# Audit Report

OFFICE OF THE INSPECTOR GENERAL

**THE SYSTEM USED BY THE DEFENSE COMMISSARY AGENCY TO PAY VENDORS' INVOICES**

Report No. 93-096 May 14, 1993

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**Acronyms**

| | |
|---|---|
| ADP | Automated Data Processing |
| DeCA | Defense Commissary Agency |
| DIBS | Defense Commissary Agency Interim Business System |
| ER | Efficiency Review |
| PWS | Performance Work Statement |
| SAVES | Standard Automated Voucher Examination System |
| USAFISA | U.S. Army Forces Integration Support Agency |

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

May 14, 1993

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)
DIRECTOR, DEFENSE COMMISSARY AGENCY

SUBJECT: Audit Report on the System Used by the Defense Commissary Agency to Pay Vendors' Invoices (Report No. 93-096)

We are providing this final audit report for your information and use. The report discusses matters concerning the timeliness of the Defense Commissary Agency's bill-paying process and the Defense Commissary Agency's utilization of automated data processing personnel.

Management comments on the draft of this report were considered in preparing the final report. The comments conformed to the requirements of DoD Directive 7650.3. Actions taken as a result of the draft report left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to our audit staff. If you have any questions on this audit, please contact Mr. Rayburn H. Stricklin, Program Director, at (703) 614-3965 (DSN 224-3965) or Mr. Robert L. Shaffer, Project Manager, at (703) 614-1416 (DSN 224-1416). Appendix D lists the distribution of this report.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

**Office of the Inspector General, DoD**

Report No. 93-096
Project No. 2AL-0035.00

May 14, 1993

# THE SYSTEM USED BY THE DEFENSE COMMISSARY AGENCY TO PAY VENDORS' INVOICES

## EXECUTIVE SUMMARY

**Introduction.** In May 1990, the Deputy Secretary of Defense issued a memorandum to establish the Defense Commissary Agency (DeCA) and directed DeCA to consolidate the military commissary systems by October 1, 1991. To establish its automated information systems, DeCA established a three-part plan. First, DeCA adapted certain Military Services' commissary systems for its consolidated operations. Second, DeCA planned to replace those adapted systems with the DeCA Interim Business System (DIBS), a modified Army system. Third, concurrent with the DIBS development, DeCA began planning a competitive acquisition of a Defense commissary information system to replace the DIBS.

**Objective.** The overall audit objective was to evaluate the timeliness of the system that DeCA used to pay vendors' invoices. We also evaluated DeCA's utilization of personnel in its automated data processing (ADP) operations, as well as internal controls over bill-paying functions and personnel utilization.

**Audit Results.** Our audit found two conditions warranting management's attention.

o DeCA's system for paying vendors' invoices was not timely. As a result, DeCA missed savings available through vendors' discounts and incurred unnecessary interest costs on late payments (Finding A).

o DeCA had not reassessed its existing staffing levels to redetermine the number of ADP personnel needed to support current or future information systems. As a result, DeCA had no assurance that its ADP operations were accurately and properly staffed for current and future systems (Finding B).

**Internal Controls.** We identified material internal control weaknesses in the procedures for paying vendors' invoices (Finding A) and in the utilization of ADP personnel (Finding B). Our review of internal controls is discussed in Part I.

**Potential Benefits of Audit.** The audit did not identify quantifiable monetary benefits. However, other benefits will be realized from implementing the audit recommendations. These benefits include maximizing discounts offered for prompt payments, minimizing interest penalties for late payments, and ensuring that DeCA's ADP operations are appropriately staffed. Appendix B summarizes the potential benefits of the audit.

**Summary of Recommendations.** We recommended that the Director, Defense Commissary Agency, revise DeCA Directive 70-10 to require its service centers and its commissaries to improve the bill-paying process, taking maximum advantage of discounts offered for prompt payments and minimizing interest penalties incurred for

late payments. We also recommended that the Assistant Secretary of Defense (Production and Logistics) request an independent study to determine the proper staffing level for DeCA's ADP operations.

**Management Comments.** Management comments to our recommendations were very responsive. Management acted on all recommendations. The actions will improve the timeliness of the bill-paying process and the utilization of DeCA's personnel. The complete text of management's comments is provided in Part IV of this report.

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This report was prepared by the Acquisition Management Directorate, Office of the Inspector General for Auditing, DoD. Copies of the report can be obtained from the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, 703-614-6303 (DSN 224-6303).

# Part I - Introduction

## Background

On March 2, 1989, the Chairman of the Morale, Welfare and Recreation Panel, Subcommittee on Readiness, House Committee on Armed Services, requested that DoD totally reassess its military commissary programs. At that time, the Army, Navy, Air Force, and Marine Corps each operated a system of commissary stores, providing a benefit to active and retired members of the Military Services, their families, and other authorized patrons by providing groceries at the lowest practical cost. The primary reason for the Chairman's request was that large amounts of appropriated funds were being used to support the commissaries.

On March 31, 1989, the Deputy Assistant Secretary of Defense (Resource Management and Support) initiated the DoD Study of Military Commissaries, commonly referred to as the Jones Commission, to satisfy the Chairman's request. The Deputy Assistant Secretary of Defense (Military Manpower and Personnel Policy) chaired the Commission's steering group, which was supported by a technical advisory group that included representatives from commissaries in the Army, Navy, Air Force, and Marine Corps.

The Jones Commission issued the results of its study on December 18, 1989. The Jones Commission concluded that the commissaries were an important military benefit and that generally the commissary systems had successfully met their assigned missions. However, the study also concluded that there were inconsistent operational philosophies and associated levels of service in the four military commissary systems. The Jones Commission recommended that the four military commissary systems be consolidated into one centralized system. The Jones Commission also concluded that the consolidation would require certain start-up costs to update its automated information system.

On May 15, 1990, the Deputy Secretary of Defense issued a memorandum to establish the Defense Commissary Agency (DeCA). DeCA's primary responsibility was to consolidate the commissary systems operated by the four Military Services by October 1, 1991, without disrupting service to the patrons and to continue payments to vendors without undue delays or costs to the Government. After the consolidation, DeCA consisted of the agency headquarters, located at Fort Lee, Virginia; 2 service centers; 7 regions; 11 districts; and more than 400 DoD commissaries stores worldwide. DeCA employed more than 20,000 civilian and military personnel and had more than $6 billion in sales, making it the sixth largest grocery chain in the United States.

## Objectives

The overall objective of the audit was to evaluate the timeliness of the system that DeCA used to pay vendors' invoices. We also evaluated DeCA's utilization of personnel in its automated data processing (ADP) operations. We also determined the adequacy of internal controls relating to DeCA's bill-paying system and its procedures for evaluating personnel utilization.

## Scope

This performance audit was conducted from April 1992 through November 1992 and included reviews and tests of records, which dated from December 1989 through November 1992. Additionally, we interviewed cognizant Government and contractor personnel involved with DeCA's bill-paying system and ADP operations. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the IG, DoD, and accordingly included such tests of internal controls as were deemed necessary. Appendix C lists the activities that we visited or contacted.

## Internal Controls

We evaluated the adequacy and sufficiency of the internal controls related to our audit objectives. In assessing internal controls, we evaluated internal control techniques such as management plans, written policies and procedures, and management-initiated reviews. Our audit identified material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. Controls were not established or effective to ensure that vendors' invoices were paid promptly. Also, DeCA did not have controls to determine whether its ADP operations were properly staffed. DeCA had initiated actions to improve its bill-paying process and had established procedures to assess its staffing levels. We could not determine the monetary benefits to be realized by implementing the recommendations. However, recommendations in Findings A and B are necessary to correct the weaknesses. A copy of this report will be provided to the senior official responsible for internal controls in DeCA.

## Prior Audits

On August 28, 1992, we issued a Quick-Reaction Audit Report on the "Acquisition of Defense Commissary Information System," Report No. 92-130. The report recommended Office of the Secretary of Defense level review of the system development program. Management has initiated responsive actions.

On November 30, 1992, we issued a Quick-Reaction Audit Report on "Physical and System Security at the East Service Center of the Defense Commissary Agency," Report No. 93-028. The report stated that the East Service Center of DeCA had not established procedures to satisfy the minimum security requirements prescribed by DoD directives. Specifically, the East Service Center had not established procedures for the accountability of users; password protection; security training and awareness; and physical control of hardware, software, and data.

The report recommended that the Director, DeCA, direct the East Service Center to implement a formal security program with written policies and procedures on physical and system security, in accordance with DoD Directive 5200.28. As a minimum, the program should establish policies and procedures for the accountability of users; password protection; security training and awareness; and physical control of hardware, software, and data.

The Director, DeCA, provided generally responsive comments to four of the five recommendations in the report. After subsequent discussions, DeCA agreed to acceptable alternative actions on the fifth item.

## Another Matter of Interest

In June 1992, we noted that DeCA's West Service Center had accumulated a backlog of vendor credit memorandums from stores in the Northwest/Pacific Region. At that time, the West Service Center had not processed any vendor credit memorandums from commissaries in the Pacific portion of the Northwest/Pacific Region since the consolidation of the military commissaries under DeCA on October 1, 1991. West Service Center personnel stated that they did not know how the vendor credit memorandums were to be processed.

After our visit in June 1992, DeCA implemented procedures on vendor credit memorandums and the West Service Center attempted to coordinate activities with the Northwest/Pacific Region and with the commissaries in the Pacific portion of the region so that the vendor credit memorandums would be processed. However, the West Service Center was unable to complete the processing of the transactions without obtaining vendor credit memorandum logs from the commissaries. As of October 25, 1992, only 19 of 32 commissaries had provided the logs to the West Service Center.

Since the West Service Center had initiated action to obtain the necessary information to process the backlog of vendor credit memorandums, we decided that no audit recommendations were necessary on the matter. We discussed the matter with DeCA's Chief, Accounting and Finance Division, and she agreed to assist the West Service Center in obtaining the logs from the commissaries. She also stated that she would keep us informed of actions taken on the matter.

On November 3, 1992, DeCA's Director, Resource Management, sent us a copy of an October 21, 1992, memorandum from the Commander, Northwest/Pacific Region, to the commanders of the Far East and Pacific Districts requesting the vendor credit memorandums logs. The memorandum further stated that "The lack of response for this request is unacceptable and I expect your full cooperation."

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# Part II - Findings and Recommendations

# Finding A. Timeliness of DeCA's System for Paying Vendors' Invoices

DeCA's system for paying vendors' invoices was not timely. The primary reasons were inaccurate data on vendors' invoices, delays in receipt of receiving reports from military commissaries, and delays in reconciling differences between receiving reports and invoices. As a result, DeCA missed savings available through vendors' discounts and incurred unnecessary interest costs on late payments.

## Background

A major goal of consolidating the military commissaries under DeCA was to provide timely and accurate payments to commercial vendors who supplied provisions to commissaries. DeCA used the Standard Automated Voucher Examination System (SAVES) at its East and West Service Centers to process vendors' invoices for payment. SAVES matched data on vendors' invoices with data on receiving reports that were electronically generated by the commissaries. For vendors' invoices and receiving reports where key data elements matched, SAVES routed the transactions to the appropriate interim payment file. If the key data elements on the documents did not match, the transactions were routed to an interim file for additional data gathering or for analyses and eventual reconciliation.

## Criteria

The Office of Management and Budget Circular A-125, December 12, 1989, describes the policies and procedures that executive agencies should follow in paying for property and services as in the Prompt Payment Act. The circular directs that discounts will be taken whenever economically justified.

DoD Manual 7220.9-M, "DoD Accounting Manual," October 6, 1987, states that DoD Components' payment systems shall incorporate procedures that take advantage of cash discounts as a matter of routine and eliminate any need for special handling. The manual also requires DoD Components to identify the causes for late payments and to take corrective action so that interest penalties are avoided.

DeCA issued Directives 70-10, "Procedures for Processing and Paying Commercial Accounts Using SAVES," July 1, 1992, and 70-16, "Analysis and Reconciliation Operating Procedures," April 14, 1992, to address the specific responsibilities of personnel who examine and pay vendors' invoices.

## Results of a Prior Audit

On March 17, 1992, the IG, DoD, issued a Management Advisory Memorandum, Report No. 92-MAM008, stating that "Discounts were being lost and interest accrued under the Prompt Payment Act because the Service Centers were not entering invoices into SAVES promptly and were not promptly processing vendor invoices for payment." Recommendation 2.b. of that memorandum report stated that the Director, DeCA, should establish and enforce procedures to:

> Require the Service Centers to enter vendor invoices into the Standard Automated Voucher Examination System on the day received to facilitate prompt payment to vendors and to establish a record of invoices received. Additionally, Service Centers should take advantage of discounts offered as a matter of routine and minimize interest penalties.

DeCA responded to that recommendation in an April 7, 1992, memorandum stating that "Efforts will continue to be made to ensure discounts lost and interest paid are kept to a minimum."

## Audit Evaluation of Payment Process

We evaluated the timeliness of DeCA's system for paying vendors' invoices and the effectiveness of internal controls within the system to determine whether improvements had been made since the issuance of the Management Advisory Memorandum in March 1992. To make the evaluations, we performed a two-part review.

First, we judgmentally selected and examined 339 invoices that DeCA's two service centers processed in September and October 1992 for payment. In reviewing the selected transactions, we:

o monitored the processing of the invoices to observe how they were sorted, matched, and paid by the SAVES system;

o measured the timeliness of processing the invoices and receipts from the dates of submission by the vendors and commissaries until the dates the invoices were paid; and

o determined the reasons for any delays in paying the invoices.

Appendix A provides details on the methodology that we used to select the invoices.

Second, we developed and entered hypothetical transactions into the test bed for the SAVES to determine the effectiveness of edit checks in the system. The test

bed is a separate but parallel system to the SAVES production system used to determine and measure output of data without entering the production system. In developing the transactions, we created receiving reports and vendors' invoices with matching data elements and then altered some key data elements, including dollar values on the receiving reports and invoices, to test each edit check. We entered 104 hypothetical transactions into the test bed.

Based on the results of the transactions that we entered into the test bed, we concluded that the edit checks in the SAVES' test bed were effective for typical transactions and that manual intervention would be necessary to override the edit checks. The edit checks performed as expected for each hypothetical transaction that we entered into the test bed. More specifically, transactions that should have been paid were routed to the awaiting pay file. Transactions with intentional inaccuracies were routed to the proper interim file for analysis and reconciliation.

Although our evaluation of the test bed disclosed no discrepancies, that conclusion does not mean that edit checks in DeCA's bill-paying system were operating as effectively as edit checks in the test bed because DeCA did not have program documentation for the SAVES.

## Timeliness of Payment Process

Overall, our audit disclosed that DeCA's service centers had improved on the timeliness in which they entered invoices into SAVES since our March 1992 report. We found that the service centers entered 171 (96 percent) of the 179 invoices in our sample at the East Service Center and 139 (87 percent) of the 160 invoices in our sample at the West Service Center into the SAVES within 1 day after the service centers' mail clerks date-stamped the invoices. However, the service centers needed to improve their methods further to ensure that they take advantage of available discounts and that they do not incur interest costs for late payments. We found that only 133 (74 percent) of the 179 vendors' invoices in our sample at the East Service Center and only 119 (74 percent) of the 160 vendors' invoices in our sample at the West Service Center were paid within the net terms listed on the invoices.

## Reasons for Delays in Payments

In total, the service centers did not pay in a timely manner 72 (21 percent) of the 339 invoices in our sample. We were unable to evaluate 15 of the 339 invoices because the SAVES system did not maintain a record of the invoice numbers.

The primary reasons for the service centers not paying 56 of the 72 invoices in a timely manner were inaccurate data on the invoices, delays by the commissaries in submitting receiving reports, and delays by the service centers in reconciling differences between invoices and receipts.

**Inaccurate Data.** Thirty-four (47 percent) of the 72 invoices were paid late because the invoices had inaccurate data and the service centers needed additional time to correct the inaccurate data. In such instances, SAVES could not match certain data elements; so, the service centers had to make manual changes before they could make payments.

**Delays in Submission of Receipt Information.** Twelve (17 percent) of the 72 invoices were paid late because the commissaries did not transmit receipt information in a timely manner. Commissaries under the East Service Center were responsible for the late transmission of receipts for 11 of the 12 invoices. While delays in submitting receipt information resulted in only 12 invoices not being paid promptly, the delays in submitting receipts was so substantial that significant problems could develop. We found that commissary stores under the East Service Center transmitted receipt information on only 112 (63 percent) of the 179 invoices in our sample at the East Service Center within 7 days of the receipt of goods. The commissaries under the West Service Center transmitted receipt information on only 122 (76 percent) of the 160 invoices in our sample at the West Service Center within 7 days.

**Delays in Reconciliation of Dollar Amounts.** Ten (14 percent) of the 72 invoices were paid late because of differences in dollar amounts that were listed on vendors' invoices and commissaries' receipts. For these transactions, the service centers had to expend extra time and effort to research the transactions and to determine the proper amounts for payment.

The reasons 5 of the other 16 payments were late were: the service centers received two invoices from vendors after the discount dates had expired, employees at the service centers made keypunch errors while entering the information for two invoices, and a change had been made to the remittance address for one invoice. We were unable to determine the specific reasons why the other 11 invoices were paid late.

## Effects of Late Payments

As a result of the late payments, DeCA lost discounts that were available on 20 (45 percent) of 44 invoices in our sample of 339 invoices. Our analysis indicated that this adverse effect occurred with almost the same frequency at both the East and West Service Centers. DeCA's East Service Center did not take advantage of 10 (43 percent) of 23 discounts offered. DeCA's West Service Center did not take advantage of 10 (48 percent) of 21 discounts offered.

Another effect of the late payments was that DeCA incurred interest penalties on 31 invoices in our sample. DeCA paid interest penalties for 22 (12 percent) of the 179 invoices in our sample at the East Service Center and 9 (6 percent) of the 160 invoices in our sample at the West Service Center. Furthermore, on 2 of the 31 invoices that DeCA paid interest penalties, DeCA also lost discounts that were offered by vendors.

## Actions Taken by DeCA Management

During our audit, management took aggressive actions to improve DeCA's bill-paying process. On August 10, 1992, the Assistant Secretary of Defense (Production and Logistics) directed the Principal Deputy Assistant Secretary of Defense (Production and Logistics) to conduct a management review of DeCA's bill-paying procedures. The report, "Management Oversight Review of Defense Commissary Agency (DeCA) Bill Paying," September 21, 1992, concluded that both DeCA and the Office of the Assistant Secretary of Defense (Production and Logistics) should continue to monitor DeCA's bill-paying procedures. The report also concluded that, by focusing on the procedures and results, benefits may also be achieved in other areas of DeCA. Following that report, the Assistant Secretary of Defense (Production and Logistics) sent a staff management team to DeCA's East and West Service Centers to examine the bill-paying process in depth and to evaluate additional potential actions. On October 23, 1992, representatives of the Assistant Secretary of Defense (Production and Logistics) and the Director, DeCA, reviewed the status of strategic planning and the steps needed to improve DeCA's bill-paying processes and other operations.

The Assistant Secretary's involvement was very beneficial. His staff management team recommended actions which should improve bill-paying and other problem areas in DeCA. More specifically, he recommended actions to improve personnel training and the bill-paying process and to alleviate staffing, facilities, and ADP constraints.

Although management made improvements in DeCA's bill-paying process, further improvements are necessary to realize discounts offered for prompt payments and to minimize interest penalties for late payments.

## Recommendations, Management Comments, and Audit Responses

**1. We recommend that the Director, Defense Commissary Agency, revise the Defense Commissary Agency Directive 70-10 to require that:**

**a. Commissaries transmit receipt information to service centers within 24 hours of receipt of goods.**

**b. Commissaries respond to requests from service centers for additional receipt information within 24 hours.**

**c. Voucher examiners maintain logs of invoices routed to the interim files showing the dates and the nature of actions taken to resolve these invoices.**

**d. Voucher examiner supervisors continually review invoices in interim files to determine that actions have been taken toward final disposition of the invoices.**

**2. We recommend that the Director, Defense Commissary Agency, include standards in the performance plans of commissary store managers, voucher examiners, and voucher examiner supervisors so these staff members are accountable for ensuring that actions required in Recommendation 1. are implemented.**

**Defense Commissary Agency Response.** The Director, Defense Commissary Agency, concurred with the Recommendations A.1.a. through A.1.d. and Recommendation A.2. He maintained that the recommendations had been adopted or proposed alternate actions to satisfy the recommendations.

The Director, Defense Commissary Agency, also commented on another recommendation that we had in a draft of this report. That draft recommendation, which was numbered Recommendation A.1.c., provided for the Director, Defense Commissary Agency, to require that data entry personnel tag invoices offering discounts with a bright sticker to highlight that these invoices offer a cost savings. The Director stated that:

> Data entry requirements are that all invoices will be entered into SAVES within 24 hours. This provides the timely entry of both discount and non-discount invoices alike. To add tags to discount invoices would add another step to the process and actually slow overall invoice entry into SAVES. No tracking tags on the invoices are necessary.

As such, we deleted the recommendation from this report. Recommendations A.1.c. and A.1.d. in this report were numbered A.1.d. and A.1.e. in the draft report.

**Audit Response.** Management's comments were fully responsive to Recommendations A.1.a. through A.1.d. and Recommendation A.2. Therefore, no further comments are required on the recommendations. The full text of management comments is in Part IV.

# Finding B. Utilization of Automated Data Processing Personnel

The DeCA had not reassessed its existing staffing levels to redetermine the number of ADP personnel needed to support current or future information systems, though certain factors indicated that the reassessment was needed. These conditions existed because DeCA had not established and applied an efficiency review process as required by DoD guidance. Without the reassessment, DeCA had no assurance that its ADP operations were accurately and properly staffed for current and future systems.

## Background

When DeCA consolidated the four military commissary systems in October 1991, it used projected personnel requirements to staff its ADP operations located organizationally above the commissary level. As of September 1992, DeCA employed 82 ADP personnel in offices above the commissary level. There were 9 information resource specialists, 67 computer specialists and computer assistants, and 6 telecommunications specialists located at DeCA Headquarters, its two service centers, and its seven regions.

To redetermine whether its staffing was sufficient and proper, DeCA was required by DoD Instruction 5010.37, "Efficiency Review, Position Management, and Resource Requirements Determination," November 17, 1987, to develop and apply an "efficiency review process." The Instruction defines an efficiency review process as a structured approach to operational improvement. Furthermore, the Instruction states that:

> DoD Components shall manage, provide resources, and evaluate activities based on output performance requirements and standards documented in performance work statements (PWSs). The ER [Efficiency Review] process shall be the basis for continued and directed efforts for productivity, performance, efficiency and effectiveness improvement.
>
> . . . guidance in this instruction shall be employed to establish both the labor and staffing standards required to determine resources requirements.

The Instruction further provides that DoD Components should ensure:

> that reviews and audits are conducted as required to ensure that program integrity is maintained, that expected benefits are realized, and that the standards and criteria established in the PWSs [performance work statements] are being adhered to.

> . . . that the integrity of position management is maintained during the intervals between ERs and in organizations and functions exempt from or not subject to an ER.

DeCA could redetermine its staffing needs by requesting a Manpower and Organizational Study by the U.S. Army Forces Integration Support Agency (USAFISA). USAFISA had management engineering personnel whose services were available through requests.

## Extent of Efficiency Reviews in DeCA

Our audit disclosed that DeCA had not reassessed its existing staffing levels to redetermine the number of ADP personnel needed to support current or future information systems. Furthermore, certain factors indicated that the reassessment was needed. These conditions existed because DeCA had not established and applied an efficiency review process as required by DoD guidance.

## Need for Efficiency Reviews in DeCA

Our audit also disclosed factors indicating a need for DeCA to reassess its ADP personnel requirements.

o First, the number of personnel in DeCA's ADP operations appeared to be too large considering the extent that DeCA relied on contractors for ADP support. As stated previously, DeCA had 82 personnel employed in its ADP operations. However, DeCA organically maintained only three of the six ADP systems that were unique to commissary operations. Contractors maintained the other three ADP systems.

o Second, DeCA's plans provided for total reliance on the contractors' support of future ADP systems that were unique to commissary operations but also provided for retaining all 82 personnel in its ADP operations.

o Finally, DeCA was not properly utilizing some of its ADP employees. As a part of our audit, we compared tasks specified in position descriptions for 22 ADP employees with tasks that the employees informed us they did on their jobs. We found that 4 employees were not properly used. For example, the position description for one of the four GS-12 employees stated the employee should provide database management control to established and future information systems. In actuality, the employee spent more than 75 percent of his time performing administrative duties. Additionally, we noted that the other 18 employees performed tasks that were not directly specified on their position descriptions, but those non-specified tasks represented less than 75 percent of the employees' time. According to existing Office of Personnel Management

guidance, such tasks are not considered improper utilization when they amount to less than 75 percent of the employee's time. However, we believe that such conditions indicate that the positions require revaluations.

## Effects of DeCA Not Performing Efficiency Reviews

In the absence of efficiency reviews, DeCA had no assurance that its ADP operations were accurately and properly staffed. We believe such assurance is especially important in a newly consolidated operation to assure that DeCA's ADP operations have a sufficient, but not excessive, staffing level.

## Actions Taken by Management During the Audit

DeCA issued Directive 70-19, "Management Engineering Program," November 30, 1992, to comply with the provisions of DoD Instruction 5010.37, and provided for a structured approach and system for staffing requirements determination. However, DeCA had not implemented the efficiency review process as of October 1992.

## Conclusion

DeCA's ADP operations were staffed at estimated levels. An efficiency review had not been performed to determine whether the number of personnel employed in ADP operations was accurate and proper. Therefore, DeCA was not assured that ADP positions were structured to optimize efficiency and effectiveness. DeCA had established, but had not implemented, procedures requiring efficiency reviews in accordance with DoD Instruction 5010.37. As such, we believe DeCA should arrange for an independent study to determine the proper staffing level for DeCA's ADP operations.

## Recommendations, Management Comments, and Audit Responses

**We recommend that the Assistant Secretary of Defense (Production and Logistics) request that the U.S. Army Forces Integration Support Agency perform an independent Manpower and Organizational Study to determine the proper staffing level for the Defense Commissary Agency's Automated Data Processing operations and effect necessary staffing actions.**

**Defense Commissary Agency Response.** The Director, Defense Commissary Agency, concurred with the recommendation. He stated that the efficiency review should not be limited only to the automated data processing operations. The Director proposed that, in lieu of contracting with the U.S. Army Forces Integration Support Agency, the Defense Commissary Agency would conduct a study with qualified in-house personnel of the entire Headquarters. He further stated that the review of the automated data processing operations would be completed by August 31, 1993.

**Audit Response.** We consider the Director's comments and proposed action to be fully responsive to the recommendation. Therefore, no further comments are required on Recommendation B. The full text of management comments is in Part IV.

# Part III - Additional Information

# Appendix A. Sampling Methodology

We used two methods to select the samples of vendors' invoices that we used to evaluate the timeliness of DeCA's SAVES in paying the invoices. As discussed below, neither method included unrestricted random sampling techniques and thus are not directly projectable. However, we believe that the samples provided an accurate representation of the timeliness of the system that DeCA used to pay invoices at its two service centers.

At the East Service Center, we obtained invoices from each voucher examiner who was assigned a specific portion of the alphabetical separation of vendors. We selected the invoices before the invoices were sorted into interim or ready-for-payment files. The interim files were used for invoices that required additional research or documentation to resolve differences between the vendors' invoices and the commissaries' receipts before payments were made. We screened the available invoices to ensure that the invoices we selected had various dollar amounts, had various payment terms, and were from various companies. In total, we selected 179 invoices for our sample at the East Service Center.

At the West Service Center, we obtained a listing of the voucher examiners and randomly selected 10 voucher examiners from whom we would select invoices. Next, we obtained the "Invoices Input to SAVES" listings from the selected voucher examiners. From those listings, we determined the number of invoices that we should select from each voucher examiner, based on the percent of total invoices that the selected voucher examiners input to SAVES on October 5, 1992. After we determined the number of invoices to be selected from each voucher examiner, we selected that number of invoices from the "Invoices Input to SAVES" listing, giving consideration to various dollar amounts, payment terms, and companies. In total, we selected 160 invoices for our sample at the West Service Center.

# Appendix B. Summary of Potential Benefits Resulting From Audit

| Recommendation Reference | Description of Benefit | Type of Benefit |
|---|---|---|
| A.1.a. | Economy and Efficiency. Will improve the timeliness of paying vendors' invoices. | Nonmonetary. |
| A.1.b. | Economy and Efficiency. Will improve the timeliness of paying vendors' invoices. | Nonmonetary. |
| A.1.c. | Internal Control. Will provide a tracking mechanism for determining the status of invoices being processed. | Nonmonetary. |
| A.1.d. | Internal Control. Will provide a follow-up mechanism for determining that actions are being taken to expedite the payment of invoices. | Nonmonetary. |
| A.2. | Internal Control. Will provide accountability for achieving recommended actions. | Nonmonetary. |
| B. | Internal Control. Will provide an independent assessment of whether DeCA's ADP operations are properly staffed. | Nonmonetary. |

# Appendix C. Activities Visited or Contacted

## Office of the Secretary of Defense

Office of the Assistant Secretary of Defense (Production and Logistics), Washington, DC
Office of the Deputy Assistant Secretary of Defense (Information Systems), Washington, DC

## Department of the Air Force

Standard Systems Center, Gunter AFB, AL

## Defense Agency

Defense Commissary Agency, Fort Lee, VA
- East Service Center, Fort Lee, VA
- West Service Center, Kelly AFB, TX
- Midwest Region, Kelly AFB, TX
- Commissary Stores
  - Randolph AFB, TX
  - Fort Sam Houston, TX
  - Fort Lee, VA

# Appendix D. Report Distribution

## Office of the Secretary of Defense

Under Secretary of Defense for Acquisition
Comptroller of the Department of Defense
Assistant Secretary of Defense (Command, Control, Communications and Intelligence)
  Director, Defense Information
Assistant Secretary of Defense (Production and Logistics)
Deputy Assistant Secretary of Defense (Information Systems)
Director, Acquisition Policy and Program Integration

## Department of the Air Force

Deputy Chief of Staff, Command, Control, Communications, and Computers
Defense Commissary Information System Program Manager, Standard Systems Center

## Defense Agencies

Director, Defense Commissary Agency
Director, Defense Information Systems Agency

## Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office, National Security and International Affairs Division, Technical Information Center
Chairman and Ranking Minority Member of the Following Congressional Committees and Subcommittees:
  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 Operations
  House Subcommittee on Legislation and National Security, Committee on Government Operations

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# Part IV - Management Comments

# Defense Commissary Agency Comments

DEFENSE COMMISSARY AGENCY
HEADQUARTERS
FORT LEE VIRGINIA 23801-6300

REPLY TO ATTENTION OF

APR 6 1993

IR

MEMORANDUM FOR INSPECTOR GENERAL, ACQUISITION MANAGEMENT DIRECTORATE, 400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-2884

THROUGH: OASD (PRODUCTION AND LOGISTICS)
Concur with this response [illegible] 5/4/93

SUBJECT: Draft Audit Report on the System Used by the Defense Commissary Agency to Pay Vendor's Invoices (Project No. 2AL-0035.00)

Reference: DoDIG Memorandum, dtd February 22, 1993, SAB.

Per your request in referenced memorandum, attached are our comments to the recommendations.

Richard E. Beale Jr.
RICHARD E. BEALE, JR.
Major General, USA
Director

Attachment:
As Stated

DEFENSE COMMISSARY AGENCY REPLY
DRAFT AUDIT REPORT

SUBJECT: Draft Audit Report on the System Used by the Defense Commissary Agency to Pay Vendor's Invoices (Project No. 2AL-0035.00)

FINDING A: RECOMMENDATIONS

Recommendation 1. We recommend that the Director, Defense Commissary Agency, revise the Defense Commissary Agency Directive 70-10 to require that:

Recommendation 1. a. Commissaries transmit receipt information to service centers within 24 hours of receipt of goods.

Action Taken. Concur. This requirement has been added to draft DeCAD 70-6 as a commissary requirement. DeCA first noted this requirement in a memorandum from DeCA/DO dated July 15, 1992 to all Region Directors/Commanders. For rollup deliveries, the goal is currently 5 days because of the need to reconcile with the distributor. With the deployment of DeCA Interim Business System (DIBS) and the automated direct store delivery and frequent delivery system applications, the rollups will be input within 24 hours of the end of the rollup delivery period. Closed March 26, 1993.

Recommendation 1. b. Commissaries respond to request from service centers for additional receipt information within 24 hours.

Action Taken. Concur. This requirement has been added to draft DeCAD 70-6 as a commissary requirement for individual deliveries. Closed March 26, 1993.

Recommendation 1. c. Data entry personnel tag invoices offering discounts with a bright sticker to highlight that the invoices offer a cost savings.

Action Taken. Nonconcur. Data entry requirements are that all invoices will be entered into SAVES within 24 hours. This provides the timely entry of both discount and non-discount invoices alike. To add tags to discount invoices would add another step to the process and actually slow overall invoice entry into SAVES. No tracking tags on the invoices are necessary.

Recommendation 1. d. Voucher examiners maintain logs of invoices routed to the interim files showing the dates and the nature of actions taken to resolve these invoices.

Action Taken. Concur. This procedure has been incorporated in DeCAD 70-10, Chapter 8. Tracking of problem invoices will be performed by the Research Section using DeCA Forms 70-44 and 70-45. Problem invoices will be suspended and monitored by the Research Section supervisor/team leader. Closed March 10, 1993.

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Recommendation 1. e. Voucher examiner supervisors continually review invoices in interim files to determine that actions have been taken toward final disposition of the invoices.

Action Taken. Concur. See response to Recommendation 1.d. Closed March 10, 1993.

Recommendation 2. We recommend that the Director, Defense Commissary Agency, include standards in the performance plans of commissary store managers, voucher examiners, and voucher examiner supervisors so these staff members are accountable for ensuring that actions required in Recommendation 1 are implemented.

Action Taken. Concur. The requirement for the commissary to transmit receipt information to the service center within 24 hours is included in the Commissary Officer performance plan and the Management Support Center Supervisor performance plan draft Defense Commissary Agency, Commissary Store Model Performance Plans, June 1, 1992. The requirement for voucher examiners to maintain logs of invoices, and for voucher examiner supervisors to review the status of these invoices until final disposition is included in the voucher examiner and voucher examiner supervisor performance standards respectively. Closed March 29, 1993.

FINDING B: RECOMMENDATION

Recommendation. We recommend that the Assistant Secretary of Defense (Production and Logistics) request that the U.S. Army Forces Integration Support Agency perform an independent manpower and organizational study to determine the proper staffing level for the Defense Commissary Agency's Automated Data Processing operations and effect necessary staffing actions.

Action Taken. Concur. We agree with the DoDIG recommendation that a manpower and organizational study should be performed to determine the proper staffing level for the Defense Commissary Agency's Automated Data Processing operations and necessary staffing actions should be effected. However, the efficiency review should not be limited to only the ADP operations.

In lieu of contacting the U.S. Army Forces Integration Support Agency, the Defense Commissary Agency will conduct a study of the entire Headquarters with in-house personnel who have the background and knowledge of the Agency's operations and have been trained in conducting this type of study. The Agency will complete the efficiency review of the ADP operations by August 31, 1993.

# Audit Team Members

| | |
|---|---|
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