February 12, 2002

Defense Infrastructure

General and Flag Officer Quarters at Fort Shafter, Hawaii; and Fort McPherson, Georgia

(D-2002-048)

Department of Defense
Office of the Inspector General

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Acronym

GFOQ	General and Flag Officer Quarters

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

February 12, 2002

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on General and Flag Officer Quarters at Fort Shafter, Hawaii; and Fort McPherson, Georgia (Report No. D-2002-048)

We are providing this report for review and comment. This report is one in a series about general and flag officer quarters maintenance and repair costs. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Assistant Secretary of the Army (Financial Management and Comptroller) comments were partially responsive. We request additional comments on Recommendation 2. The U.S. Army Forces Command did not respond to Recommendation 3. Therefore, we request that the Army provide comments on the recommendations by April 12, 2002.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Stephen T. Hampton at (703) 604-9243 (DSN 664-9243) (shampton@dodig.osd.mil) or Mr. Wayne K. Million at (703) 604-9312 (DSN 664-9312) (wmillion@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

David K Steensma

David K. Steensma
Acting Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2002-048 **February 12, 2002**
(Project No. D1999CG-0085.003)

General and Flag Officer Quarters at Fort Shafter, Hawaii; and Fort McPherson, Georgia

Executive Summary

Introduction. This report is one in a series of reports about general and flag officer quarters (GFOQ) maintenance and repair costs. The Military Construction Appropriations Act 2000, section 128, requires that general and flag officer quarters maintenance and repair costs not exceed $25,000 annually without prior congressional notification. We reviewed the maintenance and repair costs for three GFOQs at Fort Shafter and nine at Fort McPherson.

Objectives. Our overall audit objective was to determine the adequacy of management controls for review and authorization of GFOQ costs. Specifically, this report focuses on annual operations and maintenance costs for the GFOQs managed by Fort Shafter, Hawaii; and Fort McPherson, Georgia. See Appendix A for a discussion of the audit scope and methodology.

Results. Fort Shafter management controls over GFOQ maintenance and repair costs were adequate. The housing office at Fort Shafter complied with Army guidance and effectively managed the three GFOQs reviewed. We identified no cost recording errors for the three GFOQs reviewed.

Fort McPherson management controls over GFOQ maintenance and repair costs, while adequate, were not fully implemented. Specifically, guidance concerning the timely production of reports was not followed, and necessary reconciliations were not performed. The Fort McPherson family housing office had cost recording errors on all nine GFOQs reviewed and exceeded the $25,000 statutory limitation on annual maintenance and repair costs by $1,824 and $2,056 for two GFOQs in FY 2000. The Fort McPherson reports on GFOQ costs were inaccurate and potential Antideficiency Act violations occurred.

Summary of Recommendations. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) investigate potential Antideficiency Act violations. We recommend that the Assistant Chief of Staff of the Army for Installation Management verify that reported costs for all the GFOQs at Fort McPherson have been corrected for FY 2000. We also recommend that the Commanding General, U.S. Army Forces Command verify that the production, review, and forwarding of quarterly obligation reports are properly performed as required by guidance.

Management Comments. The Deputy Assistant Secretary of the Army (Financial Operations) concurred with the recommendation to initiate an investigation of the potential Antideficiency Act violation and agreed in principle with the recommendation to verify GFOQ costs. The Army did not provide comments on the recommendation to

enforce the requirement to prepare, review, and submit quarterly obligation reports. A discussion of the management comments is in the finding section of the report, and the complete text is in the Management Comments section.

Audit Response. The Army comments and actions on the recommendation to investigate the potential Antideficiency Act violations are responsive. Based on the comments, we redirected the recommendation to verify that GFOQ costs at Fort McPherson have been corrected for FY 2000 to the Assistant Chief of Staff of the Army for Installation Management. We request that the Army provide additional comments on the final report by April 12, 2002.

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Background

We conducted an audit of the Services' management controls pertaining to the review and authorization process for maintenance and repair costs for general and flag officer quarters (GFOQ). In addition, we also reviewed the accuracy of FY 2000 maintenance and repair costs. The Office of the Assistant Chief of Staff of the Army for Installation Management is responsible for administering the Army family housing program, to include providing policy and guidance. The Army installation commander is responsible for managing GFOQ operations. This report summarizes the audit of GFOQ maintenance and repair costs at Fort Shafter, Hawaii; and Fort McPherson, Georgia. The U.S. Army Pacific is the major command for Fort Shafter, and the U.S. Army Forces Command is the major command for Fort McPherson. For a listing of the GFOQs reviewed, see Appendix B.

Objective

The overall audit objective was to determine the adequacy of management controls for review and authorization of GFOQ costs. This report focuses on annual operations and maintenance costs for specific GFOQs managed by Fort Shafter and Fort McPherson. See Appendix A for a discussion of the audit scope, methodology, and prior audit coverage.

Fort Shafter GFOQ Annual Maintenance and Repair Costs

The housing office at Fort Shafter complied with Army guidance and managed GFOQs effectively. Additionally, all maintenance and repair costs reviewed for FY 2000 were accurate. The housing office implemented adequate management controls over the review and authorization process and prepared detailed plans for future work, as a result of need and historical records. Finally, the housing officials at Fort Shafter took proactive steps to ensure that they were following guidance. When they had questions, they contacted the housing officials at the office of the Assistant Chief of Staff of the Army for Installation Management.

Fort McPherson General and Flag Officer Quarters Annual Maintenance and Repair Costs

Fort McPherson family housing office exceeded the $25,000 statutory limitation on annual GFOQ maintenance and repair costs by $1,824 and $2,056 for two GFOQs in FY 2000. This condition occurred because management controls for GFOQ maintenance and repair costs, while adequate, were not fully implemented. Specifically, guidance concerning the timely production of reports was not followed, and necessary reconciliations were not performed. As a result, the installation's reports on GFOQ costs were inaccurate, and potential Antideficiency Act violations occurred.

Public Law and Service Implementing Guidance

Section 1341, Title 31, United States Code. "Limitations on Expending and Obligating Amounts," prescribes that an officer or employee of the U.S. Government not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.

Military Construction Appropriations Act 2000, Section 128. This section specifically requires that annual maintenance and repair costs not exceed $25,000 per GFOQ without prior congressional notification.

Army Regulation 210-50. "Housing Management," February 1999, provides guidance on the policies, procedures, and responsibilities that apply to furnishing, operating, maintaining, repairing, and improving Army GFOQs. The Army Regulation also contains specific guidance on the preparation and review of operations and maintenance quarterly obligation reports.

Annual GFOQ Maintenance and Repair Limitation

Beginning in FY 2000, Congress statutorily prohibited spending more than $25,000 annually on all maintenance and repair per GFOQ, unless specifically included in the annual budget justification documentation. Table 1 shows two GFOQs at Fort McPherson, Georgia, for which maintenance and repair costs exceeded statutory limitation in FY 2000.

Table 1. FY 2000 Maintenance and Repair Costs in Excess of Statutory Limitation at Fort McPherson

GFOQ	Statutory Limitation	Audited M&R*	M&R Costs in Excess of Limitation
11E (1345 Staff Row)	$25,000	$26,824	$1,824
17W (1397 Staff Row)	25,000	27,056	2,056

*Maintenance and Repair

Implementation of Management Controls

Although Army guidance provides adequate management controls over GFOQ costs, this guidance was not fully implemented by the Fort McPherson family housing office. Table 1 shows that quarters 11E exceeded the $25,000 statutory limit. The limit was exceeded because they did not follow the guidance regarding the timely preparation of the first, second, or third quarter obligation reports. In addition, the statutory limitation was exceeded for quarters 17W due to the omission of costs from the quarterly obligation report that would have been identified if the proper reconciliations were completed.

Quarterly Obligation Reports. Fort McPherson housing officials did not prepare the first, second, or third quarter obligation reports in a timely manner. Army guidance requires the production of obligation reports within 45 days of the end of the quarter and a semiannual review of the reports by the major Army command. However, Fort McPherson housing officials failed to produce quarterly obligation reports until the end of FY 2000. Thus, U.S. Army Forces Command officials were not provided with the second quarter obligation reports for any of the Fort McPherson GFOQs.

The failure to produce quarterly obligation reports contributed to the housing office exceeding the $25,000 statutory limitation for quarters 11E. The preparation of quarterly obligation reports alone may not have prevented exceeding the limitation, but would have provided the housing officials with the current financial status.

Cost Reconciliations. Fort McPherson family housing officials did not perform necessary reconciliations on GFOQ costs, and thus failed to completely identify and record all GFOQ costs associated with quarters 11E or 17W. The errors we identified indicated that GFOQ basic supervisory reviews, data edit checks, or reconciliations of GFOQ cost data had not been performed.

Impacts of GFOQ Cost Recording Errors

Fort McPherson's accounting for GFOQ costs was unreliable. Fort McPherson housing officials failed to capture three transactions found on the Integrated Facilities Systems Management Reference Report for quarters 17W. When added to the total recorded on the summary quarterly obligation report, those charges caused quarters 17W to exceed the $25,000 statutory limit on maintenance and repair expenditures. Additionally, the reference report listed gutter cleaning charges for all GFOQs at Fort McPherson at $361 each, but the charges were captured on the quarterly obligation reports at only $174 each. Table 2 shows the total net understatement of $4,299 maintenance and repair costs for quarters 11E and 17W.

Table 2. FY 2000 Understated Maintenance and Repair Costs

GFOQ	Reported Maintenance & Repair *	Audit Identified Maintenance & Repair	Net Understated Maintenance & Repair
11E (1345 Staff Row)	$26,638	$26,824	$ 186**
17W (1397 Staff Row)	22,943	27,056	4,113
Total			**$4,299**

*Maintenance and repair amounts reported to the audit team at the time of the site visit

**This represents the $187 understatement in the gutter contract and a $1 overstatement of a service call

The housing officials at Fort McPherson improperly charged maintenance and repair costs. The installation's obligation reports were inaccurate, and potential Antideficiency Act violations occurred.

Recommendations, Management Comments, and Audit Response

Revised Recommendation. As a result of management comments, we redirected draft report Recommendation 1.b. to the Assistant Chief of Staff of the Army for Installation Management and renumbered Recommendation 1.b. and 2. to 2. and 3., respectively.

1. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) initiate actions to investigate potential Antideficiency Act violations for GFOQs 11E and 17W, located at Fort McPherson, Georgia.

Management Comments. The Deputy Assistant Secretary of the Army (Financial Operations) concurred and stated that actions to investigate the potential Antideficiency Act violations were ongoing.

2. We recommend that the Assistant Chief of Staff of the Army for Installation Management verify that costs for all GFOQs at Fort McPherson, Georgia are corrected for FY 2000, and congressional reporting of GFOQ costs are updated to reflect accounting error corrections.

Management Comments. The Deputy Assistant Secretary of the Army (Financial Operations) concurred in principle and stated that the recommendation should be directed to Assistant Chief of Staff of the Army for Installation Management.

Audit Response. We are redirecting the draft report recommendation to the Assistant Chief of Staff of the Army for Installation Management. We request that the Army provide comments on the recommendation in response to the final report.

3. We recommend that the Commanding General, U.S. Army Forces Command enforce the requirement that the second and fourth quarters obligation reports be prepared, reviewed, and forwarded to the major command.

Management Comments. The Army did not provide comments on the recommendation. We request that the Army provide comments on the recommendation in response to the final report.

Appendix A. Audit Process

Scope

Work Performed. We conducted the audit of management controls over the review and authorization process for GFOQ costs, as a follow-on to our three previous audits, Report No. D-2002-020, "General Officer Quarters at Kaneohe Bay, Hawaii; Camp Pendleton, California; and Albany, Georgia," December 5, 2001, Report No. D-2001-027, "Navy Management Controls over General and Flag Officer Quarters," December 26, 2000, and Report No. D-2000-071, "Maintenance and Repair of DoD General and Flag Officer Quarters," January 27, 2000.

During the audit, we interviewed housing, budgeting, and facilities maintenance personnel at Fort McPherson, housing officials at Fort Shafter, and representatives from U.S. Army Forces Command. We analyzed family housing cost documentation and compared them with the Integrated Facilities Systems Management system, which tracked GFOQ costs for FY 2000. We conducted reconciliations of costs recorded on the GFOQ quarterly obligation reports to the supporting documentation.

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

Methodology

Use of Computer-Processed Data. We relied on computer-processed data contained in the Integrated Facilities Systems Management system. Our review of system controls and the results of data tests showed an error rate that cast doubt on the data's validity. However, when the data were reconciled with source documentation such as contract delivery orders, labor reports, vendors' invoices, and other documents, we believe that the opinions, conclusions, and recommendations in this report are valid.

Universe and Sample. To achieve the audit objectives, we judgmentally selected one activity from each of two different major commands. We reviewed 9 of the 18 GFOQs managed by Fort McPherson, and 3 of the 12 GFOQs managed by Fort Shafter.

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

Audit Type, Dates, and Standards. We performed the financial-related audit from November 2000 through June 2001, in accordance with generally accepted government auditing standards.

Prior Coverage

During the past 5 years, the Inspector General, DoD, the Naval Inspector General, the Naval Audit Service, and the Air Force Audit Agency issued reports that discuss GFOQs.

Inspector General, DoD

Inspector General, DoD, Audit Report No. D-2002-020, "General Officer Quarters at Kaneohe Bay, Hawaii; Camp Pendleton, California; and Albany, Georgia," December 5, 2001.

Inspector General, DoD, Audit Report No. D-2001-027, "Navy Management Controls over General and Flag Officer Quarters Costs," December 26, 2000.

Inspector General, DoD, Audit Report No. D-2000-071, "Maintenance and Repair of DoD General and Flag Officer Quarters," January 27, 2000.

Navy

Naval Inspector General, Report of Investigation, "Senior Official Case 990441; Alleged Misuse of Operating Funds for Maintenance and Repair of Flag Officer Quarters," October 27, 1999 (FOUO).

Naval Audit Service, Audit Report NAVAUDSVC P-7520.1, "Management of Family Housing Operations and Maintenance Resources," December 4, 1998 (FOUO).

Air Force

Air Force Audit Agency, Audit Report 99052030, "United States Air Force Academy General Officer Quarters," October 26, 1999.

Appendix B. General and Flag Officer Quarters Reviewed

Base	GFOQ	FY 2000 Maintenance and Repair Expenditures Reported to Congress[1]
Fort McPherson	5	$ 19,800
	10	22,700
	11E	23,800
	11W	11,100
	12W	229,600
	15E	9,600
	17W	23,900
	18	21,900
	19E	3,400
Fort Shafter	4 Palm Circle	132,800
	5 Palm Circle	18,900
	225 General Loop[2]	11,100

[1] All projects over $25,000 must have prior congressional approval.

[2] 225 General Loop is located at Schofield Barracks, Hawaii, but is managed by the housing office at Fort Shafter.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Under Secretary of Defense (Comptroller)
    Deputy Chief Financial Officer
    Deputy Comptroller (Program/Budget)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Commanding General, U.S. Army Forces Command
Commanding General, U.S. Army Pacific

Department of the Navy

Naval Inspector General

Department of the Air Force

Auditor General, Department of the Air Force

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Department of the Army Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

REPLY TO
ATTENTION OF

December 6, 2001

MEMORANDUM FOR DIRECTOR, CONTRACT MANAGEMENT DIRECTORATE, OFFICE OF THE ASSISTANT INSPECTOR GENERAL FOR AUDITING, 400 ARMY NAVY DRIVE, (ROOM 801), ARLINGTON, VIRGINIA 22202-4704

SUBJECT: DoDIG Draft Report on General and Flag Officer Quarters at Fort Shafter, Hawaii and Fort McPherson, Georgia (Project No. D1999CG-0085.003)

Attached are our comments to the above subject draft audit report. We concur with recommendation 1 a. and will send a memorandum to the Deputy Chief of Staff, Resource Management at FORSCOM to initiate an investigation and issue a flash report for a potential Antideficiency Act violation. We agree in principle with recommendation 1 b. but this should be directed to the Assistant Chief of Staff for Installation Management because they are responsible for the overall accounting and reporting of costs for General and Flag Officer Quarters.

Redirected and renumbered as Recommendation 2

Point of contact for this action is Mr. Peter Langevin who can be reached at (703) 614-8411 or email: langepb@hqda.army.mil.

for: William M. Randolph

Ernest J. Gregory
Deputy Assistant Secretary of the Army
(Financial Operations)

Attachment

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DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

REPLY TO
ATTENTION OF

December 6, 2001

MEMORANDUM FOR DEPUTY CHIEF OF STAFF FOR RESOURCE MANAGEMENT, UNITED STATES ARMY FORCES COMMAND, 1777 HARDEE AVENUE SW, FORT McPHERSON, GEORGIA 30330-1062

SUBJECT: DoDIG Draft Audit Report on General and Flag Officer Quarters at Fort Shafter, Hawaii and Fort McPherson, Georgia (Project No. D1999CG-0085.003)

At the enclosure Tab A is a copy of a DoDIG Draft audit report on the above subject. The audit found that a potential Antideficiency Act (ADA) violation might have occurred at Fort McPherson, Georgia, when two General and Flag Officer Quarters (GFOQ) exceeded the statutory limitation on annual maintenance and repair costs in FY 2000. The audit recommends that an investigation be done to determine whether a potential ADA violation had occurred. As a result, we request that a flash report be issued and a preliminary investigation be completed to determine whether an ADA violation had occurred.

Official signed comments from the command (Tab B) have not been received

At the enclosure TAB B is a copy of the command response prepared for the above subject audit. A review of this response showed that most of the information required for the preliminary report has been completed and will require that the report be put into the proper format and reviewed by legal counsel. Although the response stated that Command feels additional further investigation is not required, DFAS-IN 37-1 requires that a preliminary report be prepared and determination made whether a potential ADA violation existed. If a violation did not exist, then it is reported to DoDIG and the recommendation is closed. If a violation has existed, a final report is required, which is reported to Congress and the President.

My point of contact for this action and the Antideficiency Act Program is Mr. Peter Langevin, who can be reached at (703) 614-8411 or email: langepb@hqda.army.mil.

William M. Randrum
for Ernest J. Gregory
Deputy Assistant Secretary of the Army
(Financial Operations)

Enclosures

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DRAFT AUDIT REPORT

Office of the Inspector General, DOD

Project No. D1999CG-0085.003 **August 23, 2001**

General and Flag Officer Quarters at Fort Shafter, Hawaii; and Fort McPherson, Georgia

FINDING:

FORT McPHERSON GENERAL AND FLAG OFFICER QUARTERS ANNUAL MAINTENANCE AND REPAIR COSTS

RECOMMENDATION:

1. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller):

a. Initiate actions to investigate potential Antideficiency Act violations for General and Flag Officer Quarters (GFOQs) 11E and 17W, located at Fort McPherson, Georgia.

ASA (FM&C) COMMENTS: Concur. A memorandum was prepared and sent to the DCSRM, FORSCOM to initiate an investigation into the potential ADA violation.

b. Verify that costs for all GFOQs at Fort McPherson, Georgia are corrected for FY 2000 and congressional reporting of GFOQ costs are updated to reflect accounting corrections.

Redirected and renumbered as Recommendation 2

ASA (FM&C) COMMENTS: We agree in principle with the recommendations but ASA (FM&C) is not the appropriate organization to initiate corrective actions. This recommendation should be directed to Assistant Chief of Staff for Installations Management who is responsible for the overall accounting and reporting of GFOQ costs.

Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

Garold E. Stephenson
Wayne K. Million
Stephen T. Hampton
Kevin T. O'Connor
David L. Spargo
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Lynne M. Thomas
Gary A. Clark
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