per year per aircraft was a reasonable rate for CAP to operate its corporate fleet of aircraft. However, at a rate of 200 hours per year per aircraft, the study concluded that the fleet size could be as large as 648 aircraft. The report recommended that the CAP Form 18 database be expanded to include the ability to document flights by individual CAP aircraft. At a minimum, the report recommended, the database should track sortie duration, mission symbol, mission number, mission performed, and agency supported.

Fleet Size Requirement

CAP was procuring aircraft without establishing a valid fleet size requirement. Since January 1998, with the development of the automated CAP Form 18 database tracking system, it has been possible for CAP to track details of its flying missions. The tracking system allows for the determination of total hours flown, by individual aircraft tail number and by mission type. However, it does not allow for a detailed breakdown of the total hours. Because CAP did not undertake complete and detailed database tracking of flying hours, the appropriate size of the CAP corporate aircraft fleet could not be determined. As a result, CAP might not have the required number of aircraft needed to perform its Air Force-assigned missions. Implementation of the Air Force Logistics Management Agency's recommendation to expand the CAP Form 18 database would generate the information necessary to conduct an aircraft requirement study. After collecting the expanded flying hour tracking data for 3 years, the database will contain sufficient data to determine the appropriate size of the CAP corporate aircraft fleet necessary to supplement member-owned aircraft in conducting Air Force-assigned missions.

Recommendations, Management Comments, and Audit Response

D. We recommend that the Executive Director, Civil Air Patrol:

1. Expand the Civil Air Patrol Form 18 database to include the ability to document individual Civil Air Patrol aircraft flights and member-owned aircraft flights. At a minimum, information tracked should include sortie duration, mission symbol, mission number, mission performed, and agency supported.

2. After collection of aircraft flying data for 3 years, conduct an aircraft requirement study to determine the appropriate size of the Civil Air Patrol corporate aircraft fleet necessary to supplement member-owned aircraft in conducting Air Force-assigned missions.

CAP Comments. The National Commander, CAP, partially concurred, stating that CAP had begun expansion of the database and that computers with Internet access are needed at unit levels to facilitate data input. The National Commander nonconcurred with the statement in Recommendation D.2. that the corporate fleet was necessary to supplement member-owned aircraft, stating that the reverse was true. The National Commander expected actions to be completed on the expanded database within 1 year of funding availability, assuming completion of the recommended aircraft requirement study.

Audit Response. We do not consider the comments from the National Commander to be fully responsive. We commend the Civil Air Patrol for beginning the expansion of the database. However, we request that the National Commander provide the specific details to support the actions taken to expand the database and a plan for implementing the database in response to the final report.

E. Vehicle Procurement Program

CAP purchased vehicles without establishing a valid requirement because it did not capture vehicle use data needed to establish a motor vehicle fleet requirement. As a result, CAP might have purchased and was maintaining vehicles that were not necessary to perform its Air Force-assigned mission.

Vehicle Management

CAP Regulation 77-1, "Operation and Maintenance of Civil Air Patrol Owned Vehicles," September 1, 1993, establishes policies and procedures for ownership, registration, operation, maintenance, and reporting of CAP vehicles. However, the regulation does not have provisions for capturing vehicle use data or for determining the size of the vehicle fleet based on mileage.

Determining Vehicle Requirements

CAP purchased vehicles without establishing a valid requirement because it did not capture vehicle use data needed to establish a motor vehicle fleet requirement.

The Air Force Logistics Management Agency analyzed the CAP vehicle fleet size, but was unable to perform an accurate and thorough analysis because of the limited cooperation of CAP units selected to participate in the study. The Air Force Logistics Management Agency initiated a ground vehicle study in January 1999 to determine the proper fleet size to support all CAP missions and operations and to help CAP develop a vehicle authorization and justification program. The program would have provided CAP management with the fleet management information needed to assess performance and make sound decisions. The Air Force Logistics Management Agency randomly selected 239 CAP units (approximately 30 units per geographical region) to participate in the study.

Study Participation. Vehicle usage forms were to be submitted to CAP headquarters on a monthly basis, beginning in February 1999, for a 9-month period. However, the volunteer force did not fully comply with or participate in the study. Only 82 (34 percent) units responded in February, and only 66 (28 percent) responded in March. The data that was submitted was incomplete. As a result, in April 1999, the CAP-USAF Director of Logistics distributed a memorandum to all wing commanders outlining new procedures for the ground vehicle study that included a revised form for documenting vehicle usage. The new procedures were to begin in May 1999, with responses required to be submitted to CAP headquarters no later than June 15, 1999.

Despite the changes to the vehicle usage form, the response rate to the study did not considerably improve. Only 80 units (33 percent) responded in May and 44 (18 percent) in June. As a result, in June 1999, the Commander, CAP-USAF, and the Executive Director, CAP, distributed a memorandum to the wing commanders regarding the poor rate of response. In the memorandum, wing commanders were told that the response rate was below 25 percent and that participation in the study was mandatory. In addition, the memorandum stated that the units' failure to comply with the requirement would result in cancellation of the study and CAP vehicles would "continue to be invalidated." However, the response rate did not increase enough to allow a thorough analysis. The wing commanders did not respond to the memorandum because the Executive Director did not have authority over the volunteer force. Had the Executive Director been delegated authority, we believe that a much greater response would have been obtained from the volunteer force.

Study Conclusion. In September 1999, the Air Force Logistics Management Agency issued Report No. LT199824400, "Civil Air Patrol (CAP) Vehicle Fleet Analysis." The report stated that an appropriate vehicle fleet size could not be determined. The conclusion was based on CAP units' failure to participate in the study despite repeated requests from CAP corporate headquarters.

Vehicle Procurement. CAP uses a formula to determine annual vehicle procurement funding allocations. The formula is computed for each region based on total membership, flying hours, and cadet activities. It does not consider vehicle usage factors when determining the allocations. Once the percentage is computed for each region, the funds are allocated. According to CAP-USAF Logistics Directorate personnel, CAP had set a ceiling of 950 vehicles for its fleet. However, CAP had never justified the ceiling.

As of October 1999, CAP had a vehicle inventory of 937. In FYs 1997 through 1999, CAP purchased 134 vehicles at a cost of $3 million without justifying the requirement. CAP has almost reached its ceiling of 950 vehicles; there were no vehicle procurements scheduled for FY 2000 (as of December 30, 1999). However, CAP requested funding for 158 vehicles in FYs 2000 and 2001, at a cost of $3.7 million. Therefore, CAP intends to continue purchasing vehicles without properly justifying and validating its requirements.

Conclusion

CAP had made efforts to obtain the data necessary to justify its vehicle requirements. However, it was not successful in its attempts to ensure that vehicle purchases are justified and necessary. Therefore, the potential exists for CAP to continue to spend millions of dollars without a valid requirement, justified with historical vehicle use data. Unless the CAP volunteer force fully participates, CAP will not be able to identify fleet requirements. CAP needs to develop policy and procedures necessary to establish a database to track vehicle

use. The database, at a minimum, should include date, members supported, mileage, purpose of the trip, vehicle type, and wing. Further, CAP-USAF should direct that no additional motor vehicles be procured with appropriated funds until the requirements have been properly justified and validated by historical use data.

Recommendations, Management Comments, and Audit Response

E.1. We recommend that the Executive Director, Civil Air Patrol:

a. Delay the procurement of additional motor vehicles with appropriated funds until Civil Air Patrol needs have been properly justified and validated by historical use data.

CAP Comments. The National Commander, CAP, concurred, stating that a delay in the procurement of vehicles has been implemented. The National Commander indicated action was completed.

Audit Response. Although the action described by the National Commander meets the intent of the recommendation, we do not consider his comments to be fully responsive. The National Commander did not provide specific implementation details or specify the time frame of the delay. Therefore, we request that the National Commander provide additional comments in response to the final report.

b. Develop policy and procedures necessary for the establishment of a database to track vehicle use. At a minimum, the database should include date, members supported, mileage, purpose of trip, vehicle type, and wing.

CAP Comments. The National Commander, CAP, concurred in part, stating that the Executive Director should develop the policy and procedures necessary for the establishment of a database to track vehicle use. The National Commander concurred that the database should include monthly reporting of vehicle identification, wing, and mileage to determine and track vehicle use. However, the National Commander stated that other information on details of specific trips should be kept in a log with the vehicle, subject to inspection to verify that use was for official purposes. The National Commander expected actions to be completed within 6 months of funding availability.

Audit Response. We consider the actions taken and planned by CAP to be fully responsive to the recommendation.

E.2. We recommend that the Commander, Civil Air Patrol-U.S. Air Force, direct that no additional motor vehicles be procured with appropriated funds until the vehicle requirements have been properly justified and validated by historical use data.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that CAP-USAF advised CAP on January 19, 2000, to cease procurement of vehicles with appropriated funds until further notice. The Management Improvement Team indicated that action was completed January 19, 2000.

Audit Response. Although the action described by the Management Improvement Team meets the intent of the recommendation, we do not consider its comments to be fully responsive. The Management Improvement Team did not define "further notice." Therefore, we request that the Commander, CAP-USAF, provide additional comments in response to the final report.

Appendix A. Audit Process

Scope

We reviewed the processes and records for FY 1997 through the first quarter of FY 2000 and analyzed corresponding public laws and Air Force, CAP-USAF, and CAP regulations and instructions used to establish, identify, and manage the CAP corporation and DoD appropriated fund assets, missions, and resources. We also reviewed CAP aircraft requirements and flight management, budget and funding processes; chain of command and management authority; communications requirements; reimbursements for emergency services and counterdrug flying missions; property accountability; travel records for the period July 22, 1999, through October 31, 1999; and vehicle requirements.

Limitations of Audit Scope. In July 1999, a joint Federal task force composed of special agents from the Air Force Office of Special Investigations and the Federal Bureau of Investigation served Federal search warrants and seized all documents and computer media that might have contained information concerning CAP financial transactions from January 1989 through July 20, 1999. In addition, other operational records concerning financial and business transactions, ownership of property, corporate tax returns, sales agreements, journals, corporate minutes, and charter records were also taken for further analysis for evidentiary value and potential investigative leads. Because the records were seized and access to the records was not granted (a gag order was issued by the U.S. Magistrate for the Middle District of Alabama), we were unable to review several areas of CAP, including bookstore and depot operations, the CAP Aircraft Modernization Program, and lobbying efforts. In addition, we were unable to adequately review budget formulation and execution, financial and accounting functions, and travel prior to July 21, 1999

DoD-Wide Corporate-Level Goals. In response to the Government Performance and Results Act, DoD established 2 DoD-wide corporate-level goals and 7 subordinate performance goals. This report pertains to achievement of the following goal (and subordinate performance goal):

> **Goal:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **Performance Goal 2.3:** Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms. **(00-DoD-2.3)**

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objective and goal:

> **Financial Management Functional Area. Objective:** Strengthen internal controls. **Goal:** Improve compliance with the Federal Managers' Financial Integrity Act. **(FM-5.3)**

High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Financial Management high-risk area.

Methodology

We visited and interviewed responsible officials at the Air University, CAP headquarters and liaison offices, CAP-USAF headquarters and liaison offices, regions, and wings. We focused our review on the CAP aircraft fleet size, budget process, communications, flying mission reimbursements, property accountability, and vehicle procurement program. We reviewed and evaluated all CAP policies, procedures, and available documentation in each of those areas to ensure controls were in place to protect government interests. We examined associated funding documents to ensure funds were available and properly expensed. We interviewed key personnel at CAP headquarters, seven regions, seven wings, CAP-USAF headquarters, and seven CAP-USAF region liaison offices to determine how each area was documented and controlled. To determine the overall accuracy of records, we judgmentally sampled records at seven wings and physically inspected nonexpendable equipment items to verify location and ensure accountability. We judgmentally sampled records at seven wings, reviewing CAP Forms 108 and supporting documentation, to determine if flying mission reimbursements were being submitted properly and in a timely manner.

Use of Computer-Processed Data. We did not use computer-based data to perform this audit.

Audit Type, Dates, and Standards. We performed this program audit from August through December 1999 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and CAP. Further details are available on request.

Management Control Program. DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides

reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls. As correctly noted by the National Commander in comments on the draft report, CAP, which is a 501(c)(3) nonprofit organization, does not fall under the directive or Office of Management and Budget Circular A-123, "Management Accountability and Control," June 21, 1995, and Office of Management and Budget Circular A-127, "Financial Management Systems," July 23, 1993, through Transmittal Memorandum No. 2, June 10, 1999. We did not review the CAP management control program for compliance with Office of Management and Budget or DoD guidelines; however, we did review controls and discussed in our findings the various control weaknesses that we found. Although CAP-USAF does fall under the directive, we did not review its management control program because the May 1998 Air Force Audit Agency Report No. EB0098013 covered the program in detail. CAP-USAF was in the process of implementing that report's recommendations to correct problems in its management control program.

Appendix B. Prior Coverage

Air Force

Air Force Inspection Agency "Review of Civil Air Patrol-USAF (CAP-USAF)," September 17, 1999.

Air Force Logistics Management Agency Report No. LT199824400, "Civil Air Patrol (CAP) Vehicle Fleet Analysis," September 1999.

Air Force Logistics Management Agency Report No. LM199900600, "Civil Air Patrol (CAP) Aircraft Requirement Study," April 1999.

Air Force Audit Agency, "Installation Report of Audit, EB098013, Air Force Oversight of FY 1996 Civil Air Patrol Corporation Activities, CAP-USAF Maxwell AFB [Air Force Base] AL," May 13, 1998.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Inspector General, Department of the Air Force
Auditor General, Department of the Air Force
Commander, Air University
  Commander, Civil Air Patrol-U.S. Air Force
National Commander, Civil Air Patrol
  Executive Director, Civil Air Patrol

Other Defense Organizations

Director, Defense Contract Audit Agency

Non-Defense Federal Organizations

Office of Management and Budget
General Accounting Office
  National Security and International Affairs Division
    Technical Information Center

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

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Department of the Air Force Comments

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE

FEB 2 2000

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM Civil Air Patrol Management Improvement Team
1140 Air Force Pentagon
Washington DC 200330-1140

SUBJECT: DoDIG Draft Report, Administration and Management of the Civil Air Patrol (Project No. 9LA-5020)

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial management and Comptroller) to provide Air Force comments on the subject report

The Civil Air Patrol Management Improvement Team (CAP MIT) concurs with the findings and recommendations contained in the draft report. Specific responses to each recommendation made to CAP-USAF are contained in the attachment

FELIX M. GRIEDER
Colonel, USAF

Attachment:
CAP MIT Response to DoDIG Draft Report

cc:
SAF/FMPF
CAP MIT

Civil Air Patrol Management Improvement Team
Response
To
DoD IG Draft Audit Report
Project No. 9LA-5020

The Civil Air Patrol Management Improvement Team (CAP MIT) concurs with the recommendations contained in the DoD IG Draft Audit Report (Project No. 9LA-5020). The following comments are submitted to help clarify sections of the report:

B Property Accountability

Recommendations:

B.2.a. The report recommended that the Commander, Civil Air Patrol-U.S Air Force (CAP-USAF) update the policies and procedures in CAP-USAF Regulation (CAP-USAFR)67-2, "Acquisition, Accounting, and Disposal of DoD Excess and Surplus Equipment and Supplies", to ensure inventory records are accurately and efficiently adjusted and changed. CAP-USAF is currently updating that regulation to address these concerns. The estimated completion date by CAP-USAF is 1 July 2000

B.2.b. The report recommended that the Commander, CAP-USAF adhere to policies and procedures concerning suspension of eligibility to receive DoD property In November 1999, CAP-USAF instituted a three-tier logistics freeze policy and there have already been positive changes as a result. This change, in concert with the revisions noted in B.2 a , will provide a clearer chain of command for enforcement of existing policies which CAP-USAF believes are sufficient. This action is complete and adherence to the policies and procedures are currently in effect

B.2.c. The report recommended that the Commander, CAP-USAF update the S-3 reports, "Civil Air Patrol Logistics Inventory", in a timely manner as required by CAP-USAFR 67-2. Changes to CAP Manual 67-1 and Regulation 67-2 will push the responsibility of supply accountability initially to the CAP region level and finally the CAP wing (state) level. The present CAP logistics database system is insufficient for proper accounting and requires update. The pending statement of work (SOW) with CAP, which will become effective 1 October 2000, will establish clear lines of responsibility for logistics reporting with penalties for ineffective or insufficient reporting. As a result of the 1 October 2000 effective date for CAP, the estimated completion date by CAP-USAF is 1 January 2001.

B.2.d. The report recommended that the Commander, CAP-USAF establish policies and procedures for acquiring, accounting, and disposing of non-expendable equipment items acquired with DoD appropriated funds. The new CAP Regulation 67-2 and procedures contained in the pending SOW with CAP should correct this problem Since this recommendation is tied to the actions associated with the recommendation B 2.c., the estimated completion date by CAP-USAF is 1 January 2001.

B.2.e. The report recommended that the Commander, CAP-USAF review the policy on accounting for DoD excess and appropriated funded non-expendable equipment items and establish a dollar value threshold and sensitivity for accountability. The pending SOW with CAP will require CAP to follow guidance in DoDR 3210 6-R, sec 32.33 (raising the dollar threshold to $5,000 and specifying a sensitivity level of accountability) and sec 32 34

Final Report Reference

(covering disposition). The new regulations and pending SOW with CAP all use these same DoD guidelines. This recommendation is tied to completion of actions by CAP and the estimated completion date by CAP-USAF is 1 January 2002.

C Flying Mission Reimbursements

Recommendations:

C.2. The report recommended that the Commander, CAP-USAF, initiate a legislative proposal to authorize a surcharge fee to be added to claims for all search and rescue missions, to cover administrative and operational expenses. Revision of the legislation governing Air Force use and support of CAP is currently underway This recommendation is being studied to determine the best way to address the issue of covering administrative and operational expenses. CAP-USAF has initiated this legislative proposal and the estimated completion date is 1 April 2000.

E. Vehicle Procurement Program

Determining Vehicle Requirements. As general clarification, currently AF/ILSR is not directly involved in the CAP vehicle requirements process. These requirements are funded from the BP82 top line. AF/ILSR directs funds to HQ AETC. Approximately $3.961 million is currently programmed through the FYDP for CAP vehicles. $3.160 million was directed to CAP for purchase of vehicles from FY1997 through FY1999. The report states that that "CAP requested funding for 158 vehicles in FYs 2000 and 2001, at a cost of 3.7 million". For clarification, recommend a sentence be added stating that $1.519 million has been programmed for FY2000 and 2001, $751K and $768K, respectively. Revised

Recommendations:

E.2. The report recommends that the Commander, CAP-USAF, direct that no additional motor vehicles be procured with appropriated funds until the vehicle requirements have been properly justified and validated by historical use data. CAP-USAF advised CAP on 19 Jan 2000 to cease procurement of vehicles with appropriated dollars until further notice. This action was completed effective 19 January 2000.

Appendix A. Audit Process

Methodology. Management Control Program: Page 30, line 4, reads "Legislative changes that take effect October 1, 2001, will include CAP under DoD Directive 5010.38." CAP's existence as a 501(c)(3) nonprofit organization is not expected to change. CAP, even when operating under a cooperative agreement, is not required to follow DoD Directive 5010.28 and OMB Circulars A-123 and A-127, since it is not a government corporation (as listed in 31 U.S.C. 9101). CAP will be required to follow the provisions contained in DoD Regulation 3210.6-R, and OMB Circulars A-110, A-122 and A-133. Revised Page 36

Additional Comments

The statement of work referenced in the CAP MIT comments has been agreed upon in principle by both the Air Force and the Civil Air Patrol. The Air Force expects the Civil Air Patrol National Board to approve the cooperative agreement and the statement of work later this month at their National Board meeting, with an effective date of 1 Oct 2000.

Civil Air Patrol Comments

OFFICE OF THE NATIONAL COMMANDER
CIVIL AIR PATROL
UNITED STATES AIR FORCE AUXILIARY
Maxwell Air Force Base, Alabama 36112-6332

1 Feb 00

MEMORANDUM FOR DOD/IG

SUBJECT: Audit Report on the Administration and Management of the Civil Air Patrol (Project No. 9LA-5020)

1. Requested Civil Air Patrol management comments on the draft of the first of two reports on the administration and management of Civil Air Patrol are provided

2. We appreciate the balanced and constructive tone of the draft report and the opportunity to contribute these comments for your consideration in preparing the final report.

JAMES C. BOBICK
Brigadier General, CAP
Commander

Attachment:
Comments-Draft Audit Report

A. Authority

Finding

The CAP corporate headquarters did not have the authority to enforce corporate and Federal Aviation Administration regulations, because the CAP command structure required National Executive Committee approval before the CAP corporate headquarters could resolve problems pertaining to volunteer members. As a result, the CAP corporate headquarters could not ensure adequate management control over assets assigned to the volunteer force

Recommendation

A. We recommend that the National Commander, Civil Air Patrol, through the National Board and the National Executive Committee, delegate authority over the volunteer force to the Executive Director, Civil Air Patrol, for management decisions associated with safety and management control issues.

Comment: Concur that authority should be delegated to Executive Director for management decisions associated with management control issues relating to funds and assets. Nonconcur that authority should be delegated to Executive Director for management issues associated with safety The finding and recommendation are overly simplistic and fail to adequately consider the nature of CAP, its membership, organization and leadership. Examples given to justify the safety recommendation fall short.

CAP's extensive and valuable nationwide programs in emergency services, cadet programs for youth, and aerospace education for cadets and the public are carried out by the 60,000 members of the organization. These members are unpaid civilian volunteers, most of whom are also employed full-time in other jobs or are full-time students, though some are retirees. They give generously of their time and skills out of the goodness of their hearts, subject always to conflicting demands of job, studies and families. Most are attracted to the organization by the opportunity to use their flying, communications, teaching, mentoring or other knowledge and skills in service to America and its youth.

These volunteers are highly regimented, serving in some 1,700 units organized along Air Force lines (regions, wings, squadrons and other units) "commanded" by unpaid civilian volunteer members and assisted almost wholly by unpaid civilian volunteer member staff. The CAP National Commander leads this volunteer force. (In CAP, the concept of "command" is something of a misnomer in reality, since the "commander" can neither deprive the member under his/her command of a paycheck nor subject them to confinement for failure to obey. While a CAP commander has a range of options available to discipline a member, at worst, he/she can dismiss the member from the organization, after due process is observed.)

A small paid staff of 247 authorized CAP employees, 107 at the national headquarters and 140 at other locations around the country, supports the volunteer effort. The CAP Executive Director supervises these employees. They are primarily responsible for

providing financial and materiel support, along with nationally standardized safety and training programs, to the volunteers.

The implication of this is that the motivation and leadership of the major portion of CAP's workforce, the unpaid volunteer members, is a challenging and delicate task. Make demands perceived as arbitrary, excessive, unreasonable or impossible upon a paid workforce, and most will do their best to comply (if grudgingly) rather than risk loss of job and income. Make demands perceived as arbitrary, excessive, unreasonable or impossible upon members of an armed force, and most will do their best to comply (if grudgingly) rather than risk action under the Uniform Code of Military Justice. Make demands perceived as arbitrary, excessive, unreasonable or impossible upon unpaid civilian volunteers, and each will re-examine his or her personal priorities and a great many will likely choose to devote their time and talents elsewhere. Indeed, empirical evidence suggests that the current level of administrative workload imposed on the volunteers is so burdensome as to deter some busy and talented people whose skills would be useful from joining the organization and to be the bane of those who continue to serve To attract, retain and motivate such unpaid volunteers, the organization must always strive to maximize the opportunities for enjoyment (flying, communicating, and helping young people) while minimizing the drudgery (paperwork). Likewise, when some drudgery is necessary (particularly administrative tasks), it is necessary to fully explain the reasons for the necessity to the volunteers, train and equip them to accomplish the tasks, and provide paid staff to perform such tasks for which sufficient volunteer help cannot be found.

CAP's volunteer commanders and staff of employees must cooperate closely in mutual respect to resolve problems relating to the volunteer force. The California and Idaho flight safety examples cited in the draft report are examples of such cooperation leading to prompt and responsible resolution. Consultation occurred in both instances among HQ CAP employees and commanders at national, region and wing levels. The result in both cases, as found by the DoD/IG, was that wing flight activities were suspended and appropriate corrective actions implemented within 24 hours of notification of CAP National Headquarters of each of these problems. It is difficult to imagine that an autocratic response by the Executive Director would have been more prompt or successful. This demonstrates that the present lines of authority and process for addressing safety problems provide adequate management control

Granted, CAP must improve its accountability for management and control of assets assigned to the volunteer force, and granted, that responsibility must ultimately rest on the shoulders of one individual. For matters of accountability for federal appropriated funds and assets, that individual is logically the Executive Director, who should be the final authority empowered to suspend funding to and retrieve assets from units in extreme cases. In all other matters, and there are a great many, the National Commander should remain the foremost authority over the volunteer force.

A more realistic, comprehensive and workable integrated solution to the problem of accountability requires a multi-pronged approach, including·

1. Simplifying and reducing volume of administrative requirements to the maximum extent possible,

2 Automating data entry and processing capabilities to the maximum extent possible,

3 Improving training and implementing post-training testing of volunteers to enable them to accomplish such administrative tasks as are necessary to be performed and capable of timely and reliable performance by volunteers,

4. Providing equipment (particularly computers with Internet access) needed by volunteers to accomplish administrative tasks assigned them,

5. Providing a staff of full-time paid employees in the field at region and wing levels to accomplish such administrative tasks as are necessary to be performed but not capable of timely and reliable performance by volunteers,

6. Delineating clear lines of responsibility and ultimate authority in decision making regarding finances and assets, including the power to withhold funds and marshal assets

With the foregoing in mind, CAP proposes the following alternative methods for accomplishing the desired improvements;

1. Review of CAP Regulations and procedures to simplify and minimize administrative procedures, consistent with federal law concurrent with implementation of cooperative agreement between CAP and the Air Force.

2 Seek funding to provide every CAP unit at least one computer with necessary peripherals, software and Internet access, with capability for direct entry of most required reports Acquire, distribute and install equipment, train members as quickly as possible upon availability of funds.

3 Seek funding to develop and provide volunteers Internet-based training on administrative procedures.

4. Identify number, qualifications and cost of additional full-time paid staff needed at national, region and wing level to provide administrative support. (Price Waterhouse Cooper study presently underway to identify additional staff required.) Seeking funding to hire. Hire as quickly as possible upon availability of funding

5 Review and refine responsibilities of corporate governance, volunteer leadership and paid staff in financial accountability and asset management. Negotiation of a cooperative agreement between CAP and the Air Force is presently underway. The agreement will address this issue, to some extent Estimated completion date: 26 Feb 00. CAP Constitution & Bylaws Committee has recommended to the CAP National Board changes to corporate governance also relating to this issue. Estimated completion date: 26 Feb 00. Amend contract between CAP and Executive Director (EX) to grant EX final authority in management and control of funds and assets.

B. Property Accountability

Finding

Neither CAP nor CAP-USAF were adequately administering or managing nonexpendable equipment items (excluding aircraft and vehicles) acquired in support of the CAP mission and valued at about $19 million. Inadequate administration and management occurred because of a lack of standardized equipment authorizations, inadequate written policies and procedures for property accountability, ineffective implementation of policies and procedures for property accountability that did exist, and a lack of training of personnel in property accountability of nonexpendable equipment items As a result, property accountability was significantly reduced and equipment was subject to abuse, loss, and misappropriation.

Recommendations

B.1. We recommend that the Executive Director, Civil Air Patrol:

a. Establish a standardized equipment authorization that a wing needs to accomplish its mission.

b. Implement the policies and procedures for accounting for non-expendable equipment acquired with DoD appropriated funds.

c. Update and implement the policies and procedures of CAP Manual 67-1, "Civil Air Patrol Supply Manual," March 1, 1989, with change 1, January 1, 1990, for conducting annual inventories of nonexpendable equipment items; for conducting joint inventories of accountable property when supply officers change; and for issuing, revalidating, and disposing of nonexpendable equipment items.

d. Initiate actions to correct the problems and errors in the National Civil Air Patrol Equipment Listing database.

e. Develop and establish a training program for property accountability of nonexpendable equipment items.

Comment: Concur. With respect to recommendations a. and b., CAP has completed standardized equipment authorization for communications equipment as a part of the CAP Communications Strategic Plan dated 1 Dec 98. Additional inputs are expected shortly as a result of Price Waterhouse Cooper study underway in connection with negotiation and implementation of cooperative agreement. CAP National Headquarters will also solicit input from select regions and wings. With respect to recommendation c., CAP will rewrite its Supply Manual to conform to Department of Defense Grant and Agreement Regulations (DoDGAR) which will soon become applicable under a cooperative agreement between CAP and the Air Force. With respect to recommendation d , system problems leading to errors are being analyzed and corrected at this time. Estimated completion date for items a – d: 1 Aug 00. With respect to recommendation e., CAP considers the recommended training most amenable to Internet-based distance learning and is seeking funds to develop and deliver such training and testing. Estimated completion six (6) months following availability of funding

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C. Flying Mission Reimbursements

Finding

CAP did not adequately manage its flying mission reimbursement program and mission paperwork was not always submitted and processed within required time frames Paperwork was not timely processed because personnel were not adequately trained and procedures were cumbersome In addition, CAP wings and squadrons might not be able to pay members for the costs incurred for flying missions Also, CAP-USAF might be liable for reimbursements for flying missions that took place in previous fiscal years.

Recommendation

C.1. We recommend that the Executive Director, Civil Air Patrol.

a Monitor the filing of CAP Form 108, "Civil Air Patrol Payment and Reimbursement Document for Aviation, Automotive, and Miscellaneous Expenses," and provide guidance to those wings in need of assistance.

b Establish procedures for the timely submission of mission paperwork.

c Develop and conduct annual training classes on the procedures for filing for reimbursement.

d Update Civil Air Patrol Regulation 173-3, "Payment for Civil Air Patrol Support," May 1, 1996, to allow the use of a single CAP Form 108 to file claims for reimbursement for multiple missions, including counterdrug missions.

Comment: Concur with recommendations a - c Accomplishment is dependent upon funding to hire additional staff at national, region and wing level; to acquire additional information systems, software and programming to automate and streamline submission, approval and reimbursement process, and to develop and provide Internet based training CAP is seeking funding for these purposes. Estimated completion date is six (6) months following availability of funding. Nonconcur with recommendation d. CAP believes that consolidation of reimbursements for multiple missions on a single form may cause commingling of funding appropriated for specific purposes and confuse the audit trail.

Revised

D. Aircraft Fleet Size

Finding

CAP was procuring aircraft without establishing a valid size requirement for its fleet because CAP did not capture aircraft use data necessary for establishing its aircraft requirements As a result, CAP might not have the required number of aircraft needed to perform its Air Force-assigned missions

Recommendation

D. We recommend that the Executive Director, Civil Air Patrol

1. Expand the Civil Air Patrol Form 18 database to include the ability to document individual Civil Air Patrol aircraft flights and member-owned aircraft flights. At a minimum, information tracked should include sortie duration, mission symbol, mission number, mission performed, and agency supported.

2. After collection of aircraft flying data for 3 years, conduct an aircraft requirement study to determine the appropriate size of the Civil Air Patrol corporate aircraft fleet necessary to supplement member-owned aircraft in conducting Air Force-assigned missions.

Comment: Concur with recommendations. CAP has begun expansion of the database. Computers with Internet access are needed at unit level to facilitate data input by volunteers releasing and operating flights. Completion is dependent on availability of funding as noted in response to recommendation C.1, above. Estimate completion of expanded database is one (1) year following availability of funds Estimate completion of aircraft requirement study as recommended. Nonconcur with statement in recommendation 2· "corporate fleet necessary to supplement member-owned aircraft." The reverse is true. Member owned aircraft supplement the corporate fleet. Aircraft of the corporate fleet are CAP's primary aviation assets because they are uniformly equipped with special equipment needed for CAP operations and are always available to be flown by any CAP pilot qualified to fly the mission. (CAP has an average of 7 current mission qualified pilots available to fly each corporate aircraft.) Member-owned aircraft are secondary aviation assets because they may not have special equipment installed, and are generally available only if the owner is also personally available and currently qualified to fly the aircraft for the mission

E. Vehicle Procurement Program

Finding

CAP purchased vehicles without establishing a valid requirement because it did not capture vehicle use data needed to establish a motor vehicle fleet requirement. As a result, CAP might have purchased and was maintaining vehicles that were not necessary to perform its Air Force-assigned mission

Recommendation

E.1. We recommend that the Executive Director, Civil Air Patrol:

a Delay the procurement of additional motor vehicles with appropriated funds until Civil Air Patrol needs have been properly justified and validated by historical use data.

b. Develop policy and procedures necessary for the establishment of a database to track vehicle use. At a minimum, the database should include date, members supported, mileage, purpose of trip, vehicle type, and wing

Comment: Nonconcur with inference in finding that fleet size is limited to vehicles nccessary to perform Air Force-assigned missions. Under 10 U.S.C. 9441 (b)(11), authorization is for the purchase of such major items of equipment needed by the Civil Air Patrol to carry out its missions (which include, but are not limited to Air Force-assigned missions). Examples of CAP missions that are not Air Force assigned include cadet programs and aerospace education Both are missions assigned to CAP by Congress in 36 U.S.C. 202, and both require vehicles to transport cadet and senior members and aerospace educators. Concur with recommendation a. Recommended delay in procurement has been implemented. Concur in part with recommendation b. Concur that Executive Director should develop policy and procedures necessary for the establishment of a database to track vehicle use. Concur that the database should include monthly reporting of vehicle identification, wing and mileage to determine and track utilization Other information on details of specific trips should be kept in log with vehicle as at present, subject to inspection to verify use for official purposes only, but is not needed in national database to justify vehicle fleet size (consistent with current DoD and GSA practices). Implementation of database is dependent upon funding to provide computers with Internet access at unit level with programming to permit data entry directly from field. Estimated completion date is six (6) months following availability of funds

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Appendix A. Audit Process

Revised

Comment: Nonconcur with statement that "[L]egislative changes that will take effect October 1, 2001, will include CAP under DoD Directive 5010.38." CAP is not a "DoD organization" to which that Directive applies, nor is any change to CAP's corporate status anticipated

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