New York State Department of Environmental Conservation 50 Wolf Road, Albany, New York 12233



February 14, 1992

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Stephen M. Absolom Chief Engineering/Environmental Mngmt. Div. Department of the Army Seneca Army Depot Romulus, NY 14541-5001

> Re: Hazardous Waste Reduction Plan (HWRP) for Seneca Army Depot, Department of the Army NY0213820830

Dear Mr. Absolom:

We have reviewed the subject reports enclosed in your letter of July 12, 1991 - Seneca Army Depot's Hazardous Waste Minimization Certificate, 1985 and 1989; the 1991 Installation Hazardous Waste Minimization Plan and 1990 Hazardous Waste Generation Report.

Your submission is not acceptable because it does not conform with the HWRP Guidance Document of December 1990 that we previously sent to you. As stated in your letter, your hazardous waste minimization plan has a 1992 goal of 50% reduction from the 1985 data, and it is not feasible to reduce another 50% over the next ten years. However, New York State Law requires that you develop, submit and implement a HWRP. The Law does not require that you reduce hazardous waste generation by 50% over the next ten years.

This is to notify you that you must submit a revised HWRP within sixty (60) days of receipt of this letter. The HWRP must be prepared according to the aforementioned Guidance document. A copy of our HWRP evaluation criteria checklist is enclosed for your information and use.

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If you have any questions regarding the HWRP, please contact Mr. William Eberle, of my staff, at 518-485-8400.

Sincerely,

John E. Iannotti, P.E.

Director

Bureau of Pollution Prevention

Div. of Hazardous Substances Regulation

Enclosure

cc: W. Eberle

Seneca Army Depot's Hazardous Waste Reduction Plan

- 1. There are no acute hazardous waste streams at Seneca Army Depot.
- 2. Waste Streams greater than 5 tons 1990 CY
 a. Waste Petroleum Naphtha D001, D018, D039
 b. DS-2, Decontaminating agent, D002
 one time generation and/or expired shelf-life
 c. Contaminated soil at deactivation furnace
 Remediation project D008
 7.50 tons
- 3. 90% of all non-acute hazardous waste generated at the facility.

	Waste petroleum naphtha D001, D018, D039	14.54 tons
b.	DS-2, Decontaminating agent, D002	
	one time generation and/or expired shelf-life	11.20 tons
c.	Contaminated soil at deactivation furnace	
	Remediation project D008	7.50 tons
d.	Contaminated liquid at deactivation furnace	
	Remediation project D002	0.94 tons
e.	Petroleum spills with soil and/or speedy dry	
	D001, D008	2.81 tons
f.	Steam cleaning waste water D008	3.78 tons

Total 40.77 tons

- 4. Generation of waste streams over 5 tons
- a. Waste Petroleum Naphtha
 This waste is generated by cleaning equipment and parts for various machines. Part washers are located through out the facility in various buildings. The part cleaners are changed on a 2, 4, or 6 week interval depending on the amount of use in the building that the washer is located in.
 - b. <u>DS-2</u>, <u>decontaminating agent</u>
 This material is a one time generation because of expired shelf-life or because of spills.
 - c. <u>Contaminated soil at deactivation furnace</u> Remediation project
- 5. Waste petroleum naphtha was the only waste stream in 1990 that was greater than 5 tons and is not a one time waste stream or from a remediation project. Petroleum naphtha is used to clean parts and equipment of various machines. Petroleum naphtha becomes contaminated with varying amounts of cadmium, chromium, and lead.

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6. Index relating waste petroleum naphtha to production.

65 rehabilitated machines from industrial plant equipment 100 pieces of equipment rotated through inventory 165 Total machines and equipment 14.54 tons of waste petroleum naphtha 1990 CY Index = .088 tons of waste/pieces of equipment

Index = tons of waste
 pieces of equipment

Index = $\frac{14.54}{165}$ = .088

- 7. Cost to manage the Safety Kleen contract \$46,700.
- 8. Waste streams listed in table 1 which account for 90% of the non-acute hazardous waste generated at our facility, evaluations are as follows.

a. Petroleum naphtha

This is a low toxic material that is used to clean industrial plant equipment. New up graded filters were installed in the part washers in 1991. The part washers are a closed loop reclamation processes that reuses the liquid until it is contaminated. After the liquid is contaminated it is taken off Depot to a off-site recycling company and clean petroleum naphtha is put in its place.

b. DS-2, Decontaminating Agent

This is a decontaminating agent that is not produced at the Depot. The product is only stored at the Depot. Once the product is oxidized it can not be reclaimed, reused, or recycled.

c. Contaminated soil at Deactivation Furnace

This lead contaminated soil came from a deactivation remediation project. It is a one time generation of waste. It is economically impractical to reclaim, reuse, or recycle this soil.

d. Steam Cleaning Waste Water

This water came from steam cleaning parts. The parts washer uses water and non-toxic detergent. The reason it is toxic is because of the lead from the paint that is on the equipment that is being cleaned. The products that are being washed are not produced at the depot. 4 new part washers have been installed that recycle the steam water many times before it becomes a waste. The 4 new part washers are considered to be an on site recycling of the steam water.

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e. Contaminated Liquid at Deactivation Furnace

This (DOO2) contaminated liquid came from the deactivation remediation project. It is a one time generation of waste. This waste is economically impractical to reclaim, reuse or recycle.

- 9. Technically feasible and economically practicable waste reduction measures are, to change the petroleum naphtha only when needed and to use only what is needed and not more.
- 10. The Department of the Army has a suggestion program, "Army Ideas of Excellent Program" which is implemented at the Depot that includes all of the Depot suggestions as well as waste minimization suggestions. This program is supported by toplevel management at the Seneca Army Depot.
- 11. Seneca Army Depot's policy is to reduce hazardous waste generations to the maximum extent that is economically practicable, and then reduce what hazardous waste remains by the best currently available methods which will minimize any threat to our health or environment. Seneca's primary hazardous waste reduction goal is 50% less regulated hazardous waste generations in 1992 compared to 1985 regulated hazardous generation levels.
- 12. 4 Part washers have been installed in each of four buildings on a experimental bases to see if these machines can further reduce the petroleum naphtha.
- 13. A way to measure waste reduction over time would be to use the index relating waste petroleum naphtha to production.

Index = Tons of Waste
 Pieces of Equipment

- 14. Employee training program.
 Course name: Seneca Army Depot hazardous waste handling review/work shop.
 Requirement: Federal Hazardous Waste Regulation 40 CFR 264.16, NYS Hazardous Waste Regulation 6NYCRR Part 373-3.2(g)
- 15. Estimated reduction of Petroleum Naphtha as a result of implementing the waste reduction plan could be 3% a year.
- 16. The Seneca Army Depot will continue to use petroleum naphtha as a cleaner until some other lower toxic material is found that is equal to or better than the petroleum naphtha that the depot is presently using.
- 17. Directorate of Engineering & Housing was responsible for implementing the waste reduction plan.

18. There will be no transference of hazardous waste to other media while Seneca is testing the use of the 4 new part washers. Benefits by using the water parts washers will be a less toxic media and a less overall hazardous waste.

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HAZARDOUS WASTE REDUCTION PROGRAM

NY02/3820830

EPA I.D. Number

Table 2

		_	_						, 1	_ =
									/	Waste Stream
				-					PETROLBUM NAPH + HA	Name of Waste
				-		-			PARTS CLEMNER	Waste Stream Affected
								•	NAPH+HA PARTS CLEANER SNEW PARTS WASHERS	Reduction Plans/Trojects
					٠		-		NA	Estimated ? Waste Reduction (Tons)
	٠									Method Used to Calculate • ROI
										ROI (est)
										Goal Date
		-				_			Experimental	Remarks

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*ROI = Return on investment
AC = Annualized cost
IRR = internal rate of seturn
NPV = Net present value

PP = Pay back period
PI = Psofitability index

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EPA L.D. Number NY02/3820830

HAZARDOUS WASTE GENERATION SUMMARY

Table 1

Waste Stream	Name of Waste	Source of Generation	Disposal Method		Quantity of Waste Generated (tons) 1990 1991 1992 1993			Indices (Ib waste generated /Ib product produced) Then 1990 1991 1992 1993				1993
/	PETROLEUM NAPHTHA EXPIRED	PARTS CLEANER	RECYCLED	14.54					,088			
2	D5-2	1-TIME WASTE	INCINETION	11.2								
_3	S+1/	DE ACTIVATION REMEDIATION PROTECT	LANDFIL	7.5								
_4	WASTE	DE ACTIVATION REMEDIATION PROJECT STEAM CLEANING PARTS	TREATMENT	3.78	•				9 0 0 0			
5	PETROLEUM SPILLS			2.8/			:					
6	CLEMN UP	SPILLS DEACTIVATION FORMAC REMEDIATION PROJECT	TREATMENT	.936								
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New York State Department of Environmental Conservation 50 Wolf Road, Albany, New York 12233



May 26, 1992

Mr. Steven M. Absolom, Chief Engineering/Env. Mngmt. Div. Department of the Army Seneca Army Depot Romulus, NY 14541-5001

> Re: Hazardous Waste Reduction Plan (HWRP) for Seneca Army Depot, Department of the Army NY0213820830

Dear Mr. Absolom:

Our staff has reviewed the referenced material submitted May 11, 1992. Staff comments are summarized on the enclosed sheet.

All comments must be answered in writing and submitted along with a revised HWRP which incorporates staff comments. The documents should be submitted by June 15, 1992 to the attention of:

Mr. William Eberle
NYS Department of Environmental Conservation
Bureau of Pollution Prevention
50 Wolf Road
Albany, New York 12233-7253

If you have any questions regarding the enclosed comments or the HWRP, please contact Mr. William Eberle, of my staff, at 518-485-8400.

Sincerely,

John E. Iannotti, P.E.

Director

Bureau of Pollution Prevention

Div. of Hazardous Substances Regulation

Enclosure

cc: W. Eberle

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Comment Summary

- 1. Indicate the EPA Hazardous Waste Numbers for the waste streams.
- 2. For waste streams listed in Table 1, which account for 90% of the non-acute hazardous waste generated at your facility, submit evaluations of: (a) substitution of non-toxic or less toxic input; (b) reformulation or redesign of end products to eliminate production inputs; (c) modification or redesign of production processes/equipment; (d) changes in materials usage, handling and storage practice; (e) use of closed loop reclamation, reuse or recycling processes to recycle wastes directly back into production process; and (f) use of onsite or off-site recycling technologies.
- Include a statement of methods used to accomplish top-level management support (e.g., reward and recognition program, waste minimization suggestion program, etc.).
- 4. Include name of office or department responsible for implementing waste reduction plan.
- 5. Provide estimate of the extent of transference of hazardous waste to other media as result of implementing plan and the associated overall environmental benefits.

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MEMORANDUM FOR D/PA

SUBJECT: Notifications/Certifications for Generation and Treatment of Hazardous Waste

- 1. Enclosed (encl 1) is an internal notification and certification procedure that is required for hazardous waste treatment, storage and disposal facilities. DPA generated wastes will require notification, as shown, when transferring wastes to Building 307.
- 2. Recommend that QASAS sign the certification shown in enclosure 3 concurrently with the demil supervisor. This certifies that the munitions have been deactivated and are no longer reactive. This is the same as the current certification currently provided internally in ammunition channels.
- 3. Enclosure 2 is the treatment certification which includes the QASAS signature block.
- 4. POC is Thomas Grasek, Mark Paprocki, and/or Randy Battaglia at ext. 41-450.

STEPHEN M. ABSOLOM

Chief, Engineering/Environmental Management Division

Encls

SENECA ARMY DEPOT LAND DISPOSAL RESTRICTION INTERNAL NOTIFICATION AND CERTIFICATION

EPA Hazardous Waste number: NY0213820830
WASTE TYPE:
HAZARDOUS WASTE NUMBER:
NUMBER OF DRUMS:
GENERATION POINT (Bldg #):
APPLICABLE TREATMENT STANDARDS:
EXPRESSED AS CONCENTRATIONS IN WASTE EXTRACT:
EXPRESSED AS SPECIFIC TECHNOLOGIES:
EXPRESSED AS WASTE CONCENTRATIONS:
The following statement must be signed by the supervisor or commanding
officer who is responsible for the operation which generated the
hazardous waste:
I certify under penalty of law that I personally have examined
and am familiar with the waste, through analysis and testing or
through knowledge of the waste, to support this certification that the
waste complies with the treatment standards in Part 376, section 376.4
and all applicable prohibitions set forth in subdivision 376.3(b) of
Part 376 or RCRA section 3004(d). I believe that the information I
submitted is true, accurate and complete. I am aware that there are
significant penalties for submitting a false certification, including
the possibility of a fine or imprisonment.
SIGNATURE:
(PRINT):
TITLE:
DATE:

: EZTIT

FT/10

SENECA ARMY DEPOT LAND DISPOSAL RESTRICTION INTERNAL NOTIFICATION OPEN BURNING/OPEN DETONATION TREATMENT

EPA Hazardous Waste Number: NY0213820830
WASTE TYPE: PEP TYPE:
HAZARDOUS WASTE NUMBER: TREATMENT STANDARD EXPRESSED AS SPECIFIC TECHNOLOGY: DEACT indicate: open burning open detonation
The following statement must be signed by the supervisor or commanding officer who is responsible for the operation which generated the hazardous waste:
I certify under penalty of law that I personally have examined and am familiar with the waste, through analysis and testing or through knowledge of the waste, to support this certification that the waste complies with the treatment standards in Part 376, section 376.4 and all applicable prohibitions set forth in subdivision 376.3(b) of Part 376 or RCRA section 3004(d). I believe that the information I submitted is true, accurate and complete. I am aware that there are significant penalties for submitting a false certification, including the possibility of a fine or imprisonment.
SIGNATURE: (PRINT): TITLE: DATE:

TOTAL VETTOR LABORATE

SENECA ARMY DEPOT LAND DISPOSAL RESTRICTION INTERNAL CERTIFICATION OPEN BURNING/OPEN DETONATION TREATMENT

LPA Hazardous waste Number: NY0213820830
WASTE TYPE: PEP TYPE:
HAZARDOUS WASTE NUMBER:
TREATMENT STANDARD EXPRESSED AS SPECIFIC TECHNOLOGY: DEACT indicate: open burning open detonation
The following statement must be signed by the supervisor or commanding officer who is responsible for the operation which treated the hazardous waste:
I certify under penalty of law that the waste has been treated in accordance with the requirements of subdivision 376.4(c). I am aware that there are significant penalties for submitting a false certification, including the possibility of fine and imprisonment.
SIGNATURE: (PRINT): TITLE: DATE:

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DEFENSE LOGISTICS AGENCY

DEFENSE REUTILIZATION AND MARKETING OFFICE-ROME BUILDING T-8

GRIFFISS AIR FORCE BASE, NEW YORK 13441-6100

"REFERY" DRMO-XPS(Denise A. Babcock/(315)330-3400)

SUBJECT: MEMORANDUM OF AGREEMENT (MOA) for Physical Custody of

Hazardous Waste

TO:

Seneca Army Depot

Bldg 123/Environmental Office

Romulus, NY 14541

- 1. This Memorandum of Agreement is entered into between, <u>Seneca</u>

 <u>Environmental Office</u> . hereafter referred to as the Generating

 Activity, and the Defense Reutilization and Marketing Office, Rome, hereafter referred to as the DRMO to establish responsibility for the physical custody of Hazardous Waste.
- 2. <u>Authority:</u> Authority to execute this Memorandum of Agreement (MOA) on behalf of the Generating Activity and DRMO is vested in the Commanders of both activities, or their designated representatives.
- 3. General Provisions: The parties to this MOA agree to the following:
- a. DRMO will:
- (1) coordinate with the generating activity for inspection and verification of hazardous waste at location of property.
- (2) process turn in document (DD Form 1348-1) for receipt on DRMO accountable records and for appropriate utilization and sales action while the hazardous waste physically remains with the Generating Activity.
 - (3) mark the hazardous waste to indicate DRMO ownership.
- b. Generating activity will:
- (1) accept custodial responsibility of the hazardous waste to remain in their possession.
- (2) be responsible for the required periodic inspections, care and protection of this hazardous waste until it is disposed of or moved by the DRMO.
- (3) follow all contractual requirements for any Hazardous waste on a DLA disposal contract acquired thru the DRMO. Once on a DLA contract no hazardous waste is to be removed by the Generating Activity.

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4. Effective Date and Termination	Date: This MOA is effective
upon signature and will remain in e	effect for one (1) year from that
Explien Malisolom C. ENS/ENU Mat Div DATE: 26 MM 92.	Chief, DRMO
DATE: _26 MAR 92	DATE:

in the



CEPARTMENT OF THE ARMY -EADQUARTERS, U.S. ARMY MATERIEL COMMAND 5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333 - 5001



: <u>5</u> OCT 1992

MEMORANDUM FOR HONORABLE MICHAEL P. W. STONE, SECRETARY OF THE ARMY, WASHINGTON, DC 20310-0110

SUBJECT: FY 92 Statement on Internal Management Control

- 1. The internal management accounting and administrative control system throughout the U.S. Army Materiel Command provides reasonable assurance that:
- a. Assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
 - b. Obligations and costs comply with applicable law.
- c. Revenues and expenditures applicable to this Command's operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.
- d. Programs and administrative functions are efficiently and effectively carried out in accordance with applicable law and management policy.
- 2. This determination is based on a general understanding and adherence to the GAO Standards for Internal Controls, verified by methods believed to be necessary to evaluate the adequacy of internal management controls. Some of the actions supporting my determination include:
- a. Application of all specifically required Internal Management Control Reviews by appropriate organizational elements.
- b. Performance of other internal management control reviews of subtasks as warranted by local circumstances.
- c. Consideration of audit, inspection, and other independent review reports.
 - d. Assurances by principals of subordinate organizations.
- e. Heightened awareness and formal responsibility for the adequacy of internal management controls by military and civilian managers.

AMCIR-M 11-2a) SUBJECT: FY 92 Statement on Internal Management Control

- evaluation throughout the organization have not detected any internal management control deficiencies considered material weaknesses except as included in this report. These weaknesses have been or are being corrected. Weaknesses have been reviewed and actions taken or scheduled are sufficient to correct the deficiencies within a reasonable period of time.
- 4. Enclosures 1 through 3 include details on the current year material weaknesses, previously detected material weaknesses, and how the Internal Management Control Program was conducted within the Command.

5. AMC -- America's Arsenal for the Brave.

3 Encls

TIMMY D. ROSS General, USA Commanding

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"MCORRECTED MATERIAL WEAKNESS

USAMC-92-001

Title of Material Weakness: Failure of Contracting Activities to Include Foreign

Source Restrictions in Solicitations and Contrasts

Functional Category: ISD -- Contracting and Production activities.

Army - Acquisition Management.

Description of Material Weakness: In 1988, the Secretary of Defense imposed "Buy American" restrictions on defense procurements for antifriction bearings to help prevent erosion of the U.S. ball bearing industry. In 1991, the DODIG reported that TACOM had 21 contracts which required and did not contain the DFARS clause, Foreign Source Restrictions. On 20 February 1992, MICOM definitized a multi-year contract for the AVENGER which required and did not contain DFARS clause 252,225-7025.

Component/Appropriation/Account Number: Procurement. Army

Year Identified: FY 1991

Original Target Correction Date: FY 1993

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

Jurrent Target Date: FY 1993

Reason for Change in Date(s):

Impact of Material Weakness on Operations: If prime contractors continue to acquire anti-friction bearings from foreign sources, the U.S. production base for bearings will continue to erode placing the defense of the United States in a position of mulnerability because of our dependence on foreign sources the bearings.

INCORRECTED MATERIAL WEAKNESS MAGE 1

TSAMC-91-001

Major milestones in Corrective action:

À.	Completed	Milescones:
14	Date Aug 88	Milestone AMC promulgated Acquisition Letter 88-23 implementing the new Foreign Source Restrictions clause.
31	Mar 39	HQDA Acquisition Circular revised DFARS clause to include

- industry comments.

 24 Apr 92 Acquisition Letter 92-4 again notified contracting
- 24 Apr 92 Acquisition Letter 92-4 again notified contracting activities of the requirement to include restrictive contract clause 252.225-7025 in all applicable contracts.
- 3. Planned Milestones (FY 1993):
 Date Milestone
- Obtain and monitor status of waivers and conversions to domestic sources for the 21 TACOM contracts which required the foreign source restriction clause.
- AMCIG is reviewing 10% of solicitations and contracts at each of the major subordinate commands for antifriction bearings and end items containing embedded bearings to determine if restrictive clause has been included.
- 31 Dec 92 AMCAQ will review and evaluate the above AMCIG findings.
- 28 Feb 93 Monitor MICOM's progress for converting multi-year contract DAAH01-92-C-0023 for the AVENGER from foreign to domestic sources for bearings.
- ?lanned Milestones (Beyond FY 1993): Date Milestone

Validation Process: After closure, by independent review and audit.

Note: Further corrective actions to be determined based on what is learned in FY 93.

Point of Contact:

Name: Ms. Helen C. Richards

Office Address: HQ, AMC, ATTN: AMCAQ-PP

5001 Eisenhower Avenue, Alexandria, VA 12333-0001

Telephone: Commercial (703) 274-8335/8241 DSN 134

Material Weakness
USAMC 92-002
was withdrawn.

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CORRECTED MATERIAL WEAKNESS

USAMC - 92 - 003

Title of Material Weakness: GAO/NSIAD-91-270. Army Maintenance: More Effective

Implementation of Maintenance Expenditure Limits . select

Functional Category: SD -- Comptroller/Resource Management

Army - Maintenance

Description of Material Weakness: The General Accounting Office (GAO) Report states that the three buying commands were not effectively implementing the maintenance expenditure limits (MEL) policies and procedures, and MELs were usually not a factor in their repair-or-buy decisions. In addition, management controls did not provide sufficient oversight of the commands' use of MELS. As a result, managers could not ensure that the buying commands were economically meeting the requirements for depot-level spare parts.

Component/Appropriation/Account Number: Army Procurement and Army Stock Fund

Year Identified: FY 1992

Original Target Correction Date: FY 1992

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

Current Target Date: M/A

Reason for Change in Date(s): Corrective actions completed.

Impact of Material Weakness on Operations: Buying commands were implementing repair programs when the items could have been replaced through procurement at a lesser cost (e.g., A review of 1,686 TACOM repair programs indicated approximately 24 percent (409 programs totaling about \$120 million) exceeded the maintenance expenditure limits).

CORRECTED MATERIAL WEAKNESS FAGE 1

USAMC-92-003

Major milestones in Corrective Action:

A. Completed	Milestones:
--------------	-------------

Date Milestone

Completed Reemphasize the requirement that the buying commands are to compute maintenance expenditure limitations and compare them with the cost to repair an item. (p. 6/GAO Final Report:

Completed Reemphasize the requirement that the buying commands are to procure items which, according to the maintenance expenditure limits, are not economical to repair. (p. 6/GAO Final Report:

Completed Reemphasize the requirement that the buying commands are to request waivers or exemptions in cases where the repair program is necessary--even though the cost to repair exceeds the maintenance expenditure limitation. (p. 6/GAO Final Report:

Completed Direct the commands to compute and recompute maintenance expenditure limitations, in accordance with the time frames in the AMC maintenance expenditure limitation regulation--and to include in their implementing regulations the correct time frames for making the computations. (p. 6/GAO Final Report)

Completed Clarify that the procurement price the buying commands are to use in the maintenance expenditure limitation computations is the per-unit contract cost. (p. 7/GAO Final Report)

Completed Include the extent of implementation of the maintenance expenditure limitation policies and procedures at the buying commands. (p. 7/GAO Final Report)

- 3. Planned Milestones (FY 1993):
 Date Milestone
- C. Planned Milestones (Beyond FY 1993):
 Date Milestone

Validation Process: After closure, by independent review and audit.

Note: All corrective actions accomplished during the September 1991 Maintenance Expenditure Limit Conference. Closed pending independent review and audit.

Point of contact: Name: Mr. Joe Toda

Office Address: HQ, AMC, ATTN: AMCLG-MM

5001 Eisenhower Avenue, Alexandria, VA 22333-0001

Telephone: Commercial (703) 274-9655 DSN: 284

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INCORRECTED MATERIAL WEAKNESS

USAMC - 92 - 004

Title of Material Weakness: Contract Terminations for Assets Due in Above the

Requirements Objective

Functional Category: OSD -- Supply Operations

Army - Supply Activities

Description of Material Weakness: Funding shortages and downsizing of Army has an adverse impact on historical procurement practices. Army must thange paradigm in order to cancel contracts for assets that are due-in from procurement and are above the requirements objective. Not only must we cancel obligated contracts, but also those contracts that are committed. Cancellation of committed contracts will assure Army minimize cost to contracts.

Component/Appropriation/Account Number: Operations and Maintenance, Army; Defense Business Operating Budget.

Year Identified: FY 1992

Original Target Correction Date: FY 1993

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

Current Target Date: FY 1993

Reason for Change in Date(s):

Impact of Material Weakness on Operations: The Congress and the General Accounting Office (GAO) remain highly critical of the Army's lack of progress in reducing/terminating on-going contracts funded with the SMA portion of the Defense Business Operating Fund (DBOF). To that end current Congressional language for the National Defense Authorization Act for FY93 proposes to reduce the Army's O&MA "buying power" funding by \$509M in order to ensure that the Army buys only items needed to meet current needs.

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MICORRECTED MATERIAL MEAKNESS TABLE

TSAMC-91-00-

Major milestones in Corrective Action:

Completed Milestones:

Date

Milestone

Completed

Letter emphasizing the importance of contract termination

sent to major subordinate commands (MSC).

Completed

Meeting with MSC representatives (supply and procurement).

Completed

Establish procedures to monitor MSC cutback actions by use

of the "Cost Avoidance Report".

3. Planned Milescones FY 1993):

Date

Milestone

10 Dec 92

Develop SCR to cancel committed contracts.

30 Dec 92

Procurement review of Economic Cutback Model.

28 Feb 93 Develop procurement formula for Economic, Cutback Model.

30 May 93

Implement SCR to cancel committed contracts.

C. Planned Milestones (Beyond FY 1993): Milestone Date

Validation Process: After closure, by independent review and audit.

Note: Corrective actions on schedule.

Point of Contact:
Name: Ms. Tammy Tuck
Office Address: HQ, AMC, ATTN: AMCLG-MS 5001 Eisenhower Avenue, Alexandria, Va 12333-0001

Telephone: Commercial 703) 274-9808 DSN: 134

INCORRECTED MATERIAL WEAKNESS

TSAMC - 32 - 005

Title of Material Weakness: Life Cycle Software Engineering Funding

Functional Category: ISD -- Comptroller/Resource Management

Army - Financial Management

Description of Material Weakness: A major weakness of the Life Cycle Software Engineering (LCSE) Post Deployment System Support (PDSS) is the continual lack of resources to support ongoing efforts. Weapons system densities - items on hand (in units or storage) which AMC must support - io not appear to be decreasing. Neither is the workload associated with LCSE. The number of fielded weapon systems receiving LCSE grows from 100 systems in FY92 to 145 systems in FY95 while funding levels continue to decrease each fiscal year. The total LCSE requirement for FY93 is \$141.738 million. The latest HODA funding guidance \$78.500 million for LCSE. Leaving a funding shortfall of \$63.238 million. Similar shortfalls exist for the remainder of the fiscal years covered by the current Program Objective Memorandum. Without additional resources to support this program. Funding is only available to sustain critical LCSE center functions and to perform critical software corrective maintenance on existing embedded weapon systems. Enhancements cannot be funded.

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

Year Identified: FY 1992

Original Target Correction Date: FY 1992

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

Current Target Date: FY 1993

Reason for Change in Date(s): Memorandum drafted to require LCSE centers to use Jun 92 Command Budget Estimate (CBE) as baseline for requirements. FY93/94 LOSE shortfalls were addressed in the Commander's statement for the Jun 92 CBE to HODA. Banding of priorities will identify AMC dollars for funding maintenance first, prioritized corrective actions next and then enhancements. Changes required for compatibility with other systems would be paid for by whoever drives the change.

Impact of Material Weakness on Operations: Funding shortages for the LCSE program will impact readiness for battlefield systems that depend on software engineering support.

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MICORRECTED MATERIAL MEANNESS MAGE 2

USAMC-92-005

Major milestones in Corrective Action:

Completed Milestones:

Date

Milestone

Completed Establish Baselines for LCSE requirements.

Completed Highlight shortfall to HODA.

3. Planned Milestones (FY 1993):

Date

Milestone

31 Dec 92

Develop banding for LCSE programs to assist in prioritizing LCSE efforts.

Planned Milestones (Beyond FY 1993): Milestone

Validation Process: After closure, by independent review and audit. 25 W. ST. 187

Note:

Point of Contact:

Name: Mr. Jack Millet

Office Address: HQ, AMC. ATTN: AMCRD-IC

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CORRECTED MATERIAL WEAKNESS

USAMC - 32 - 6

Title of Material Weakness: Funding of Tech Data Configuration Mgmt System and

Digital Storage Retrieval Engineering Data Systems

Functional Category: OSD -- Comptroller/Resource Management

Army - Financial Management

Description of Material Weakness: The Technical Data Configuration Management System (TD/CMS) and Digital Storage Retrieval Engineering Data Systems (DSREDS) are funded from the Operations and Maintenance. Army account which is released to the major subordinate commands (MSC) to be used at the discretion of the commander. TD/CMS, which is the digitized repository of the Technical Data Package (TDP), provides a magnetic tape output which is fed into DSREDS. DSREDS provides the imaging capability to produce aperture cards. If an MSC commander chooses not to fund either TD/CMS or DSREDS procurement actions will stop. Note, the manual systems are to be dismantled.

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

Year Identified: FY 1992

Original Target Correction Date: N/A

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

Current Target Date: N/A

Reason for Change in Date(s):

Impact of Material Weakness on Operations: Failure to correct the weakness increases the potential for MSC commanders to not fund DSREDS and TD/CMS operations, which could result in a procurement shut-down.

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CORRECTED MATERIAL WEAKNESS FAGE 1

TSAMC-92-006

Major milescones in Corrective Action:

A. Completed Milestones:

Date

Milestone

Completed

Request DCSRM to "fence" the funding or provide that funding to the Program Manager in Huntsville for central management.

3. Planned Milestones (FY 1993):
Date Milestone

C. Planned Milestones (Beyond FY 1993):
Date Milestone

Validation Process: Verification that TD/CMS and DSREDS funding requirements are being met.

Note: Corrective actions completed. Closed pending independent review and audit.

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UNCORRECTED MATERIAL WEAKNESS

USAMC - 92 - 007

Title of Material Weakness: Retaining an Adequate Industrial Base

Functional Category: OSD -- Contract Administration Army - Industrial Preparedness

Description of Material Weakness: The defense industrial base includes Government and privately-owned plants and equipment, as well as technology development efforts. The industrial base has experienced an alarming decline during the past 20 years. DOD reported recently that many important weapon systems have become increasingly dependent on foreign sources for technology, critical components, and materials. Many firms which are highly dependent on DOD for business, use foreign products, technologies, and materials to develop and produce defense material. Some firms will diminish and consolidate during DOD downsizing. The situation is aggravated by increased political instability in countries that are sources of technology and materials essential to the U.S. defense industrial base. These countries are also potential targets of terrorism. Either terrorism or political instability could result in the interruption in the flow of supplies and information. DOD has reorganized policy-making and management staffs to deal with the issues, but effectiveness of the efforts is as yet undetermined.

Component/Appropriation/Account Number: Operations and Maintenance, Army; Army Procurement; MCA; Foreign Military Sales Trust Fund; RDTE; Industrial Funds; CAWF.

Year Identified: FY 1992

Original Target Correction Date: FY 1998

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

Current Target Date: FY 1998

Reason for Change in Date(s):

Impact of Material Weakness on Operations: The multifaceted problems associated with sustaining the industrial base make it difficult to assess DOD ability to perform numerous missions. The trend will be accelerated by reduced defense budgets. The resultant slippage in U.S. technological and manufacturing advantage could have dire results in a conflict against opponents who possess numerical or technological superiority, especially if the war became protracted.

INCORRECTED MATERIAL WEAKNESS FAGE 2

USAMC-92-007

Major milestones in Corrective Action:

A. Completed Milestones:

Milestone

Completed

Date

Identify critical manufacturing processes and sectors.

Completed

Conduct sector surveys to determine potential impact of

budget reductions.

B. Planned Milestones (FY 1993):

Date

Milestone

- 15 Dec 92 * Develop individual weapon system strategies to bolster and support the critical sectors.
- 30 Sep 93 Program corrective resources.
- 30 Sep 93 Conduct further detailed planning and additional sector surveys.
- C. Planned Milestones (Beyond FY 1993):
 Date
 Milestone

30 Sep 97 Implement the AMC Industrial Base Strategy.

Validation Process: After closure, by independent review and audit.

Note: * Rescheduled due to the need to re-analyze four key sectors. This was completed 25 Sep 92. All dates are subject to approval by HQDA and OSD as part of industrial base strategy presentation.

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UNCORRECTED MATERIAL WEAKNESS

USAMC-92-008

Title of Material Weakness: Reducing the Sources of Hazardous Waste

Functional Category: OSD -- Support Services
Army - Facilities Support

Description of Material Weakness: The Department of Defense (DOD) has reported significant reductions in the volume of hazardous waste, but has not adequately identified the sources of hazardous waste within the DOD and set priorities to reduce or eliminate them. More than 80 percent of the hazardous waste generated in DOD is industrial waste associated with the production, operation and maintenance of DOD weapon systems. Military specifications and standards are used to standardize the materials and processes used in those industrial activities. However, military specifications and standards are not being systematically reviewed and changed to minimize the use of hazardous materials and the hazardous waste generated through application of the processes and materials prescribed in the documents.

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

Procurement; RDTE; Industrial Funds.

Year Identified: FY 1992

Original Target Correction Date: FY 1996

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

Current Target Date: FY 1996

Reason for Change in Date(s):

Impact of Material Weakness on Operations: If military specifications and standards are not reviewed and revised, DOD material managers, systems engineers, and contractors will continue to use specifications and standards requiring the use of hazardous material when alternatives may be available. The continued use of unneeded hazardous materials in the manufacturing, operation, and maintenance of systems will increase hazardous materials/wastes handling and disposal costs incurred by DOD.

INCORRECTED MATERIAL WEAKNESS RAGE 2

USAMC - 92 - 008

Major milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

3. Planned Milestones (FY 1993):

Date Milestone

- 30 Dec 92 Establish a non-weapon system specific priority of hazardous and environmentally unacceptable materials to be systematically eliminated or reduced.
- 30 Dec 92 * Establish and fund research, development, test and evaluation programs to find or develop non-hazardous and/or environmentally acceptable material alternatives and substitutes.
- 30 Sep 93 Fund and maintain the identification of hazardous and environmentally unacceptable materials.
- C. Planned Milestones (Beyond FY 1993):
 Date Milestone
- 30 Sep 94 Isolate the military technical documentation that require the use of hazardous and environmentally unacceptable materials.
- 30 Sep 96 Systematically eliminate (or reduce where elimination is not feasible) the hazardous and/or environmentally unacceptable materials from the military technical documentation.

Validation Process: After closure, by independent review and audit.

Note: * This is crucial to DOD in accomplishing the remaining items. The Army is considering reinstating funds for the environmental Manufacturing Technology thrust. Environmentally acceptable technologies for pollution prevention need to receive much higher priority and funding. Without a dedicated program specification and standards will continue to suffer from similar valid criticisms.

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UNCORRECTED MATERIAL WEAKNESS

USAMC-92-009

Title of Material Weakness: Setting Priorities for Minimizing Hazardous Waste

Functional Category: OSD -- Support Services

Army - Facilities Support

Description of Material Weakness: The lack of installation level planning information and lack of funding keep the DOD from identifying its sources of hazardous wastes and setting priorities for minimizing those sources. Though the initiatives of local installations and activities to identify and work to eliminate hazardous wastes are noteworthy, those programs focus on local, not DOD-wide problems, and diffuse the resources available to resolve the most important DOD priorities.

Component/Appropriation/Account Number: Operations and Maintenance, Army National Guard; Operations and Maintenance, Army; Army Procurement; RDTE; Industrial Funds

Year Identified: FY 1992

Original Target Correction Date: FY 1994

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

Current Target Date: FY 1994

Reason for Change in Date(s):

Impact of Material Weakness on Operations: The lack of Hazardous Material Pollution Prevention plans at subordinate activities reduces the possibility for an effective hazardous material reduction program. Without the information provided by effective local plans, the DOD is left without the foundation of accurate data needed to understand the magnitude of the DOD-wide problem and set appropriate priorities to eliminate the most important problems first. The result is scattered program execution and decisions.

30 September 1392

INCORRECTED MATERIAL WEAKNESS FAGE 2

USAMC-92-009

Major milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

B. Planned Milestones (FY 1993):

Date

Milestone

30 Mar 93

Establish Hazardous Materials Pollution Prevention Plans

and funding at Army industrial facilities.

C. Planned Milestones (Beyond FY 1993):
Date Milestone

30 Dec 93

Establish Hazardous Materials Pollution Prevention Plans

and funding at Army training installations.

Validation Process: After closure, by independent review and audit.

Note: The largest obstacle to industrial installations (largest hazardous waste generators) is implementing specifications. Division of implementing and specifying organizations needs to be bridged by a funded pollution prevention program (Army examples show symptoms of this). For a facility to develop a plan driven by service environmental demands is useless if no funded program exists to execute the plan.

Point of Contact: Thom and equalities of relativity explanation as the unidere

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INCORRECTED MATERIAL WEAKNESS

USAMC-92-010

Title of Material Weakness: Lack of Funding Delays Progress of the Pollution

Prevention Program

Functional Category: OSD -- Support Services

Army - Facilities Support

Description of Material Weakness: The major sources of funding for environmental projects are Operations and Maintenance funds, such as Real Property Maintenance, and the DOD Productivity Enhancing Capital Investment Fund. Other accounts which are potential sources of pollution prevention funding are the Manufacturing Technology Program: Procurement; and Research, Development, Testing and Evaluation (RDT&E). The qualifying criteria, however, for many of the accounts (such as dollar amounts. periods for payback, etc.) usually disqualify pollution prevention projects because they are ranked too low in priority compared with the mission-related projects for which the funds were intended. Consequently, projects remain unfunded unless the command or installation is able to reprogram money from other mission requirements.

Component/Appropriation/Account Number: Operations and Maintenance, Army National Guard; Operations and Maintenance, Army; Army Procurement; RDTE; Industrial Funds.

Year Identified: FY 1992

Original Target Correction Date: FY 1994

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

Current Target Date: FY 1994

Reason for Change in Date(s):

Impact of Material Weakness on Operations: Improving access to funding could eliminate existing problems for Service environmental managers and enable them to effectively meet hazardous materials reduction goals. Centralized funding oversight would ensure that projects approved offer the broadest application to DOD priorities. The result of improved access to funding would be substantial reductions in use of hazardous materials and significant cost savings to DOD for hazardous waste disposal.

UNCORRECTED MATERIAL WEAKNESS FAGE 2

USAMC - 92 - 010

Major milestones in Corrective Action:

A. Completed Milestones:
Date Milestone

B. Planned Milestones (FY 1993): Date Milestone

C. Planned Milestones (Beyond FY 1993): Date Milestone

30 Dec 93 Establish Army program element for pollution prevention projects.

Validation Process: After closure, by independent review and audit.

Note: The ability of installations to leverage DOD resources is an important issue. The Army Acquisition Pollution Prevention Support Office (AAPPSO) believes Material Developers need more access to resources also. AAPPSO is concerned that limited success stories will continue and DOD will miss opportunities to export and build upon successful work at installations and in weapon system programs.

Point of Contact: This box till star abobies if to see it westpowher into wedge

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UNCORRECTED MATERIAL WEAKNESS

USAMC-92-011

Title of Material Weakness: Radiation Protection Program - Potential Impaired

Fulfillment of Essential Mission

Functional Category: OSD -- Environmental

Army - Management and Command Activities

Description of Material Weakness: Radiation Safety Program deficiencies due

to inadequate staff levels

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

Year Identified: FY 1992

Original Target Correction Date: FY 1993

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

Current Target Date: FY 1993

Reason for Change in Date(s):

Impact of Material Weakness on Operations: Failure to correct this weakness will likely result in noncompliance with Federal and State laws, subsequent penalties and mission restrictions. Continued under-resourcing could also result in the mishandling of radionuclides by personnel, causing exposures, extensive contamination and facilities and mission shutdown as has happened at several DOD installations (Ft. Bragg, Letterkenny Army Depot, etc.). Nuclear Regulatory Comm proposed \$15K fine against AMCCOM for license violations resulting in part from lack of oversight caused by inadequate staffing.

Source(s) Identifying Weakness: Other (Management, Nuclear Regulatory Commission Inspection)

UNCORRECTED MATERIAL WEAKNESS FAGE 2

USAMC-92-011

Major milestones in Corrective Action:

Completed Milestones: Date

Milestone

Planned Milestones (FY 1993): 3.

Milestone Date

Assess shortage of radiation safety personnel across the command. 1 Jun 93 Audit each commodity command, mission command and installation.

Provide initial recommendations concerning consolidation of 30 Sep 93 radiation safety activities across the command.

Planned Milestones (Beyond FY 1993): Milestone Date

Validation Process: Nuclear Regulatory Commission Inspection and/or independent review or audit.

Note:

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CORRECTED MATERIAL WEAKNESS

USAMC-85-004

Title of Material Weakness: Hazardous Waste/Groundwater Contamination Management

Functional Category: OSD -- Support Services
Army - Facilities Support

Description of Material Weakness: AMC installations are increasingly out of compliance with federal and state environmental laws and regulations dealing with Hazardous Waste (HW) management, groundwater contamination control and corrective actions on past sites. This is resulting in increased notices of violation, compliance orders and even fines and/or litigation by the regulators. Increase in funding has been requested for corrective action from the Defense Environmental Restoration Account.

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

Year Identified: FY 1985

Original Target Correction Date: FY 1986

Targeted Correction Date in Last Year's Report: FY 1995

Current Target Date: FY 1995

Reason for Change in Date(s): Project completion was slipped from initial projection to 30 Sep 95 due to increased environmental requirements. Difficulties encountered during investigations and inadequate (shortfall of restoration) funds resulting in slippage of project completion.

Impact of Material Weakness on Operations: Noncompliance with Federal and State Environmental Laws and Regulations could result in denial of operating HW permit applications and inability to operate mission essential production facilities.

CORRECTED MATERIAL WEAKNESS GAGE C

USAMC-85-004

Major milestones in Corrective Action:

A. Completed Milestones:

Date Milescone

Installation Restoration Program.

Completed Initial Assessments Complete.

30 Sep 93 * Initial Surveys Complete.

30 Sep 95 * Initiate all required remedial action.

Completed Obtain RCRA Part B permits for existing HW Management Facilities:

Land Disposal Facilities.

Incinerators.

All Other Facilities.

Completed Initiation of Environmental Audits.

Completed Completion of Environmental Audits.

Completed AMC Hazardous Waste Minimization Program:

Installation Semiannual HW Generation Reports sent to AMC.

1987 AMC HAZMIN Technology Assessments sent to AMC.

1988 Installation HAZMIN Plans sent to AMC.

1988/89 AMC HAZMIN Plan completed. 1990 AMC HAZMIN Plan in final review.

1990 DEMIS submitted. 1991 AMC HAZMIN submitted

1991 DEMIS (Now called ACTS by HQDA) 18 May Memo to HQDA (ENVR-ER)

B. Planned Milestones (FY 1993):

Date Milestone

C. Planned Milestones (Beyond FY 1993):
Date Milestone

Validation Process: After closure, by independent review and audit.

Note: * These corrective actions are now embedded as essential elements of ongoing environmental programs. Materiality of this weakness has been reduced and no longer warrants reporting. Closed pending independent review and audit.

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INCORRECTED MATERIAL WEAKNESS

USAMC-85-014

Title of Material Weakness: Lack of Control Over Government Furnished Property

in Hands of Contractors

Functional Category: OSD -- Contract Administration

Army - Contract and Production Activities

Description of Material Weakness: Internal management control over Government Furnished Material or Equipment issued to contractors is not sufficient to ensure property is either returned or consumed for its intended purpose.

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

Army Procurement; Military Construction

Year Identified: FY 1985

Original Target Correction Date: FY 1988

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: FY 1994

Reason for Change in Date(s): DCSRM serves as the AMC reporting agent for this weakness. However, the corrective actions outlined are the functional responsibility of DCSLG and DCSAQ. The new target dates are notional.

Impact of Material Weakness on Operations: The value of property in the hands of contractors currently exceeds one billion dollars. If contractors are not held accountable for disposition of returned property, the above value will continue to rise. Financial data on implementation is not readily available.

INCORRECTED MATERIAL WEAKNESS CAGE 2

USAMC-85-014

Major milestones in Corrective Action:

A. Completed Milestones:

Date Milestone

Completed Obtain approval of revised MCA Implementation Plan.

Completed Brief status of MCA to Army AD HOC Government Property Committee.

Completed Establish a Management Control Activity at each Inventory Control Point IAW DODI 4140.48.

28 Feb 92 * Identify to DFAS Administrative Contracting Officer

30 Apr 92 * ACO prepare and submit report to DFAS as of 31 Mar 92.

30 Sep 92 * ACO prepare and submit quarterly report to DFAS on all GFM issued to and returned by a contractor under each contract. First report as of 30 June submitted 31 Jul.

31 Aug 92 ** DMRD # 933 rolled into Property Accountability Study task force with participation by OASA(FM), OASA(RDA), OASA(IL&E), and ODCSLOG.

B. Planned Milestones (FY 1993):
Date Milestone

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

30 Sep 94

Finalize MCA system design based on input from Joint Services and ASA (Financial Management) IAW Defense Management Report Decision (DMRD) # 933.

30 Sep 94 Programming and prototyping of software.

30 Sep 94 Implementation throughout USAMC.

Validation Process: After closure, by independent review and audit.

Note: 22 Nov 89 AMC Steering Group met and agreed to sponsor memorandum to ASA for FM revising milestones for GFM financial accounting. * Cancelled by HQDA. ** AMCRM-F attended initial meeting; will continue to participate in meetings.

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UNCORRECTED MATERIAL WEAKNESS

USAMC-87-003

Title of Material Weakness: Physical Security Upgrades to Protect Personnel.

Materiel, Equipment and Facilities

Functional Category: OSD -- Support Services

Army - Base Support Services, General

Description of Material Weakness: Currently Army regulatory and DoD requirements for security of Army Material Command assets in the conventional arms, ammunition & explosives (AA&E) and chemical surety storage program are not being complied with. Consequently compensatory measures are being utilized.

Component/Appropriation/Account Number: Operations and Maintenance, Army; Military Construction

Year Identified: FY 1987

Original Target Correction Date: FY 1989

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: FY 1993

Reason for Change in Date(s): Ten of 11 conventional AA&E (FY 88) projects are 100% complete. The 11th site is being redesigned. Technical problems delaying project. Expected completion is the 2nd quarter, FY 93. Three chemical exterior alarm projects are under construction.

Impact of Material Weakness on Operations: Yearly savings estimated at \$5.4M (OMA). Savings will be realized thru the stopping of compensatory measures (i.e., additional guards). These compensatory measures are required to provide equivalent security until an upgrade is completed.

Source(s) Identifying Weakness: Inspector General. US Army

INCORRECTED MATERIAL WEAKNESS RAGE C

USAMC - 37 - 003

Major milestones in Corrective Action:

A. Completed Milestones:

Date Milestone

Completed Define IDS requirements for Category I&II AA&E by location

and resources.

Completed Define chemical storage exterior IDS/CCTV requirements by

location and resources.

Completed Complete AA&E project MCA review for Category I&II projects.

Completed Complete project MCA review for IDS/CCTV for chemical

storage areas.

Completed Submit Category I&II AA&E requirements to Congress

for funds.

Completed Receive Category I&II AA&E MCA project funding

(FY 88 Budget).

Completed Submit Chemical IDS/CCTV MCA budget requirements.

Completed Receive Chemical IDS/CCTV funding (MCA)-Bud Auth.

Completed Complete MCA projects to alarm AA&E storage locations.

B. Planned Milestones (FY 1993):

Date Milestone

31 Mar 93 Complete MCA project to alarm chemical storage locations.

C. Planned Milestones (Beyond FY 1993):

Date Milestone

Validation Process: After closure, by independent review and audit.

Note:

Point of Contact:

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INCORRECTED MATERIAL WEAKNESS

USAMC-87-007

Title of Material Weakness: Management of Weapon Systems Production

Functional Category: OSD -- Contract Administration

Army - Contracting and Production Activities

Description of Material Weakness: Weapon systems regularly encounter great. difficulties in production such as a high percentage of scrap or rework which leads to cost increases and schedule delays. The root causes and locations of production problems are not identified to initiate corrective actions for resolution of the problems. Where corrective actions are identified, the actions to resolve the problems are not tracked through completion with the results verified to measure improved performance.

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

Year Identified: FY 1987

Original Target Correction Date: FY 1989

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: FY 1993

Reason for Change in Date(s): AMEC completed pilot training course at Watervliet Arsenal in Jan 92. The pamphlet AMC P 715-16 Program for Continuous Process Improvement (CPI), used for assessing contractor process capability, has been published and normal distribution is in progress. Several contractors will be selected to validate the AMC pamphlet during 1992.

Impact of Material Weakness on Operations: Failure to resolve the continuing problem of high production costs due to unnecessary costs associated with scrap, rework, and other process deficiencies will result in fewer end items and increasing production costs.

UNCORRECTED MATERIAL WEAKNESS FAGE 2

USAMC-37-007

Major milestones in Corrective Action:

Completed Milestones:

Date

Milestone

Completed

Distribute personal computer version of the Production Review Integrated Database (PRIDE) software to all MSCs to supplement automation on hosted network.

Completed

Conduct compliance reviews of PRIDE utilization in production management and assess improved performance.

Planned Milestones (FY 1993):

Date

Milestone

30 Jan 93

Institute continuous process improvements program for contractors Develop plans for implementing a program that encompasses development and production programs.

Planned Milestones (Beyond FY 1993): C. Date Milestone

Validation Process: After closure, by independent review and audit.

Note:

Point of Contact:

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INCORRECTED MATERIAL WEAKNESS

USAMC-88-004

Title of Material Weakness: Lack of Information Model. Data and Application

Architectures

Functional Category: OSD -- Information Technology

Army - Army Information Management

Description of Material Weakness: The IMP process (AR 25-series) requires development of the above guidance documents to prevent development of overlapping, stovepipe automated systems that are not integrated to meet total mission needs. The documents provide a common framework for processes, data classes, and identification of proponents to allow a systematic analysis of current automation shortfalls and to assist the transition to an objective architecture.

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

Year Identified: FY 1988

Original Target Correction Date: FY 1991

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

Current Target Date: FY 1993

Reason for Change in Date(s): Completion date revised as a result of FY 92 Commander's Conference.

Impact of Material Weakness on Operations: Hampers AMC data management and standardization efforts for development of Automated Information Systems and Executive Information Systems, resulting in redundacy of systems, and inconsistency of data. This results in multiple answers to the same question and unreliable, unsynchronized data bases.

UNCORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-88-004

Major milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

Completed

Draft AMC Process Model to DA.

Completed

Develop draft AMC Information Model, Data Architecture,

15 Nov 91 and Functional Architecture to HQDA.

B. Planned Milestones (FY 1993):

Date

Milestone

30 Sep 93

Draft AMC Information Model and Architectures to be revised as a result of reducing/bundling eight AMC processes to four.

C. Planned Milestones (Beyond FY 1993):
Date Milestone

Validation Process: After closure, by independent review and audit.

Note:

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UNCORRECTED MATERIAL WEAKNESS

USAMC-88-006

Title of Material Weakness: Highly Sensitive (HS) Record Telecommunications

Functional Category: OSD -- Information Technology

Army - Army Information Management

Description of Material Weakness: AMC is using a near-public data communication network for unclassified office automation documents and messages. The network interfaces with commercial concerns and academia, in addition to DoD agencies. The entire network is without Data Encryption Standard or cryptological protection and because of the design, it is not feasible to install protective measures on a portion of the network. It would not protect the information from unauthorized tampering. There are some developments on the horizon that would improve the situation, but with current funding constraints and technological limitations, there is no substantive improvement in protection attainable in the near term. Therefore, we are running under waivers. The problem is industry-wide. National Security Agency, National Bureau of Standards and the information industry should develop a software that will protect the entire network from CONUS/OCONUS "hackers".

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

Year Identified: FY 1988

Original Target Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1995

Current Target Date: FY 1995

Reason for Change in Date(s):

Impact of Material Weakness on Operations: The risk of hackers or viruses causing destruction of command data bases or denial of access is being addressed internally through interim measures. When the problem is solved at the national or industry level, the risk will be significantly lower.

UNCORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-88-006

Major milestones in Corrective Action:

A. Completed Milestones:

Milestone

B. Planned Milestones (FY 1993):
Date Milestone

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

30 Sep 95

Develop software that will protect the entire network from CONUS/OCONUS "hackers".

Validation Process: After closure, by independent review and audit.

Note: National Institute of Standards (formerly NBS and National Security Agency) have formed a team to address problems. DARPA joined the team in 1989. AMC is taking interim security measures to manage the risk.

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UNCORRECTED MATERIAL WEAKNESS

USAMC-89-002

Title of Material Weakness: Identification of Export Sales/Recoupment of

Nonrecurring Costs (NC)

Functional Category: OSD -- Security Assistance (FMS)

Army - Financial Management

Description of Material Weakness: Prior to FY 89, collection of NC was an MSC's responsibility. However, recent changes to Federal Acquisition Regulations establish USASAC as the Army focal point for NC collection. An essential step in the process of collecting nonrecurring RDT&E and production costs by the U.S. Government on a direct commercial sale by a U.S. contractor to a foreign customer is identification of the sale. The U.S. Army has no systemic procedures for identifying what costs should be recouped for export sales where (1) the contractor does not notify the Army of the sale, and (2) the State Department unilaterally approves the sale. As a result, audit reports (GAO/AAA) at USASAC and the AMC MSCs have indicated that substantial amounts of money should be recouped from contractors on those sales subject to nonrecurring costs application.

Component/Appropriation/Account Number: Miscellaneous Receipts Accounts

Year Identified: FY 1989

Original Target Correction Date: N/A

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

Current Target Date: FY 1993

Reason for Change in Date(s): Information needed to complete the corrective action has not been provided by the State Department.

Impact of Material Weakness on Operations: Substantial amounts of money are not being recouped from contractors and made available to the U.S. Treasury.

UNCORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-89-002

Major milestones in Corrective Action:

Completed Milestones:

Milestone Date

USASAC requests that higher headquarters (DA/DoD) establish Completed policy/agreement whereby State Department systematically

notifies DoD of unilaterally approved export licenses.

In Nov 91, the State Department provided USASAC with a report. Completed but data was insufficient. On 6 Dec 91, representatives of USASAC (AMSAC-RP and AMSAC-RB-S) visited the State Department to determine if their digital image systems were compatible to

the USASAC system. The systems were not compatible.

Decision that USASAC purchase of a system compatible with the Completed State Department's system would not be economical.

Cost Analysis is being conducted to determine if enough O&MA Completed funding is available to build the collection of NC data base.

USASAC request the State Department to provide hard copies of Completed

export license applications.

Planned Milestones (FY 1993): В.

Milestone Date

When information is received from State Department, USASAC 30 Nov 92 will build a data base from applicable data from export license applications. This will enable USASAC to monitor and follow-up on NC collections. If building a USASAC data base is not feasible, the export license applications will be sent to the MSCs for action.

Planned Milestones (Beyond FY 1993): C. Milestone Date

Validation Process: After closure, by independent review and audit.

Note: President Bush is proposing to eliminate nonrecurring costs on all DoD equipment.

Point of Contact:

Name: Mr. Robert W. Gilman

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CORRECTED MATERIAL WEAKNESS

USAMC-89-003

Title of Material Weakness: Mechanism for Environmental Funding

Functional Category: OSD -- Support Services
Army - Facilities Support

Description of Material Weakness: Inadequate visibility throughout AMC, for environmental funding. There is action ongoing within HQDA and HQ, AMC to establish a consolidated environmental decision package (MDEP) to identify the requirements within the different functional areas and across all appropriations. During the next POM cycle, the funding of environmental issues will have special visibility.

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

Year Identified: FY 1989

Original Target Correction Date: N/A

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

Current Target Date: N/A

Reason for Change in Date(s): * In FY 92 the HQ AMC HAZMIN Board has been reorganized to accomplish these functions in lieu of an Environmental Quality Council. The Environmental Operations Center has been established as a computer based Environmental Information Center and ad-hoc committees are established as necessary in lieu of Environmental Action Teams.

Impact of Material Weakness on Operations: Funds were transferred from OMA RDTE, and RPMA to the new environmental MDEP beginning FY 90. A new OMA Program Element for environmental was established in FY 91. Also, one was established for RDTE in FY 92. This resulted in better visibility of environmental funding for these appropriations. In the procurement appropriation, environmental funds were identified solely by MDEP.

CORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-89-003

Major milestones in Corrective Action:

A. Completed Milestones:

Date Milestone

Completed Initiation of Schedule 69 MDEP for BPRR, FY88 and incorporate

1383 Report in FY89, BPRR.

Completed * Establishment of Environmental Quality Council.

Completed Initial submission of HQDA directed new FY90-94 Schedule 11.

Environmental Compliance.

Completed * Establishment of Environmental Operations Center.

Completed * Establishment of Environmental Action Teams.

Completed Approval of HQDA MDEP-VENC at HQDA.

Completed Submit FY 90 reprogramming packages to HQDA with 1383 Report.

B. Planned Milestones (FY 1993):
Date Milestone

C. Planned Milestones (Beyond FY 1993):
Date Milestone

Validation Process: After closure, by independent review and audit.

Note: This weakness no longer warrants reporting. Closed pending independent review and audit.

Point of Contact:

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UNCORRECTED MATERIAL WEAKNESS

USAMC-89-005

Title of Material Weakness: Industrial Preparedness Operations (IPO)

Functional Category: OSD -- Contract Administration

Army - Industrial Preparedness

Description of Material Weakness: The manufacturing capability of the Army's reserve industrial plants and equipment is limited and in less than the required state of readiness. Current funding levels provide for only guards, fire protection, and other non-waiverable activities.

Component/Appropriation/Account Number: Procurement of Ammunition, Army (PAA)

Year Identified: FY 1989

Original Target Correction Date: N/A

Targeted Correction Date in Last Year's Report: FY 1994

Current Target Date: FY 1995

Reason for Change in Date(s): FY 93 buy for M864 has extended production at Louisiana and Scranton into FY 95. Revised schedule for completion of production at ammo plants that will become inactive in order to reach the objective of eight core plants is as follows: Indiana (FY 93), Kansas (FY 93). Longhorn (FY 93), Louisiana (FY 95), Scranton (FY 95), and Sunflower (FY 92).

Impact of Material Weakness on Operations: As of FY 90, the IPO account, previously part of OMA, was transferred to the PAA appropriation. While the funding has increased in recent years, it is still proving to be inadequate to properly maintain today's inactive facilities as well as the facilities scheduled to be deactivated. The Army is currently taking aggressive action to excess and dispose of those facilities that do not meet current or projected mobilization requirements, and looking to facilities contracts to reduce the burden of maintaining the Government-owned portion of the industrial base.

Source(s) Identifying Weakness: Inspector General, DoD; Inspector General. US Army; General Accounting Office

UNCORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-89-005

Major milestones in Corrective Action:

Completed Milestones: Α.

Date

Milestone

Completed

Request "fencing" of OMA funds for the IPO account to prevent reprogramming of funds out of this account at all levels

(funds have been transferred to PAA account).

Completed

Establish procedures to sell/dispose of excess or antiquated

equipment in layaway.

Completed

Establish policies and guidelines to encourage self-

facilitization by contractors.

Completed

Transfer OMA funds for direct maintenance to PAA (Production

Base Support line with appropriate project).

Completed

Modify layaway procedures to include weather tight buildings

to slow down deterioration.

Planned Milestones (FY 1993): В.

Date

Milestone

Planned Milestones (Beyond FY 1993):

Date

Milestone

30 Sep 95

Plant consolidation, core of eight plants.

Validation Process: After closure, by independent review and audit.

Note: Production at Hawthorne and Mississippi has been completed.

Point of Contact: Transcription of page and physical state same to example being passess

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30 September 1392

UNCORRECTED MATERIAL WEAKNESS

USAMC-89-009

Title of Material Weakness: Deficiencies in War Reserve Funding

Functional Category: OSD -- Comptroller/Resource Management

Army - Financial Management

Description of Material Weakness: War reserve budgets are developed primarily from output products from the War Reserve Automated Process (WRAP). Automated file storage limitations prevent automated analysis of past WRAP data in assessing budget requirements and changes. WRAP develops requirements specific to projects within theaters while budgets are submitted showing requirements and funding requests by theater. War reserve assets are held at the wholesale level in general categories. Additionally, the WRAP process totals the densities of all end items within the same weapon system group and computes the percentage change from year to year. These percentages are used to develop budget data for the four outyears but are not made available in the automated system to war reserve managers in establishing a basis for budget justification. As part of the budget development process, War Reserve managers stratify wholesale assets to theaters without information from the automated system.

Component/Appropriation/Account Number: Army Stock Fund

Year Identified: FY 1989

Original Target Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: FY 1994

Reason for Change in Date(s): Prioritization change because of workload requirements at Systems Integrated Management Activity (SIMA).

Impact of Material Weakness on Operations: War Reserve managers will continue to stratify wholesale assets to theaters without information from the automated system. This information will continue to be developed manually with less than accurate and defensible results. Further reductions to war reserve funding requests as a result of inadequate justification will continue to compromise the Army's wartime capability. Cost savings associated with resolution of the material weakness is intangible.

UNCORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-89-009

Major milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

Completed

Establish a data base which allows:

Completed

On-line access and change of WRAP information and visibility

of current and 2 prior years of data for analyses.

Completed

Storage and visibility of density file percentage changes from

year to year.

Completed

Analyses of in-theater shortages and readiness in the event

WRAP war scenarios are executed.

B. Planned Milestones (FY 1993):

Date

Milestone

30 Nov 92

Automated stratification of wholesale assets to theaters.

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

30 Nov 93

Automatic feed of WRAP data to Schedules 1 and 2.

Validation Process: After closure, by independent review and audit.

Point of Contact:

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DSN: 284

UNCORRECTED MATERIAL WEAKNESS

USAMC-89-010

Title of Material Weakness: Army Needs to Improve Vertical Asset Visibility

Functional Category: OSD -- Supply Operations

Army - Supply Activities

Description of Material Weakness: The lack of vertical asset visibility by item managers at the Inventory Control Points (ICPs) results in uneconomical buys and disposals. If item managers at ICPs had visibility of assets at retail activities, they could return/redistribute excess items to satisfy requirements elsewhere and thus preclude unnecessary buys and/or disposals.

Component/Appropriation/Account Number: Army Stock Fund

Year Identified: FY 1989

Original Target Correction Date: FY 1990

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: FY 1993

Reason for Change in Date(s): AR 710-1 (FY 89 version) is still awaiting publication due to lack of funds. SIMS-X changes are to be incorporated in the next edition.

Impact of Material Weakness on Operations: Uneconomical buys and disposal of inventory assets by command item managers.

UNCORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-89-010

Major milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

Completed

Expand the number of SIMS-X Items.

Completed *

Items with deficit to RO.

Completed *

Items within retention.

Completed

Complete programming on SCRs.

Completed

Obtain HQDA approval/implement SCRs.

B. Planned Milestones (FY 1993):

Date

Milestone

29 Dec 92

Change regulations.

C. Planned Milestones (Beyond FY 1993):
Date Milestone

Validation Process: After closure, by independent review and audit.

Note: * Continuing actions.

Point of Contact:

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UNCORRECTED MATERIAL WEAKNESS

USAMC-90-009

Title of Material Weakness: Army Records Contain Millions of Dollars in

Negative Unliquidated Obligations (NULOs)

Functional Category: OSD -- Comptroller/Resource Management

Army - Financial Management

Description of Material Weakness: The General Accounting Office (GAO) Report states that AMC, as of 30 Sep 89, had a NULOs balance of \$328 million against 4.500 detailed lines and that \$7.6 million of \$49 million sampled by the GAO were overpayments. Action to correct NULOs is slow because the major subordinate commands (MSCs) have problems in obtaining information from Defense Logistics Agency (DLA) and the MSCs do not have an adequate follow-up procedure.

Component/Appropriation/Account Number: Conventional Ammunition Working Capital Fund; Army Procurement; Research and Development and Army Stock Fund

Year Identified: FY 1989

Original Target Correction Date: FY 1991

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: FY 1994

Reason for Change in Date(s): * DLA is in the process of developing a mechanized listing which requires minor system changes.

- (1) Completion date slipped because SCR was preempted by higher priority SCRs.
- (2) DFAS has the lead action with input from all of the services.

Impact of Material Weakness on Operations: Overpayments to contractors.

UNCORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-90-009

Major milestones in Corrective Action:

A. Completed Milestones:

Date Milestone

Open item from initial working group

30 Jun 93 (1) * Provide funding stations a monthly listing of final payment notice.

Joint Contract Accounting and Finance Process Review Group plan of actions.

30 Nov 92 (2) * Provide funding stations access to MOCAS (Mechanized On-line Contract Administration System on-line history files.

Completed Improve data transmission (i.e., contract, disbursement/collection data).

31 Jul 93 (2) * Improve contract payment notice (CPN) process.

Completed Include users in MOCAS testing.

Completed Quantity and report NULOs by age.

31 Jul 93 (2) * Improve processing of correction requests.

31 Oct 92 (2) * Improve contract structure.

31 Oct 93 (2) * Improve progress payment proration procedures.

- B. Planned Milestones (FY 1993):
 Date Milestone
- C. Planned Milestones (Beyond FY 1993):
 Date Milestone

Validation Process: After closure, by independent review and audit.

Note:

Point of contact:

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UNCORRECTED MATERIAL WEAKNESS

USAMC-90-010

Title of Material Weakness: Potential Loss of Money Due the USG from

Noncollection of Nonrecurring Costs (NC)

Functional Category: OSD -- Comptroller/Resource Management

Army - Financial Management

Description of Material Weakness: Reference Internal Management Control Weakness USAMC-89-007, SAB. Procedures for collecting NC charges when contractors make direct sales of major defense equipment to foreign customers were not adequate. Sufficient actions were not taken to collect those amounts from contractors. Although one corrective action remained to be finished by the USASAC, the referenced weakness was certified as closed in the Commander's FY 89 Annual Assurance Statement on the basis that this action would be completed by 1 Oct 89. As of this date, the centralization of NC accounting, collecting, and reporting functions at USASAC has not been completed. This action is directly tied to the completion of Internal Management Control Weakness USAMC-89-002, Identification of Export Sales/Recoupment of NC. On 1 May 90, the DCS RM, through AMCRM-P, sent a request to the Deputy ASA (FM) for a policy change that would allow USASAC to fund those functions from the revenues received from NC collections.

Component/Appropriation/Account Number: Foreign Military Sales Trust Fund

Year Identified: FY 1989

Original Target Correction Date: N/A

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

Current Target Date: FY 1993

Reason for Change in Date(s): Information needed to complete the corrective action has not been provided by the State Department.

Impact of Material Weakness on Operations: USASAC has developed procedures to centralize NC collections at their command. They are currently negotiating with the State Department to obtain hard copies of export licenses. Once the export licenses are obtained, USASAC will build a data base that will enable them to monitor and followup on all Army NC collections. That action, estimated to be completed by 26 May 92, will close Internal Management Control Weakness USAMC-89-002. Final action on this weakness will be completed at the same time. Financial data on implementation is not readily available.

Source(s) Identifying Weakness: General Accounting Office

UNCORRECTED MATERIAL WEAKNESS PAGE 2

IISAMC-90-010

Major milestones in Corrective Action:

Completed Milestones:

Milestone

Date Completed

USASAC implements procedure providing MSC's with listing of

approved export licenses quarterly.

Completed

Promulgation of procedures for accounting, collecting, and reporting recoupment of NC charges on direct sales to foreign

customers.

Completed

Designation of USASAC as Army Focal Point for NC charges.

Planned Milestones (FY 1993):

Date

Milestone

30 Sep 93

Centralization of accounting, collecting, and on reporting

functions for NC at USASAC.

Planned Milestones (Beyond FY 1993): C. Milestone Date

Validation Process: After closure, by independent review and audit.

Completion of the final corrective action is contingent on completion of Internal Management Control Weakness USAMC-89-002, Identification of Export Sales/Recoupment of NC. Target date is notional.

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CORRECTED MATERIAL WEAKNESS

USAMC-91-001

Title of Material Weakness: Inability of Army Stock Avail Perf to meet Programmed

Cooperative Logs Supply Spt Arrangements Requirements

Functional Category: OSD -- Security

Army - Supply Activities

Description of Material Weakness: The supply performance of Cooperative Logistics Supply Support Arrangements (CLSSA) programmed requirements (matured) is not meeting the standards of performance established under MILSTEP and MILSTRIP on-time processing of requisitions and stock availability performance requirements. Potential low performance exists because assets procured as CLSSA investment are available for issue to Army and all other FMS customers with similar requirements. The potential exists that assets, purchased with the FMS customer's funds, may not be available when called upon for supply/program termination.

Component/Appropriation/Account Number: Foreign Military Sales Trust Fund

Year Identified: FY 1991

Original Target Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: N/A

Reason for Change in Date(s): Corrective actions completed.

Impact of Material Weakness on Operations: Failure to correct the weakness will place the Army in violation of the CLSSA agreement, i.e., to buy and store assets in anticipation of country requisitions and to process country requisitions down to the safety level of stock availability the same as U.S. Army requirements.

CORRECTED MATERIAL WEAKNESS PAGE 2

USAMC-91-001

Major milestones in Corrective Action:

A. Completed Milestones:

Date Milestone

Completed Evaluate the requirements for improvement in "REAL"

performance. Gather meaningful data, analyze, verify

causes with data.

Completed Develop a standard process. Develop revised and/or new

operational requirements as they should be.

Completed Ensure documentation/implementation. Prepare system change

requests, test and implementation.

B. Planned Milestones (FY 1993):

Date Milestone

C. Planned Milestones (Beyond FY 1993):
Date Milestone

Validation Process: After closure, by independent review and audit.

Note: System Change Request implemented in Mar 92. As of Jun 92, on time supply performance reached ninety percent, well within Army guidelines. Corrective actions completed. Closed pending independent review and audit.

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How the U.S. Army Materiel Command Internal Management Control Program was Conducted in FY 92

This assurance statement is based on a combination of actions taken to ensure there is a reasonable level of confidence that internal management controls throughout the command are in place and operating. Actions taken included:

- a. Continued an aggressive training program with the primary objectives being to ensure that: every manager understands the GAO Standards and how to apply them in daily operations; and operating managers understand their incremental responsibilities for using the Internal Control Review Checklists for day-to-day guidance and periodic formal application required by the Management Control Plan. During FY 92, an estimated 3,979 personnel of the Command received program orientation or training. Presentations also explained the genesis of the Integrity Act and implementing requirements—to ensure everyone understands the basic requirements of the program, how it operates, and its practical benefits.
- b. Made widespread notification of the publication of Army's Management Control Plan republished as DA Circular 11-91-3 on 15 September 1991 to ensure all managers are aware of available checklists and applicable scheduled requirements for formal use.
- c. Maintained a framework for pinpointed responsibility and accountability to achieve Integrity Act objectives:
- A network of major command and installation Internal Management Control Administrators is in place to: distribute program guidance and requirements; provide training, instructions and assistance to operating managers; maintain records on assessable units and internal management control review coverage, status of reported internal management control weaknesses through correction, and positions with internal management control responsibilities warranting coverage in the incumbents's performance agreement; disseminate information on problems at other activities identified by sources outside the command (e.g., audit and the media); monitor overall compliance with program objectives; develop and staff required reports; and, keep the senior staff and commander advised to ensure a sound basis for the annual assurance statement.
- Effective controls are in place to ensure compliance with the provisions of paragraph 3-9 of AR 11-2 involving internal management control responsibilities in performance agreements.
- Data on program performance is included in the commander's quarterly review and analysis system to ensure detection and correction of any problems.
- d. Provided guidance to subordinate activities regarding changes to Internal Control Review Checklists identified in the Army Management Control Plan for formal use in FY 92. All reviews scheduled to be conducted in FY 92 were formally completed.
- e. Detected eleven internal management control weaknesses during the year. Nine of these remain in process at year end. The 36 candidate material weaknesses reported to the U.S. Army Materiel Command by Major Subordinate Commands (MSCs) and Separate Reporting Activities (SRAs) during FY 92 resulted in the certification of seven weaknesses for inclusion in the USAMC Annual Assurance Statement. MSCs ands SRAs reviewed 105 candidate weakness, of which 39 were certified for reporting to HQ AMC. An additional 16 prior year material weaknesses were closed by MSCs and SRAs with 17 prior year material weaknesses remaining open at year end.

In addition several initiatives were undertaken within the command to improve internal management controls and warrant inclusion in the Secretary of the Army's statement:

HQ, U.S. ARMY MATERIEL COMMAND (HQ, AMC)

HQ, AMC INTERNAL REVIEW AND AUDIT COMPLIANCE OFFICE (IRAC)

The AMC Internal Management Control Office has been organizationally transferred to the Internal Review and Audit Compliance Office. In order to preclude a conflict of interest (AR 11-7, Internal Review) Internal Management Control has been established as a separate unit within the Internal Review and Audit Compliance Office.

The AMC Internal Management Control Office conducted a quality control check of HQ, AMC checklists scheduled and completed for FY 92. Recommended changes and improvements were provided to the operating managers. As a result of this review, a training handout on "Tips on How to Properly Complete the Army Internal Control Review Checklist" was developed. This training literature will be provided to operating managers as a part of the Management Control Plan process.

The AMC Internal Management Control Office emphasized implementation of Federal Acquisition Regulation Provision 13.9002 requiring that control of the Credit Card Program must be addressed in the Command or Installation Internal Management Control Program.

The AMC Internal Management Control Office provided feedback on the FY 91 Annual Assurance Statement to the MSCs, SRAs and HQ AMC staff.

The AMC Internal Management Control Office extracted the FY 92 requirements for completing checklists from DA Circular 11-91-3, Management Control Plan, for the MSCs, SRAs, and HQ, AMC staff. This extract with changes was provided to the field and the HQ staff.

Hard copy potential material weaknesses were converted to electronic media and transmitted to MSCs and SRAs through the Internal Management Control Administrators network for evaluation and dissemination to subordinate activities. These potential weaknesses were also provided to the HQ, AMC staff for evaluation and consideration for inclusion in the FY 92 AMC Annual Assurance Statement. Potential material weaknesses were provided by the following memoranda:

DoD Memorandum for Component Internal Management Control Senior Responsible Officials, Subject: Synopsis of Internal Management Control (IMC) Problems, Sep 27, 1991.

DoD Memorandum for Component Internal Management Control Senior Responsible Officials, Subject: Synopsis of Management Control Problems, Jan 23, 1992.

ASA (FM) Memorandum , Subject: Management Problems Facing the Department of Defense, Apr 9, 1992.

DoD Memorandum for Internal Management Control Focal Points, Subject: Periodic Summary of Management Control Problems, Aug 17, 1992.

HQ, AMC INTERNAL REVIEW AND AUDIT COMPLIANCE OFFICE (Continued)

The Internal Management Control staff provided specialized internal management control training to AMC Inspector General (AMCIG) personnel. In addition to the standard training presentation, AMCIG personnel were also provided guidance on setting audit/review objectives and writing of findings and recommendations when auditing/reviewing internal management control aspects of any function or program.

The Internal Management Control staff developed a revised checklist for AR 11-2, Internal Management Control, Section 2. The revision was forwarded to the Deputy Assistant Secretary of the Army for Financial Oversight along with other recommended checklist revisions.

HQ, AMC DEPUTY CHIEF OF STAFF FOR ACQUISITION

Developed and distributed a training package titled "INTRODUCTION TO CONTRACTED ADVISORY AND ASSISTANCE SERVICES (CAAS) FOR THE NEWLY APPOINTED CAAS DIRECTOR OR CAAS SUPERVISOR"

Re-emphasized reducing acquisition costs to subordinate activities. In order to further streamline the process and to establish a common framework for application, the following was established:

- Level 3 Advanced Planning Briefings for Industry will be conducted for every new competitive acquisition over \$15M.
- Management, functional discipline and data requirements shall be approved by the Head of the Contracting Activity, or his designee, prior to their use in Research and Development solicitations or contracts over \$2M and all other acquisitions over \$15M.
- Draft Request for Proposals are expected to be used on competitive acquisitions.

HQ, AMC DEPUTY CHIEF OF STAFF FOR ENGINEERING, HOUSING, ENVIRONMENT, AND INSTALLATION LOGISTICS (AMCEN)

The AMC DCS EHESIL Bulletin continues to be used as a tool for disseminating information to the field on problems identified by HQ, AMC and outside sources. It also serves as an effective means of praising field organizations for employment of ideas that improve overall internal management control or administrative procedures as well as noting problem areas.

Internal management control of the Military Construction, Army program was ensured by the close review and evaluation of the scope, criteria, justification and documentation of each project by the AMCEN Engineering and Housing Division MCA team staff. In addition, all projects proposed by FY 93 funding were subjected to on-site review by the Corps of Engineers district engineer staff, with the project certified ready for design start by the district engineer and subsequently by the AMC Engineer prior to release of design authority.

In coordination with the DCS for Resource Management and Command Counsel, clarification was sought and obtained from HQDA regarding the applicability of Public Law 102-190, Sec. 2807, to minor construction funded by the RDTE appropriation. The statute, which raised the ceiling for Operations & Maintenance funded construction from \$200,000 to \$300,000, was determined to be equally applicable to RDTE funded projects as for Operations and Maintenance, Army projects.

HQ, AMC DEPUTY CHIEF OF STAFF FOR ENGINEERING, HOUSING, ENVIRONMENT, AND INSTALLATION LOGISTICS (AMCEN) (Continued)

The CG AMC Delegation of Authority for approval of minor construction was revised and reissued as NO. 7-92, dated 10 June 1992. The change increased the approval authority for MSC Commanders from \$190,000 to \$280,000 per project. Approval authority for projects between \$280,000 and \$300,000 was retained at HQ, AMC level for technical review of work classification. This precludes the chance of a project inadvertently exceeding the statutory limit as a result of misclassification of construction work as maintenance or repair.

Encouraged installations to employ the Automatic Data Processing program for space utilization developed by White Sands Missile Range for more efficient data based recordkeeping of real estate records.

Actions continuing in FY 92 to correct perceived internal management control deficiencies in environmental compliance and waste generation included:

The AMC Environmental Compliance Review-Plus program with 16 multimedia audits, 12 Special Attention Visits and 22 two-year self audits completed.

The AMC Hazardous Waste Minimization program accomplished a 65.1 percent reduction in the generation of hazardous waste compared to a 1985 baseline. This exceeded the DoD goal of a 50 percent reduction a full year earlier than the prescribed 1992 requirement.

Provided HQ, AMC oversight of MSCs and installations overall environmental management programs. Conducted in process reviews with all MSCs and at 18 installations.

Actively participated in Base Realignment and Closure (BRAC) I, II, 91 and 93 actions. Provided guidance in the development of the BRAC environmental documentation to ensure technical sufficiency and to ensure compliance with statutory and HQDA requirements.

Hazardous waste regulations pose a challenge for AMC installations that conduct open burning/open detonation (OB/OD). OB/OD permit requests were due to the Environmental Protection Agency on 8 Nov 1988 for approval by 8 Nov 1992.

Conducted Environmental Compliance Reviews (ECR) at 16 AMC installations in FY 92 to determine current compliance status and corrective actions needed. Expanded the ECR program from 12 to 16 multimedia audits per year and established protocols to expand media audited from 10 to 17.

HQ, AMC CORPORATE INFORMATION OFFICE

Effective 1 August 1992, every AMC regulation, circular, pamphlet, form, and recurring report was canceled. The only documents to be restored were those that the AMC functional proponent individually justified. The result was the reduction of 200 publications (26%), 81 forms (20%), and 51 reports (46%).

HQ, AMC INSPECTOR GENERAL

Internal Management Controls was used as a topic for discussion at the Quarterly Inspector General Video Conference with major subordinate command Inspector Generals.

HQ, AMC DEPUTY CHIEF OF STAFF FOR RESEARCH, DEVELOPMENT AND ENGINEERING

Monthly analyses of variances of performance in comparison to RDTE and procurement obligations plans explaining causes of deviations were submitted to the Office of the Assistant Secretary of the Army for Financial Management.

Efforts continue to move to more use of commercial specifications and standards. Initiatives were begun to develop policy and practices for use of performance specifications.

Efforts continue to emphasize the necessity to streamline and tailor engineering requirements to avoid overly detailed specification of how contractors are to design systems and manage their engineering efforts.

INDUSTRIAL ENGINEERING ACTIVITY (IEA)

IEA completed a staff study and provided recommendations on the development of Government Furnished Material (GFM) yardsticks, baselines, and controls. The study and conclusions will assist HQ, AMC and HQDA in development of policy and guidance to better control GFM.

The Work Element Reporting System was improved to provide a better oversight of the work performed in the Industrial Preparedness Division. The improved system provides better control of financial and technical management systems.

IEA continued its efforts in collecting data on government property in the custody of contractors and in providing guidance on specific applications of policy to Army property administrators. Visibility of Army property in the possession of contractors has increased from \$10.3 billion (reported in FY 86) to \$16.7 billion (FY 91).

TEA has undertaken additional reporting and monitoring of the Integrated Flexible Computer Manufacturing effort in order to enhance management controls.

TEA established a database system to monitor and report on the Engineering Design Handbook Program contract data. The system has improved internal management controls on financial and technical management of the program.

HQ, AMC OFFICE OF THE SURGEON

The Surgeon's office participated in chemical and nuclear surety and operational inspections and exercises, and in child development services and child development center preoccupancy inspections.

Health Hazard Assessments were conducted using decentralized internal management control review checklists.

Nonreimburseable consultant services were obtained from the U.S. Army Environmental Hygiene Agency for compliance reviews with environmental, occupational health, ionizing and laser-microwave radiation, and pest control laws and regulations.

An automated tracking system for follow-up on radiation protection deficiencies was implemented. The system has resulted in a significant reduction in the backlog of unanswered deficiencies.

Major Subordinate Commands and Separate Reporting Activities continued an active Internal Management Control Program. In general, MSC/SRA Internal Review and Audit Compliance Offices (IRAC) and Inspector General's Offices provided assistance to the Internal Management Control Program regarding identification of material weaknesses to be reported. In addition, IRAC offices provided corrective action completion status on material weaknesses based on follow-up reviews.

MSC/SRA Internal Management Control Administrators continued to provide guidance to subordinate activities regarding Internal Management Control Review Checklists. All checklists scheduled for use in FY 92 were used as intended.

Specific subordinate activity initiatives that warrant reporting are as follows:

U.S. ARMY DEPOT SYSTEM COMMAND (DESCOM)

Although the Department of the Army (DA) guidance no longer requires vulnerability assessments (VA) and internal management control reviews (IMCR), both the Managers' Guide to VA and IMCRs are continued in use throughout the Command to bridge program gaps.

Developed and distributed a DESCOM-unique checklist for completion by functional-level points of contact (POC) to enhance communication link between the POC and management and better identify responsibilities of the POC in conducting their IMCP duties within their functional area.

Developed and implemented a checklist for the review of Solicitations, Justifications and Approvals, Business Clearance Memorandum and Proposed Awards. Checklist has been incorporated in the DCS for Acquisition (Contracting) standing operating procedures.

Proliferated use of the IMCP Checklist on AR 1-211 calling for managers' responsible for signing as the Order Authorizing Official on DD 1610, Request and Authorization for TDY Travel of DoD Personnel, complete subject checklist. This checklist deals with supervisors authorizing attendance at government expense meetings of technical, scientific, professional, or similar organizations for the purpose of continuing education, training, and professional development. Based on analysis of completed checklists, correspondence will be submitted through HQ, AMC to HQDA recommending changes to wording of specific questions (i.e., tone should call for "yes" response if control is in place, many do not).

Several DESCOM sites were audited for compliance with the copyright laws for personal computer software.

As a result of a U.S. Army Audit Agency audit in FY 92 on AMC Standard Accounting System, several actions were undertaken to enhance internal management controls such as directing submission of System Change Requests (SCR) through DESCOM for Systems Integration and Management Activity and annotation of appropriate statement identifying specific review guide section and question that resulted in submission of SCR, plus reason code for initiation of SCR.

During FY 92, as part of every audit, internal management controls are evaluated by DESCOM Internal Review and Audit Compliance Office.

U.S. ARMY DEPOT SYSTEM COMMAND (DESCOM) (Continued)

Investigated benefits of development and proliferation of a DESCOM-unique supplemental checklist relative to Federal Employees Compensation Act (FECA) management to determine if additional assurance would result. This was a follow-on action to the DESCOM FECA Executive Committee and necessitated by task to ensure that controls are in place and operating.

In light of the many functional realignments/transfers, i.e., supply functions to DLA, reproduction function to Defense Printing Service, and Base Realignment and Closure actions, DESCOM and it's subordinates have implemented special actions to ensure IMC procedures are followed and that sensitive areas such as environmental, accountability, etc. are effectively maintained and risk of incidents minimized. Special IMC reviews have been conducted, procedures developed and put in place, contingency planning implemented, and environmental studies conducted by the Corps of Engineers.

Future actions in support of the IMCP administration will include pursuit to relieve a portion of the IMC Checklist Review process by submitting request through AMC to DA for reconsideration of the "functional responsibility" designation in the DA Management Control Plan. A large proportion (approximately 50% or greater) of the IMCR Checklists assigned for depots review/completion do not apply in our industrial environment. Auditors continue to point out lack of completion of checklists for which the depots do not have functional responsibility. More research on this matter is necessary, however, it is an initiative planned for the upcoming FY to permit depots more flexibility in managing resources.

U.S. ARMY LABORATORY COMMAND (LABCOM)

The Internal Review and Audit Compliance Office annually audits the status of LABCOM material weaknesses, confirms completion of corrective action and assesses the efficacy in resolution of the weaknesses.

LABCOM DCS for Personnel:

A random selection of the personnel actions processed by the LABCOM civilian personnel office during the fiscal year is audited to ascertain whether the actions were accomplished in accordance with applicable procedures, regulations and laws. This provides a review of the actions taken by the Recruitment and Placement, Position Management and Classification, and the Technical Services Branches. Emphasis is placed on audits of accession actions to assure employee's benefits are correct. Where necessary, corrective actions are taken, and provisions made to avoid recurrence of regulatory or administrative errors.

LABCOM Ballistics Research Laboratory (BRL):

Electronic mail messages were sent by the director's office to all BRL employees regarding procurement integrity and procedures for improved property accountability.

LABCOM Materials Technology Laboratory (MTL):

As a result of the Internal Review audit of MTL Civilian Employee Attendance and Overtime, IRAC Report No. E-90, a local Internal Control Review Checklist was prepared by MTL. This checklist was completed by all MTL managers to strengthen controls in this area.

U.S. ARMY MISSILE COMMAND (MICOM)

Conducted on-site program assistance visits.

Revised MICOM Policy 11-3, to strengthen Internal Management Controls within MICOM.

Established quarterly Material Weaknesses and Initiatives Status Reports to the Commander.

Initiated quarterly Internal Management Control Point of Contact briefings.

Initiated an Annual Internal Management Control kickoff campaign.

MICOM Integrated Materiel Management Center:

Established a serial number tracing system for Army-owned STINGER assets which will provide for item manager visibility of assets shipped from the contractor and/or depot and of those already issued.

Developed an electronic engineering change proposal (ECP) review system called the Multi-User ECP Automated Review System (MEARS). The MEARS permits on-screen distribution, review, comment, and vote on the 2500 ECPs reviewed at MICOM each year. This will result in saving two man-years of reproduction time, 5,000,000 pages of paper, and the attendant storage area for each reviewer to keep current ECPs.

Developed an automated hand receipt data base to assist hand receipt holders in better managing their assets. The data base format provides for tracing of equipment, location, warranty status, and will generate the necessary forms and condensed or detailed property listings.

Developed an enhancement to the financial data base associated with budget execution which will enable the MICOM Logistic Assistance Representatives (LARS) to report expenditures directly to MICOM via personal computer. This enhancement will result in a more rapid return on unused obligations and enable the Missile Systems Readiness Directorate (MSRD) to more efficiently manage its resources.

The Special Programs Division of the Intelligence and Security Directorate is developing an internal management control review checklist for AR 380-381, Special Access Programs. This initiative will permit division security managers to inspect programs against established standards.

U.S. ARMY TANK-AUTOMOTIVE COMMAND (TACOM)

TACOM has developed an initiative that calls for quarterly compliance reviews of contracts. These reviews include checklist questions that will be coordinated with managers. In effect, TACOM will be applying the checklist continuously rather than every two years. This will provide additional assurance that controls are adequate and program goals are realized.

The Supply Control Study (SCS) system and associated Model 204 User Language programs were developed to provide visibility and control over open SCS recommendations and dollar value amounts. The availability and use of these processes provide the capability to ensure that oversight is maintained in the area of requirement determination.

U.S. ARMY TANK-AUTOMOTIVE COMMAND (TACOM) (Continued)

The Model 204 User Language programs were developed to support the on-line Supply Control Study and Budget STRAT process which will provide for better requirements, forecasts and budget submissions.

Model 204 programs database monitoring programs were developed to provide both the item manager and supervisor the means to monitor and correct database problems that would adversely affect requirements, inventory or the budget.

Proposed realignment and restructuring of the community and Family Activities have been proposed with consideration of the retention of adequate "Executive Control - Essential Command Supervision" (per the requirements of AR 215-1 through 5) as a significant factor. The division's analysts will be tasked to identify cost effective methods to apply the internal management controls actions with the intent to maintain essential controls in a more efficient, less labor-intensive manner. Use of ADP processes and analysis to reduce labor-intensive control actions will also be reviewed.

U.S. ARMY TEST AND EVALUATION COMMAND (TECOM)

Established policy requiring managers to spend a minimum number of hours per week visiting work sites out of the immediate office area to expand awareness of operations and to enhance internal procedures.

Integrated the principles and philosophy of internal management control with other processes, e.g., Total Army Quality (TAQ), to achieve organizational excellence.

SIMULATION, TRAINING AND INSTRUMENTATION COMMAND (STRICOM)

Project Manager for Instrumentation, Targets and Threat Simulators (PM ITTS) Strengthened controls for overtime by developing a Standard Operating Procedure for the review and approval of overtime.

PM ITTS instituted a quarterly review of all project funding documents to assure financial accountability.

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SECRETARY OF THE ARMY WASHINGTON



November 16, 1992

MEMORANDUM FOR SECRETARY OF DEFENSE

SUBJECT: FY92 Statement of Assurance on Internal

Management Controls -- INFORMATION MEMORANDUM

This constitutes the Army's FY92 statement of assurance required by DoD Directive 5010.38, Internal Management Control Program.

The Department of the Army has taken measures to ensure its systems of internal management control have been evaluated in a conscientious and thorough manner. All available information indicates that these systems provide reasonable assurance that the Army meets the objectives of the Federal Managers' Financial Integrity Act (FMFIA). That information also indicates the presence of certain Material Weaknesses, identified in this report.

Late in FY92, the Army received the General Accounting Office (GAO) report on Army financial management operations and controls, which included a recommendation to revisit our FY91 Annual Statement. Specifically, the report recommended that I advise you that the FMFIA objectives were not being met within the Army. I did not concur with this recommendation, and the official DoD response supported my nonconcurrence, indicating that the Army had implemented FMFIA and that its objectives were generally being met.

The DoD response also advised that the Army has: developed a process for centrally conducting risk assessments, established an extensive system of internal control review checklists to help managers assess their internal controls, emphasized the training of managers by addressing internal controls in all major Army leadership schools, and reported a large number of Material Weaknesses since passage of FMFIA.

The GAO report does illustrate some problems we have in executing the program and the corrective action we have taken. Similarly, the GAO report points out instances where individual commands need to investigate and resolve unusual and/or abnormal account balances. Again, this is an execution

problem. The Army is fully aware of such problems and is committed to resolving them. Given the pilot nature of this audit, and the ongoing development of financial decisions on accounting policy, rules and regulations by OMB, the current GAO effort on the FY92 financial statement may reveal additional information relevant to the assessment of our internal management controls.

In addition to the Material Weaknesses reported, two other areas of concern have recently surfaced that may warrant reporting in the future: (a) the management of excess assets and (b) the increased maintenance cost and deterioration of weapons and equipment. These are now under investigation to determine whether they involve internal management control problems and, if so, whether they are sufficiently material (in terms of scope, magnitude of resources, sensitivity and adverse impact on mission) to report at this level. Our evaluation of these concerns will be completed and appropriate corrective actions initiated as soon as possible, but not later than mid-FY93. If any of these are determined to be Material Weaknesses, they will be reported in the Army's FY93 Annual Statement.

I am most concerned about the problems we are currently having with our new military pay system, Joint Service Software (JSS), because less than adequate service is being provided our soldiers. We are not able to identify this system as an Army Material Weakness, since the system and the service provided are the responsibility of the Defense Finance and Accounting Service (DFAS). We are in a continuous dialogue with DFAS on the various pay-related problems and issues and are providing assistance in resolving the problems. DFAS is sensitive to the issues and is working to correct them. Our efforts will continue until service reaches the required level.

I am also concerned about the DoD-wide problem of ineffective oversight and accountability of in-transit cargo resulting in property and financial losses. A recent GAO report indicated that "the DoD's systems for identifying, reporting and recovering lost freight and for monitoring carrier performance are in disarray." Although the Army has an interest in this issue, it is not appropriate for us to identify it as a Material Weakness, because these are systemic deficiencies in the DoD transportation system and require corrective action by the United States Transportation Command (USTRANSCOM). USTRANSCOM is aware of this problem and has

initiated corrective action to resolve the deficiencies. The Army stands ready to provide assistance in support of USTRANSCOM's efforts.

Tab A describes the concept of reasonable assurance and how our Internal Management Control Program has been implemented. It also provides information on how the Army evaluation was conducted.

Tab B provides a progress report on the five DoD High Risk Areas identified by OMB.

As indicated, the Army's evaluation identified Material Weaknesses. Tab C-1 provides a list of Material Weaknesses which still require corrective action. Tab C-2 provides an individual summary for each of these open Material Weaknesses. Tab C-3 provides an individual summary for each Material Weakness corrected during FY92.

Tab D is a separate report on the Army accounting system. It addresses the system's conformance to the principles, standards, and related requirements of the Comptroller General under Section 112 of the Accounting and Auditing Act of 1950.

The Auditor General's opinion on the overall Army program is at Tab E.

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M. P. W. Stone

Enclosures

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TAB A
ARMY'S CONCEPT OF REASONABLE ASSURANCE AND
HOW THE INTEGRITY ACT HAS BEEN IMPLEMENTED

ARMY'S CONCEPT OF REASONABLE ASSURANCE AND HOW THE INTEGRITY ACT HAS BEEN IMPLEMENTED

Guidelines and Objectives

The system of internal accounting and administrative controls in the Army, in effect during the fiscal year ending September 30, 1992, was evaluated in accordance with the Guidelines for the Evaluation and Improvement of and Reporting on Internal Control Systems in the Federal Government. These guidelines were issued by the Director of the Office of Management and Budget (OMB), in consultation with the Comptroller General, as required by the Federal Managers' Financial Integrity Act of 1982. Included here is an evaluation of whether Army's system of internal accounting and administrative controls is in compliance with standards prescribed by the Comptroller General.

The objectives of Army's system of internal accounting and administrative controls are to provide management with reasonable assurance that:

- obligations and costs comply with applicable law;
- assets are safeguarded against waste, loss, unauthorized use, and misappropriation;
- revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained; and
- programs are efficiently and effectively carried out in accordance with applicable law and management policy.

The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative controls including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the preceding.

Army's Internal Management Control Program

Standing Environment of Internal Management Control. Before and since the Integrity Act, Army's inherent complexity and discipline have always necessitated a broad range of management control mechanisms to ensure accomplishment of basic missions. hundred Army regulations and numerous other formal directives define the standard actions that must be accomplished by worldwide Army managers, every day, for every facet of every function. Standard organizational structures for worldwide garrison and tactical unit headquarters serve to separate essential duties, to pinpoint policy proponency as well as oversight responsibilities, and to create many "checks and balances" reducing the risk of errors and omissions. These built-in management controls include the Defense-style of coordination/staff work to achieve consensus or define options prior to finalizing sensitive actions. common headquarters control mechanisms include weekly staff meetings, a quarterly review and analysis process addressing essential plans and standards, and various in-process reviews and status briefings tailored for decision or other resolution of major issues and problems. Additional prevention and detection measures are provided by internal Army organizations performing extensive audits, inspections, investigations, and quality reviews of every Army activity. This work involves several thousand Army personnel who further reduce the risk of undetected problems and assist operating managers in defining essential actions to correct the underlying causes of significant management deficiencies. Incremental confidence about the readiness posture of tactical unit personnel, equipment and training is derived from about 40,000 reports made by about 6,000 unit commanders each year and documented in Unit Status Reports forwarded through channels to the Army Staff. From these examples, it's evident that Army's commitment to controls has been and continues as an inseparable element of day-to-day operations.

Army's Basic Response to the Integrity Act. The historical Army commitment to management controls versus the reality of recurring control deficiencies caused Army to conclude there was a need for two fundamental corrective actions — and both were facilitated by the Integrity Act. The basic determination was that many of Army's numerous operating managers needed assistance in devising, implementing and sustaining sound management controls to assure the daily accomplishment of essential requirements while minimizing the risk of undetected problems. Improved controls logically would reduce the incidence of recurring problems, and the General Accounting Office (GAO) Standards and OMB Guidelines generated by the Integrity Act provided practical means for achieving the controls. The second Army determination was that pinpointed responsibility and accountability, as required by the Act, was needed to focus Army-wide attention on both the requirements and controls imposed on managers. If anything, existing Army regulatory

requirements were excessive and diffused the ability of operating managers to concentrate on ensuring accomplishment of the most important matters. Defining which requirements are essential, coupled with the needed assistance on applicable management controls, would permit practical responsibility and accountability of involved managers.

Continuing Evolution of Army's Program. In previous Statements, we detailed how Army implemented the four mandates of the Integrity Act and the five summary implementing requirements of OMB. We also detailed the new Army actions that can be measured to gauge management control improvements. During FY92, our primary goal was to institutionalize the focus on reliable management controls in all day-to-day Army operations. Since the exercise of sound management controls is an inherent responsibility of any person functioning as a manager, the most vital element in achieving the Integrity Act goals is educating and assisting managers in understanding and applying the 12 GAO standards, to include application of Army's unique system of internal control review checklists. The second most important element is minimizing administrative burdens, which detract from practical acceptance of Integrity Act objectives, while clearly and concisely defining the pinpointed responsibility and accountability of each manager. Finally, and the ultimate measure of successful implementation of the Integrity Act, is installing effective means for stopping recurrent management control deficiencies -- especially those detected by auditors. The following sections present additional details on these three bottom line measures of Integrity Act success.

Training and Consultant Services

Educating Army managers at all levels on the principles and practices of sound internal management control is central to achieving the objectives of the Integrity Act. It is a continuous process -- and potentially very expensive. Training has been elevated to the highest priority by OMB and special training courses developed by the Office of Personnel Management (OPM) are offered to all Government managers, including those in the Army. While the Army has long recognized the requirement for internal management control training, the cost of obtaining it from external sources for approximately 50,000 managers would be excessive. In response, the Army's Internal Management Control staff has planned and implemented an Army-wide education, training and assistance effort to achieve a basic understanding and application of internal management controls among the professional leadership of the Army Staff, major commands, installations, and division-size units. The primary focus of this effort is to instill a practical understanding of the GAO Standards and their day-to-day application to Army operations, and of the basic components and requirements of

the Army's Internal Management Control Program. A great deal was achieved in FY92, to include laying the groundwork for program initiatives to be realized in FY93 and beyond.

The following is a summary of the key activities contributing to this education, training and assistance effort:

- Direct Training Assistance. During FY91, the Army's Internal Management Control staff began to shift its training emphasis away from directly providing training classes to Army field commands and activities. Instead, focus was concentrated on institutionalizing internal management control instruction throughout the Army's established education/training structure. These initiatives are expected to yield substantial benefits to the Army in terms of cost-effective training and increased commitment to the Army's Internal Management Control Program.

This effort has, of necessity, reduced the capability of the Internal Management Control staff to directly provide training. However, training assistance to the Army Staff, field commands and activities continues to be a goal. Direct training assistance was provided to the U.S. Army Corps of Engineers; the U.S. Army Reserve's 310th Theater Army Area Command (TAACOM) at Fort Belvoir, Virginia; the Office of The Surgeon General; the Office of The Inspector General; and the Office of the Administrative Assistant to the Secretary of the Army. Initiatives taken for training assistance included:

- Education of Army Leadership. The Internal Management Control staff began in FY92 to incorporate internal management control instruction into the curricula of the Army's primary leadership schools, in an effort to make it a part of every Army manager's professional development. Substantial progress was made in the first year of this effort:
- -- Orientation of New Brigadier Generals and Senior Executive Service Members. These orientations included coverage of the Army's Internal Management Control Program beginning in October 1992. Specifically, new Brigadier Generals and Senior Executive Service Members are now briefed on the program's purpose, basic components and philosophy, benefits to their organizations; and, their role in the program's effective implementation.
- -- Command and General Staff College. In September 1992, the Internal Management Control staff began making presentations to new brigade and division commanders in the Pre-Command and Division Commander courses. The courses were offered about once a month by the Command and General Staff College at Ft Leavenworth, Kansas, to assist command selectees in their preparation for command. These one-hour presentations addressed the purpose, components and benefits of the program, with a focus on how the program relates to TOE/tactical units. By mid-FY93, this presentation will be

extended to the Command and General Staff Officers Course, a tenmonth program which prepares officers for duty as field grade commanders and principal staff officers at division and higher echelons.

- -- Army War College. Beginning with the 1990-91 class, the subject of "Internal Management Control" was incorporated as a study topic that students could choose for their personal research projects. During FY92, efforts were initiated to include internal management control to the program of instruction at the War College, with the first presentation anticipated during FY93.
- -- Army Management Staff College (AMSC). During FY92, the Internal Management Control staff worked with the AMSC faculty to improve the internal management control block of instruction, and began making one-hour presentations to the class. This 14-week resident course, designed to provide advanced professional education to selected military and civilian managers across a wide range of functional areas, is offered three times a year and trains approximately 300 managers and leaders who will advance and fill key positions.
- -- Army Comptrollership Program. Efforts were initiated during FY92 to add internal management control coverage to this one-year graduate level program for Army military and civilian resource managers at Syracuse University. It is anticipated that the curriculum will be revised to incorporate internal management control instruction for the next academic year.
- Training of Army Managers. In addition to this effort to improve leadership education, several initiatives were undertaken to improve the quality and availability of internal management control training for all Army managers. These initiatives include:
- -- The Inspector General School. During FY92, the Internal Management Control staff worked with the Inspector General School's faculty to expand and improve the internal management control instruction provided. In the revised format, internal management control is addressed in both the "Overview" and "Inspections" blocks, and will be supplemented with a comprehensive student handout provided as a reading assignment.
- -- Army Management Engineering College (AMEC). The Army's primary course for in-depth preparation of Internal Control Administrators, the Internal Management Control Program and Instructor's Institute, continued to be taught at AMEC's Rock Island, Illinois campus. AMEC also continued to offer Causative Research in Solving Problems, a course intended to help high-level managers resolve complex, pervasive material weaknesses. Efforts begun last year to develop a four-hour on-site course oriented to the needs of operating managers were completed during FY92. Based on the considerable demand demonstrated for this inexpensive new

course (Army Internal Control Program for Operating Managers), the AMEC faculty conducted 55 on-site classes at Army field commands and activities during FY92. Finally, the Internal Management Control staff took several steps to advise field commands and activities of the importance of formally identifying their internal control training needs, to ensure that Army-wide requirements for such training accurately reflect demand and compete effectively for available training resources.

- -- Manager Development Correspondence Course. In coordination with the Training and Doctrine Command, the Internal Management Control staff developed an internal management control lesson plan for this new course, intended for new civilian managers in the Army as part of the Chief of Staff-approved Civilian Leader Development Action Plan. This new correspondence course will be offered to Army managers beginning in the second quarter FY93. Future efforts will focus on adding an internal management control lesson plan to the existing correspondence course for new first-line supervisors.
- -- U. S. Department of Agriculture (USDA) Graduate School. In an effort to explore the feasibility of expanding available internal management control training, the Internal Management Control staff initiated a cooperative effort with USDA Graduate School's Government Auditor Training Institute to develop a pilot one-day course for operating managers. The pilot course will be conducted during the second quarter FY93, with further efforts to be determined based on an assessment of the course content and presentation, and on Army-wide demand for additional internal management control training.
- —— Training Materials. During FY92, the Internal Management Control staff developed a package of training materials on the Army's Internal Management Control Program and distributed it to all commands and activities. Designed to assist Internal Control Administrators in conducting training sessions within their organizations, this package of training materials should constitute a significant "force multiplier" in helping the Army meet the need for internal management control training within available resources. In addition, work was completed on a videotape designed to provide internal management control training to Army operating managers. It is anticipated that this videotape will be distributed during FY93 to Internal Control Administrators and installation training service centers.
- Management Consultant Services. In an effort to focus assessable unit managers' attention on the merits of improving their knowledge and practice of internal management controls, the Army's Internal Management Control staff provided direct consultant services to Headquarters, Department of the Army staff elements, attempting in each case to meet the particular needs of the "client." In some cases, informal desk side briefings or reviews

of Integrity Act requirements for top management are sufficient to cause actions leading to strengthened management controls. In addition, the Army's Internal Management Control staff worked closely with several staff elements on the development of internal control review checklists, particularly in the Civil Works area.

In addition, consultation and cooperative efforts with personnel at Ft. Polk, Louisiana and Forces Command (FORSCOM) Headquarters at Ft McPherson, Georgia resulted in the refinement of a locally-developed software application for automating the use of data in the Army's Management Control Plan. The resulting software package, which also includes a training module, will be tested at FORSCOM installations during FY93 and, if successful, will be made available through the Army's network of Internal Control Administrator in FY94.

Program Administration and Responsibilities

Another major piece of Army's governing policy and guidance documentation is the totally unique Army 5-Year Management Control Plan. This management tool, conceptualized by OMB Circular A-123, was fleshed out by Army to literally define, in a single document, every subtask of the Army, references to regulatory guidance, internal control review checklists, and pinpointed responsibility for accomplishing each subtask in every organization of the Army. The Management Control Plan also constitutes the official Army schedule for operating managers to formally certify the adequacy of essential internal management controls, thus contributing substantially to the assurance reflected in the Secretary of the Army's annual statement. The Management Control Plan is updated and published annually as a Department of Army Circular. The newest edition covering Fiscal Years 93-97 was distributed Armywide in October 1992. Through the Management Control Plan and related records, Army can pinpoint those managers with primary responsibility for defining subtask policies and requirements and those managers responsible for carrying out these policies and requirements at every Army organization. In this way, Army has achieved a sound means to determine personal accountability for the correction of internal management control deficiencies for any Army subtask at any Army organization. Exercising this accountability serves to minimize the probability of repeat findings in audit and inspection reports.

An improvement initiative begun during FY91 was to change the publication vehicle for Army internal control review checklists from the current DA 11-series Circulars to the Army Regulations that provide the applicable policy guidance. This approach will publish checklists as permanent "write-in" changes within a thirty day period, thus insuring their distribution to field managers in a timely manner. The transition to this new publications approach

was scheduled to occur in mid-FY92, but was delayed due to staffing shortfalls and the current Army hiring freeze. It is anticipated that this transition will occur during FY93.

Early Detection of and Correction of Management Control Deficiencies

Like other Federal agencies, Army has a sound system for identifying and tracking Material Weaknesses through verified corrective actions. However, Army has done much more to stop evolving weaknesses before they become material, and to develop improved techniques for exposing the root causes of these problems to ensure that corrective actions will truly prevent their recurrence.

Toward this end, Army began a project five years ago to develop a catalog of internal management control deficiencies identified by all sources (the GAO, the DoD Inspector General, the Army Audit Agency, the Army Inspector General, and top Army managers). The result is a set of "Reminder Listings" that has evolved to the point where recurring problems and their significance can be isolated for in-depth research. Attacking these problems serves to demonstrate Army's resolve to stop recurring problems, such as excess stocks, property accountability, and an array of procurement problems, that cloud public and Congressional opinions of DoD and Army managers.

In a related effort, the Army's Internal Management Control staff developed a formal approach to the practical application of Causative Research In Solving Problems (CRISP). This approach was fashioned into a four-day course of instruction, aimed at managers and auditors, that is offered several times a year by the Army Management Engineering College. It should contribute significantly to achieving an understanding of the root-level corrective actions needed to permanently stop significant recurring problems.

Material Weaknesses

Consistent with requirements of the Integrity Act and OMB, Army employs comprehensive means for detecting and correcting internal control weaknesses, and for reporting those considered material. In addition to external coverage of Army operations by the GAO and the DoD Inspector General, Army scrutinizes itself through continuing and repetitive reviews by the Army Audit Agency, the Army Inspector General, installation-level Internal Review and Inspector General, a broad array of specialized functional review groups, and other standard evaluations. Army systems and procedures have been in place for many years to record, monitor and

achieve resolution of all detected deficiencies, many of which involve internal control weaknesses. Audit reports identify deficiencies considered material within the context of applicable coverage and scope, and open channels of communication exist to expose serious problems to top DoD management, Congressional oversight committees and the public. In addition, the DoD Inspector General issues a Semiannual Report to the Congress providing summary information on problems detected throughout DoD by any audit or inspection organization and warranting the attention of Congress. This report also is available to the public.

In determining which internal control weaknesses should be reported as material by the Secretary, HQDA Staff functional proponents consider their overall awareness of Army-wide circumstances, the five "high risk" areas designated by OMB, the opinions of major field commanders, "Reminder Listings", all significant audit and inspection reports, and semiannual suggestions by the DoD Inspector General, Army Auditor General and Army Inspector General on which reports or findings they believe warrant consideration for inclusion with the Secretary's Statement as Army material weaknesses. The functional proponents' final determinations on material weaknesses boil down to management judgment, as intended, with due consideration of the OMB guidelines. In any event, Army is fully aware of and acknowledges all Army problems in the DoD Inspector General's semiannual reports to the Congress subject to the official resolution process. Omission of any such problem with the Secretary's Statement is simply a difference of opinion on relative materiality.

In the ten reporting years since inception of the Army Internal Control Program, Army-wide managers reported 976 candidate material weaknesses to the Secretary. These were the weaknesses remaining after a filtering and value—added reporting process from line managers through each higher echelon of management. After HQDA functional proponents effected merging and aggregation actions together with additions and deletions, 196 material weaknesses were reported by the Secretary. Only 16 of these remain open, including eight added during FY92. Summary details follow:

Open material weaknesses at 30 September 1991	12
Plus new material weaknesses identified in FY92	_8
Less material weaknesses corrected in FY92	4
Open material weaknesses at 30 September 1992	16

FY92 ARMY INITIATIVES TO IMPROVE INTERNAL MANAGEMENT CONTROLS

In their FY92 feeder statements to the Secretary of the Army, major field commanders and HQDA Staff principals reported numerous actions to improve and sustain sound management controls in everyday operations. Actions common to many included:

- a. Continuation of an aggressive training program with the primary objectives being to ensure that: every manager understands the General Accounting Office (GAO) Standards and how to apply them in daily operations; and operating managers understand their incremental responsibilities for using the Internal Control Review Checklists for day-to-day guidance and periodic formal application required by the Management Control Plan. During FY92, an estimated 15,300 Army managers received program orientation or training. Presentations also explained the genesis of the Integrity Act and implementing requirements to ensure everyone understands the basic requirements of the program, how it operates, and its practical benefits.
- b. Widespread notification of the publication of Army's Management Control Plan republished as DA Circular 11-91-3 to ensure all managers are aware of available checklists and applicable scheduled requirements for formal use.
- c. Sustaining a framework for pinpointed responsibility and accountability to achieve Integrity Act objectives:
- Networks of major command and installation Internal Management Control Administrators continued to: distribute program guidance and requirements; provide training, instructions and assistance to operating managers; maintain records on assessable units and internal management control review coverage, status of reported internal management control weaknesses through correction, and positions with internal management control responsibilities warranting coverage in the incumbents's performance agreement; disseminate information on problems at other activities identified by external sources (e.g., audit and the media); monitor overall compliance with program objectives; develop and staff required reports; and, keep the senior staff and commanders advised to ensure a sound basis for the annual assurance statements.

In addition, several initiatives were undertaken by the major field commanders and HQDA Staff principals to improve and sustain sound management controls in everyday operations. Samples of the most significant are highlighted under the reporting organization in the following narrative.

MACON ACCOMPLISHMENTS

U.S. ARMY EUROPE AND SEVENTH ARMY (USAREUR)

Formal Internal Management Control (IMC) Program training included a block of instruction in the Area Support Group/Base Support Battalion Commanders' Course, IMC Point of Contact training as part of the Community Command Plan transition workshops, and Resource Management training provided at the 7th Army Training Center, Vilseck, Germany.

Provided guidance on IMC requirements for deployed, transferred or deactivated USAREUR units. Guidance included reporting of material weakness and checklist usage.

FORCES COMMAND (FORSCOM)

Initiated and coordinated a joint video teleconference facilitated by representatives from FORSCOM Inspector General Office, Internal Review and Audit Compliance Office, Total Quality Management Office and IMC Administrator. This teleconference was designed to discuss the interrelationship between the programs and their responsibilities to each other. Attendees included Third U.S. Army, Continental U.S. Armies, U.S. Army Reserve Command, FORSCOM installations, Major U.S. Army Reserve Commands, major troop units at Training and Doctrine Command (TRADOC) installations, and selected TRADOC representatives.

Developed an "Evaluator's Checklist" for inspectors/auditors to quickly assess status of internal controls.

Facilitated and coordinated joint effort between Fort Polk, HQ FORSCOM, and HQDA to streamline IMC through automation and other innovative initiatives. FORSCOM was chosen as Army MACOM test site for the eventual Army-wide application.

Conducted one cryptographic facility inspection to determine adequacy of procedures for safeguarding, accounting and supply control of communications security material.

Conducted installation inspections using internally prepared checklists based upon regulations/policies governing Information Security, Personnel Security, Counterintelligence, Industrial Security, Counterterrorism, COSMIC/NATO CONTROL Security, and Intelligence Oversight.

Developed a handout to be provided to all auditors and inspectors prior to the start of a new audit or inspection. Package included a list of all Points of Contact and their phone numbers; a copy of instructions for completing checklists for the

current fiscal year; a copy of the training handout; a list of assessable unit managers pertaining to the audit; and the name and phone number of the IMC Administrator.

Orchestrated U.S. Army Reserve Command (USARC) staff review of HQDA IMC checklists to determine applicability to the U.S. Army Reserve. Notified all Major U.S. Army Reserve Commands (MUSARCS) of applicable scheduled requirements for formal use.

Developed IMC checklists for Civilian Time and Attendance and Base Operations Transition.

Inspection of IMC files and administration was added to the Command Inspection Program.

Performed a detailed audit of all Federal Acquisition Regulation expenditures after DESERT STORM to ensure there was no fraud, waste or abuse.

U.S. ARMY MATERIEL COMMAND (AMC)

The AMC Internal Management Control Office emphasized implementation of Federal Acquisition Regulation Provision 13.9002 requiring that control of the Credit Card Program must be addressed in the Command/Installation Internal Management Control Program.

The Internal Management Control staff provided specialized internal management control training to AMC Inspector General (AMCIG) personnel. In addition to the standard training presentation, AMCIG personnel were also provided guidance on setting audit/review objectives and writing of findings and recommendations when auditing/reviewing internal management control aspects of any function or program.

In general, Internal Review and Audit Compliance (IRAC) Offices and Inspector General's Offices throughout the Command provided assistance to the Internal Management Control Program regarding identification of material weaknesses to be reported. In addition, IRAC offices provided corrective action completion status on material weaknesses based on follow-up reviews.

The Headquarters, AMC Deputy Chief of Staff for Acquisition developed and distributed a training package on Contracted Advisory and Assistance Services.

The Headquarters, AMC Deputy Chief of Staff for Engineering, Housing, Environment, and Installation Logistics continued its review and oversight of environmental management and control.

Effective 1 August 1992, every AMC regulation, circular,

pamphlet, form, and recurring report was canceled. The only documents to be restored were those that the AMC functional proponent individually justified. The result was the reduction of 200 publications (26%), 81 forms (20%), and 51 reports (46%).

The Headquarters, AMC Deputy Chief of Staff for Research Development and Engineering continued efforts to emphasize the necessity to streamline and tailor engineering requirements to avoid overly detailed specification of how contractors are to design systems and manage their engineering efforts.

The Headquarters, AMC Deputy Chief of Staff for Research Development and Engineering's Industrial Engineering Activity continued its efforts in collecting data on government property in the custody of contractors and in providing guidance on specific applications of policy to Army property administrators. Visibility of Army property in the possession of contractors has increased from \$10.3 billion (reported in FY86) to \$16.7 billion (FY91).

The Headquarters, AMC Surgeon's office implemented an automated tracking system for follow-up on radiation protection deficiencies. The system has resulted in a significant reduction in the backlog of unanswered deficiencies.

The U.S. Army Depot System Command (DESCOM) developed and implemented a checklist for the review of Solicitations, Justifications and Approvals, Business Clearance Memorandum and Proposed Awards. The checklist has been incorporated in the Deputy Chief of Staff for Acquisition (Contracting) standing operating procedures.

DESCOM proliferated use of the IMC Checklist on Military Personnel Functions--Private Organization Meetings (AR 1-211). This checklist deals with supervisors authorizing attendance at government expense meetings of technical, scientific, professional, or similar organizations for the purpose of continuing education, training, and professional development. Based on analysis of completed checklists, correspondence will be submitted through Headquarters, AMC to HQDA recommending changes to wording of specific questions.

The U.S. Army Laboratory Command Materials Technology Laboratory prepared a local Internal Control Review Checklist on Civilian Employee Attendance and Overtime. This checklist was completed by Materials Technology Laboratory managers to strengthen controls in this area.

The U.S. Army Tank Automotive Command has developed an initiative of quarterly compliance reviews of contracts to include checklist questions coordinated with managers. In effect, Tank Automotive Command will be applying the checklist continuously rather than every two years. This will provide additional assurance

that controls are adequate and program goals are realized.

U.S. ARMY TRAINING AND DOCTRINE COMMAND (TRADOC)

Distributed four TRADOC updates to installation and activities which contained: audit findings and material weaknesses, training opportunities in Internal Management Control Program course, Secretary of Army Annual Assurance Statement to Secretary of Defense and TRADOC's Assurance Statement to Secretary of Army, and program guidance to the field.

U.S. ARMY, PACIFIC (USARPAC)

Implemented risk assessment and risk management programs designed to integrate safety into every operation. Programs range from private vehicle inspections to home safety checklists.

Expanded the use of the Organization Inspection Program and Command Inspection Program to incorporate regulation updates and results of previous inspections and audits. Local management controls are checked from Group level to Battalion and down to Company level for execution of procedure and regulatory guidance.

Newly assigned assessable unit managers are encouraged to complete checklists early in the fiscal year. This increases the understanding of internal controls and duties encountered in the new milieu.

U.S. ARMY INFORMATION SYSTEMS COMMAND (ISC)

The 5th Signal Command (Europe) initiated a program to conduct monthly "Resolution of Findings" meetings. Problem areas discovered throughout the year are converted into material weaknesses and a corrective action plan is immediately implemented. This cooperative effort between the IMC and the Inspector General offices, results in quickly correcting problems.

The Headquarters, ISC Deputy Chief of Staff for Intelligence office continued an on-going program of consolidating Security Inspections and command assistance visits with Internal Control Review checklists. Checklists for each respective area reviewed are an integral part of each inspection effort.

The U.S. Army Information System Software Center (USAISSC) developed and issued action officer guidance on the IMC Program and implemented a program of IMC staff assistance visits to subordinate elements. An element subordinate to USAISSC has developed a unique checklist effort to apply necessary controls to the software release package process.

U.S. ARMY INTELLIGENCE AND SECURITY COMMAND (INSCOM)

INSCOM ensured all managers were aware of available checklists and scheduled requirements for usage.

IMC Program information was disseminated to subordinate organizations.

MILITARY TRAFFIC MANAGEMENT COMMAND (MTMC)

Ensured alternative methods of control were operational for Military Standard Transportation and Movement Procedures (MILSTAMP) Transportation Control Movement Document performance reporting, manifest preparation and the Internal Control Review checklist for Transportation Discrepancy Report preparation and processing at the area commands and terminals, as applicable.

Institutionalized the Total Quality Management philosophy. This has expedited the empowerment of numerous Process Action Teams to identify quality improvements which will enhance and streamline processes' internal controls.

U.S. ARMY CORPS OF ENGINEERS (USACE)

USACE issued new Command and Program guidance through the publication of Engineer Regulation 11-1-30. This regulation explicitly addresses Commander's responsibilities and program compliance and oversight to meet the mandate set forth in the Federal Manager's Financial Integrity Act. It speaks to the core issues of training, followup, and program tracking which will frame the outline for the Corps FY93 IMC program initiatives.

Civil Works completed the publication of ten IMC Review Checklists for use throughout USACE. This undertaking is an important first step in the Civil Works role of preserving assets in this complex area. Additionally, USACE-wide efforts to review the effectiveness of existing checklists continue.

Many of the checklists created by HQDA proponents are not applicable in the unique U.S. Army Corps of Engineers district environment. Headquarters, U.S. Army Corps of Engineers functional proponents were directed by the Deputy Chief of Engineers to develop supplements to those checklists to enhance their applicability at district level.

An additional initiative was undertaken to provide IMC training to the senior leadership in the headquarters. This was supplemented by a special viewing of an IMC videotape by the Chief of Engineers for all Headquarters, USACE managers.

U.S. ARMY CRIMINAL INVESTIGATION COMMAND (USACIDC)

The USACIDC Internal Review Team conducted on-site audits/reviews of the Internal Management Controls Program Administration at the Crime Records Center, and Headquarters, Seventh Region and the then Third Region. The selected USACIDC regions were inspected to ensure that internal management control systems are operating as intended for the Contingency Limitation .0015 Funds for Criminal Investigation Activities.

U.S. ARMY HEALTH SERVICES COMMAND (HSC)

Internal Management Control Program information is published in the "Sharing Hints and Resources Effectively Newsletter" and the HSC "Commander's Notes"

Incoming medical treatment facility activity commanders are provided an Internal Management Control Program briefing. This also includes problem areas which may require corrective action.

EIGHTH U.S. ARMY (EUSA)

The EUSA IMC Administrator made 25 staff assistance visits and conducted 17 one to two hour IMC training sessions.

Made widespread use of HQDA, USAAA and several locally developed checklists to provide a basis for the annual assurance statement.

U.S. ARMY MILITARY DISTRICT OF WASHINGTON (MDW)

Implemented new turn-in procedures for the MDW Headquarters staff principals (i.e., face-to-face turn-in with the Chief of Staff) to increase awareness of responsibilities and ensure more accurate assurance statements.

U.S. ARMY SOUTH (USARSO)

Published "A Manager's Guide" to assist assessable unit manager to properly complete and apply checklists and supporting documentation when required.

Continued use of a local Internal Control Staff Compliance Checklist to determine if IMCs are properly established within major subordinate commands.

Continued with the requirement of a USARSO Organizational Inspection Program. MACOM staff is tasked, on an annual basis, to

conduct one staff and one follow-up inspection of each major subordinate commands, to include the IMC Program.

FIELD OPERATING AGENCY ACCOMPLISHMENTS

U.S. ARMY STRATEGIC DEFENSE COMMAND (SDC)

Contracted Advisory Assistance Services are properly identified and monitored to insure all obligations are within approved ceilings and regulatory guidelines.

Enhanced controls over Information Management Area Capability Requirements by developing a module on the Management Information System that ensures proper tracking of the receipt, review, approval, and satisfaction of requirements.

U.S. ARMY OPERATIONAL TEST AND EVALUATION COMMAND (OPTEC)

OPTEC Total Quality Management training focused on work process reviews and ensuring employees review their work processes for logic, function and value added. Most employees are now aware of the importance of reviewing their work processes, and at the same time ensuring that internal controls are adequate and operating as intended.

The Test and Experimentation Command (TEXCOM) Inspection Program is an internal review effort wherein each staff directorate, on an annual basis, will schedule and conduct a comprehensive functional review of each test element within TEXCOM. The Command Inspection Program is in addition to TEXCOM's other internal measures to assess that internal controls are adequate and operating as intended.

U.S. ARMY CONCEPTS ANALYSIS AGENCY (USACAA)

USACAA ensured all managers were aware of available checklists and scheduled requirements for usage.

IMC Program information was disseminated to subordinate organizations.

U.S. ARMY ELEMENTS ALLIED COMMAND EUROPE (ACE)

ACE required acquisition of the Management Control Plan to ensure all managers were aware of available checklists and scheduled requirements for usage.

IMC Program information was disseminated to subordinate organizations.

HEADQUARTERS DEPARTMENT OF THE ARMY STAFF PRINCIPAL ACCOMPLISHMENTS

OFFICE, SECRETARY OF THE ARMY (OSA)

Our Internal Review performed a survey of the OSA Internal Management Control Program during July 1992. Actions are underway to correct the one deficiency.

OSA developed and distributed an Internal Management Control Program Guidebook to all OSA managers and supervisors. This comprehensive training aid is an invaluable tool for assisting managers with discharge of their Internal Management Control responsibilities.

In addition to the Internal Management Control Program requirements, staff members conducted alternative reviews such as management and manpower surveys. An evaluation of the Internal Management Control Program will be an integral part of all reviews and audits.

OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)

Established the Office, Assistant Secretary of the Army (Financial Management) Cost Review Board. The Cost Review Board will separate the processes of developing the independent cost estimate and the Army Cost Position to ensure credibility of cost estimates.

Effectively operated the Contractor Cost Data Reporting system/process to ensure compliance with regulatory requirements in AR 11-18 and DoD 5000.2M

Initiated 2 manuals to complement AR 11-18 to provide "how-to" for cost and economic analyses. These manuals are expected to ensure that the most reliable cost and benefit information is available and that the benefits are supportable and linked to mission objectives.

Expanded and improved IMC education provided at Army leadership schools such as: orientations for new Brigidier Generals and Senior Executive Service Members; pre-command courses offered by the Command and General Staff College; initiation of actions at the Army War College and the Army Comptrollership program; improvement of instruction at the Army Management Staff

College and the Inspector General Course.

Improved the quality and availability of IMC training for all Army managers through: continued efforts with the Army Management Engineering College for a new course for operating managers; a new effort exploring the possibility of development of training at the U.S. Department of Agriculture Graduate School's Government Auditor Training Institute; and ensuring formal identification of training needs within the Army requirements and resources system.

Improved IMC training materials for use outside the formal classroom setting to include: distribution of a package of training materials for use by all command and activity Internal Control Administrators; completion of work on an instructional video tape for release in FY93; and development and staffing of a lesson plan for the Training and Doctrine Command for a new correspondence course for new civilian managers and an existing course for new first-line supervisors.

OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY (RESEARCH, DEVELOPMENT AND ACQUISITION)

Conducted periodic inventories of property to maintain accountability. We are supporting the HQDA initiative to totally automate property book and hand receipt accountability.

Published items in acquisition letters that direct remedial action to correct weaknesses in:

- Awareness of the impact contractor teaming arrangement can have on acquisition strategies.
 - Inappropriate type of contract in development programs.
- Contractor estimating systems deficiencies related to subcontract pricing.
 - Pricing procurement from Federal Prison Industries.

Directed Army Staff and commanders to take remedial action to correct defects when obtaining contracting support outside of customary organizational arrangements. Published similar guidance in Interim Operating Instruction version of AR 70-1, Army Acquisition Policy.

Published and expanded contracting checklist to reinforce existing control measures for small purchases.

Executed a Procurement Management Review Program to assess the effectiveness and efficiency, and provide oversight of contracting activities and programs.

OFFICE, DIRECTOR OF INFORMATION SYSTEMS FOR COMMAND, CONTROL, COMMUNICATIONS AND COMPUTERS (ODISC4)

During FY92, the ODISC4 continued to maintain and update the automated Process Action Team to systematically document and track corrective actions for systemic, Army-wide problems in the Information Mission Area. We identified 63 and corrected 51 problems related to the Information Mission Area.

OFFICE OF THE JUDGE ADVOCATE GENERAL (TJAG)

Reprogrammed the U.S. Army Claims Service, Trial Defense Service and the Trial Judiciary and requested additional reprogramming of other elements of the U.S. Army Legal Services Agency to more accurately reflect the missions of these elements and put the Claims Service on a more self-supporting basis.

Completed review of claims service recovery branch collection procedures to ensure controls provided for timely deposit of payments received from carriers.

OFFICE OF THE DEPUTY CHIEF OF STAFF FOR INTELLIGENCE (ODCSINT)

A joint and combined Intelligence Directorate of Reserve Affairs was established between the ODCSINT and Intelligence and Security Command. The intent of this reorganization is to achieve unity of purpose, economy of resources in focusing on readiness, technical guidance and assistance, increased peacetime and earlier wartime utility, and mobilization/ transition-to-war for the Reserve Component Military Intelligence force. This directorate provides an effective crosswalk between programs, policies, and execution of Reserve Component Military Intelligence issues.

ODCSINT implemented the Foreign Language Proficiency Pay requirement mandated by Congress for civilians in the intelligence community. The system of controls ensures that employees whose positions require foreign language proficiency, obtain the needed skills.

OFFICE OF THE SURGEON GENERAL

Updated the Veterinary Services portion of DoD Dir 6015.5, Joint Use of Medical Services, to improve controls.

Hosted a training session conducted by the Assistant Secretary of the Army (Financial Management) for Internal Control Officers.

Reduced waste by instituting white paper recycling throughout the agency and retiring numerous records which resulted in savings

of space and equipment.

OFFICE OF THE CHIEF OF ENGINEERS

Staff visit reports, telephonic and informal electronic communications with MACOMs and installations continue to stress and assure wise utilization of resources.

The Worldwide Army Director of Engineering and Housing and Environmental Conference, Planners and Programmers Conference, MACOM Engineers Conference, Major Construction, Army (MCA) Review Boards, and MACOM In-Process Reviews of the execution of Real Property Management Activity (RPMA) resources were held again during the year. The conferences were used to review policy and guidance issued to MACOMs, review the execution of RPMA resources, obtain feedback from MACOMs, and provide a forum to improve efficiency and effectiveness of the RPMA. These conferences were an excellent opportunity to ensure that the Army effectively controlled facility resources. Use of video teleconferencing enhanced the cost effectiveness of this internal control measure.

The Military Engineering and Topography Division oversaw and managed Army engineer responses to natural disasters in Florida, Louisiana, Hawaii, and Guam.

The Facility Programs Division conducted assessments of MCA and RPMA programs to ensure adequate controls exist for programming and budgetary purposes.

The Army Environmental Office continued to emphasize review and controls related to growing environmental funding; and stressed review of reports for accuracy, adequacy and validity of funding requests for projects.

The Office of Internal Services refined property controls, surveyed office communication lines, terminating unused modem lines and related charges.

DEPARTMENT OF THE ARMY INSPECTOR GENERAL (DAIG)

Through briefings, articles, meetings and correspondence, the DAIG emphasized to the Army's major commanders the importance of timely and effective implementation of agreed-to audit recommendations.

DAIG continued to review installation compliance with the Internal Management Control Program during the course of audit follow-up inspections. DAIG follow-up inspections in the following activities and commands reported on the Internal Management Control Program: Office of the Assistant Secretary of the Army (Research,

Development and Acquisition), Deputy Chief of Staff for Operations and Plans, Health Services Command, Army Materiel Command, and Forces Command. The IMC Program will continue to receive emphasis during FY93.

OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS (ODCSOPS)

As the Army's proponent for tasks and subtasks assigned to ODCSOPS, the following actions were taken:

- Reviewed regulatory requirements and corresponding internal management controls and developed or revised six Internal Management Control Review Checklists.
- Reviewed the risk assessments for all subtasks within ODCSOPS proponency and made adjustments to ratings as required.
- Reviewed and updated the scheduled use and responsibility levels for all subtasks in the Management Control Plan for ODCSOPS proponency.
- Maintained emphasis on regulation reduction. During FY92, forty-five Army regulations, pamphlets, and posters were rescinded.

OFFICE OF THE DEPUTY CHIEF OF STAFF FOR PERSONNEL

The Community and Family Support Center (CFSC) accomplished the following:

- Developed and executed new training courses within the context of the Master Training Program. Most of these and other courses offered by Community and Family Support include Internal Management controls as a topic. In FY92, 650 personnel attended Community and Family Support courses at our training center.
- Inspected automated data processing (ADP) areas for security, fire safety and other hazards. With the assistance of the inventory office of the Secretary of the Army, conducted a CFSC-wide inventory of all ADP equipment. Updated ADP property records and identified excess usable equipment. Performed a risk analysis of ADP within CFSC. Using the results of the ADP survey and risk analysis, developed the CFSC ADP Accreditation Paper. Currently writing a new Security SOP to supplement the Accreditation Paper.
- To improve controls over construction, beginning with the FY92 program, required all nonappropriated major construction projects to have a commercial project validation assessment to determine need, scope, and cost for each project.

- Conducted annual, unannounced inspection of installations under small MACOMs to assess compliance with the Military Child Care Act.

The Army Research Institute (ARI) accomplished the following:

- Developed additional methods to better control and protect commercial computer software within ARI. Provided all offices with information on applicable regulations and explanations of what constitutes authorized and unauthorized software. Established procedures to obtain approval for use on government personal computers and software obtained through such sources as SHAREWARE and FREEWARE.
- Undertook initiatives to improve security within the organization: 1) Installed locks to secure offices to prevent loss of accountable property. 2) Reviewed all classified documents on hand, downgraded or destroyed approximately one third of the documents reviewed, and established procedures to ensure regularly scheduled reviews of classified materials. 3) Heightened awareness of employees at all levels on the safeguarding of procurement planning documents to prevent influencing competition in contracting. Implemented the use of a cover sheet for all procurement planning documents to indicate their sensitivity and need for proper control.
- The U.S. Army Recruiting Command (USAREC) accomplished the following:
- The USAREC Suggestion Program generated an estimated \$129,000 in savings this fiscal year. A total of \$8,088 has been paid to USAREC soldiers and civilians in suggestion cash awards. This program encourages employees to take a critical look at operating procedures and controls, and provide ideas for improvement.
- USAREC gave special emphasis to recruiting improprieties. When improprieties, errors in judgement or improper application of regulatory guidance occurred, inquiries or investigations were conducted to resolve the specific allegations. Investigations were routed through the chain of command and processed by the Enlistment Standards Directorate and Command Legal Counsel for decision by the Commanding General in all substantiated cases.
- Because our telecommunications program is in excess of \$20 million annually, it was continually monitored to ensure resources were effectively utilized. Our system of controls includes payment of telephone bills through the use of an automated telephone bill payment system and constant review of costs. Command emphasis on controls was applied in the training of new battalion commanders and through training of Telecommunications

Control Officers. An annual inspection was conducted by the recruiting brigades and telecommunications was inspected by the command Inspector General.

- Controls in place to review and revise contracts reduced waste and resulted in cost savings. Maintenance contracts were revised to obtain lower maintenance costs, reduce the number of contracts, and to reflect the lower overall cost as equipment was turned in. Equipment authorizations were revised based on changes in the size and structure of affected battalions. Additionally, outstanding planned ADP purchases were revised to reflect the downsized needs of the recruiting command at large.
- The command continues to monitor ADP security to assure only authorized usage. The command participated with inspections by higher Headquarters to assess adequacy of ADP security. There were no significant findings involving compromise or the possibility of compromising either classified or sensitive data covered under the Privacy Act.

OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS (ODCSLOG)

ODCSLOG took the following actions to meet statutory and regulatory requirements:

- Briefed all levels of Army leadership concerning "excess management", "stewardship of resources" and "policy compliance" (Monthly Pre-Command Course, Quarterly Army Commanders/Commander-In-Chiefs' Briefing, Semi-annual Division Commanders Conference, quarterly ODCSLOG Professional Development and personal visits to MACOM).
- Established two additional forums (Council of Colonels and a General Officers Review Committee) to strengthen our internal controls as they relate to the Chief Financial Officers' Act of 1990.
- Chartered the Command Logistics Review Program Team (field compliance) to double their capacity in FY93 to review compliance with statutory and regulatory requirements and application of internal control checklists. Results of the FY92 visits were provided to myself and my staff for revision of policy and status of material weakness corrective actions.

In addition to the above, my functional managers took the following actions:

Supply and Maintenance.

- Class IX Asset Visibility - Inventory Reduction Program. We initiated a three-phased program to improve Class IX

asset visibility and enable Army wholesale item managers to use Selected Item Management System - Expanded (SIMS-X) excess reports in determining repair/buy requirements. The program will improve secondary item management by reducing excess, offsetting buys and economically redistributing valuable assets.

- Continued the Army's "War on Excess" following Operation Desert Shield/Storm. Established a quarterly reporting requirement for major commands beginning in September 1991. Since inception of the program in September, Army divisions reduced excess Class IX from 152 to 41 million dollars as of the end of June 1992.
- Initiated a project to identify outmoded or obsolete items of equipment. this information will be included in the next publication of Supply Bulletin (SB) 700-20 and used to dispose of items no longer required and costing the Army millions of dollars to maintain. Coordination is ongoing to affect discontinuation of Defense Logistics Agency support for outmoded and obsolete items.

Transportation, Energy, and Troop Support.

- The Army Petroleum Center issued Petroleum Technical Advisory Message for dissemination to all activities responsible for receiving and monitoring fuel deliveries. The advisory message outlined the basic requirements for more stringent advisory controls at installations to ensure against fraudulent fuel deliveries.
- Submitted internal control review checklists for issue and sale of personal clothing to Reserve Components for approval prior to publication in appropriate DA Circular.
- Directed the redistribution of excess Operation Desert Storm/Shield subsistence in order to fully utilize subsistence and preclude loss of material due to extreme fluctuation in climatic conditions that drastically reduced life expectancy. Subsistence, excess to services' needs, was used for humanitarian assistance.

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TAB B PROGRESS REPORT OF HIGH RISK AREAS

HIGH RISK AREAS STATISTICAL SUMMARY

Statistical Summary:		
For All High Risk Areas		and the second
Weaknesses Reported: Less: Corrected: Net Uncorrected Weaknesses:	10 -3 7	
For Each High Risk Area		
Supply Operations:		
Weaknesses Reported: Less: Corrected: Net Uncorrected Weaknesses:	6 _1 5	
Information Technology:		
Weaknesses Reported: Less: Corrected: Net Uncorrected Weaknesses:	1 -1 0	
Contract Administration:		
Weaknesses Reported: Less: Corrected: Net Uncorrected Weaknesses:	1 1 0	
Contracted Advisory and Assistance S	Services:	
Weaknesses Reported: Less: Corrected: Net Uncorrected Weaknesses:	0 0 0	
Financial Accounting for Real and Pe	ersonal Prop	erty:
Weaknesses Reported: Less: Corrected: Net Uncorrected Weaknesses:	2 0 2	

SUPPLY OPERATIONS HIGH RISK AREA STATUS

MARRATIVE:

Significant challenges continue in supply operations as we reshape the force. Key initiatives include Base Realignment and Closure, Defense Management Report Decisions, Equipment Redistribution, and Future Europe. The Army is committed to ensuring prudent inventory resource stewardship. Towards this end, the Army has established the Total Army Inventory Management General Officer Task Force to demonstrate that the total Army is purchasing and retaining only what material we require to achieve "Just Enough...Just on Time" in order to achieve overwhelming victory.

The Army is continuing action on two supply oriented material weaknesses into FY93--Property Accountability and Excess Inventory-and opening three additional weaknesses. All of these weaknesses are projected for closure in FY93. Additionally, the Army is proposing closure of the logistics material weakness, Controlling Contractors' Access to the DoD Supply System.

The Army is developing a process which provides comprehensive departmental level oversight of property accountability. There have been persistent management control deficiencies in maintaining property accountability records, at various locations throughout the Army. During FY93 the Army will continue the focus on achieving command supply discipline. Property accountability is a commander's responsibility. During FY93, the Army will complete actions to establish a quantitative baseline for select management indicators and review FY93 property accountability performance, through feedback from the Command Logistics Review Team.

Over the past several years, external and internal analyses identified systemic weaknesses related to the ineffective use of field level repair parts excess data for selective high dollar value items during the inventory requirements process. The lack of vertical asset visibility by inventory managers over retail level excess resulted in sub-optimal inventory management decisions. Responsibility for ensuring accurate vertical asset visibility of select high dollar assets is a shared responsibility of both the retail repair parts users and the wholesale inventory managers. During this past year the Army initiated a three-phased initiative-class IX Asset Visibility - Inventory Management Plan-to ensure vertical asset data for select high dollar items is used. During this next fiscal year, the Army will be following-up to ensure this initiative is achieving its desired results.

The Army maintains an inventory of non-demand and demand based repair parts at retail activities. Repair parts are added and deleted to authorized stockage based upon demand criteria. A management review board should convene quarterly and approve additions and deletions to authorized stockage. The local commander has the authority to retain items not meeting the demand based stockage criteria; however, these items must be appropriately coded as non-demand based items. A General Accounting Office Review during this fiscal year, identified a short-fall in this regard. The Army has taken actions to correct this deficiency and is committed to resolving this material weakness during FY93.

Contractors are sometimes afforded access to the DoD supply system. To ensure contractors are provided only those parts to which they are authorized, the DoD directed the establishment of Management Control Activities (MCAs). Supply controls are in place at the wholesale level. MCAs have been established at all Army Inventory Control Points. Since the vast majority of contractors with access to the supply system are working in support of wholesale operations, the materiality of this weakness has been eliminated.

During FY91, retail MACOMs and installations were directed to establish MCAs, where appropriate, to validate contractor supply requests. This policy is being reiterated and incorporated into additional supply regulations during FY93. Since reiteration and expansion of retail supply policy ultimately affects only a small number of potential requisitions, this weakness should be closed even before all retail MCAs are in place.

Efficient and effective Army supply operations are essential in a CONUS based force projection Army. The Army is working to change the culture--more is not better. The Army will achieve its logistics vision "Just Enough...Just on Time."

WEAKNESS STATUS SUPPLY OPERATIONS HIGH RISK AREA

UNCORRECTED MATERIAL WEAKNESSES

	TITLE	<u>WEAKNESS</u> NUMBER	PAGE #
1.	Stockage of Retail Level Demand Based Items That Do Not Meet Retention Criteria	AICO 92-002	C-2-2
2.	Staff Oversight of Supply Management, Army DBOF Capital Programs	AICO 92-003	C-2-3
3.	Army Watercraft Inventory	AICO 92-004	C-2-4
4.	Excess Inventory	OSD 89-013	C-2-13
5.	Property Accountability	OSD 89-015	C-2-14
	WELVIERS CORRECTED MUTS DERTOR		

MATERIAL WEAKNESS CORRECTED THIS PERIOD

	TITLE	NUMBER	PAGE #
1.	Controlling Contractors' Access to the DoD Supply		
	System	OSD 88-014	C-3-4

INFORMATION TECHNOLOGY HIGH RISK AREA STATUS

NARRATIVE:

The Army leadership established an Information Mission Area Assistant Team (IMAAT) to assist major commands (MACOMS) with implementation and oversight of disseminated OSD and HQDA Information Mission Area (IMA) policies and guidance. As of April 1992, all MACOMS have been visited. These visits have helped MACOMS to improve oversight of their Delegation of Procurement Authority (DPA) substantially. DPA improvements include wider accessibility of the Federal Information Resources Management Regulation and other regulations; provision of training by the U.S. Army Information Systems Selection and Acquisition Agency; and additional planned training by the Army Logistics Management Center. IMAAT visits have demonstrated that MACOMS have integrated all six IMA disciplines. The IMAAT role has subsequently been expanded to include assessment functions and renamed the IMA Assessment Review Team (IMAART).

The IMA Integration and Analysis Center (IIAC) was established as a staff support agency of the Office, Director of Information Systems for Command, Control, Communications, and Computers (ODISC4) on 1 January 1992. IIAC will conduct IMAART visits to MACOMS, Directors of Information Management (DOIMS), Software Design Centers, and Function Centers of Expertise on a three year cycle to assess IMA policies, guidance, and integration efforts.

The Army Reusable Ada Products for Information Systems Developed (RAPID) program began at the Army's Software Development Center Washington (SDC-W) in 1987 as a small proof-of-concept Ada code storage mechanism in support of the Standard Installation/Division Personnel System-III. RAPID was officially opened at SDC-W in April 1989, instituting a new era in software development and maintenance. This provides both a flexible, automated library system, and the methodology to capture, certify, store, select, and reuse software components.

FY92 RAPID initiatives included the first significant domain analysis effort within the Management Information Systems arena and significant population of the Army library with 1,115 reusable components. The Army RAPID Center has been designated as the model for the six Corporate Information Management (CIM) Software Reuse Remote Sites for the Services and the rest of the Department of Defense.

The Army has submitted a Software Reuse Plan to Congress as directed by the Appropriation Conference Report for FY92. The Army's Reuse Vision Plan is consistent with the Department of Defense's Software Reuse and Strategy.

During 1991-1994, the Army will consolidate 60 Data Processing Installations into nine facilities, principally within the Corps of Engineers, the Army Material Command, and the Training and Doctrine Command. Facility consolidation will provide the Army a centralized infrastructure for migrating to an Open Systems Environment (OSE) with minimal investment on proprietary automation resources and minimal disruption to Army users.

Sustaining Base Information Services (SBIS) is the centerpiece of the Army strategy to standardize and modernize business applications and migrate to OSE. SBIS is a major Army information system acquisition and it is also recognized as a key DoD CIM system. The SBIS program will provide centralized acquisition of infrastructure and coordinate the transition of Army sustaining base applications system software to OSE.

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WEAKNESS STATUS INFORMATION TECHNOLOGY HIGH RISK AREA

MATERIAL WEAKNESS CORRECTED THIS PERIOD

TITLE			NUMBER		PAGE #		
1	•	Army	Information	Architecture	OSD	90-037	C-3-2

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CONTRACT ADMINISTRATION HIGH RISK AREA STATUS

NARRATIVE:

Noncompetitive acquisitions frequently occurred due to improper contract offloading. Satisfaction of supply and service requirements was accomplished by obtaining contracting support from other Federal agencies rather than assigned contracting offices, thereby circumventing established controls such as mandatory reviews, fund controls, and contract justifications.

Inappropriate offloading of contract requirements heightens the potential for mismanagement and accountability. "Shopping around" for contracting support is contrary to published policy, regulations and statutes; burdens Army financial resources with non-value middle-man fees imposed by servicing agencies; can result in higher contract costs under non-competitive buys; may improperly circumvent year-end spending policies and controls; and may potentially lead to loss of expiring funds resulting in mission shortfalls.

The Army issued and published guidance to all Army Staff Principals and Commanders that directed remedial action to correct defects when they obtain contracting support outside of customary organizational arrangements. The guidance required offices that do not have an assigned contracting activity to obtain one, and coordinate with the assigned contracting activity before "offloading" supply or service requirements for action to other than that assigned contracting activity.

All corrective actions have been completed. Evaluations of the effectiveness of corrections will be made during future Procurement Management Reviews and Army Audit Agency audits.

WEAKNESS STATUS CONTRACT ADMINISTRATION HIGH RISK AREA

MATERIAL WEAKNESS CORRECTED THIS PERIOD

	TITLE	NUMBER	PAGE #
1.	Inappropriate Offloading of Contract Requirements	OSD-91-020	C-3-1

CONTRACT ADVISORY AND ASSISTANCE SERVICES HIGH RISK AREA STATUS

MARRATIVE: NOT APPLICABLE

FINANCIAL ACCOUNTING FOR REAL AND PERSONAL PROPERTY HIGH RISK AREA STATUS

NARRATIVE:

Requirements of the Chief Financial Officers (CFO) Act of 1990 include production of auditable financial statements. As part of a pilot project, the Army was required to prepare FY91 financial statements for all accounts. In its review of the Army's FY91 statements, the General Accounting Office (GAO) found that financial accountability over inventory, capital equipment, government furnished property, and real property needs to be improved. Specifically, DoD and Army policy needs to be revised to include engineering and design costs in the total cost of capitalized projects transferred to Army installations. addition, the Army does not follow DoD's accounting policies for recording weapons systems and other military equipment at actual costs, and property book systems maintaining item accountability not integrated with financial accounting concurrently record the dollar value of item transactions.

DoD and Army have agreed to revise applicable policy to more accurately reflect the total costs of real property managed by the Corps of Engineers. However, the problem/weaknesses described above are primarily due to the lack of adequate financial systems, as well as, the lack of integrated financial and logistical systems. Existing accounting systems were designed to capture the contractual cost of acquiring assets and to provide accurate and timely information to program managers, not to satisfy the asset, liability and equity accounting data required for financial reporting purposes. When the need for such information arose, the financial systems began to depend on functional activities, rather than financial systems, to furnish the data. Property or inventory managers were tasked to use their logistics systems to report needed information.

With the establishment of the Defense Finance and Accounting Service (DFAS) in January 1991, the responsibility for finance and accounting requirements, principles, standards, systems, procedures and practices necessary to comply with finance and accounting statutory and regulatory requirements transferred from the Army to the DFAS. Therefore, DoD/DFAS is now responsible for developing financial systems and the necessary functional interfaces that will produce auditable Army financial statements.

To ensure the Army's interests are addressed and that financial systems will produce meaningful and auditable Army financial statements, Army personnel have and will continue to participate in DFAS task forces formed to address these problems. In addition, the Army is developing and will propose a methodology for valuing Army assets until such time that required systems are developed. We have and will continue to work with DFAS personnel

to find short-term, interim solutions and to ensure the DFAS is aware of and understands the Army's needs.

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participate in DFAS task forces formed to address these proplems. In addition, the Army is developing and will propose a mathodology for valuing Army assets until such fine that required systems are developed. We have and will continue to work with DFAS personnel

WEAKNESS STATUS FINANCIAL ACCOUNTING FOR REAL AND PERSONAL PROPERTY HIGH RISK AREA

UNCORRECTED MATERIAL WEAKNESS

	TITLE	WEAKNESS NUMBER	PAGE #
1.	Financial Accountability of Property	AICO 92-001	C-2-1
2.	Military Real Property Engineering & Design Costs	AICO 92-007	C-2-7

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TAB C-1 LISTING OF UNCORRECTED MATERIAL WEAKNESSES

UNCORRECTED MATERIAL WEAKNESSES A LISTING TAB C-1

Identified During the Period:

Title	Corr	geted ection	
TILLE	Da	te	Page #
Financial Accountability of Property	FY	1994	C-2-1
Stockage of Retail Level Demand Based Items That Do	FY	1993	C-2-2
Not Meet Retention Criteria			
E3 1			
Staff Oversight of Supply Management, Army DBOF Capital Programs	FY	1993	C-2-3
Army Watercraft Inventory	FY	1993	C-2-4
CAPSTONE Program	FY	1994	C-2-5
Completed Project Costs Remain in Construction-in-Progress Accounts	FY	1993	C-2-6
Military Real PropertyEngineering & Design Costs	FY	1993	C-2-7
Pollution Prevention	FY	1996	C-2-8

Identified During Prior Periods:

		Correction	FY Date	
<u>Title</u>	Year First <u>Reported</u>	Per Last Annual <u>Statement</u>	Per This Annual Statement	Page #
Control of Small Arms Weapons Spare Parts	FY 1991	FY 1992	FY 1993	C-2-09
Civilian Retirement Claims Processing	FY 1991	FY 1992	FY 1995	C-2-10

UNCORRECTED MATERIAL WEAKNESSES A LISTING TAB C-1

Identified During Prior Periods: (Continued)

			Cor	rection	ı FY	Date	
<u>Title</u>		Year Per Last First Annual Reported Statement		Per This Annual Statement		Page #	
Control of Telecom- munications Resources	FY	1991	FY	1992	FY	1996	C-2-11
Joint Service Software (JSS) (Active Component)/JSS (Reserve Component) Interface	FY	1991	FY	1992	FY	1993	C-2-12
Excess Inventory	FY	1989	FY	1991	FY	1994	C-2-13
Property Accountability	FY	1989	FY	1995	FY	1995	C-2-14
Automated Mobilization System	FY	1988	FY	1994	FY	1994	C-2-15
Accounting System	FY	1983	FY	1993	FY	1994	C-2-16

TAB C-2 OPEN MATERIAL WEAKNESSES

AICO-92-001

Title of Material Weakness: Financial Accountability of Property

Functional Category: OSD-Resource Management Army-Financial Management

Description of Material Weakness: The Army is not in compliance with statutory, Comptroller General and Office of the Secretary of Defense (OSD) requirements for financial accountability of real and personal property and inventory estimated at \$290 billion. The Army does not follow DoD's accounting policies for recording weapons systems and other military equipment at actual costs. The Army has not established property accountability and financial controls over Government equipment and material furnished to contractors. Property book systems maintaining item accountability are not integrated with financial accounting systems to concurrently record the dollar value of item transactions. General ledger accounting adds checks and balances to the property accountability system. Lacking mandated controls, the Army cannot provide assurance for the adequacy of controls as required by the Federal Managers' Financial Integrity Act (FMFIA).

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army; Other Procurement, Army; Research and Development; Defense Business Operations Fund; and Military Construction, Army

Pace of Corrective Action

Year Identified: FY 1992

Original Targeted Correction Date: N/A

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

Current Target Date: FY 1994. A material weakness of the same title was transferred to and reported by Defense Finance and Accounting Service (DFAS) in FY91. A new Army material weakness is being submitted because of emphasis emanating from the GAO audit of Army financial management (GAO/AFMD-92-82).

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

Impact of Material Weakness on Operations: Lack of financial accountability over Army assets and non-auditable financial statements. Continued adverse publicity and criticism due to noncompliance with Public Law and implementing directives (Office of Management and Budget (IAMB), Treasury, OSD, and Army)

Sources Identifying Weakness: GAO/AFMD 92-82

Major Milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

None

B. Planned Milestones (FY 1993):

Date

Milestone

12/92 Army in coordination with other military services, develop and propose a "doable" methodology to value military equipment at actual cost to comply with DoD requirement.

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

9/94 Beginning in FY93, participate in DoD Comptroller established task force to accomplish actions leading to preparation of functional requirements for enhancement of migratory accounting systems.

On-going Assist DoD in their efforts to integrate financial, logistical, and acquisition systems.

NOTE: On-going milestone is contingent upon systems development envisioned by CIM initiative.

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

Point-of-Contact: Name: William M. Harris

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AICO-92-002

<u>Title of Material Weakness</u>: Stockage of Retail Level Demand Based Items that do not Meet Retention Criteria

<u>Functional Category</u>: OSD - Supply Operations Army - Supply Activities

Description of Material Weakness: The Army maintains an inventory of demand based, nondemand based, command directed, and mandatory parts list (MPL) repair parts at retail level Direct Support/General Support supply activities. Common repair part items may be added to the Authorized Stockage List (ASL) if there are at least nine recurring demands or deleted when they have not received at least three demands within the past 360-day period. For missile, special weapons, air defense, life-saving equipment, air traffic control, nontactical communications, classified COMSEC, intelligence gathering equipment, engineer (MTOE) and aviation materiel categories, items may be added to the ASL if there are at least three demands or deleted when the item has not had at least one demand within the past 360-day period. Headquarters responsible for supply operations appoint an ASL review board to meet quarterly and decide recommended additions and deletions to the ASL. Items not meeting demand based stockage criteria must be reviewed, changed to non-demand based if they meet the criteria, or deleted from the ASL. Inconsistent application of management controls over authorized stockage lists (ASL) have resulted in the retention of excess stock at the retail level.

<u>Component/Appropriation/Account Number</u>: Army/Operations and Maintenance, Army.

Pace of Corrective Actions:

Year Identified: FY 1992

Original Target Correction Date: FY 1993

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

Current Target Date: FY 1993

Reason for Change in Dates: N/A

Impact of Material Weakness on Operations: Failure to correct this weakness limits Army's flexibility for use of its resources. Resources are invested in inventory items at the retail level that

Impact of Material Weakness on Operations: (continued)

may not materially contribute to immediate supply responsiveness and unit requirements. Continued retention of nondemand based items without proper review may cause the perception of mismanagement and subject the Army to criticism and loss of funds.

Source Identifying Weakness: GAO/draft 393460

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date	Milestone
6/92	Quarterly reporting of on-hand excess for all Class IX repair parts continued throughout FY92. Positive results with the excess reduction efforts were achieved for all active Army divisions. On-hand excess was reduced from \$152 million in Sep 91 to \$41 million by Jun 92, a \$111 million (or 73 percent) reduction in a nine month period.

B. Planned Milestones (FY 1993):

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Date	Milestone
10/92	Issue worldwide message to reemphasize the Class IX policy in AR 710-2 which directs ASL review boards to review each ASL demand-based item for retention or deletion quarterly.
12/92	MACOMs report first quarter FY93 dollar value of Stockage List Code Q (demand supported) lines not demand supported.
12/92	Review retail management procedures used during ASL review boards and automated processes for eliminating demand-based items that do not meet the authorized retention criteria.

Resources are invested in inventory and as the revall level that

B. Planned Milestones (FY 1993): (continued)

Date	Milestone
3/93	Establish procedures for conduct of Class IX ASL reviews in AR 710-2 and publish in Supply Update 15 or release by message as applicable.
9/93	MACOMs report fourth quarter FY93 dollar value of Stockage List Code Q (demand supported) lines not demand supported.

<u>Validation Process</u>: Command Logistics Review Team--Expanded will verify adequacy of and compliance with ASL review board procedures at the retail level. Comparative reductions in ASL dollar value for Stock List Code Q lines that are not demand supported and valid justification for retention of those lines signal effectiveness of corrective actions.

Point of Contact: Name: William M. Harris

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AICO-92-003

<u>Title of Material Weakness</u>: Staff Oversight of Supply Management, Army DBOF Capital Programs

Functional Category: OSD - Comptroller/Resource Management

Army - Financial Management

<u>Description of material Weakness</u>: Lack of controls that monitor obligation of capital program funds once released to the executing activities. Capital program purchases shall be carried out within the guidelines established by public law, DoD policies, and other regulatory and administrative constraints. Obligations for capital projects are subject to Section 1517 of Title 31 United States Code (Anti-Deficiency Act), and may not exceed the total capital budget authority provided (including reprogrammings).

Component/Appropriation/Account Number: Army/Supply Management, Army (SMA) (Defense Business Operating Fund (DBOF) Appn. 4930)

Pace of Corrective Actions

Year Identified: FY 1992

Original Target Correction Date: N/A

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

Current Target Date: FY 1993

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

Impact of Material Weakness on Operations: Failure to correct this weakness could lead to a violation of statutory requirements.

<u>Sources Identifying Weakness</u>: Program Review: HQDA Deputy Chief of Staff for Logistics

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date Milestone

NONE

B. Planned Milestones (FY 1993):

Date	Milestone
12/92	Office of the Deputy Chief of Staff for Logistics (ODCSLOG) participate in a working group established under the direction of the Director of Business Resources, Army Budget Office to develop procedures for nomination, justification and selection of capital projects in all Army business areas.
12/92	The Director of Business Resources, Army Budget Office pursue the possibility of issuing funding for capital projects through PBAS by project. Funding realignments would require HQDA approval for any changes in use of funds.
12/92	ODCSLOG implement procedures to execute the SMA capital projects.

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

NONE

<u>Validation Process</u>: Audit of Capital Program execution by US Army Audit Agency.

Point of Contact:

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AICO-92-004

Title of Material Weakness: Army Watercraft Inventory

Functional Category: OSD-Supply Operations Army-Supply Activities

<u>Description of Material Weakness</u>: A discrepancy in inventory quantities exists between the various watercraft agencies having responsibility for watercraft assets management. A need exists to validate watercraft inventory and ensure inventory accountability.

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

Pace of Corrective Actions

Year Identified: FY 1992

Original Target Correction Date: N/A

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

Current Target Date: FY 1993

Impact of Material Weakness on Operations: (1) Impact relates to the appropriate accountability of Army Watercraft throughout the world in compliance with applicable DoD and Army regulations. (2) Possible loss of watercraft equipment, or improper repair of equipment because of non-accountability. (3) Use of Army supply and maintenance system for units not authorized to use same.

<u>Source(s) Identifying Weakness</u>: Initial weakness was identified in U.S. Army Audit Agency Report SR 92-9 of 24 June 1992. But recent internal review of Army watercraft inventories, briefings, and information papers have reflected discrepancies in the numbers reported.

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date

7/92	Office of the Deputy Chief of Staff for
	Operations and Plans (ODCSOPS) message
	requesting Tables of Distribution and
	Allowances (TDA) units to justify and validate
	equipment in their possession.

Milestone

B. Planned Milestones (FY 1993):

Date	Milestone
10/92	ODCSOPS message authorizing justified requirements, and instructing Aviation and Troop Command (ATCOM) to dispose of unauthorized equipment.
11/92	Release ODCSOPS message to modify Oct 92 justified requirement message. Various TDA holders have indicated they did not receive the July 92 justification message.
12/92	Training and Doctrine Command (TRADOC)/Forces Command (FORSCOM)/ARCENT/CENTCOM solidify true requirement at Reserve Storage Activity, Hythe, and forward requirement to ODCSOPS.
1/93	ODCSLOG verify with MACOMs/ATCOM that disposition instructions have been complied with.
1/93	Release ODCSOPS message to instruct MACOMs/ATCOM to comply with pertinent DoD and Army Standard supply procedures to ensure that supply requisitions are only approved for authorized units.

<u>Validation Process</u>: Methodology will consist of required formal reports from ATCOM Watercraft Program Managers Office. ODCSLOG will make this a special interest item for the Command Logistics Review Teams.

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equipment in their possession.

AICO-92-005

Title of Material Weakness: CAPSTONE Program has Control Problems

Functional Category: OSD-Force Readiness

Army-Combat Forces Operations

Description of Material Weakness: Army does not have effective controls to (1) align all active and reserve units with a wartime command, (2) identify every unaligned unit and take appropriate action, (3) provide aligned units with wartime mission guidance, and (4) monitor CAPSTONE's effectiveness.

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

Pace of Corrective Actions

Year Identified: FY 1992

Original Target Correction Date: N/A

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

Current Target Date: FY 1994

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

Impact of Material Weakness on Operations: Because of inadequate controls over CAPSTONE, the Army does not have an effective means to identify units that are not aligned with a wartime command. As a result, the Army is not able to determine whether unaligned units should be retained or deactivated.

The lack of effective controls over CAPSTONE has also allowed reserve units to train without mission guidance. Lacking mission guidance, units may be forced to train to many unnecessary tasks rather that focusing training on only the essential tasks critical to their wartime mission.

Source(s) Identifying Weakness: GAO/NSIAD-92-261

Major Milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

NONE

B. Planned Milestones (FY 1993):

Date <u>Milestone</u>

- Revise the Army Regulation 11-30, CAPSTONE Program, to correct control problems identified in GAO Report (GAO/NSIAD-92-261, Sep 30, 1992). Forces Command plans to recommend that the CAPSTONE Program be redefined to emphasize direct training relationships rather than multiple wartime alignments. Forces Command will make their recommendations to Department of Army by 31 March 1993.
- U.S. Forces Command complete improved information system and have in place by April 1993. Forces Command report all units not apportioned against OPLAN Time Phased Force Deployment Data (TPFDD) at the conclusion of OPLAN TPFDD refinement cycle. The current refinement cycle is scheduled to be completed in April 1993. Department of the Army will use this information in the ongoing force structuring process (Total Army Analysis).

C. Planned Milestones (Beyond FY 1993):

<u>Date</u> <u>Milestone</u>

11/93 First annual report of units that do not have a CAPSTONE alignment.

<u>Validation Process</u>: ODCSOPS will monitor and validate each of the planned milestones until completion.

Point of Contact: Name: William M. Harris

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AICO-92-006

<u>Title of Material Weakness</u>: Completed Project Costs Remain in Construction-In-Progress Accounts

Functional Category: OSD-Comptroller/Resource Management Army-Financial Management

Description of Material Weakness: Corps of Engineers failed to transfer completed project costs from construction-in-progress (CIP) accounts to the completed project accounts. On occasion, circumstances beyond Corps control will require a project to be left in the CIP account for an extended period of time. Cases in litigation, claims pending by contractors, unresolved labor disputes, and clearance by the Department of Labor are just a few. The Corps is reviewing ways to accelerate project closeout, such as Alternative Dispute Resolution, in the case of claims and unresolved disputes. GAO recommends that the Secretary of the Army improve the accuracy and reliability of financial data and reporting by ensuring that the Corps of Engineers delete completed projects from the CIP account. The Department of Army concurs.

Component/Appropriation/Account Number: Army/Construction
General: Military Construction, Army.

Pace of Corrective Actions

Year Identified: FY 1992

Original Target Correction Date: N/A

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

Current Target Date: FY 1993

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

Impact of Material Weakness on Operations: Should corrective actions not be taken for this material weakness, the accounting records throughout the Corps of Engineers will not properly reflect the true costs of Construction-In-Progress accounts. Some of the costs of completed military construction projects were included in both the Corps of Engineers' construction-in-progress accounts and Army installations' property records, thus causing the financial statements to double count the value of this property. The Corps was unable to determine the extent of the overstatement in the CIP account balance.

Source(s) Identifying Weakness: GAO/AFMD-92-82

Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestone
9/92	In June 1991, the Director of Resource Management directed districts to perform a joint accounting and project management review of construction-in progress accounts and to identify and remove the costs of the
	completed projects. For future accuracy, accounting and project management will perform annual reviews at the operating level. Headquarters will monitor compliance.

B. Planned Milestones (FY 1993):

Date	Milestone
11/92	Obtain a list of all projects in the CIP accounts within districts. Advise if CIP accounts have been purged of completed projects.
4/93	Verify that:
	a. Completed projects are properly accounted for in accounting records.
	b. The costs of Federally-owned facilities are in the proper Federal accounts.
	c. The projects turned over to non-Federal sponsors are removed from the accounting records, and all responsibilities for operation and maintenance have been properly assumed by the non-Federal sponsors.

C. Planned Milestones (Beyond FY 1993):

Date Milestone

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Validation Process: Management review validated by audit.

Point of Contact: Name: William M. Harris

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AICO-92-007

Title of Material Weakness: Military Real Property--Engineering &

Design Costs

Functional Category: OSD-Comptroller/Resource Management

Army-Financial Management

Description of Material Weakness: DoD and Army policy excluded engineering and design (E&D) costs from reported cost of completed military construction. GAO found that the Corps did not include E&D cost in the total cost of capitalized projects transferred to Army installations; and, installations failed to reconcile the accounting records to the Integrated Facilities System (IFS). Corps military real property construction is governed by DoD (Department of Defense Instruction (Doni 4165.40) and DA (AR 420-17) policy. The policy prescribes Department of Defense (DD) Form 1354 to transfer completed projects. However, the policy does not require E&D cost to be reported on the form. GAO recommends that the Secretary ensure that real property records are reconciled with the Integrated Facilities System and accounting records. The Corps of Engineers concurs.

Component/Approriation/Account Number: Army/Military Construction,
Army; Military Construction, Defense.

Pace of Corrective Action

Year Identified: FY 1992

Original Target Correction Date: N/A

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

Current Target Date: FY 1993

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

Impact of Material Weakness On Operations: Should corrective actions not be taken for this material weakness, the accounting records throughout the Corps of Engineers will not properly reflect the total costs of Corps managed real property. The Corps will not be able to ensure that all costs are reported to their customers, including engineering and design costs.

Source(s) Identifying Weakness: GAO/AFMD-92-82

Major Milestones in Corrective Action:

A. Completed Milestones:

Pate

Milestone

9/92

Based upon GAO's opinion that the DoD/Army policy was incorrect, the Director of Resource Management directed districts to conduct joint accounting and project management reviews of military construction records and add E&D costs to military real property values.

B. Planned Milestones (FY 1993):

Because this work involved changing old records for this new policy, the Corps is providing information on historical engineering and design costs to the Army Engineering and Housing Support Center. These will be used to change property records at posts, camps, and stations.

C. Planned Milestones (Beyond FY 1993):

<u>Date</u> <u>Milestone</u>

None

Validation Process: Management reviews validated by audit.

Point of Contact: Name: William M. Harris

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AICO-92-008

Title of Material Weakness: Pollution Prevention Management

Functional Category: OSD-Other

Army-Management and Command Activities

Description of Material Weakness: Pollution prevention planning has focused primarily on a single environmental media-solid hazardous waste-and has lacked Army-wide consistency. While the Army has reported reductions in hazardous waste and other pollutants have not yet been systematically identified, prioritized, and addressed on an Army-wide basis. Funding for pollution prevention projects comes from all Army mission accounts and is not centrally managed. Due to lack of definitive guidance, these pollution prevention and waste minimization projects usually have low priority when competing for funding with other mission requirements for those accounts.

Component/Appropriation/Account Number: Army/Other Procurement, Army; Research, Development, Test and Evaluation, Army; Operations and Maintenance, Army and Army National Guard; Industrial Fund(s), Army; Military Construction, Army.

Pace of Corrective Action

Year Identified: FY 1992

Original Target Correction Date: N/A

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

Current Target Date: FY 1996

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

Impact of Material Weakness on Operations: Adequate funding to accomplish pollution prevention goals is not provided. Pollution prevention efforts are not funded based on Army-wide priorities. Potential cost avoidance or savings are not achieved. Army operations continue to use materials and processes that often unnecessarily generate pollutants.

<u>Source(s) Identifying Weakness</u>: GAO/NAIAD 91-131 AND NAIAD 91-231; Department of Defense Inspector General (DoDIG) 91-INS-10 and Audit Reports 92-103 and 92-011; USAMC-92-008/009/010.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date

Milestone

None

B. Planned Milestones (FY 1993):

Date	Milestone
3/93	Develop Army funding policy for pollution prevention.
3/93	Establish Army guidance requiring Installations and Major Commands to prepare and maintain pollution Prevention Plans.
6/93	Prioritize target hazardous and environmentally degrading materials to be systematically eliminated from Army operations/processes.
9/93	Establish Research, Development, Test and Evaluation (RDT&E) programs to identify or develop more acceptable alternative materials/processes.

C. Planned Milestones (Beyond FY 1993):

Date	WITE2CORE
12/93	Initiate Army pollution prevention opportunity assessment program to systematically identify requirements on installation or weapon system basis.
12/93	Develop Army funding prioritization tool(s) and strategy for pollution prevention program.
9/94	Isolate the weapon system or other military technical documentation that requires use of environmentally undesirable materials/ processes.
9/96	Through a comprehensive test and evaluation program, eliminate or reduce to the maximum extent possible those requirements in military technical documentation. C-2-8B

Wilestone

Validation Process: Independent review and audit.

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Reason for Change in Date(s): Changes to Army Regulations have been staffed but will not be in the field until June 1993.

Impact of Material Weakness on Operations: Loss of small weapons repair parts and the subsequent illicit sale of weapons assembled from those parts was widely reported in the media. Members of Congress have also expressed an interest in this issue. While weapons spare parts are a high visibility item, other components of other items may have the same procedural problems and should also be corrected.

Source(s) Identifying Weakness: GAO/NSIAD-91-28

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date	Milestone Sign
9/89	New York instituted procedures to require separation of duties in the small arms repair facilities.
9/89	The \$50.00 inventory discrepancy option was removed so that any dollar value discrepancy in weapons parts is investigated in New York.
	Physical security at the warehouses involved was improved to include perimeter fencing repairs, placement of all weapons parts in controlled storage areas, keeping unmanned
Selection	doors locked, and prohibiting parking of personal vehicles next to the warehouse.
10/89	All States were notified of this problem and advised to verify their own procedures.

B. Planned Milestones (FY 1993):

Date	Milestone
6/93	Modify Army Regulations 710-2 (Supply Policy) and 750-1 (Army Material Maintenance Concepts and Policies) to include policy on "Separation of Duties".

Reason for Change in Date(s): Changes to Army Regulations have been staffed but will not be in the field until June 1993.

Impact of Material Weakness on Operations: Loss of small weapons repair parts and the subsequent illicit sale of weapons assembled from those parts was widely reported in the media. Members of Congress have also expressed an interest in this issue. While weapons spare parts are a high visibility item, other components of other items may have the same procedural problems and should also be corrected.

Source(s) Identifying Weakness: GAO/NSIAD-91-28

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date	Milestone
9/89	New York instituted procedures to require separation of duties in the small arms repair facilities.
9/89	The \$50.00 inventory discrepancy option was removed so that any dollar value discrepancy in weapons parts is investigated in New York.
9/90	Physical security at the warehouses involved was improved to include perimeter fencing repairs, placement of all weapons parts in controlled storage areas, keeping unmanned doors locked, and prohibiting parking of personal vehicles next to the warehouse.
10/89	All States were notified of this problem and advised to verify their own procedures.

B. Planned Milestones (FY 1993):

Date

Value X	
6/93	Modify Army Regulations 710-2 (Supply Policy) and 750-1 (Army Material Maintenance Concepts and Policies) to include policy on "Separation of Duties".
	OI DUCIES".

Milestone

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

NONE

<u>Validation Process</u>: A team from NGB went to New York and evaluated the corrective actions taken.

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OSD-91-031 AICO-91-003

<u>Title of Material Weakness</u>: Civilian Retirement Claims Processing

<u>Functional Category</u>: OSD - Comptroller/Resource Management Army - Financial Management

Description of Material Weakness: Army is not meeting the Office of Personnel Management (OPM) goal for agencies to submit 80% of all retirement, refund and death claims to OPM within 30 days from the date of separation. As reflected in the September 1991 OPM report, other government agencies met this goal 77% of the time whereas the Army met it only 68% of the time. Although the Army figures include some non-Army activities and exclude a large Army population in the Army Corps of Engineers, the Army processing rate is still unacceptable by law. Some known factors are delays by employees in applying for separation and delays of finance and personnel offices in forwarding retirement/separation records to OPM.

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

Pace of Corrective Action

Year Identified: FY 1991

Original Target Correction Date: FY 1992

Targeted Correction Date In Last Year's Report: 1992

Current Target Date: FY 1995

Reason for Change in Date(s): (1) The Department of the Army has deleted the milestone concerning expansion of the Quick Pay Test for two reasons:

- (a) The Quick Pay Test project goes around the problem by ensuring people get an interim paycheck rather than being an action to correct or fix the processing problems.
- (b) Army's effort to expand Quick Pay has been preempted by the Defense Civilian Personnel Center's requirement to provide Quick

Reason for Change in Date(s): (Continued)

Pay to the entire Department of Defense community. The scope of this weakness has expanded beyond the purview of the Department of the Army. The effort now involves other DoD components in conjunction with OPM.

(2) A major contributing factor to this weakness is that the Standard Army Civilian Payroll System (STARCIPS) does not have the flexibility for out-of-cycle processing. As a result, the earliest possible receipt of a report from STARCIPS is 14 days after the end of the pay period. This 14 day turnaround coupled with other requirements can cause as much as 24 days to process the paperwork. This situation alone significantly impacts the Army's ability to meet the OPM standard to submit 80% of claims within 30 days from the date of separation. It is expected that this lag-time will not be a factor when Army payroll offices transition from STARCIPS to the Defense Civilian Pay System (DCPS).

Impact of Material Weakness on Operations: Failure to comply with the regulatory requirements hinders claim settlements and leads to undue hardship for separating or retiring employees. Continuation of this problem will result in adverse publicity for Army management.

Source(s) Identifying Weakness: Management Review Congressional Inquiry

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date	Milestone
8/91	Mandate use of OPM optional checklists to eliminate errors which cause delays.
9/91	Emphasize Army and OPM performance goals and educate workforce on responsibility to submit claims in timely manner.
9/91	Provide feedback to installations on quality and quantity of submissions.
9/91	Devise and install automated monitoring system to identify source and cause of late submissions.

A. Completed Milestones: (continued)

Date	Milestone
9/92 (1/92)	Finance network quality personnel review retirement processing as part of routine visits to Army finance and accounting offices.
9/92 (1/92)	Produce and provide regular performance reports to major commands and responsible headquarters Department of the Army activities and agencies.
9/92 (3/92)	Initiate a joint payroll/personnel Total Quality Management (TQM) task force to identify and correct problems.

B. Planned Milestones (FY 1993):

Date	WIIGSCOUG
9/93	Develop and distribute to the payroll and personnel offices, comprehensive guidance (e.g., Desk References pertinent to retirement, death and refund claims) as part of the TQM Program.
9/93	Ensure that the TQM Process Action Team (PAT), organized to address this weakness, uses the various "tools" and reports provided by the ACPERS to specifically pinpoint the delays at each step in the process, identify the reasons for the delays and provide detailed performance data to appropriate HQDA and MACOM functional activities.

Milestone

C. Planned Milestones (Beyond FY 1993):

Date	Wilescone
ON-GOING	Continue to emphasize through messages and memoranda the importance of meeting the 30 day standard for processing claims.
9/95	Ensure that the Defense Finance and Accounting Service (DFAS) implementation of the Defense Civilian Payroll System (DCPS) will eliminate the processing lag-time.

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

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UNCORRECTED MATERIAL WEAKNESS

OSD-91-045 AICO-91-004

<u>Title of Material Weakness</u>: Control of Telecommunications Resources

Functional Category: OSD - Information Technology
Army - Information Management

Description of Material Weakness: There is a lack of controls over the certification process for payment of service orders and equipment rental bills. Defense Telecommunication Services—Washington (DTS-W) pays vendors for interstate private line circuits, and leases approximately 175,000 stations and 125,000 CENTREX mainlines. These services and equipment are spread out over 300 locations in the National Capital Region. DTS-W does not have a comprehensive program of control over the payment for services or accountability of the inventory of the equipment that it leases on behalf of its Defense customers.

<u>Component/Appropriation/Account Number</u>: Army/Operations and Maintenance, Army; all Defense agencies in the National Capital Region

Pace of Corrective Action

Year Identified: FY 1991

Original Target Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: 1992

Current Target Date: FY 1996

Reason for Change in Date(s): There was a change in the contract for conducting the telecommunications inventory which required a total restructuring of the corrective actions for this weakness. The physical inventory effort was changed to coincide with the implementation of the Telecommunications Modernization Project (TEMPO). As currently structured, the physical inventory effort will serve multiple purposes. It will correct the Material Weakness and assist DTS-W in satisfying Receiving Report requirements.

Impact of Material Weakness on Operations: Failure to correct this weakness will cause an overpayment on equipment leases.

Source(s) Identifying Weakness: DoDIG 91-072; Other

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date	Milestone
8/92 (7/92)	Awarded contract with vendor to establish an inventory plan which must: be in compliance with the new DoD Directive and Instruction, contain procedures and controls to manage and maintain inventory accountability, and determine essential requirements. It will also contain a detailed analysis of the certification process.
9/92 (2/92)	Using the Army Internal Management Control checklist for Commercial Accounts Activities, DTS-W complete a detailed analysis of its certification process and prepare a report.

B. Planned Milestones (FY 1993):

Date	MITESCORE
10/92 (6/92)	Continue efforts to hire Civil Servants to oversee the physical inventories and the contractor conducting them. The vacancy announcement closed without providing a list of any qualified candidates. We will request that our personnel office re-open the announcement.
4/93 (7/92)	Complete the physical inventory plan.

C. Planned Milestones (Beyond FY 1993):

Date	Milestone
10/93 (7/92)	Begin conducting the first physical inventories. Date is contingent on the implementation schedule for the Telecommunications Modernization Project with which these physical inventories must
9/96 (7/92)	coincide. Complete a 100% physical inventory of telecommunications services and equipment.

<u>Validation Process</u>: Management review validated by audit and inspection.

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UNCORRECTED MATERIAL WEAKNESS

OSD-91-032 AICO-91-005

<u>Title of Material Weakness</u>: Joint Service Software (Active Component)/Joint Service Software (Reserve Component) Interface (Formerly titled "Desert Shield/Storm Soldier Indebtedness")

<u>Functional Category</u>: OSD - Comptroller/Resource Management Army - Financial Management

Description of Material Weakness: About 230,000 Reserve and National Guard (NG) personnel were called to active duty or extended on active duty as part of Desert Shield/Storm. During this time, their pay and entitlements were adjusted to reflect their active service in a hostile area. Various situations inadvertently occurred which caused them to be indebted to the U.S. Government such as: three months of advance pay upon mobilization, lenient casual pay policy in South West Asia (SWA), reserve payroll not purged prior to conversion to JUMPS, late pay input of collection data, and overpayment at separation. The current finance system's (hardware/software) lack of sufficient update cycles and direct remote input capability for pay transactions contributed to the problem. Also, policy decisions intended to ease the financial hardship of Reserve Component (RC) personnel in reality aggravated the indebtedness problems due to the shorter than expected tour of active duty. The shortened tour length resulted in the immediate payback of all debt owed the Government at the time of separation instead of the long term proration that was scheduled during their expected year long active duty tour.

Component/Appropriation/Account Number: Army/Military Personnel,
Army

Pace of Corrective Action

Year Identified: FY 1991

Original Target Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: FY 1993

Reason for Change in Date(s): The slippage is due to a delay in the deployment of Joint Service Software (JSS) Active Component caused by Operation Desert Shield/Storm. While this deployment has since been completed, it caused slippage in the deployment of the JSS Reserve Component. The JSS Reserve Component is currently undergoing its System Acceptance Test and is scheduled to begin deployment in January 1993 and complete deployment in May 1993.

Impact of Material Weakness on Operations: The soldier indebtedness resulted in widespread media attention. The Office of the Chief, Army Reserve (OCAR) and the National Guard Bureau (NGB) expressed concern relative to retention and recruitment of Reserve Component personnel due to adverse news accounts. Members of Congress have also expressed an interest in this issue.

Source(s) Identifying Weakness:

Assistant Secretary of the Army (Financial Management) (ASA(FM)) Defense Finance and Accounting Service - Indianapolis (DFAS-IN) MACOMS' Finance and Accounting Offices

Individual Soldiers

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date	Milestone
9/91	Accelerate processing and input of SWA casual payments.
9/91	Control casual pay policy and procedures in SWA.
9/91	Limit advance pay to RC volunteers to one month instead of three, unless requested and with justification.
9/91	DFAS-IN provided Army field finance offices with discharge/separation corrections.
9/91	DFAS-IN and Army field finance network provide guidance to correct SWA related entitlement, tax, and discharge/separation actions. C-2-12B

A. Completed Milestones: (Continued)

Date	Milestone
9/91	Per DFAS request, DASA-FO assisted in coordinating extension of 55 volunteer RC personnel at Fort Harrison to support Combat Zone Tax Exclusion (CZTE) adjustments.
9/91	Install JUMPS/Joint Service Software (JSS) (new finance Hardware/Software) in first active component finance offices. Hookup for SWA in planning.
9/91	Publish Finance Command (FINCOM) Bulletin No. 92-1 dealing with Pre-Comps backlog at Finance and Accounting Offices (FAOs).
9/91	Pass action to DFAS-HQ (3 Oct briefing) reference need to strengthen existing procedures for up front pay (advance pay and travel advance) to RC/NG personnel and more stringent controls over check cashing.
9/91	Install JSS hookup in SWA.
9/91	Ensure compliance with new procedures to decrease instances of soldier indebtedness upon complete redeployment of most RC units from SWA.
9/92 (1/92)	Complete pay input for CY 91 W-2s.
9/92 (3/92)	Complete fielding for JSS to active Army.

B. Planned Milestones (FY 1993):

Date	Milestone	
3/93 (4/92)	Begin deployment of JSS to RC units.	
6/93 (8/92)	Complete JSS deployment to RC units.	

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

NONE

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

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UNCORRECTED MATERIAL WEAKNESS

OSD-89-013 AICO-89-001

<u>Title of Material Weakness</u>: Excess Inventory (Formerly titled Excess Inventory/Inventory Growth)

<u>Functional Category</u>: OSD - Supply Operations Army - Supply Activities

Description of Material Weakness: Over the past several years, external and internal analyses identified systemic weaknesses related to the ineffective use of Class IX field level excess data provided by the Selected Item Management System - Expanded (SIMS-X) during the inventory requirements and procurement determination process. The lack of vertical asset visibility by item managers over retail level excess results in sub-optimal inventory management decisions, e.g., unnecessary procurements and inefficient repair decisions. The objective of corrective actions is to ensure Army wholesale item managers reduce excess inventory by using SIMS-X asset visibility to offset buys for materiel in an excess posture.

<u>Component/Appropriation/Account Number</u>: Army/Army Procurement Appropriations; Supply Management, Army (Defense Business Operating Fund); Operations and Maintenance, Army

Pace of Corrective Action

Year Identified: FY 1989

Original Target Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1994

Current Target Date: FY 1993

Reason for Change in Date(s): This material weakness was closed in FY91 due to a reduction in the materiality of the problem. It was reopened when the Army reinvigorated its overall Inventory Management Plan objectives to manage the effect of Operation Desert Storm/Shield retrograde on the Army's secondary item inventory. Completion was targeted for FY94, but because of the Army's initiative to systematically use retail excess information in the Army's wholesale requirements determination process, closure is now set for FY93. The scope of the material weakness has been narrowed to focus principally on Army Wholesale Item Manager's use of SIMS-X data to off-set procurements.

Impact of Material Weakness on Operations: Army's inventory investment would not be optimally used. Readiness could be degraded. Army would not be demonstrating effective resource stewardship by failing to effectively use on hand assets and procuring items that are excess to requirements. Failure to effectively resolve this material weakness could impact public and Congressional perceptions of the Army's inability to effectively manage its resources. Poor public perceptions could eventually lead to the undermining of public support for essential programs.

Source(s) Identifying Weakness: Internal Management Control
Review: GAO/AFMD 92-82

Major Milestones in Corrective Actions:

A. Completed Milestones:

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Milestone

Minimize unneeded procurements by reinforcing adherence to established guidance through the following:

- Direct Army Materiel Command to use Staff
 Assistance Visits and other command reviews
 to ensure buying commands follow procurement
 procedures. (Recent audit reports indicate
 some Army wholesale item managers are not
 using excess data to offset buys or terminate
 contracts to preclude excess on order.)
 (Reopened in FY93 due to lack of reasonable
 assurance of completion.)
- C Army Materiel Command and subordinate buying commands initiate changes to ensure compliance with policy, strengthen internal controls, and reduce unnecessary order quantities. (Item manager's use of excess data continues to be a manual process. CCSS system changes are required to put excess data in a usable format and ensure item manager confidence in making buy offset decision.) (Reopened in FY93 due to lack of reasonable assurance of completion.)

A. Completed Milestones: (Continued)

<u>Date</u> <u>Milestone</u>

- At wholesale level, expand SIMS-X items to increase levels of asset visibility. Provide changes to policy and systems software that require use of SIMS-X data in procurement decisions. SIMS-X data provides Army wholesale item managers asset visibility data necessary to offset buys and plan depot overhaul/repair workloads.
- Implement Class IX Asset Visibility Inventory Management Plan directing Army
 wholesale item managers to continue canceling
 requisitions for materiel in an excess
 posture at the requestor's level, and to use
 SIMS-X data to offset buys beginning 1 Sep
 92. Army Materiel Command (AMC) responded by
 reinforcing policy and developing procedures
 that require item managers to use SIMS-X data
 in their requirements determination process.
 Validation of policy/procedure sufficiency is
 a milestone planned for FY93.
- Establish the Total Army Inventory Management (TAIM) General Officer Task Force to demonstrate to Joint Chiefs of Staff (JCS), OSD, and Congress that the total Army is purchasing and retaining only what materiel we require to achieve "just enough...just on time" in order to achieve overwhelming victory. This senior-level task force focuses on ensuring cultural change and Armywide coordination of inventory management initiatives.
 - Provide contractor-generated study to Army Materiel Command for review and item manager consideration/action. Study identified items that may not require intensive management or meet SIMS-X criteria. Verification of SIMS-X items and review of selection criteria slated will be accomplished Nov 92.

B. Planned Milestones (FY 1993):

Date	Allestone		
	(A)		

- Direct Army Materiel Command to use Staff
 Assistance Visits and other command reviews
 to ensure buying commands follow procurement
 procedures. (Repeat of an earlier completed
 milestone.)
- Direct Army Materiel Command to validate sufficiency of changes to policy and procedures to ensure Army wholesale item managers can readily and effectively use Class IX SIMS-X asset visibility to offset buys. Systems Change Requests (SCRs) and new policy will be written and implemented as required. (Repeat of an earlier, completed milestone.)
 - Purge SIMS-X database to gain item manager confidence in reported excess. System Integrated Management Agency (SIMA)/Total Asset Visibility (TAV) team has lead; Combined Arms and Services Command (CASCOM) will assist. HQDA, ODCSLOG functional proponent directs and evaluates accomplishment through an existing Class IX asset visibility Process Action Team. (Initiated Sep 92; program for data dump TAV data base to CCSS being written for implementation Nov 92.)
 - Direct Army wholesale item managers to verify SIMS-X lines meet criteria specified in AR 710-1. Catalog Data Agency (CDA) to provide candidate data for SIMS-X addition/deletion. HQDA, ODCSLOG functional proponent directs and evaluates accomplishment through an existing Class IX asset visibility Process Action Team. (To be accomplished as a follow-on to SIMS-X purge.)

B. Planned Milestones (FY 1993): (continued)

Date

Milestone

9/93 U.S. Army Audit Agency validate sufficiency of initiative (policy and system changes) and determine benefit realization. Emphasis to be on procedures followed by Army wholesale offset/repair decisions. (Requested Sep 92 item managers using SIMS-X data in making buy that Army Audit Agency include as a topic in FY93.)

C. Planned Milestones (Beyond FY 1993):

Date Milestone ren and the land of the land of

NONE

Validation Process: HQ Department of the Army, Office of the Deputy Chief of Staff for Logistics, and Army Materiel Command staffs will evaluate the effectiveness of corrective actions in mid and end of year internal control status reports. Class IX Asset Visibility Process Action Team meets bi-monthly to review milestone progress and modify corrective actions as required. At

FY93 closure, and as requested during FY94, U.S. Army Audit Agency will conduct an independent audit to determine sufficiency of changes and confirm item manager compliance with policy and procedures. Closure is dependent upon clear confirmation that SIMS-X excess data is consistently used by Army wholesale item managers to offset buys.

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Impact of Material Weakness on Operations: Failure to correct this weakness would impair the Army's ability to monitor property accountability performance. Without such ability, the Army cannot provide reasonable assurance that internal management controls are in place to protect Army assets from fraud, waste and abuse as required by the Integrity Act. More specifically, on-hand assets may not be recorded, increasing the risk of undetected losses or impairing personnel and weapon system readiness. Continuation of such a weakness would eventually impact the public and congressional perception on the Army's ability to effectively manage its resources and likely undermine public support for essential Army programs.

<u>Source(s) Identifying Weakness</u>: Internal Management Control Review; Inspector General, DoD; US Army Audit Agency; General Accounting Office; Internal Review Organization; Army Inspector General (IG) Inspection; Other

Major Milestones in Corrective Actions:

A. Completed Milestones:

Date	Milestone
12/89	Direct field commanders to invest equivalent audit coverage by local internal review organizations. This includes command review of audit reports on property accountability discrepancies and ensures that where discrepancies exist corrective actions are initiated and completed.
6/90	Direct commanders to use the Command Supply Discipline Program (CSDP) to ensure property accounting at the retail level. AR 710-2, Supply Policy Below the Wholesale Level, Appendix B, contains CSDP checklists that commands have been encouraged to use.
9/91	Direct Army Materiel Command to use the Inventory Control Effectiveness (ICE) indicators to ensure physical property accounting at the wholesale level. The ICE report shows DoD accuracy and performance goals for supplies stored and maintained in the wholesale system. Actual performance is compared to ICE established standards which provides status of accountability of assets at wholesale and indicates where corrective actions are needed. C-2-14B

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UNCORRECTED MATERIAL WEAKNESS

OSD-89-015 AICO-89-014

Title of Material Weakness: Property Accountability

<u>Functional Category</u>: OSD - Supply Operations Army - Supply Activities

Description of Material Weakness: Lack of a process which provides comprehensive departmental level oversight on property accountability. There have been persistent Army-wide management control deficiencies in maintaining property accountability records. Audits report that on-hand assets are not always recorded which increases the risk of undetected losses, and that recorded assets often cannot be located. Major weaknesses involve record keeping plus performance of physical inventories and causative research on discrepancies. Departmental level oversight will lead to improvements in property accountability.

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

Pace of Corrective Action

Year Identified: FY 1989

Original Target Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1995

Current Target Date: FY 1993

Reason for Change in Date(s): The Army's methodology to focus on improving property accountability is through departmental level oversight of selected performance indicators. The previous milestones related to the Standard Army Retail Supply System (SARSS) and Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP), Change 8, reported in the ODCSLOG 15 Apr 92 mid-year update of this weakness have been deleted. These milestones do not materially impact upon achieving the desired outcome in correcting this weakness, i.e., establishing a systematic process for departmental property accountability performance oversight.

B. Planned Milestones (FY 1993): (continued)

Date

Milestone

performance. This will provide the Army, at departmental level, a management tool to track trends in property accountability. Selected indicators are: Reports of Survey, Inventory Adjustment Reports, CBS-X compatibility rates, receipt processing time, and inventory accuracy, and feedback from Command Logistics Review Team Program.

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

None

<u>Validation Process</u>: Verification will be made by the Logistics Evaluation Agency review of selected indicators and the Command Logistics Review Team--Expanded review of ODCSLOG Special Interest Items. The results of the reviews will be compared to the performance standards in AR 710-2, Tables 1-1 and 1-2, where applicable, and other regulatory standards that may apply. MACOM and HQDA functional proponents will use LEA reports to track progress against established baselines.

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A. Completed Milestones: (continued)

Date	Milestone
3/92	Implement Defense Management Report Decisions (DMRD) which directly influence the scope of this material weakness. DMRD 902 "Consolidation of Supply Depots" resulted in the transfer of 99% of the Army's wholesale storage and distribution functions to the Defense Logistics Agency. (Does not include Class V.)
3/92 (1/92)	Director for Supply and Maintenance sent a memorandum to the DAIG, 30 Mar 92, requesting that property accountability be made an item of special interest. DAIG was asked to ensure that commanders used the Command Inspection Program as described in AR 1-201 to focus continuing and comprehensive coverage on item accountability with the primary objective of pinpointing the underlying causes and specific corrective actions needed.
9/92 (6/92)	Directed U.S. Army Logistics Evaluation Agency (LEA), 14 Nov 91, to establish a
(-,,	quantitative baseline using selected
	management indicators to monitor trends in property accountability at departmental level and establish an annual report. Action to select the indicators was completed 28 Sep
	92. Information will be collected in FY93 on property accountability trends.

B. Planned Milestones (FY 1993):

<u>Date</u> Milestone

1277	
10/92	Director of Supply and Maintenance release a message stressing the need for MACOM attention to property accountability.
	Message to urge that commanders use local internal review organizations to ensure compliance with property accountability policy.
9/93	Complete action to establish a quantitative baseline for select management indicators and review FY 1993 property accountability C-2-14C

Impact of Material Weakness on Operations: Army cannot effectively plan and execute mobilization. The complexity of maintaining administrative data for over one million soldiers who serve in the Reserve Components would continue to place an unnecessary burden on unit commanders and would adversely affect unit readiness. The Reserve Component units would continue to operate with manual systems and limited automation assets.

Source(s) Identifying Weakness: General Accounting Office

Major Milestones in Corrective Actions:

A. Completed Milestones:

D	ate	Milestone
3	/89	Effect interim actions and controls to resolve the immediate deficiencies.
		a. Place management control of RCAS program with the Chief, National Guard Bureau (CNGB).
		b. New Program Manager (PM) charter approved by the Secretary of the Army and forwarded to Congress.
		c. Army Reserve General Officer assigned as RCAS PM.
9	/89	Develop an automated information management system to satisfy the long-range permanent needs for mobilization and the administration and management requirements of the Army National Guard and the US Army Reserve for day-to-day operations.
		a. Complete Functional Description.
		b. Issue draft Request for Proposal (RFP).
3	/90	Release the final RFP for a fully competitive IAMB Circular A-109 acquisition approach.
9	/90	Contract for Competitive Demonstration.

UNCORRECTED MATERIAL WEAKNESS

OSD-88-009 AICO-88-010

Title of Material Weakness: Automated Mobilization System

<u>Functional Category</u>: OSD - Force Readiness Army - Mobilization

Description of Material Weakness: Army Mobilization exercises in 1976, 1978, and 1980 highlighted that the capability did not exist within the Reserve Component structure (Army National Guard and US Army Reserve) for maintaining mobilization essential data, and the ability to rapidly respond to mobilization requirements was lacking. Managers at mobilization stations and transportation agencies did not have access to timely and accurate information for the mobilization decision-making process. These mobilization needs were to be satisfied originally through the Continental Army Management Information System (CAMIS) initiated in 1979. In August 1986 the Army restructured its Reserve Component Automation System (RCAS). When completed, the RCAS will satisfy the needs of the Reserve Component for day-to-day operations.

<u>Component/Appropriation/Account Number</u>: Army/Operations and Maintenance, Army Reserve and Operations and Maintenance, Army National Guard

Pace of Corrective Action

Year Identified: FY 1988

Original Target Correction Date: FY 1990

Targeted Correction Date in Last Year's Report: FY 1994

Current Target Date: FY 1998

Reason for Change in Date(s): The completion schedule has been adjusted to accommodate changes caused by a three month protest, unplanned or programmed testing requirements, and to align contract delivery with approved funding levels. Army and OSD oversight groups have been formally advised of the change and are working to align annual funding to permit fielding to proceed close to the original schedule.

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A. Completed Milestones: (Continued)

9/91 Conduct and Evaluate Competitive Demonstration. 9/92 Contract for Fielding Critical Elements. (10/91)

B. Planned Milestones (FY 1993):

Date	Milestone
10/92	Conduct limited User Test at 21 Sites.
10/92	Establish Technical Test Bed.
9/93 (10/92)	Begin fielding the Critical Elements.
	tones (Devend BY 1992).

C. Planned Milestones (Beyond FY 1993):

Date				Milestone
9/98 (9/94)	Complete	Critical	Elements	Fielding.

<u>Validation Process</u>: This will be a thorough process that will involve field and functional proponents' input, benefits analysis, independent verification and validation, field participation in the evaluation process and the competitive demonstrations, program reviews by Major Automated Information Systems Review Councils at DA and DoD levels, and RCAS Advisory Council.

Point of Contact: Name: William M. Harris
Office Address: ASA(FM), ATTN: SAFM-FOM,
Washington, DC 20310-0109

Source(s) Identifying Weakness: US Army Audit Agency
General Accounting Office
Other

Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestone
С	Unique and/or noncompliant subsystems of the overall accounting system which supports the Department of the Army are being eliminated by one or more of the following:
	 Replacing them with compliant standard subsystem.
	 Improving manual and/or automated procedures.
	c. Consolidating accounting operations.
	d. Also, to bring the overall accounting system into compliance with prescribed

standards requires full implementation of the DoD Government Standard General Ledger to include accounting control over property

NOTE: Target dates for eliminating each subsystem not in compliance are reported separately, in accordance with Section 4 of the Federal Managers' Financial Integrity Act.

throughout the Army.

B. Planned Milestones (FY 1993):

Date

Date

9/93	Continue to sustain the operating subsystem and improving field-level financial reporting capabilities.

Milestone

Milestone

C. Planned Milestones (Beyond FY 1993): None

TBD	Continue actions to sustain the operating subsystem and transition to DoD migratory systems and CIM-vision-driven systems.

UNCORRECTED MATERIAL WEAKNESS

AICO-83-007

Title of Material Weakness: Accounting System

Functional Category: OSD - Comptroller/Resource Management

Army - Financial Management

<u>Description of Material Weakness</u>: The accounting system which supports the DA in total does not conform to the accounting principles, standards, and related requirements prescribed by the Comptroller General.

Component/Appropriation/Account Number: Army/National Guard Personnel, Army; Military Construction, Army National Guard; Operations and Maintenance, Defense; Operations and Maintenance, Army National Guard; Military Construction, Army Reserve; Real Property Maintenance, Defense

Pace of Corrective Actions

Year Identified: FY 1983

Original Target Correction Date: FY 1986

Targeted Correction Date in Last Year's Report: FY 1994

Current Target Date: FY 1994*

*Target date presupposes current subsystem replacement by a DFAS Strategic Plan DoD-wide Migratory System. Target date is incorrect if DoD-wide migratory system cannot be fully implemented.

Reason for Change in Date(s): No change in Target Date.

Impact of Material Weakness on Operations: Continued adverse publicity and criticism due to noncompliance with Public Law and implementing directives (IAMB, Treasury, OSD and Army), lack of financial accountability over Army assets, and unauditable financial statements.

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<u>Validation Process:</u> Self-assessment validated by audit and inspection reports.

Point of Contact: Name: William M. Harris

Office Address: ASA(FM), ATTN: SAFM-FOM,

Washington, DC 20310-0109

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TAB C-3 CLOSED MATERIAL WEAKNESSES THIS REPORT

Source(s) Identifying Weakness: U. S. Army Audit Agency

Inspectors General, Departments

of Defense and Army

Army Procurement Management

Review Teams

Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestone
9/91	ASA(RDA) published and widely circulated policy prohibiting offloading practices.
9/92	The Army Chief of Staff will be requested to issue instructions to requirements managers to ensure that legal counsel and assigned contracting offices review all MIPRs (or other Advice of Obligation Authority/funds transfers) to non-DoD agencies.
9/92	The ASA(FM) will be requested to issue similar instructions to resource managers.

B. Planned Milestones (FY 1993): N/A

Date

Milestone

None

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

None

<u>Validation Process</u>: This validation will be accomplished through Procurement Management Reviews, upcoming Inspector General visits to contractor sites and Army Audit Agency audits.

Point of Contact: Name: William M. Harris

Office Address: ASA(FM), ATTN: SAFM-FOM,

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CORRECTED MATERIAL WEAKNESS

OSD-91-020 AICO-91-001

<u>Title of Material Weakness</u>: Inappropriate Offloading of Contract Requirements

<u>Functional Category</u>: OSD - Contract Administration
Army - Contract and Production Activities

Description of Material Weakness: Satisfaction of supply and service requirements is accomplished by obtaining contracting support from other Federal Agencies rather than from assigned contracting offices. Requiring activities search out existing contracts let by other agencies as vehicles for expedient obligation of funds and award of contracts, thus circumventing established controls.

<u>Component/Appropriation/Account Number</u>: Operations and Maintenance, Army

Pace of Corrective Action

Year Identified: FY 1991

Original Target Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1992 (All milestones are complete)

Current Target Date: Completed

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

Impact of Material Weakness on Operations: Offloading supply and service requirements significantly heightens the potential for abuse and loss of management control and accountability. "Shopping around" for contracting support is contrary to published policy, regulations and statutes; burdens Army financial resources with non-value added middle-man fees imposed by servicing agencies; can result in higher contract costs under non-competitive buys; may improperly circumvent year-end spending policies and controls; and potentially lead to loss of expiring funds resulting in mission shortfalls.

Reason for Change in Date (s): (continued)

on 15 July 1992. They agreed with ODISC4 that the material weakness be closed since DA PAM 25-1 has been revised, published, and distributed. As a result, the materiality of the weakness has been significantly reduced.

Impact of Material Weakness on Operations: If this weakness is not corrected information systems cannot be managed to ensure integration, sharing, standardization, interoperability, timeliness and validity.

Source(s) Identifying Weakness: GAO/IMTEC 90-58

Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestone
9/90	Request Architecture Products status.
9/91	Develop Architecture Products evaluation criteria.
9/92	Revise architecture methodology.
9/92	Visit all MACOMs to review business process descriptions and establish the linkage to the CAPSTONE information business process.
Canceled	Integrate the 10 most critical automated systems from all MACOMs into a "high level" geographic/technical architecture.

B. Planned Milestones (FY 1992): N/A

None

C. Planned Milestones (Beyond FY 1993): N/A

None of the party of the party

CORRECTED MATERIAL WEAKNESS

OSD-90-037 AICO-90-003

Title of Material Weakness: Army Information Architecture

Functional Category: OSD - Information Technology

Army - Information Management

Description of Material Weakness: Army had not defined a basic frame of reference for identifying, integrating, validating and prioritizing information management initiatives by major commands (MACOMs). This basic architecture is essential to achieving compatible and interoperable information systems among all Army components. Also needed was a centralized control process for managing related MACOM initiatives.

<u>Component/Appropriation/Account Number</u>: Operations and Maintenance, Army

Pace of Corrective Action

Year Identified: FY 1990

Original Target Correction Date: FY 1991

Targeted Correction Date in Last Year's Report: FY 1993

Current Target Date: Completed

Reason for Change in Date(s): Milestone to Integrate the Ten Most Critical Automated Systems from all MACOMS was canceled and reported to the ASA(FM) on 19 Mar 92, during the mid-year review of material weaknesses. The Army revised and published DA PAM 25-1, Army Information Architecture, dated 20 Aug 91. The revised PAM explains the information architectural process and its overall benefits to the Army. It relates the architecture to the overall information management process and explains how architectures are developed, implemented and used to guide information management decisions. As of April 1992 all MACOMS were visited and business processes were reviewed. The USAAA audited this material weakness

<u>Validation Process</u>: Managerial assessment validated by

audit/inspection.

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Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestone		
	For Savannah River System only:		
9/90	a. Review water supply needs periodically with the initial review accomplished in FY90.		
9/90	b. Reanalyze downstream inflow data.		
9/90	c. Conduct a worst-case analysis.		
9/92	For all controlled Reservoir Projects prepare drought contingency plans.		

B. Planned Milestones (FY 1993): N/A

Date Milestone

None

C. Planned Milestones (Beyond FY 1993): N/A

Date Milestone

None

<u>Validation Process:</u> Management review of quarterly updates of progress toward goals and during budget review process.

Point of Contact: Name: William M. Harris

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CORRECTED MATERIAL WEAKNESS

OSD-89-019 AICO-89-007

Title of Material Weakness: Drought Contingency Plans

Functional Category: OSD - Property Management

Army - Civil Works

<u>Description of Material Weakness</u>: Drought contingency plans were not developed for all controlled reservoir storage projects based upon an analysis of user needs, downstream inflows, and worst-case situations.

Component/Appropriation/Account Number: Army/Civil Works

Pace of Corrective Action

Year Identified: FY 1989

Original Target Correction Date: FY 1992

Targeted Correction Date in Last Year's Report: FY 1992

Current Target Date: Completed

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

Impact of Material Weakness on Operations: If this weakness is not corrected, essential services such as hydro-electric power generation may not be provided to the public.

Source(s) Identifying Weakness: GAO/Report No. RCED-89-169 (OSD
Case 8033)

Impact of Material Weakness on Operations: Failure to correct this weakness would impair the Army's ability to protect government furnished supplies from fraud, waste and abuse. More specifically, contractors would continue to have the ability to access the DoD supply system and obtain supplies/parts which are not authorized by contract. Further, the Army would not have the ability to verify that supplies/parts authorized by contract are not in excess to contract requirements. Also, at contract termination, the Army would not be able to verify that unused supplies/parts were returned to the DoD supply system. Given the magnitude of Army government furnished materiel, continuation of this particular supply management problem would impact the Army's ability to provide reasonable assurance that Army assets are protected from fraud, waste, and abuse as required by the Integrity Act. This could potentially impair the public and congressional perception of the Army's ability to effectively manage its resources and undermine public support for essential Army programs.

<u>Source(s) Identifying Weakness</u>: Internal Management Control Review; GAO/NSIAD-88-98; GAO/AFMD 92-82

Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestone
	Wholesale Supply Systems:
c	a. Establish policy in AR 725-50, Chapter 16, to create Management Control Activities (MCAs) at the U.S. Army Major Subordinate Commands (MSCs). The MCAs validate national stock numbers and quantities authorized on each contract prior to passing requisitions to the source of supply.
C	b. Revise policy in AR 725-50, Chapters 9-15, to allow for one DODAAC per contract for better validation of contractor-initiated requisitions.
c	c. Form an Army Materiel Command (AMC) Task Force to oversee implementation of MCA's.
С	d. Make final determination of specific response/interfaces within varied functional areas.
С	e. Develop Management Plan and Data Flow Diagram.

CORRECTED MATERIAL WEAKNESS

OSD-88-014 AICO-88-002

<u>Title of Material Weakness</u>: Controlling Contractors' Access to the DoD Supply System

Functional Category: OSD - Supply Operations Army - Supply Activities

Description of Material Weakness: Contractors who are supplied with equipment or repair parts, Government Furnished Materiel (GFM), to be used in production or maintenance contracts can, when specified in the contract in accordance with the Federal Acquisition Regulation, access the DoD Supply System. With a Department of Defense Activity Address Code (DODAAC), a contractor can initiate MILSTRIP requisitions which will allow the contractor to obtain parts from the DoD Supply System. The ability to access the DoD Supply System provides contractors with the opportunity to acquire parts which are not authorized by contracts. The potential for abuse exists.

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

Pace of Corrective Action

Year Identified: FY 1988

Original Target Correction Date: FY 1989

Targeted Correction Date in Last Year's Report: FY 1991

Current Target Date: Completed

Reason for Change in Date(s): The establishment of Management Control Activities (MCAs) was a Congressionally mandated, DoD-wide process. Army actions were dependent on the other Services and Defense Logistics Agency as well as its own internal initiatives. Milestones scheduled for completion in FY91 were delayed by focusing of manpower and automation resources on support of Operation Desert Shield/Storm in the Army Inventory Control Points (ICPs).

CORRECTED MATERIAL WEAKNESS - PAGE 4

B. Planned Milestones (FY 1993):

Date

Milestone

None

C. Planned Milestones (Beyond FY 1993):

Date

Milestone

<u>Validation Process</u>: After closure, by independent review and audit. Have directed the Army Audit Agency to add as an item to their FY93 calendar.

NOTE: This weakness is now a part of the broader Defense Management Report Decision (DMRD) 933, Accounting for Government Furnished Material. The management plan established to correct the material weakness will be incorporated into the plan being developed to implement the DMRD. Modification of these measures may be necessary, depending on the approach taken to resolve the DoD-wide material weakness on GFM and the direction that the Corporate Information Management (CIM) group adopts regarding an integrated accounting system for control of GFM.

Attention will continue following the correction of this weakness through publication of expanded Management Control Activity Policy guidance in AR 710-2, Unit Supply Update 14, Chapter 4, paragraph 4-7. Policy will direct retail installation/units to install management control activities in accordance with AR 725-50, Chapter 16.

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CORRECTED MATERIAL WEAKNESS - PAGE 3

A. Completed Milestones: (Continued)

C

Milestone Date Revise AR 710-1, Centralized Inventory Management C regarding the Army Supply System, the Utilization of Long Supply Selected Assets (TULSA) process to ensure that all potential excess assets are used by contractors performing depot level or next higher assembly repair in accordance with Federal Acquisition Regulation (FAR) or offered to Foreign Military Sales Customers prior to disposal. Retail Supply Systems: 5 Jan 88, Logistics Evaluation Agency (LEA) C complete study on integration of MCAs in current retail structure. Study concluded very few retail contractors are authorized direct access to the Systems changes wholesale system. required. Regulatory changes requiring compliance with requisition procedures, assignment of property book officers, and establishment of manual MCAs can effectively control retail contractors' access to government materiels. AR 710-2, Unit Supply Update 12, paragraph 4-C 48, directed that retail installations and MACOMS control access of maintenance contractors to DoD materiel inventories. Items and quantities will be identified to each contract, and property book the passing before officer will validate requisition to the supply system. AR 725-50, Chapter 16, effective 1 Nov 90, C established controls over contractors working for Army retail level supply activities, requisitioning from the DoD supply system. Revise the Commodity Command Standard System (CCSS) C and the Defense Automatic Addressing System (DAAS) selection of Government Furnished regarding Material/Contractor Furnished Material (GFM/CFM) and processing of requisitions.

level capability.

Finalize procedures and implement initial wholesale

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TAB D

DEPARTMENT OF THE ARMY ACCOUNTING SUBSYSTEMS



Department of the Army
Accounting Subsystems

The remaining one subsystem, while containing many good internal and fund control features, does not meet all necessary requirements and cannot be certified as in substantial compliance. Attachment 2 contains additional information on the noncompliant subsystem.

The U.S. General Accounting Office (GAO) performed an audit of the Air Force Financial Management System and related FY88 Financial Statements and found (1) accounting systems and related financial statements are not compliant with Comptroller General standards, (2) lack of financial accountability over property, (3) quantities and values of inventories are inaccurate, (4) full costs of weapons systems are not known, and (5) financial data from the accounting system is not reconciled or analyzed for use in managing day-to-day operations and for making management decisions. Based on the GAO findings, we performed an Army staff-level comparability self assessment and found similar problems. A separate DoD review of financial management systems concluded that equivalent DoD-wide problems existed. These systemic weaknesses were validated by the GAO audit of the FY92 Army Financial Statements required by the Chief Financial Officers Act of 1990. We have established both a senior-level steering group and special action group to work the problems. Material weaknesses will continue to be disclosed in annual assurance statements. Since there has been little time to react to the GAO FY92 Army financial statement audit results, similar systemic deficiencies will undoubtedly be identified by the GAO audit of the FY92 Army Financial Statements. Deficiencies in financial statement credibility are considered attributable to a lack of integration between accounting and other functional systems, such as acquisition, logistics, and centralized contract payment.

The previous Army Accounting System modernization plan called for a target of eight operating subsystems (1) department-level accounting; (2) field-level general accounting servicing posts, camps, and stations; (3) field-level retail financial inventory accounting servicing posts, camps, and stations; (4) field-level accounting for the U.S. Army Materiel Command's wholesale logistics and research and development functions; (5) field-level accounting for the Corps of Engineers' military construction and civil works functions; (6) civilian pay; (7) military pay; and (8) retired military pay. The plan was replaced with the broader DFAS Strategic Plan to modernize the overall DoD Accounting System.

Report on the Department of the Army Accounting Subsystems for Fiscal Year 1992

During fiscal year 1992, we continued progress in improving the overall accounting system which supports the Department of the Army's mission and functions. Since the first report under the Federal Managers' Financial Integrity Act in 1983, our improvement efforts have resulted in reducing the inventory of accounting subsystems and the number of noncompliant subsystems. Our continuing focus on financial management improvements has resulted in recent achievements, such as upgrading current subsystems, replace unique subsystem with standard subsystem, and develop new replacement subsystem. Future progress in eliminating noncompliant accounting subsystems and deploying modern standard DoD subsystems primarily depends on transitioning to the Defense Finance and Accounting Service (DFAS) Strategic Plan DoD-wide migratory systems and the Corporate Information Management (CIM)-vision-driven systems.

Pursuant to Section 4 of the Federal Managers' Financial Integrity Act of 1982, we have reviewed the operating Army accounting subsystems during the fiscal year which ended September 30, 1992. The review was performed by operating personnel based on a comprehensive program for identifying, evaluating, and reporting on the overall operating accounting system. The review criteria encompassed the GAO accounting principles, standards and related requirements as implemented by OMB, OSD, and DFAS. Various methods were used to perform the They included the use of the DoD System Manager/System User Review Guide, system questionnaires, prescribed transaction testing of sensitive areas in twenty-six subsystems/modules, and review of operations. Attachment 1 provides our inventory of operating subsystems. The inventory is annotated with the date that upgrade action will be completed for the deficient subsystem and includes an explanation of changes from last year's report.

The Department of the Army has twenty-six subsystems/modules that meet the GAO definition of accounting systems requiring approval or conditional approval. Results of the evaluations described above, approvals of accounting system design documentation already provided by the GAO for five subsystems/modules, assurances given by subsystem managers, and other information show that twenty-five subsystems/modules are substantially in compliance with the prescribed requirements.

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During fiscal year 1992, we continued to sustain and improve the current Army Accounting System as well as support DFAS Strategic Plan and CIM initiatives. For example, the U.S. Army Materiel Command's retail financial inventory accounting module was fielded to additional accounting offices. The U.S. Army Corps of Engineers new accounting subsystem for the military construction and civil works functions progressed to the final stages of development. Numerous changes were made to the individual operating subsystems to improve accounting controls; provide accounting and reporting for new DoD appropriations; implement Defense Management Report Decisions, such as the Defense Business Operations Fund and Depot-level Reparables; and provide feeder reports to produce agency-wide financial statements for the Army as required by the Chief Financial Officers Act.

Subsystems--continued

- B. Business Operations Fund
 - 12. Commodity Command Standard System.b, d
 - 13. HQ AMC Standard Business Operations
 Accounting System.d
 - 14. HQ AMC Standard Retail Financial Inventory Accounting System.d
 - Military Traffic Management Command Financial Management System.b
 - Pine Bluff Arsenal Business Operations Accounting System.
 - 17. Watervliet Arsenal Business Operations
 Accounting System.b
 - 18. Rock Island Arsenal Business Operations Accounting System.
- C. Military Payroll
 - 19. National Guard Active Duty Automated Pay System.
- D. Civilian Payroll
 - 20. Corps of Engineers Payroll System.
 - 21. Standard Army Technicians Pay System.
 - 22. British National Pay System.
 - 23. Italian National Pay System.
 - 24. Korean National Pay System.
 - 25. Korean Service Corps Pay System.

Department of the Army Annual Inventory of Operating Accounting Subsystems Fiscal Year 1992

OPERATING ACCOUNTING SUBSYSTEMS SUBSTANTIALLY IN COMPLIANCE WITH PRESCRIBED ACCOUNTING PRINCIPLES, STANDARDS, AND RELATED REQUIREMENTS.

Subsidiary Accounting Subsystems

A. General Accounting

- Corps of Engineers Management Information System--Finance and Accounting.b, c
- HQ AMC Standard Operation and Maintenance, Army Research and Development System.d
 - HQ AMC Standard Army Procurement Appropriation System.d
- 4. Test, Evaluation, Analysis, and Management Uniformity
 Plan.b
- U.S. Army Aviation Applied Technology Directorate Accounting System.
 - 6. U.S. Army Research Office Accounting System.
 - Natick Research, Development and Engineering Center Accounting System.
 - 8. Belvoir Research, Development and Engineering Center Accounting System.
- 9. Security Assistance Command Accounting System.
 - 10. U.S. Army Information Systems Command Centralized Procurement Appropriation Accounting System.
 - 11. U.S. Army Medical Materiel Agency Centralized Procurement Appropriation Accounting System.

- 6. Centralized Procurement Appropriation
 Accounting System and Foreign National Pay were reclassified on
 the inventory as two and four separate subsystems, respectively.
- (b) Consolidation. The Conventional Ammunition Working Capital Fund Accounting System was consolidated as part of the Commodity Command Standard System. Both applications share a common automated information system (AIS).
- (2) Compliance determinations were based primarily on assessments by the individual managers as the result of past accounting system compliance evaluations and this year's assessment. In addition, oversight, assistance, and management reviews were performed on a selective basis. Deficiencies identified were classified under the OSD material nonconformance categories based on management judgment. The OSD standard material nonconformance descriptions were used; however, all description elements may not be applicable.
- (3) Target dates were validated to reflect current estimates. Target dates when upgrade actions will be completed for noncompliant subsystems represent the "date current subsystem will be discontinued or upgraded." Target date reflects transitioning from an Army Accounting System modernization plan to the DFAS Strategic Plan for DoD-wide migratory systems and the Corporate Information Management (CIM)-vision-driven systems.
- (4) Systemic weaknesses. Lack of integration in the overall business process between accounting and other functional systems (such as acquisition, logistics, and centralized contract payment) are outside of the individual accounting subsystem managers direct control. Nevertheless, systems integration directly impacts on the credibility of individual account balances on the DoD Standard General Ledger. Integration problems have been previously identified to a degree in open material weaknesses on financial accountability of property and negative unliquidated obligations in the DoD Annual Statement of Assurance.
- b Accounting system design approved by GAO.
- c Certain accounting problems have been separately identified as a material weakness and considered in the compliance determination of the overall subsystem. Actions are underway to replace current subsystem with new subsystem——Corps of Engineers Financial Management System.
- d Module of the U.S. Army Materiel Command Accounting System.

Subsystems--continued

OPERATING ACCOUNTING SUBSYSTEMS NOT IN COMPLIANCE WITH PRESCRIBED ACCOUNTING PRINCIPLES, STANDARDS, AND RELATED REQUIREMENTS.

> Planned date to be brought into compliance

Subsidiary Subsystem

General Accounting

26. National Guard Accounting System.

FY 1994

Notes:

a The continuing overall accounting system improvement program for supporting the Department of the Army has resulted in changes to the Army subsystems/modules reported on the fiscal year 1991 DoD inventory.

- (1) Inventory changes were -
- (a) Redesignation.
- 1. HQ AMC Standard Business Operations Accounting System was formerly HQ AMC Standard Industrial Fund System.
- 2. HQ AMC Retail Financial Inventory Accounting System was formerly HQ AMC Standard Retail Stock Fund Accounting
- 3. Pine Bluff Arsenal Business Operations Accounting System was formerly Pine Bluff Arsenal Industrial Fund System.
- Watervliet Arsenal Business Operations Accounting System was formerly Watervliet Arsenal Industrial Fund System.
- 5. Rock Island Arsenal Business Operations Accounting System was formerly Rock Island Industrial Fund System.

NONCOMPLIANT ACCOUNTING SUBSYSTEMS

PART 2 DESCRIPTION OF PENDING MATERIAL NONCONFORMANCES

Name of System: National Guard Accounting System.

Title of Material Nonconformance: Inadequate general ledger control and reporting, property accounting, system controls, and system documentation.

System Type: Primary: Administrative: X

Functional Category in Statistical Summary: General.

Bureau/Appropriation/Account Number:

21-2060 21-2085 97-0100 21-2065 21-2086 97-0131

Administrative Activity/Program Activity: Field-level budget execution accounting and reporting.

Pace of Corrective Action

Year Identified: 1983.

Targeted Correction Date in Last Year's Report: 1994.

Current Target Date: 1994. Date presupposes current subsystem replacement by a DFAS Strategic Plan DoD-wide migratory system. Date is incorrect if DoD migratory system cannot be fully implemented to eliminated current subsystem.

Reason for Change in Date(s): No change in target date.

Description of Material Nonconformance and Its Impact on Agency Operations:

General ledger control and reporting. The system does not fully maintain double entry general ledger accounts. Accounting reports are not fully based upon general ledger accounts. The general ledger account structure and related subsidiary accounts do not follow the DoD Standard General Ledger account structure or are not reconcilable. The system does not provide for full financial disclosure, accountability, adequate financial information, and reports to meet management purposes, and for necessary external reporting to DoD, OMB, and Treasury.

NONCOMPLIANT ACCOUNTING SUBSYSTEMS

PART 1 SUMMARY TABLE - CONTENTS OF MATERIAL NONCONFORMANCES

Fiscal Year

First Target for Current
Reported Correction Target
in 1991 for
Title(s) of FMFIA Report Correction1
Nonconformance(s)

National Guard
Accounting System

1983

1994

1994 D-2-2

Inadequate general ledger control and reporting, property accounting, system controls, and system documentation.

1 Date presupposes replacement by the DFAS Strategic Plan DoD-wide migratory systems. Date is incorrect if a DoD migrator system cannot be fully deployed to eliminate the current subsystem at all operating sites.

National Guard Accounting System (Cont)

C. Planned actions/events (longer term): Continue actions to sustain the operating subsystem and transition to DoD migratory systems and CIM-vision-driven systems.

Validation Process to be Used: The comprehensive accounting system evaluation process comprises the use of three review levels, the DoD System Manager/System User Review Guide, and transaction testing. Workpapers are subject to periodic staff-level oversight review and audit agency compliance review.

National Guard Accounting System (Cont)

Property accounting. The value of property, plant, equipment, or materiel, including government-furnished materiel and property, is not recorded in the accounting system's records or is not maintained under continuous financial control. All acquisitions, transfers to/from other agencies, donations, sales, abandonments, demolitions, disposals, etc. are not recorded and/or are not based upon authorized financial transactions.

System controls. System controls are not fully effective in ensuring accuracy, reliability and/or preventing waste, loss, unauthorized use, or misappropriation which may occur anywhere in the chain of events from transaction authorization and approval to issuance of reports.

System documentation. System documentation does not exist or does not adequately describe the system design and procedures. The detailed accounting system design package does not document completely the functional user's requirements. The package does not consist of narrative explanations of required accounting processes, flowcharts, internal controls that must be incorporated within the accounting system, illustrations of source documents, and accounting output products. The package is not complete enough to allow an accountant who is unfamiliar with the accounting system to determine internal processing and controls and the system's compliance with prescribed accounting requirements.

Source of Discovery of Material Nonconformance: Self-assessment validated by audit and inspection reports.

Critical Milestones

Completion Date
Previous Plan Current Plan Actual

1994 1994

- A. Completed actions/events: Sustained current subsystem and made operational improvements, such as upgrading software, provide accounting and reporting for a new DoD appropriation, and increase quality of budget execution reports.
- B. Planned actions/events (short term next 12 months): Continue to sustain the operating subsystem and improving field-level financial reporting capabilities. Support the DFAS Strategic Plan for DoD-wide migratory systems and CIM efforts.

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TAB E

AUDITOR GENERAL'S OPINION ON THE

ARMY INTERNAL MANAGEMENT CONTROL PROGRAM

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SUBJECT: Review of the Army Internal Management Control Program (Fiscal Year 1992)

requirements. Efforts to improve the Army's accounting system by either replacing or upgrading existing subsystems continued. Proponents prepared feeder statements that included corrective action plans for areas of nonconformance. These feeder statements formed the basis for your required report on the status of the Army's accounting system.

This year our review effort paralleled the Army's emphasis on effective managerial controls in day-to-day operations. Our annual review concentrated on identification and correction of material weaknesses and support for your statement. A significant number of our audits performed during FY 92 had an objective to evaluate the Internal Management Control Program. We directed these evaluations at the existence and effectiveness of operating managerial controls. We also continued to evaluate proponents' assessments of accounting subsystems.

A summary of the results of audits and our annual review follows.

- Your statement was supported by the actions outlined above. Senior-level managers participated directly in the program in the offices of Headquarters, DA functional proponents and major commands. Their feeder statements were generally a fair representation of the effectiveness of the program.
- Each management level generally identified material weaknesses and corrected them or scheduled them for prompt
 correction. However, we identified some potential material
 weaknesses that weren't elevated to the proper management
 level for evaluation and possible incorporation in the final
 material weakness list. All Headquarters, DA functional
 proponents and major commands that we reviewed had
 reasonably effective systems to monitor actions to correct
 material weaknesses identified in your FY 91 statement.
- The percentage of administrative deficiencies that FY 92 audits reported was significant; however, the frequency of occurrence decreased. Overall, the percentage of audits reporting administrative deficiencies increased from 40 percent in FY 91 to 47 percent in FY 92, but the percentage of audits reporting two or more deficiencies decreased from 57 to 49 percent. Continued emphasis on administrative requirements should help reduce the percentages.
- FY 92 audit reports showed that additional command emphasis should also be applied to make sure that internal management controls are operating. For audit reports issued during FY 92, about 41 percent of the key internal controls



DEPARTMENT OF THE ARMY OFFICE OF THE AUDITOR GENERAL 3101 PARK CENTER DRIVE ALEXANDRIA, VA 22302-1596



12 November 1992

MEMORANDUM FOR Secretary of the Army

SUBJECT: Review of the Army Internal Management Control Program (Fiscal Year 1992)

In response to a request from the Assistant Secretary of the Army (Financial Management), U.S. Army Audit Agency performed a review to furnish you with an independent assessment of the Army's continued actions to comply with the requirements of the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget Circular A-123 (Revised), Internal Control Systems.

Based on our review of the actions the Army took this year I have concluded that the Army, as an entity, has continued its efforts to make sure that a system of internal accounting and administrative controls exists in accordance with the requirements of the Integrity Act and Circular A-123. As shown in the enclosures to your draft annual assurance statement, during FY 92 the Army remained committed to ensuring that the Internal Management Control Program is operational. Some of the actions included:

- The Army continued to emphasize the use of reliable management controls in day-to-day operations.
- The Office of the Deputy Assistant Secretary of the Army for Financial Operations revised the Management Control Plan and distributed it to operating managers throughout the Army.
- The Internal Management Control Program continued to benefit from the overall program direction of the Management Control and Evaluation Programs Directorate. During the year, this directorate furnished functional guidance for several training programs and a significant number of operating managers received training on the Internal Management Control Program.
- High-level managers in the offices of Headquarters, DA functional proponents and major commands continued to show interest in, and give attention to, the program's objectives.
- Functional proponents of accounting subsystems continued to evaluate the subsystems to determine conformance with the Comptroller General's accounting standards and related DOD



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SUBJECT: Review of the Army Internal Management Control Program (Fiscal Year 1992)

reviewed weren't in place and operating. This problem existed primarily because operating managers weren't following prescribed policy and procedures. The substantial percentage of controls not in place and operating could result in an increase in material weaknesses having Armywide applicability.

- The Army may not have adequate support for its conclusions that its accounting subsystems conformed to the Comptroller General's accounting standards and DOD requirements. Proponents for three subsystems needed to test or document test results to ensure compliance with the standards. One of the three subsystems is scheduled to be replaced with a DOD accounting subsystem in June 1993. We plan to issue reports to the proponents of the other two subsystems.

The last four areas discussed need additional management attention to better attain the benefits of the Integrity Act.

The results of our audits and annual review are enclosed. My overall conclusion is based on the results of specific reviews done at 16 activities for this review and the audit reports that the U.S. General Accounting Office, DOD Inspector General, and Army Audit Agency issued during FY 92. The annual review identified areas in accounting subsystem reviews where the Army should act to increase the benefits from implementing the Internal Management Control Program. However, the areas needing action do not materially affect your annual assurance statement for the Secretary of Defense on the status of internal accounting and administrative controls in the Army.

Encl

FRANCIS E. REARDON The Auditor General

REVIEW OF THE

ARMY INTERNAL MANAGEMENT CONTROL PROGRAM (FISCAL YEAR 1992)

An Assessment for

The Secretary of the Army

by

The U.S. Army Audit Agency

12 November 1992

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SUMMARY OF THE REVIEW

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- Conclusion: The Secretary of the Army's draft FY 92 annual assurance statement was generally a fair representation of the effectiveness of Army organizations in implementing the Internal Management Control Program. However, a significant number of FY 92 audit reports had findings or conclusions that showed commanders should take additional steps to make sure operating managers follow established policies and procedures.
- Objective: To determine if the Army had a reasonable basis for conclusions reached on the conformance of its accounting subsystems with the Comptroller General's accounting standards.
- Conclusion: The Army may not have adequate support for its conclusions reached on the conformance of its accounting subsystems. Proponents for three subsystems didn't properly support their responses to review questions, track weaknesses, or document test results. A DOD subsystem is scheduled to replace one of the subsystems in June 1993. We plan to issue reports to the proponents of the other two subsystems.

WHAT WE REVIEWED

The Assistant Secretary of the Army (Financial Management) requested that we conduct an independent assessment of the Army's continued actions to comply with the requirements of the Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular A-123 (Revised), Internal Control Systems.

OBJECTIVES AND CONCLUSIONS

The purpose of this review was to evaluate the implementation of the Integrity Act and Circular A-123.

We concluded that-from 1 October 1991 through 30 September 1992-the Army, as an entity, generally continued reasonable and prudent action to make sure that it was in compliance with the Integrity Act and Circular A-123.

To evaluate the Army Internal Management Control Program (FY 92), we established three objectives. Here are those objectives and our conclusions:

- Objective: To determine if the Army fairly identified and corrected, or promptly scheduled for correction, material internal management control weaknesses.
- Conclusion: Each management level generally identified material weaknesses and corrected them or promptly scheduled them for correction. Each Headquarters, DA functional proponent and major command that we reviewed had reasonably effective systems to monitor actions taken to correct material weaknesses. However, more emphasis needs to be placed on evaluating these weaknesses for higher level reporting.
- <u>objective</u>: To determine if the Secretary of the Army's annual assurance statement fairly represented the effectiveness of Army organizations in implementing the Internal Management Control Program.

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Objective To determine if the Secretary of the Army's amount assurance statement fairly represented the aftertiveness of Army organizations in Explementing the Internal Manager and Corta 1 Program.

GENERAL INFORMATION

- Revenues and expenditures applicable to agency operations are recorded and accounted for properly so reliable financial and statistical reports may be prepared and accountability for assets may be maintained.
- Programs are efficiently and effectively carried out in accordance with applicable law and management policy.

Office of Management and Budget Guidance

The Office of Management and Budget, in consultation with the Comptroller General, issued policy, guidance, and standards for use by executive departments and agencies in evaluating, improving, and reporting on internal accounting and administrative control systems. The guidance and standards in effect during our review are in Office of Management and Budget Circular A-123 (Revised), Internal Control Systems, dated 4 August 1986. The Office of Management and Budget has also issued policy, guidance, and procedures that executive departments and agencies should follow in developing, operating, evaluating, and reporting on financial management systems. This information is in Office of Management and Budget Circular A-127, Financial Management Systems, dated 19 December 1984.

Secretary of Defense Guidance

The Integrity Act requires the Secretary of Defense to prepare an annual assurance statement for the President and Congress that covers the status of internal accounting and administrative control systems within DOD. The annual assurance statement:

- Identifies the material weaknesses found during the year and includes a schedule for correcting the weaknesses.
- Includes a separate report on whether accounting systems conform to the principles, standards, and related requirements that the Comptroller General prescribes.

The Secretary of the Army's annual assurance statement furnishes the basis, with regard to the Army, for the Secretary of Defense's annual assurance statement to the President and Congress.

SCOPE OF THE REVIEW

We performed the review:

- From June through November 1992.
- At the locations listed in the Annex.
- In accordance with generally accepted government auditing standards and included the tests of internal controls that we considered necessary under the circumstances.

The review covered transactions representative of operations current at the time of the review.

As part of the basis for our overall conclusion on the status of the Internal Management Control Program, we considered U.S. Army Audit Agency audits conducted and in process during FY 92 that contained an audit objective to evaluate the effectiveness of the Internal Management Control Program. We also considered audit reports that the U.S. General Accounting Office and DOD Inspector General issued during FY 92.

BACKGROUND

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular A-123 (Revised) require that each agency establish internal accounting and administrative controls in accordance with standards the Comptroller General prescribes. Further, the systems of internal accounting and administrative controls must give management reasonable assurance that:

- Obligations and costs comply with applicable laws.
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

Operations. The Deputy Assistant is responsible for furnishing overall guidance and direction on internal accounting and administrative control systems within the Army.

The Office of the Deputy Assistant Secretary assigned the day-to-day administration of the program to its Management Control and Evaluation Programs Directorate. The directorate:

- Furnishes guidance on internal management control evaluation procedures.
- Establishes and maintains reporting procedures for monitoring internal management control program accomplishments.
- Prepares the Army's periodic status reports on internal management control improvement activities.
- Prepares, for the Secretary of the Army's signature, an annual assurance statement regarding the status of the internal control systems within the Army.
- Coordinates the efforts of U.S. Army elements involved with reviewing, improving, and reporting on accounting subsystems.

The Defense Finance and Accounting Service is responsible for establishing the overall guidance and direction for evaluating the Army's accounting subsystems and for preparing the report on whether the Army's accounting subsystems conform with the Comptroller General's accounting standards and DOD requirements.

Army Guidance

AR 11-2 (Internal Management Control) prescribes the policy and contains guidance for the establishment, surveillance, and execution of the Army Internal Management Control Program.

- Headquarters, DA functional proponents must determine the potential risks of the various tasks and subtasks to fraud, waste, or mismanagement, and establish inventories of internal management control review checklists.
- Major commands and field operating agencies must implement and sustain the internal management controls that the Headquarters, DA functional proponents prescribe.
- Commanders and managers at all levels are responsible for establishing and maintaining essential management controls that comply with the Comptroller General standards.
- Proponents of Army accounting subsystems must, using Defense Finance and Accounting Service guidance, review accounting subsystems for conformance with the Comptroller General's accounting standards and DOD requirements. They must develop corrective action plans for areas of accounting subsystem nonconformance.
- Internal management control responsibilities must be a key element in the job performance standards of every manager having significant internal management control responsibilities. To stress this importance, the job performance standards of all managers with significant internal management control responsibilities must include provisions for rating how the managers meet internal management control responsibilities.

RESPONSIBILITIES

The Assistant Secretary of the Army (Financial Management) has overall responsibility for implementing the Army Internal Management Control Program.

The Assistant Secretary delegated this responsibility to the Deputy Assistant Secretary of the Army for Financial

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The Assistant Secretary or the Army (Ferencial Ensquent) has overall responsibility for implementating the Arty Linternal Management Cantrol Program.

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OBSERVATIONS

Identifying Weakinster

identified in FY 88; and one was identified in FY 83. During FY 92, the Army closed four of these weaknesses.

The Secretary of the Army's FY 92 draft annual assurance statement included eight new material weaknesses.

DISCUSSION

This section discusses four areas:

- Identifying weaknesses.
- Evaluating and reporting weaknesses.
- Correcting weaknesses.
- Monitoring weaknesses at subordinate activities.

Identifying Weaknesses

Headquarters, DA functional proponents and major commands identified material internal control weaknesses based on the criteria in AR 11-2. The Management Control and Evaluation Programs Directorate identified candidate material weaknesses for the Secretary of the Army's annual assurance statement. At the major commands visited, internal management control administrators used audits, inspections, and internal management control checklists to identify material weaknesses. The administrators also used the Management Control Plan to identify and notify assessable unit managers of internal management control checklists requiring completion. Administrators routinely received lists of audit and inspection reports to assist with identifying material weaknesses.

Evaluating and Reporting Weaknesses

Headquarters, DA functional proponents and major commands evaluated weaknesses for materiality and reported those weaknesses considered material. At each level of command, high ranking and knowledgeable personnel evaluated the reported and proposed material weaknesses. If these personnel determined that weaknesses applied commandwide or were otherwise significant, they reported them to the next

OBSERVATION A: MATERIAL WEAKNESSES

SUMMARY

Overall, the Army continued to identify and correct, or scheduled for correction, material internal management control weaknesses.

The Management Control and Evaluation Programs Directorate issued information on proposed material weaknesses identified from audit and inspection reports. We reviewed the 140 audit reports issued during FY 92 by the U.S. General Accounting Office, DOD Inspector General, and U.S. Army Audit Agency that evaluated the various aspects of the Army Internal Management Control Program. Headquarters, DA functional proponents used information from these organizations -- as well as other sources such as the internal management control reviews -- to identify, evaluate, and report internal control weaknesses. More emphasis needs to be placed on evaluating material weaknesses identified for higher level reporting.

Actions that Headquarters, DA functional proponents and major commands took made sure that material weaknesses reported in the Secretary of the Army's FY 91 annual assurance statement were corrected or scheduled for correction. As a result, the number of uncorrected material weaknesses from prior years decreased.

All Army activities we reviewed had reasonably effective systems to monitor actions taken to correct material weaknesses.

BACKGROUND

The Secretary of the Army's FY 91 annual assurance statement reported 12 material weaknesses that needed corrective actions. Five were identified in FY 91; one was identified in FY 90; three were identified in FY 89; two were

ities. Our review of 12 material weaknesses showed that responsible activities substantially completed corrective actions on 4 of the 12 weaknesses. They took sufficient corrective actions on the weaknesses to eliminate or reduce the materiality of the weaknesses to the point that they were no longer considered to have Armywide applicability.

The Management Control and Evaluation Programs Directorate has procedures to continue monitoring the remaining corrective actions to their completion. Therefore, it was appropriate to classify the four material weaknesses as closed on the Secretary of the Army's annual assurance statement. The Secretary of the Army properly reported the other eight material weaknesses that we reviewed as still requiring corrective action.

Monitoring Weaknesses at Subordinate Activities

All of the Headquarters, DA functional proponents and major commands that we visited monitored the corrective actions taken at subordinate activities. Two of six Headquarters, DA functional proponents and two major commands used automated versus manual monitoring systems to track corrective actions to completion. In addition, three DA functional proponents established procedures for following up on completed actions to ensure that controls were still in place and operating. The DA functional proponents and major commands also tasked subordinate activities to monitor and report the status of corrective actions on weaknesses that they didn't consider to be Armywide problems.

The Secretary of the Army's FY 91 annual assurance statement rended for material weaknesses that readed corrective

level of command.

Our review of 197 feeder statements of Headquarters, DA functional proponents, major commands, and subordinate activities showed that all internal control weaknesses reported in the statements were evaluated for materiality using the criteria outlined in AR 11-2. We also reviewed the 140 audit reports issued during FY 92 by the General Accounting Office, DOD Inspector General, and Army Audit Agency that evaluated the various aspects of the Army Internal Management Program. This review of audit reports identified 31 potential material weaknesses for possible inclusion in the Secretary of the Army's annual assurance statement. The Army had identified four of these weaknesses in previous annual assurance statements and all were still open during FY 92. Of the remaining 27 potential weaknesses, only 2 were forwarded to the Management Control and Evaluation Program Directorate as potential Armywide weaknesses to be considered for inclusion in the Secretary's annual assurance statement. We coordinated the 27 potential weaknesses with the appropriate DA functional proponents and found that 25 of the 27 weren't considered material and, thus, shouldn't be included in the Secretary's statement. However, based on the criteria for identifying material weaknesses, we believe more of these weaknesses should have been identified as potential material weaknesses for higher level review.

As a result of the various levels of review and coordination for material weaknesses, the Army appropriately identified eight new material weaknesses for the Secretary of the Army's draft FY 92 annual assurance statement.

Headquarters, DA functional proponents and major commands that we visited made sure that material weaknesses were promptly reported. The Management Control and Evaluation Programs Directorate received 30 of 36 DA proponent and major command feeder statements by the established time-frame, 9 October 1992. The remaining six statements were received in sufficient time to furnish input to the Secretary of the Army's FY 92 annual assurance statement. Material weaknesses were identified and reported in accordance with the FY 92 Annual Assurance Statement Memorandum dated 15 May 1992.

Correcting Material Weaknesses

Army activities acted to correct or continued to take corrective action on material internal control weaknesses included in the Secretary of the Army's FY 91 annual assurance statement and statements prepared by subordinate activ-

- Support for annual assurance statements.
- Results of FY 92 audits.

Support for Annual Assurance Statements

Overall, Headquarters, DA functional proponents and major commands issued adequate guidance, furnished the necessary training, and obtained sufficient information on internal control weaknesses to support the status of internal controls in their annual assurance statements.

- The Management Control and Evaluation Programs Directorate and major commands that we visited issued guidance that stressed important internal control issues such as the commanders' support and involvement and the procedures for reporting, handling, and monitoring material weaknesses.
- The directorate started an initiative in FY 92 to incorporate internal management control instructions in the curricula of many of the Army's primary leadership schools. This is an effort to make the Internal Management Control Program a part of every Army manager's professional development.
- Also, Headquarters, DA functional proponents and major commands reported that the Army furnished training to about 15,200 internal control administrators and assessable unit managers during FY 92.
- Administrators and assessable unit managers used audits, inspections, checklists, and assistance visits to identify internal control weaknesses.

Results of FY 92 Audits

Headquarters, DA proponents and major commands needed to continue to increase program emphasis to ensure that internal controls were in place and operating. In addition, our completed and in-process audits identified problems with the implementation and operation of the program's administrative requirements.

Controls in Place and Operating

OBSERVATION B: ANNUAL ASSURANCE STATEMENTS

SUMMARY

The Army's draft FY 92 annual assurance statement was generally a fair representation of the effectiveness of Army organizations in implementing the Internal Management Control Program.

Commanders used established guidance, furnished training to their employees, and maintained reasonable support for their FY 92 annual assurance statements.

Army organizations generally implemented the administrative requirements of the program in an effective manner, and managerial controls were generally in place. However, a significant number of audit reports addressed the need for improving controls, and operating managers needed to place more emphasis on following the established controls.

BACKGROUND

During FY 92, the Army Audit Agency issued 92 audit reports that addressed the Army Internal Management Control Program. As of 30 September 1992, 34 additional audits were in process that had an internal control objective and had developed conclusions on the program. These audits included reviews of key internal management controls.

DISCUSSION

This section discusses these two areas:

Audit Reports With Administrative Deficiencies (Percentage)

	Total	With Three or More <u>Deficiencies</u>	With Two Deficiencies	With One Deficiency
91	49	21 (43)	7 (14)	21 (43)
92	43	16 (37)	5 (12)	22 (51)

Comparison of Administrative Deficiencies Number of Audit Reports (Percentage)

Deficiency	FY 91 (123 Reports)		FY 92 (92 Reports)	
Checklist not used Incorrect checklist	14	(11)	16	(17)
answers	9	(7)	4	(4)
No testing Did not support	10	(8)	7	(8)
negative answers	8	(7)	3	(3)
Tracking system not in place	10	(8)	4	(4)
Responsibilities not in job standards	26	(21)	17	(18)
Checklist not completed properly	7	(6)		(5)
Other	24	(20)	34	(37)

Our FY 92 audit reports showed that Army managers still needed to increase command emphasis to ensure that internal management controls were in place and operating.

During FY 92, 72 percent of the audits reported weaknesses related to managerial control. This was the same percentage as FY 91. For those audits completed or significantly completed during FY 92, we analyzed key internal controls. We required each audit having an internal management control objective to identify the key internal controls of the function and determine whether the controls were in place and operating.

In FY 91, 46 audits evaluated 792 key internal controls. The 46 audits showed that 265 controls (33 percent) weren't in place and operating effectively. In FY 92, 88 audits evaluated 1,426 key internal controls. The 88 audits showed that 837 controls (59 percent) were in place and operating effectively. The 589 remaining controls that we evaluated either weren't in place (134 controls) or were in place but weren't operating as intended (455 controls). Similarly, for the 34 audits in process at the end of FY 92, 306 (42 percent) of 722 key internal controls weren't in place and operating as intended. These results indicate that operating managers didn't follow prescribed policies and procedures. The Army needs to increase emphasis to make sure that controls are operating effectively. The continuance of such a high percentage of internal controls either not in place or not operating as intended could result in an increase in material weaknesses having Armywide applicability.

Administrative Requirements

Audit reports showed that performance of the administrative requirements of the program remained about the same as FY 91. Although the percentage of audits reporting administrative deficiencies increased from 40 percent in FY 91 to 47 percent in FY 92, the total number of deficiencies cited in FY 92 for each audit decreased. For those audits reporting administrative deficiencies, the percentage of audits with three or more deficiencies, decreased from 43 to 37 percent. The percentage of audits reporting only one deficiency increased from 43 to 51 percent. Also, six of eight deficiency categories that we monitored during the past 2 years had decreased occurrence rates. The following tables compare administrative deficiencies reported during the past 2 years.

Federal Managers' Financial Integrity Act Program throughout DOD. The Review Guide consists of six sections encompassing questions for all areas of an accounting subsystem. Proponents for each accounting subsystem were required to apply the Review Guide annually starting in FY 92 to detect any internal control problems in the subsystems/modules.

DISCUSSION

This section discusses these two areas:

- Documenting reviews.
- Correction of subsystem weaknesses.

Documenting Reviews

Proponents of accounting subsystems generally continued to review the subsystems to make sure that they were in compliance with Comptroller General's accounting standards and DOD requirements. Subsystem proponents generally used the comprehensive review methodology that the Defense Finance and Accounting Service prescribed in its Review Guide. We reviewed the evaluations performed in FY 92 for 3 of the 26 accounting subsystems/modules.

- U.S. Army Corps of Engineers Payroll System.
- U.S. Army Medical Materiel Agency Procurement Appropriation Accounting System.
- National Guard Standard Army Technicians Pay System.

All three subsystems were reported in the Secretary of the Army's annual assurance statement as conforming to the Comptroller General's accounting standards. Our review showed that the proponents hadn't adequately documented reviews of the subsystems.

In addition, the three proponents didn't have plans for correcting identified subsystem weaknesses. We plan to issue reports to address the problems found at the Corps of Engineers and Medical Materiel Agency. Because the Technicians Pay subsystem is scheduled to be replaced in June 1993 by a Defense Finance and Accounting Service

OBSERVATION C: ACCOUNTING SUBSYSTEM REVIEWS

SUMMARY

Proponents of accounting subsystems continued to evaluate subsystems to determine conformance with the Comptroller General's accounting standards. Overall, subsystem proponents reported that they conducted the reviews and made the prescribed tests necessary to furnish assurance for conclusions reached. Our review of 3 of the 26 subsystems/modules showed that tests weren't adequately documented. Also, proponents for two of the three subsystems reviewed didn't establish plans for correcting subsystem weaknesses. As a result, the Army may not have adequate support for concluding that its subsystems conformed to the Comptroller General's accounting standards and DOD requirements.

BACKGROUND

The Secretary of the Army's draft FY 92 annual assurance statement reported that 25 of 26 subsystems/modules met the Comptroller General's accounting standards and DOD requirements.

For a subsystem to meet the Comptroller General's accounting standards and DOD requirements the:

- Subsystem design must contain key internal controls.
- Key internal controls must be in place and working.

The Army Internal Management Control Program requires a review to evaluate whether subsystem internal controls exist and are in place and working. This review should be made using the System Manager/User Review Guide for Operational Systems.

The Defense Finance and Accounting Service developed a new review guide in FY 92 as a step towards standardizing the

tify and maintain the status of planned actions to correct all weaknesses. The Medical Materiel Agency took actions, based on our review, to initiate an automated monitoring system to track reported weaknesses.

We plan to review these issues fully and issue reports to the Corps of Engineers and the Medical Materiel Agency.

review to evaluate whether agosystem internal controls axist

subsystem, separate reporting won't be done.

Payroll System

The Corps of Engineers didn't fully document the responses to the Review Guide. The Corps of Engineers didn't:

- Fully explain responses or furnish complete references to Review Guide questions.
- Maintain documentation for testing various subsystem transactions and validating subsystem reviews.

This occurred because the new Defense Finance and Accounting Service review guidance wasn't received until after the FY 92 review process started. Oral internal quality assurance guidance was used instead of the new guidance.

Procurement Appropriation Accounting System

The Medical Materiel Agency didn't support many of its 200 Review Guide responses. The proponent used FY 87 workpapers and testing results as supporting documentation for its FY 92 annual review. Documentation for the FY 87 review wasn't adequate to support the FY 92 review. Also, the proponent didn't independently validate subsystem reviews. Management at the Medical Materiel Agency stated that subsystem reviews weren't properly documented and validated because of limited resources and because the agency improperly expected the subsystem to be replaced by a Defense Finance Accounting Service subsystem in FY 93.

Correction of Subsystem Weaknesses

The Corps of Engineers and the Medical Materiel Agency either didn't establish corrective action plans or take actions to correct weaknesses. Also, both activities didn't monitor actions taken to correct subsystem weaknesses reported to the Defense Finance and Accounting Service.

The Corps of Engineers identified and reported three weaknesses in FY 91, along with other minor problems. The Medical Materiel Agency has reported one weakness annually since FY 87. However, neither proponent took action to correct these weaknesses.

Both proponents stated that they didn't establish corrective action plans, take corrective actions, or monitor weaknesses reported because they determined the weaknesses weren't material. AR 11-2 and AR 37-1 require proponents to iden-

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ANNEX

ACTIVITIES INCLUDED IN THE ANNUAL REVIEW

Defense Finance and Accounting Service Indianapolis Center

Finance and Accounting Policy and Systems Directorate

Headquarters, Department of the Army, Office of the:

Administrative Assistant to the Secretary of the Army
Deputy Assistant Secretary of the Army
(Financial Operations)
Assistant Secretary of the Army
(Research, Development and Acquisition)
Director of Information Systems for Command, Control,
Communications, and Computers
Deputy Chief of Staff for Operations and Plans
Deputy Chief of Staff for Logistics
The Surgeon General

Headquarters

U.S. Army, Europe and Seventh Army

U.S. Army Health Services Command

U.S. Army Medical Materiel Agency

U.S. Army Military District of Washington

U.S. Army Corps of Engineers

Headquarters Program Manager for the Corps of Engineers Payroll System

National Guard Bureau

Headquarters
Program Manager for the Standard Army Technicians Pay
System

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