

May 23, 2003



# Financial Management

Allegation Concerning Financial  
Management at the Civilian  
Personnel Management Service  
(D-2003-094)

Office of the Inspector General  
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Department of Defense

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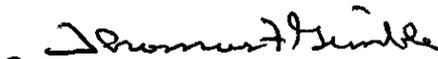
May 23, 2003

MEMORANDUM FOR DIRECTOR, CIVILIAN PERSONNEL MANAGEMENT  
SERVICE

SUBJECT: Report on the Allegation Concerning Financial Management at the Civilian  
Personnel Management Service (Report No. D2003-094)

We are providing this report for your information and use. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form. We conducted the audit in response to an allegation made to the Department of Defense Hotline.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Wanda A. Scott at (703) 604-9049 (DSN 664-9049) or Mr. James W. Hutchinson at (703) 604-9060 (DSN 664-9060). See Appendix B for the report distribution. The team members are listed inside the back cover.

  
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Deputy Assistant Inspector General  
for Auditing

## Office of the Inspector General of the Department of Defense

Report No. D-2003-094  
(Project No. D2002AS-0071)

May 23, 2003

### Allegation Concerning Financial Management at the Civilian Personnel Management Service

#### Executive Summary

**Who Should Read This Report and Why?** Managers with financial management and oversight responsibility for the Civilian Personnel Management Service and its Defense Leadership and Management Program should read this report because the allegation concerning inappropriate financial management of that Program was not substantiated.

**Background.** This audit is in response to an allegation made to the DoD Hotline concerning funds management for the Defense Leadership and Management Program. The Civilian Personnel Management Service supports the Under Secretary of Defense for Personnel and Readiness in planning and formulating civilian personnel programs and providing policy support, functional information management, and DoD-wide civilian administrative services for DoD Components. Managed by the Defense Civilian Personnel Service, the Defense Leadership and Management Program is a DoD-wide education and training program that prepares mid- and senior-level employees for upward mobility into targeted executive positions.

**Results.** The Civilian Personnel Management Service appropriately administered funds allocated for the Defense Leadership and Management Program. The audit did not substantiate the allegation that:

- approximately \$15 million was siphoned from the Defense Leadership and Management Program or other programs to fund overruns in the Defense Civilian Personnel Data System-Modernization program;
- funds were transferred in violation of DoD reprogramming rules and without congressional knowledge, at the direction of the Director, Civilian Personnel Management Service;
- the Defense Leadership and Management Program had not received the funds appropriated by Congress; and
- the Civilian Personnel Management Service provided incorrect information in response to a General Accounting Office inquiry on the use of Defense Leadership and Management Program funds.

**Management Comments.** We provided a draft of this report on April 23, 2003. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

# Table of Contents

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<b>Executive Summary</b>	i
<b>Background</b>	1
<b>Objectives</b>	1
<b>Finding</b>	
Management of Funds at the Civilian Personnel Management Service	2
<b>Appendixes</b>	
A. Scope and Methodology	7
Prior Coverage	7
B. Report Distribution	8

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## Background

This audit was performed in response to an allegation containing four specific issues made to the DoD Hotline concerning financial management at the Civilian Personnel Management Service (CPMS).

**Allegation.** The complainant alleged that approximately \$15 million was “siphoned off” from the Defense Leadership and Management Program (DLAMP) or other programs to fund overruns in the Defense Civilian Personnel Data System-Modernization (DCPDS-Mod) Program, which is also managed by the CPMS. The complainant also stated that funds were “transferred in violation of DoD reprogramming rules and without congressional knowledge,” that the DLAMP had not received the “appropriate allocated funds for which Congress intended,” and that CPMS “provided incorrect information to the General Accounting Office (GAO) regarding the use of CPMS funds.”

**Defense Human Resources Activity.** The Defense Human Resources Activity (DHRA) is a DoD Field Activity under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness. The purpose of the DHRA is to promote greater oversight and flexibility in overseeing and coordinating the work of several organizations that directly administer personnel policies, maintain comprehensive databases, and provide a variety of education and research programs. One of the major components of the DHRA is the CPMS.

**Civilian Personnel Management Service.** The CPMS provides civilian personnel policy support, functional information management, and civilian personnel administrative services to the DoD Components and their organizations. The CPMS is responsible for managing the DLAMP. The DLAMP is a DoD-wide education and training program that prepares mid- and senior-level employees for upward mobility into targeted executive positions.

## Objectives

The audit objective was to determine whether funding for the Defense Civilian Personnel Data System was managed by the Civilian Personnel Management Service in accordance with statutory and DoD regulatory requirements. We did not review the management control program as it related to the overall objective because the audit scope was limited to the DoD Hotline allegation of funds management. See Appendix A for a discussion of the audit’s scope and methodology.

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## Management of Funds at the Civilian Personnel Management Service

We did not substantiate the allegation submitted to the DoD Hotline concerning inappropriate funds management at the CPMS. Specifically, we did not substantiate that approximately \$15 million was transferred from the DLAMP or other programs to fund overruns in the DCPDS-Mod program; that funds were transferred in violation of DoD reprogramming rules and without congressional knowledge, and that DLAMP had not received the appropriate allocated funds. Additionally, we did not substantiate that the CPMS provided incorrect information to an inquiry from the GAO on the use of DLAMP funds. The results and accompanying data for the allegation appear below.

### Flow of Funding

The Assistant Director of DHRA stated that the Under Secretary of Defense (Comptroller)/Chief Financial Officer allocates Operations and Maintenance funds to the Defense Logistics Agency, which sub-allocates the funds to the DHRA and its components. Operations and Maintenance funds allocated to the DHRA are usually general use, non-directed funds. Operations and Maintenance funds sub-allocated to CPMS are categorized into two budget activities to which funds are further sub-allocated. The budget activities are Training and Recruiting, which includes the DLAMP, and Administrative and Service-wide support, which includes the DCPDS-Mod program.

### Movement of Funds

**Allegation.** Approximately \$15 million was siphoned from the DLAMP or other programs to fund overruns in the DCPDS-Mod program.

**Audit Results.** We did not substantiate the allegation that funds were inappropriately transferred from the DLAMP or another program to fund cost overruns in the DCPDS-Mod program. Because the allegation did not specify when the inappropriate fund transfer occurred, using budgetary records obtained from CPMS, DHRA, and the DoD Comptroller, we concentrated our review on DLAMP and DCPDS-Mod program funding for FY 2000, FY 2001, and FY 2002.

**DLAMP.** For FYs 2000 through 2002, we did not substantiate unauthorized movement of funds from the DLAMP to the DCPDS-Mod program. As reflected in Table 1, the initial DLAMP budget for each fiscal year was adjusted. We reviewed the adjustments to DLAMP budgets and determined that all changes were appropriately authorized through Program Budget Decisions, Funding Authorization Documents, or the CPMS internal reprogramming of funds. In the case of DLAMP, Program Budget Decisions normally affected the

budgets of multiple DoD organizations over several years, often implemented congressional mandates, and were usually approved by high-level DoD officials, such as the Deputy Secretary of Defense. In contrast, Funding Authorization Documents usually affected the budget of a single or few DoD organizations during a single fiscal year, usually implemented single financial issues decided upon by Congress or DoD, and were usually approved at the DoD Comptroller or DoD Component Comptroller level. The internal reprogramming of funds was at the prerogative of the senior manager of a DoD organization, and was limited to a single year.

**Table 1. DLAMP Budget Adjustments**  
(in millions)

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Initial Budget	\$41.9	\$48.2	\$54.6
Adjustments made through:			
Program Budget Decisions	(5.7)	( 2.7)	(4.4)
Funding Authorization Documents	(.1)	(.1)	(18.4)
Internal CPMS Reprogramming	0	0	(4.7)
<b>Final Budget</b>	<b>\$36.1</b>	<b>\$45.4</b>	<b>\$27.1</b>

**Other Programs.** We also did not substantiate that unauthorized funds were moved to the DCPDS-Mod program from other programs. We reviewed all increases to the DCPDS-Mod program funding authority that were \$100,000 or more from FY 2000 through FY 2002. With one exception, either a Program Budget Decision or a Funding Authorization Document authorized additions to the original DCPDS-Mod program budget. The exception was the internal reprogramming of funds from DLAMP to the DCPDS-Mod program in July 2002 in the amount of \$4.7 million.

## Reprogramming Actions

**Allegation.** Funds were transferred in violation of DoD reprogramming rules and without congressional knowledge at the direction of the Director, CPMS. Additionally, the DLAMP did not receive the appropriate allocated funds intended by Congress.

**Audit Results.** We did not substantiate either issue. We concluded that DoD reprogramming procedures were not applicable to the one instance in which CPMS transferred funds from DLAMP to the DCPDS-Mod program in July 2002. Additionally, we found no indication that the DLAMP did not receive the level of funding intended by Congress.

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**Reprogramming of Funds.** We found no evidence that CPMS management reprogrammed or otherwise moved funds from DLAMP to another CPMS program until July 2002, or about 7 months after the allegation was made. Reprogramming is the transfer of funds between program elements and line items within an appropriation for purposes other than those contemplated at the time of appropriation. Congress recognizes the practice of reprogramming DoD funds as a necessary, desirable, and timely device for achieving flexibility in the execution of DoD programs. For example, the House of Representatives Report 107-298, “Report of the Committee on Appropriations,” November 19, 2001, directed that proposed transfers of funds of more than \$15 million between Operations and Maintenance budget activities be subject to normal prior approval reprogramming procedures.

DoD reprogramming procedures and requirements, including those for obtaining the prior approval of congressional committees for reprogramming actions, are set forth in the DoD Financial Management Regulation. The DoD Financial Management Regulation requires prior congressional approval for reprogramming actions that affect an item that is known to be or has been designated a matter of special interest to one or more of the congressional committees. It also requires prior congressional approval for reprogramming actions that provide a cumulative increase of \$15 million or more in an Operations and Maintenance budget activity. The congressional committee reports did not identify the DLAMP program as a special interest item. Further, the July 2002 DLAMP reprogramming totaled only \$4.7 million. Accordingly, we concluded that the internal transfer by CPMS of DLAMP funds to the DCPDS-Mod program did not violate DoD reprogramming procedures and did not require congressional notification.

**DLAMP Funding Intended by Congress.** We found no evidence that Congress exempted DLAMP from budget reductions. When Congress wants to ensure that a program, such as DLAMP, receives all funds appropriated, the congressional committee or conference reports will identify the appropriation item with the phrases “only for” or “only to” to indicate that the appropriation is limited to a particular purpose. We did not identify such language in the congressional committee or conference reports related to appropriations for DLAMP.

For the FY 2002 DLAMP funds, Public Law 107-117, dated January 10, 2002, “Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, 2002,” National Defense Appropriation Act for FY 2002, Section 8165 states: “Of the amount appropriated by title II for operation and maintenance, Defense-wide, \$47,261,000 may be available for the Defense Leadership and Management Program.” Although the DLAMP was mentioned in the conference report, the report’s language did not identify appropriated funding as being only for DLAMP use. Accordingly, the Appropriation Act did not mandate the use of appropriated funds exclusively for the DLAMP; rather, it gave the DoD the discretion to support DLAMP up to the amount specified.

We also noted that in Report 107-298, November 19, 2001, the House Committee on Appropriations expressed concerns about the significant growth and costs of the DLAMP and that the costs per student were significantly higher than

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corresponding courses offered by public and private sources. The committee reduced FY 2002 program funding by \$10 million and directed that DoD review and report back on the congressional concerns.

Consequently, we did not substantiate that FY 2002 DLAMP authorized funding was less than intended by Congress.

## Information Provided to GAO

**Allegation.** The CPMS provided incorrect information to the GAO on the use of funds during a recent inquiry.

**Audit Results.** We did not substantiate the alleged issue. A GAO analyst stated that under Project No. 350091, "Civilian Personnel Issues," GAO visited the CPMS to request information about the DLAMP and how Operations and Maintenance funds were used for training purposes. The information forwarded to GAO by CPMS included answers to questions about professional military education including coursework, assessments, and program funding. Table 2 compares actual budget data that we obtained from CPMS in May 2002 to DLAMP budget information that CPMS provided to GAO in December 2001. Table 2 data for FY 2002 were projected at the time provided, and do not agree with the final and actual FY 2002 authorized budget presented in Table 1.

**Table 2. CPMS Budget Data Compared to CPMS Data Provided to GAO**  
(\$ in millions)

	FY 2000 <u>Actual</u>	FY 2001 <u>Actual</u>	FY 2002 <u>Projected</u>
<b>CPMS Budget Data</b>			
Amount requested	\$ 41.9	\$ 48.2	\$ 54.6
Amount funded for DLAMP	36.1	45.4	60.7
Total used for DLAMP	36.2	45.4	60.7
<b>CPMS Data Provided to GAO</b>			
Amount budgeted	36.1	45.4	60.7
Amount used	36.1	45.4	60.7

As shown in Table 2, except for a minor difference in rounding for the FY 2000 amount used, the information submitted to GAO was identical to the budget data maintained by CPMS budget officials. As a result, the allegation was not substantiated.

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## Summary

The allegation concerning the CPMS management of DLAMP and DCPDS–Mod program funds was not substantiated. The funding decreases for DLAMP and the increases for the DCPDS-Mod program in FYs 2000, 2001, and 2002 were executed primarily at the direction of Congress or DoD senior officials. In reference to the reprogramming of funds by CPMS management, the only instance of DLAMP program funds being reprogrammed to the DCPDS-Mod program occurred about 7 months after the allegation was made and was performed in accordance with established DoD requirements. Additionally, FY 2002 funds appropriated by Congress for DLAMP were not exclusively designated for DLAMP use. As a result, we found no impropriety in CPMS funds management for the DLAMP during the period from FY 2000 through FY 2002.

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## Appendix A. Scope and Methodology

We performed the audit to determine whether an allegation made in an anonymous December 2001 call to the DoD Hotline was merited. We discussed the allegation with staff at the offices of the CPMS, the DLAMP, and the DHRA. We also interviewed personnel from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

We performed this audit from March 2002 through April 2003 in accordance with generally accepted government auditing standards. We did not review the management control program because the scope was limited to the DoD Hotline allegation of funds management.

We identified and analyzed applicable laws and regulations for Government funding and reprogramming of Operation and Maintenance funds pertaining to the allegation. We reviewed funding and budget documents related to DLAMP and DCPDS-Mod program funding for FY 2000 through FY 2002. We also reviewed administrative and program documents dated from August 1993 through November 2002.

**Use of Computer-Processed Data.** We did not rely on computer-processed data to perform this audit.

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

### Prior Coverage

No prior coverage has been conducted on DLAMP funding during the last 5 years. While several DoD Inspector General reports were issued on the DCPDS-Mod Program during that period, none were specific to funds management.

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## **Appendix B. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Personnel and Readiness)  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
    Deputy Chief Financial Officer  
    Deputy Comptroller (Program/Budget)  
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Human Resources Activity  
Director, Civilian Personnel Management Service

### **Non-Defense Federal Organization**

Office of Management and Budget

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## **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 and Financial Management, Committee on Government Reform

House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

## **Team Members**

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