

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**CONTROLS OVER FUNDS USED FOR THE
WORLDWIDE MILITARY COMMAND AND CONTROL
SYSTEM IN THE EUROPEAN THEATER**

Report No. 95-026

November 8, 1994

Department of Defense

Additional Copies

To obtain additional copies of this report, contact the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch, Audit Planning and Technical Support Directorate, at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

Inspector General, Department of Defense
OAIG-AUD (ATTN: APTS Audit Suggestions)
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

DoD Hotline

To report fraud, waste, or abuse, call the DoD Hotline at (800) 424-9098 or write to the DoD Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of writers and callers is fully protected.

Acronyms

AWIS	Army Worldwide Military Command and Control System Information System
WWMCCS	Worldwide Military Command and Control System



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



November 8, 1994

**MEMORANDUM FOR COMMANDER IN CHIEF, U.S. EUROPEAN COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY**

**SUBJECT: Audit Report on Controls Over Funds Used for the Worldwide Military
Command and Control System in the European Theater
(Report No. 95-026)**

We are providing this final report for your review and comments. It discusses the need for improved controls to manage and account for Operation and Maintenance funds for the Worldwide Military Command and Control System. We considered comments from the U.S. European Command and the U.S. Army in preparing this final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, we request that the Department of the Army provide completion dates for planned corrective actions and provide documentation in response to Recommendation B.1. by January 13, 1995.

We appreciate the courtesies extended to the audit staff. If you have questions on this audit, please contact Ms. Mary Lu Ugone, Audit Program Director, at (703) 604-9529 (DSN 664-9529) or Ms. Cecelia A. Miggins, Audit Project Manager, at (703) 604-9542 (DSN 664-9542). The distribution of this report is listed in Appendix F. The audit members are listed inside the back cover.

Robert J. Lieberman,
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 95-026
Project No. 3RE-8001.01

November 8, 1994

CONTROLS OVER FUNDS USED FOR THE WORLDWIDE MILITARY COMMAND AND CONTROL SYSTEM IN THE EUROPEAN THEATER

EXECUTIVE SUMMARY

Introduction. This audit was made as a result of potential weaknesses in fund controls identified during our audit of "Hotline Allegations Relating to the Worldwide Military Command and Control System Consolidation in the European Theater," Report No. 94-006, October 19, 1993. The U.S. European Command; U.S. Army, Europe; U.S. Naval Forces, Europe; and the U.S. Air Forces, Europe, received more than \$16 million in FY 1991 Operation and Maintenance funds to support the Worldwide Military Command and Control System (WWMCCS).

Objective. The audit objective was to evaluate the adequacy of procedures and internal management controls to account for funds and automatic data processing equipment used for WWMCCS in the European theater.

Audit Results. The U.S. Army, Europe, did not adequately manage and administer Operation and Maintenance funds for WWMCCS. As a result, the U.S. Army, Europe, used funds for purposes other than intended by the Department of the Army, inappropriately used expired FY 1991 Operation and Maintenance funds for FY 1992 requirements, and used funds for a contract for which no deliverables were received (Finding A).

The U.S. European Command did not have accurate accounting records, causing funds available for obligations and disbursements to be misstated. Further, assets were not properly reflected in the Army's financial statements (Finding B).

The U.S. European Command; U.S. Army, Europe; and U.S. Air Forces, Europe, initiated actions during the audit to correct property accountability problems (see "Other Matters of Interest" in Part I).

Internal Controls. The U.S. Army, Europe, had neither identified its WWMCCS organization as an assessable unit nor performed a risk assessment as required by the DoD Internal Management Control Program. The audit identified material internal controls weaknesses in verifying that funds were used for intended purposes and that errors were prevented, detected, or corrected in a timely manner. The internal controls assessed are discussed in Part I, and details on the weaknesses are in the findings.

Potential Benefits of Audit. Implementation of the recommendations will result in improved controls over using and accounting for Operation and Maintenance funds in support of WWMCCS. About \$2 million will be accurately classified as FY 1991 Operation and Maintenance costs for the Command and Control Support Activity - Europe (the Support Activity) not as costs for FY 1991 Desert Shield and Desert Storm Operations. Also, \$2 million in FY 1991 Operation and Maintenance funds that was inappropriately used for FY 1992 requirements will be recovered and accurately obligated in FY 1992 Operation and Maintenance funds. Further, any violation of the Antideficiency Act will be reported, the remaining FY 1991 Operation and

Maintenance fund unliquidated obligations that were used to pay for other than bona fide needs for operating the Support Activity during FY 1991 will be recovered, and the \$968,202 returned by the Tennessee Valley Authority will be accurately recorded in an expired FY 1991 Operation and Maintenance appropriation account. Further, computer maintenance costs have been reduced by \$181,512 during FYs 1993 and 1994 (see Appendix D).

Summary of Recommendations. We recommend that the U.S. Army, Europe, implement the DoD Internal Management Control Program at the Support Activity (or its successor organization) and implement procedures to verify control of its Operation and Maintenance funds for WWMCCS. We also recommend recovering (deobligating) funds that were improperly used and making accounting adjustments to reflect proper year funds and recording expired funds. Additionally, we recommend that the U.S. European Command correct accounting errors related to the use of Operation and Maintenance funds, perform required joint reviews with the 266th Theater Finance Command, and report computer equipment valued at more than \$25,000 per item for inclusion in the Army's annual financial statements.

Management Comments. The U.S. European Command agreed to:

- o perform the required joint reviews of the unliquidated obligations and
- o report computer equipment valued at more than \$25,000 for inclusion in the Army's annual financial statement.

The U.S. Army, Europe, agreed to:

- o review the requirements for the DoD Internal Management Control Program for the Support Activity and its successor at the Army War College and task those activities accordingly;
- o reclassify about \$2 million as FY 1991 Operation and Maintenance funds for operating the Support Activity;
- o deobligate FY 1991 funds for \$2 million and obligate the \$2 million in FY 1992 funds;
- o report any violations of the Antideficiency Act;
- o review the remaining FY 1991 Operation and Maintenance fund unliquidated obligations, and deobligate funds not used for bona fide FY 1991 requirements; and
- o record the \$968,202 returned by the Tennessee Valley Authority in an expired FY 1991 Operation and Maintenance appropriation account.

The U.S. European Command concurred with the findings and recommendations. Although the Army concurred with the findings and recommendations, we ask that the Department of the Army provide completion dates or estimated completion dates for the actions taken or planned and documentation in response to Recommendation B.1. by January 13, 1995. A discussion of management comments is in Part II of the report, and the complete texts of the comments are in Part IV.

Table of Contents

Executive Summary	i
Part I - Introduction	1
Background	2
Objective	2
Scope and Methodology	3
Internal Controls	4
Prior Audits and Other Reviews	4
Other Matters of Interest	6
Part II - Findings and Recommendations	7
Finding A. Control of Operation and Maintenance Funds for the Worldwide Military Command and Control System	8
Finding B. Accounting Controls for Operation and Maintenance Funds for the Worldwide Military Command and Control System	15
Part III - Additional Information	23
Appendix A. Chronology of Significant Funding Events	24
Appendix B. Actions Required on Non-Stock Orders and Payables Report	26
Appendix C. Fiscal Year 1993 Vendor Payments Disbursed Against Fiscal Year 1992 Operation and Maintenance Funds	27
Appendix D. Summary of Potential Benefits Resulting from Audit	29
Appendix E. Organizations Visited or Contacted	32
Appendix F. Report Distribution	34
Part IV - Management Comments	37
U.S. European Command Comments	38
Department of the Army Comments	39

Part I - Introduction

Background

The Worldwide Military Command and Control System (WWMCCS). The DoD established WWMCCS in 1962 as a global command and control system. The primary mission of WWMCCS is to support the President and the Secretary of Defense by providing secure communications to transmit tactical warning and intelligence information for timely decision making. The secondary mission is to support the command and control systems of the unified commands and the WWMCCS-related information systems of other DoD Components.

Personnel operating a WWMCCS host computer site provide hardware, software, security, and communications support for collecting, processing, and transmitting information to users. Host computer sites are operated 24 hours a day, 7 days a week, and are staffed primarily with military personnel.

WWMCCS Locations in the European Theater. In 1992, four WWMCCS host computer sites were in the European theater:

- o U.S. European Command, Patch Barracks, Germany;
- o U.S. Army, Europe, Command and Control Support Activity-Europe (the Support Activity), Smith Barracks, Germany;
- o U.S. Naval Forces, Europe, London, England; and
- o U.S. Air Forces, Europe, Ramstein Air Base, Germany.

During 1992 and 1993, the U.S. European Command and its component commands implemented plans to consolidate the U.S. Naval Forces, Europe, and U.S. Air Forces, Europe, sites at Ramstein Air Base, Germany. The U.S. European Command and U.S. Army, Europe, sites were to have been consolidated at Patch Barracks, Germany. The U.S. Army, Europe, completed the move of its WWMCCS site to the Army War College, Carlisle Barracks, Pennsylvania in July 1994.

The U.S. Army, Europe, will provide FYs 1994 and 1995 WWMCCS Operation and Maintenance, Army, funds to the Army War College. The Department of the Army will provide FY 1996 WWMCCS Operation and Maintenance funds directly to the Army War College. The WWMCCS site for the U.S. European Command will remain at Patch Barracks, Germany.

Objective

The audit objective was to evaluate the adequacy of procedures and internal management controls to account for Operation and Maintenance funds and computer equipment used to operate and maintain WWMCCS in the European theater.

Scope and Methodology

Audit Scope. The audit reviewed available financial records pertaining to FYs 1991, 1992, and 1993 Operation and Maintenance funds received by the Departments of the Army, Navy, and Air Force to support WWMCCS in the European theater. As shown in Table 1., about \$16.2 million had been budgeted and received during those fiscal years for WWMCCS Operation and Maintenance costs.

U.S. European Command	\$ 5.3	million
U.S. Army, Europe	6.7	million
U.S. Naval Forces, Europe	1.9	million
U.S. Air Forces, Europe	<u>2.3</u>	million
Total	<u>\$16.2</u>	million

Audit Methodology. The audit reviewed funding and budgetary documents, dated from June 1988 through March 1994, to determine the total funds received and their intended purposes and focused on the most significant dollar amounts. We visited accounting offices for the U.S. European Command; U.S. Army, Europe; and U.S. Air Forces, Europe; to obtain documentation supporting the obligations and disbursements. However, we could not determine the accuracy of records on funds managed by the U.S. Air Forces, Europe, because auditable documentation supporting obligations and disbursements did not exist. Also, U.S. Naval Forces, Europe, did not maintain records to monitor the use of WWMCCS Operation and Maintenance funds, and we did not visit U.S. Naval Forces, Europe, accounting offices in Rota, Spain, and Pensacola, Florida.

Use of Computer-Processed Data. We used computer-processed data generated by the U.S. Army Standard Finance and Accounting System and U.S. Air Force General Accounting and Finance System. Neither system provided adequate audit trails to enable tracking fund transactions to original source documentation. As discussed in Finding B, data in the U.S. Army Standard Finance and Accounting System were inaccurate.

Inventory Records for Computer Equipment. We reviewed FY 1991 through FY 1993 inventory records at the U.S. European Command; U.S. Army, Europe; U.S. Naval Forces, Europe; and U.S. Air Forces, Europe. We judgmentally selected 1,261 computer equipment items, valued at about \$8.7 million, out of 2,582 items, valued at \$15.9 million, and physically verified the items to the inventory records. Also, we matched computer maintenance invoices to inventory records to verify that the contractor had billed only for equipment on hand and in use.

Introduction

Audit Period, Locations, and Standards. We made this economy and efficiency audit from August 1993 through June 1994 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included such tests of internal controls as were considered necessary. Appendix E lists the organizations we visited or contacted.

Internal Controls

DoD Internal Management Control Program. The U.S. European Command; U.S. Army, Europe; U.S. Naval Forces, Europe; and U.S. Air Forces, Europe, had adequately implemented the DoD Internal Management Control Program. With the exception of the U.S. Army, Europe, the commands had identified their WWMCCS activities as assessable units and had performed risk assessments in accordance with Office of Management and Budget Circular A-123, "Internal Control Systems," August 4, 1986, and DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. We did not evaluate the risk assessments. The U.S. Army, Europe, had not identified its WWMCCS organization, the Support Activity, as an assessable unit. Further, the Support Activity had neither performed risk assessments nor established an internal management control program as required. During the audit, the U.S. European Command; U.S. Army, Europe; and U.S. Air Forces, Europe, were making progress toward improved property accountability in accordance with their internal management control programs.

Adequacy of Internal Controls. The audit identified material internal control weaknesses as defined by Office of Management and Budget Circular A-123 and DoD Directive 5010.38. Procedures had not been implemented to verify that funds were used for the purposes intended and that errors were prevented, detected, or corrected in a timely manner. Recommendations A.1., A.2., A.7., A.8., B.1.a., B.1.b., and B.2. in this report, if implemented, will assist in correcting the weaknesses. The monetary benefits that can be realized by implementing those recommendations are described in Appendix D. We could not determine the monetary benefits that can be realized by implementing Recommendation A.7. Copies of this report will be provided to the senior officials responsible for internal controls within the Military Departments and the U.S. European Command.

Prior Audits and Other Reviews

Inspector General, DoD, Report No. 94-151, "Hotline Allegations on Fund Control in a Special Operations Program," June 28, 1994. The report discusses Hotline allegations concerning a U.S. Special Operations Command program managed by the Army. The allegations related to the contractor's cost accounting system, labor charges, funding, accountability of excess property

and shop stock, validity and approval of three special operations projects, and the justifications for using sole source contracting. The report recommended that the U.S. Army Materiel Command adjust financial records, report potential violations of the Antideficiency Act that may result from those adjustments, and modify the contract for a Government-owned, contractor-operated facility to ensure that the proper funds pay for the services and materials. The U.S. Army Materiel Command concurred with all recommendations.

Inspector General, DoD, Report No. 94-006, "Hotline Allegations Relating to the Worldwide Military Command and Control System Consolidation in the European Theater," October 19, 1993. The report discusses the consolidation of the U.S. European Command and the U.S. Army, Europe, WWMCCS sites. The allegations questioned the cost-effectiveness of planned consolidation efforts. The report concluded that six of seven Hotline allegations were not substantiated. The report contained no recommendations.

Inspector General, DoD, Report No. 93-126, "Worldwide Military Command and Control System Consolidation in the Pacific Theater," June 25, 1993. The report discusses the consolidation of the WWMCCS sites in the Pacific theater. The report recommended that the U.S. Pacific Command delete from the Systems Development Notification \$1.8 million for computer hardware and high-speed communications for functions that had been terminated. The Systems Development Notification is the request for funding and supporting documentation that is submitted to the Joint Staff and the Military Department that will provide the funds. The U.S. Pacific Command nonconcurred, stating that valid requirements existed to justify retention of the \$1.8 million. The U.S. Pacific Command's March 3, 1994, memorandum states that the computer utilization rates at the WWMCCS sites confirmed the need for the quadruple processor configuration at each site. The Assistant Inspector General for Analysis and Followup, DoD, has asked for supporting documentation to verify those computer utilization rates. Management provided comments in June 1994, which the auditors considered responsive.

Inspector General, DoD, Report No. 92-069, "Quick-Reaction Report on DoD Procurements through the Tennessee Valley Authority," April 3, 1992. The report focuses on Economy Act orders from DoD organizations to the Tennessee Valley Authority. Two orders, totaling \$1.4 million in FY 1991 WWMCCS Operation and Maintenance funds, that the Support Activity sent to the Tennessee Valley Authority are discussed in the report. The report recommended cancellation of interagency orders issued to the Tennessee Valley Authority that were improper or unauthorized. On May 4, 1992, the Assistant Secretary of the Army (Research, Development and Acquisition) disapproved the funding for the two orders and requested that the Tennessee Valley Authority deobligate the funds. The Tennessee Valley Authority returned the funds to the Support Activity in September 1992.

Army Audit Agency, Report No. NR 92-321, "Expenditures for Operations Desert Shield and Desert Storm, U.S. Army, Europe, and Seventh Army," June 29, 1992. The report states that subordinate units had not established adequate controls over Operations Desert Shield and Desert Storm funds and did not validate requirements and curtail support services that were not needed.

Introduction

The report recommends that the U.S. Army, Europe, direct the resource management personnel to review and validate the Operations Desert Shield and Desert Storm obligations and if charges were not appropriate, to adjust the financial records. The Command did not agree to validate obligations because "... procedures are in place to review all program obligations." The Command agreed to adjust the financial records for inappropriate costs. The Army Audit Agency considered the Command's comments nonresponsive, unless subordinate units completed detailed reviews that validated charges to the Operations Desert Shield and Desert Storm accounts. The Audit Followup and Compliance Division, U.S. Army Audit Agency, informed us that the recommendations have been fully implemented.

Other Matters of Interest

As a result of inventory accountability problems identified during this audit, the U.S. European Command; the U.S. Army, Europe; and the U.S. Air Forces, Europe, initiated actions to correct those problems at their respective WWMCCS sites. In correcting those problems, the organizations identified more than \$10 million of WWMCCS computer equipment to be added to official inventory records. Also, as of March 1, 1993, the U.S. Army, Europe, had removed unused computer equipment from its maintenance contracts and will be able to put \$181,512 in Operation and Maintenance funds to better use during FY 1993 and FY 1994, until the move to the Army War College.

In October 1993, we tested inventory control procedures for WWMCCS computer equipment at the U.S. European Command; the U.S. Army, Europe; and the U.S. Air Forces, Europe. The commands had made improvements in inventory procedures for WWMCCS computer equipment. The review of major equipment at each of the three commands showed only minor errors in inventory records.

Part II - Findings and Recommendations

Finding A. Control of Operation and Maintenance Funds for the Worldwide Military Command and Control System

The U.S. Army, Europe, did not properly manage and administer its Operation and Maintenance funds for WWMCCS.

Improper management occurred because the U.S. Army, Europe, had not implemented procedures to verify that its Operation and Maintenance funds for WWMCCS were used economically or for authorized purposes as required by law and Army guidance.

As a result, the Army used about \$2 million for purposes other than intended, improperly used an additional \$2 million in expired FY 1991 Operation and Maintenance funds for FY 1992 requirements, and spent \$831,798 for a contract, through the Tennessee Valley Authority, on which no items had been received.

Background

Laws and Regulations Governing Funds Control. Funds control is governed by law and implemented by directives and regulations from various DoD organizations. U.S.C., title 31, section 1301, "Appropriations, General Applications," states, "appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." Further, U.S.C., title 31, section 1502, "Appropriation Accounting, Balances Available," provides that an appropriation or fund limited for obligation to a definite period is available only for the payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability. After the 1-year period of availability, Operation and Maintenance funds are no longer available for incurring new obligations and account balances are to be recorded in an expired account. The funds recorded in the expired account are available for obligation adjustments and to liquidate existing obligations that were properly incurred during the period of availability.

Army Regulation 37-1, "Army Accounting and Fund Control," April 30, 1991, provides guidance on funds control and implements DoD Directive 7200.1, "Administrative Control of Appropriations," May 7, 1984. DoD Directive 7200.1 prescribes procedures for reporting violations of the Antideficiency Act. Army Regulation, 37-1, chapter 9, section 5, "Rules of Obligation," states that funds are obligated for the purposes for which they were appropriated and for bona fide needs of the current fiscal year, and that

Finding A. Control of Operation and Maintenance Funds for the Worldwide Military Command and Control System

except as provided for in paragraphs 9-5e and g, current fiscal year funds are used for obligations. Also, chapter 6, "Program and Budget Authority," requires that funds be used economically and efficiently.

Funds Received to Operate the U.S. Army, Europe's, WWMCCS Facility. The Support Activity, which operates the U.S. Army, Europe, WWMCCS facility, submits its annual budget request through the 5th Signal Command to the U.S. Army, Europe. The Support Activity received about \$5.6 million in FY 1991 Operation and Maintenance, Army, funds to operate the WWMCCS facility. On September 6, 1991, the Support Activity received an additional \$2 million in Operation and Maintenance funds from the U.S. Army, Europe, for Operations Desert Shield and Desert Storm expenses. As of the end of the audit, accounting records showed unliquidated obligations of \$705,443 in FY 1991 Operation and Maintenance funds. Appendix A provides a chronology of funding events.

Use of Operations Desert Shield and Desert Storm Funds

Department of the Army Guidance on Operations Desert Shield and Desert Storm Funds. On December 5, 1990, the Department of the Army sent an Army-wide message that ". . . only bona fide costs are charged to Desert Shield funding." On July 10, 1991, the U.S. Army, Europe, Support Budget Agency issued guidance that defined Operations Desert Shield and Desert Storm costs.

An incremental cost incurred for ODS [Operations Desert Shield and Desert Storm]. An incremental cost is a cost that is above that which is budgeted for in the FY. These costs should include, but are not limited to; civilian overtime, overhires approved for ODS and employees retained to accomplish ODS missions; travel of persons or transportation of things in support of ODS; purchased services or supplies for the accomplishment of the mission.

Daily Operating Costs Reclassified as Desert Shield Desert Storm Operating Costs. During FY 1991, the Department of the Army provided its subordinate units Operation and Maintenance funds for incremental operating costs incurred as a result of Operations Desert Shield and Desert Storm. On September 6, 1991, the U. S. Army, Europe, through the 5th Signal Command, sent the Support Activity a reimbursable Military Interdepartmental Purchase Request for \$2 million for Operations Desert Shield and Desert Storm costs. On July 22, 1991, the Support Activity reclassified and recorded about \$2 million in annual FY 1991 operating costs (personnel, supplies, travel, training, and contracts) as Operations Desert Shield and Desert Storm expenses.

The Support Activity had no documentation to justify reclassifying the \$2 million annual operating costs or to support incremental costs incurred as a result of Operations Desert Shield and Desert Storm. As previously described, the Support Activity operated 24 hours a day, 7 days a week. As a WWMCCS host computer site, the Support Activity used no additional staff to support

Finding A. Control of Operation and Maintenance Funds for the Worldwide Military Command and Control System

Operations Desert Shield and Desert Storm. Accordingly, we concluded that the Support Activity did not properly use funds provided by the Department of the Army for incremental costs associated with Operations Desert Shield and Desert Storm.

Use of FY 1991 Operation and Maintenance Funds for FY 1992 Requirements

FY 1991 Operation and Maintenance Funds Sent to Army WWMCCS Program Manager. On July 25, 1991, the Support Activity sent \$2.5 million in FY 1991 Operation and Maintenance funds to the program manager for the Army Worldwide Military Command and Control System Information System (AWIS). The Support Activity sent the funds using Military Interdepartmental Purchase Request DDA90P068. On July 26, 1991, and September 5, 1991, the program manager used Military Interdepartmental Purchase Request DA07043 to send a total of \$2.5 million to the Lexington Bluegrass Army Depot to contract for AWIS developmental work.

Lexington Bluegrass Army Depot Use of Operation and Maintenance Funds. On September 30, 1991, \$2 million in FY 1991 Operation and Maintenance funds provided to the Lexington Bluegrass Army Depot expired, and therefore, was not available for incurring new obligations in FY 1992. However, the Lexington Bluegrass Army Depot used the expired \$2 million for new obligations in FY 1992 (see Table 2). New obligations included the work order on the AWIS Automated Project Management System that stipulated contractor performance beginning January 1, 1992, and ending September 30, 1992. Also part of the new obligations was a work order for the U.S. Army Forces Command that specified disk storage upgrades for FY 1992, as referenced in a System Development Notification, dated December 17, 1991, to the Joint Staff. Accordingly, we concluded that the Lexington Bluegrass Army Depot contravened U.S.C., title 31, section 1502, and Army Regulation 37-1 by using expired funds for new obligations.

**Finding A. Control of Operation and Maintenance Funds for the Worldwide
Military Command and Control System**

Table 2. Use of FY 1991 Expired Funds	
<u>FY 1992 Requirements</u>	<u>Amount</u>
AWIS Local Area Network and Economic Analysis	\$ 50,351 ¹
AWIS Automated Project Management System	
AWIS Automated Configuration Management System	
AWIS Local Area Network Enhancement and Maintenance	1,552,316 ²
U.S. Army Pacific, Database Management Environment	100,000 ³
U.S. Army Pacific, Local Area Network	
U.S. Army Forces Command, Disk Storage Upgrade	<u>300,000⁴</u>
 Total	 <u>\$ 2,002,667</u>
 ¹ Contract Work Order KF82	
² Contract Work Order KF84	
³ Contract Work Order KF85	
⁴ Contract Work Order KF86	

Funds Provided to the Tennessee Valley Authority

Support Activity Used Interagency Purchase Requests to Procure Services from a Specific Vendor. In FY 1991, the Support Activity sent \$1.8 million in FY 1991 Operation and Maintenance funds, through three interagency orders, to the Tennessee Valley Authority. The Support Activity used this contracting method (interagency purchase requests) to procure services and products from a specific vendor through the Tennessee Valley Authority. Inspector General, DoD, Report No. 92-069, "Quick-Reaction Report on DoD Procurements through the Tennessee Valley Authority," April 3, 1992, identified two interagency orders, totaling \$1.4 million, issued by the Support Activity, in FY 1991. The report states that the interagency purchase requests appeared improper because they involved a transfer of funds due to expire at the end of FY 1991.

On May 4, 1992, the Assistant Secretary of the Army (Research, Development and Acquisition) disapproved the issuance of the Operation and Maintenance funds and requested that the Tennessee Valley Authority return the funds. The Tennessee Valley Authority returned \$968,202 of the \$1.8 million to the Support Activity. Report No. 92-069 did not discuss the \$831,798 spent nor the disposition of \$968,202 in FY 1991 Operation and Maintenance funds that was returned to the Support Activity in FY 1992.

Work Required of the Contractor. Of the \$831,798 retained by the Tennessee Valley Authority, \$711,798 was paid for contractor work and \$120,000 was attributable to overhead charges. The contract statement of work through the Tennessee Valley Authority required the contractor to develop functional baseline documentation, specifications for software and hardware improvements, applications and systems software prototypes for system and

Finding A. Control of Operation and Maintenance Funds for the Worldwide Military Command and Control System

architecture validation, and detailed communications requirements. Contract deliverables were to be documentation and technical papers for specific task orders as requested by the system manager for the Office of Command, Control, Communications, Computers, and Intelligence, U.S. European Command. The contractor was to develop WWMCCS consolidation alternatives and implementation plans for the Support Activity.

The Support Activity sent the first interagency purchase request in March 1991, but terminated the contract in May 1992 when the Assistant Secretary of the Army (Research, Development and Acquisition) disapproved the issuance of Operation and Maintenance funds to the Tennessee Valley Authority. The Support Activity was unable to show evidence of contract deliverables or supporting documentation for the \$711,798 that was paid for contractor work from March 1991 through October 1992.

Expired FY 1991 Operation and Maintenance Funds. The Support Activity should have considered the \$968,202 returned by the Tennessee Valley Authority in September 1992 as 1-year FY 1991 Operation and Maintenance funds that had already expired. The 266th Theater Finance Command, which provides accounting services to U.S. Army, Europe, did not record those funds as expired Operation and Maintenance funds that are to be used only for bona fide needs of the Support Activity in the year of fund availability. We were unable to determine whether the \$968,202 in FY 1991 funds was spent for bona fide needs identified in FY 1991 because neither the Support Activity nor the 266th Theater Finance Command could provide the date of the return of the \$968,202. The date the funds were returned was also needed to determine dates for tracking the related accounting transactions to the source documentation.

Conclusion

The U.S. Army, Europe, had not implemented procedures to verify that the Operation and Maintenance funds for the operations of the WWMCCS facility were used economically and for intended purposes. The Support Activity used \$2 million in Operation and Maintenance, Army, funds contrary to Department of the Army guidance on incremental costs associated with Operations Desert Shield and Desert Storm. Further, the Lexington Bluegrass Army Depot inappropriately used an additional \$2 million in expired FY 1991 Operation and Maintenance funds for FY 1992 Army WWMCCS program requirements.

**Finding A. Control of Operation and Maintenance Funds for the Worldwide
Military Command and Control System**

Recommendations for Corrective Action

We recommend that the Commander in Chief, U.S. Army, Europe:

1. Identify the Command and Control Support Activity, Europe (or its successor organization), as an assessable unit and perform a risk assessment, in accordance with DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987.

2. Implement procedures to verify that Operation and Maintenance funds for the U.S. Army, Europe, WWMCCS facility operations are used economically and efficiently, for the purposes intended, and for the period of availability of the appropriation as required by Army Regulation 37-1, "Army Accounting and Fund Control," April 30, 1991.

3. Classify the \$1,995,846 as FY 1991 Operation and Maintenance funds for the annual operations of the WWMCCS facility using program element resource code 393151.

4. Recover (deobligate) \$2 million in FY 1991 Operation and Maintenance fund obligations made for FY 1992 Army WWMCCS program requirements, and record the deobligated \$2 million in the FY 1991 Operation and Maintenance expired account.

5. Obligate \$2 million in FY 1992 Operation and Maintenance funds for the FY 1992 Army WWMCCS program requirements.

6. Follow the reporting requirements of DoD Directive 7200.1, as implemented by Army Regulation 37-1, if any violation of the Antideficiency Act has occurred as a result of adjusting the FY 1991 and FY 1992 Operation and Maintenance fund balances.

7. Review the remaining \$705,443 in FY 1991 Operation and Maintenance fund unliquidated obligations for the U.S. Army, Europe, Worldwide Military Command and Control System facility to determine whether those obligations were used to pay for bona fide needs for operating the Support Activity during FY 1991, and recover (deobligate) any funds that were not used for bona fide FY 1991 requirements.

8. Record the \$968,202 returned by the Tennessee Valley Authority in an expired FY 1991 Operation and Maintenance appropriation account.

Management Comments. The U.S. Army, Europe, concurred with the recommendations. The Army agreed to:

o review the requirements for the DoD Internal Management Control Program for the Support Activity and its successor at the Army War College and task those activities accordingly,

Finding A. Control of Operation and Maintenance Funds for the Worldwide Military Command and Control System

- o reclassify about \$2 million as FY 1991 Operation and Maintenance funds for operating the Support Activity,

- o deobligate FY 1991 funds for \$2 million and obligate \$2 million in FY 1992 funds for obligations made in FY 1991 for bona fide needs of FY 1992,

- o report violations of the Antideficiency Act,

- o review the remaining FY 1991 Operation and Maintenance fund unliquidated obligations and deobligate funds that were not used for bona fide FY 1991 requirements, and

- o record the \$968,202 returned by the Tennessee Valley Authority in an expired FY 1991 Operation and Maintenance appropriation account.

Audit Response. Comments are responsive to the recommendations. We request that the Department of the Army provide completion dates for the planned corrective actions in response to the final report.

Finding B. Accounting Controls for Operation and Maintenance Funds for the Worldwide Military Command and Control System

Accounting transactions totaling about \$3.2 million of the U.S. European Command's Operation and Maintenance funds for FYs 1991, 1992, and 1993 WWMCCS operations, were recorded incorrectly, in duplicate, or not at all.

Inaccurate records existed because the 266th Theater Finance Command, U.S. Army, Europe, had not implemented accounting controls to provide for adequate and timely prevention, detection, and correction of errors.

As a result, the funds available for obligations and disbursements were misstated. Furthermore, computer equipment and other property had not been capitalized and assets were not accurately reflected in the Department of the Army FYs 1991, 1992, and 1993 financial statements.

Regulatory Guidance on Internal Controls for Accounting Systems

DoD Manual 7220.9, "Department of Defense Accounting Manual," chapter 14, "Internal Control," July 1991, states:

... the accounting system shall include controls, when appropriate, that prevent or detect incorrect or incomplete recording of a transaction; failure to record a transaction; duplicate recording of a transaction; and incorrect entry of data at a terminal. The accounting system should provide procedures for control over errors to ensure that once errors are detected corrections are made in a timely manner and reentered into the appropriate processing cycle; corrections are made only once; and the correction itself is validated.

DoD Manual 7220.9, chapter 12, "Accounting Systems Development, Approval and Maintenance," states that internal controls to be maintained include the following.

- o A description of the manner in which financial, manpower, and property resources are to be controlled and safeguarded
- o An outline of required controls over quantity, timeliness, reliability, and accuracy of inputs, processing, and outputs (whether

Finding B. Accounting Controls for Operation and Maintenance Funds for the Control System

manual or automated) sufficient to demonstrate reasonable assurance of accurate recording of transactions and reporting of their effects in the accounting period in which they occur.

- o A statement of the basis for auditability of the system in terms of results of operation and current condition and identification of the audit trails throughout the system. This includes a description of the manner in which a particular data element existing in the files can be traced backward to its source documentation and forward to its position in a report.

Accounting Procedures for the 266th Theater Finance Command

The 266th Theater Finance Command (the Finance Command) Heidelberg, Germany, provides appropriated fund accounting, commercial vendor payment support, accounting policy and systems staff support, and command-level accounting and reporting for the U.S. Army, Europe. The Finance Command provided those same services for the U.S. European Command since October 1992. Also, the Finance Command has written standard operating procedures on accounting for obligation and disbursement transactions and on resolving transaction errors. Because the Department of the Army performs budget and accounting services for the U.S. European Command, it uses Army Regulation 37-1, "Army Accounting and Fund Control," April 30, 1991, for guidance on fund control and accounting.

The Finance Command uses the Non-Stock Fund Orders and Payables Report (Non-Stock Report) to account for obligation and disbursement transactions. The Finance Command's Non-Stock Report:

- o categorizes unliquidated obligations by program element, accounting processing code, fiscal year, resource manager, object classification, and voucher number; and

- o contains updated account information, such as account corrections and new account transactions.

Updating the Non-Stock Report. Standard operating procedures require the Finance Command to make updates and corrections to the Non-Stock Report that are provided by the U.S. European Command resource management personnel. The U.S. European Command's resource management personnel record WWMCCS Operation and Maintenance fund commitments and obligations in the Army-wide Database Commitment Accounting System, which is part of the overall Army accounting system. On a biweekly basis, the resource management personnel provide information from the Database Commitment Accounting System and other supporting documentation to the Finance Command. The Finance Command uses that information to update the Non-Stock Report and provides a copy of the updated report to the U.S. European Command. The U.S. European Command resource management

Finding B. Accounting Controls for Operation and Maintenance Funds for the Control System

personnel review the updated report and provide corrections to the Finance Command. However, as of the end of the audit, Finance Command personnel were not making corrections to the Non-Stock Report.

Using the General Fund Analysis Exception Report. Standard operating procedures require the Finance Command to use the General Fund Analysis Report (Exception Report) in reconciling transactions on a monthly basis. The Exception Report, generated from the U.S. Army Standard Finance and Accounting System, provides information on transaction errors (such as disbursements that have no corresponding obligations or that exceed obligations). As of the end of the audit, Finance Command personnel were not reconciling transactions identified in the Exception Report to the Non-Stock Report.

Because the Finance Command's accounting personnel were neither updating the Non-Stock Report nor reconciling the Exception Report to the Non-Stock Report, errors in the accounting system were neither detected nor corrected as discussed below.

Recording Accounting Transactions

U.S. European Command's Financial Records. Accounting transactions totaling about \$3.2 million were incorrectly recorded, recorded more than once, or not recorded against the Operation and Maintenance funds received to operate the U.S. European Command's WWMCCS facility. The U.S. European Command's financial records pertaining to those funds showed both incorrect disbursements and obligations in FYs 1991, 1992, and 1993 Operation and Maintenance funds. Appendix B provides details on the transactions.

Disbursements for Other Programs. The Finance Command incorrectly recorded \$1,012,151 in disbursements for the WWMCCS program against the FY 1992 U.S. European Command Operation and Maintenance funds. Specifically, the Finance Command erroneously recorded the following disbursements against the FY 1992 Operation and Maintenance funds:

- o \$225,000 for the U.S. European Command FY 1992 headquarter's management program; and
- o \$787,151 for the U.S. European Command FY 1992 intelligence program.

Also, the Finance Command did not record corresponding obligations for those disbursements on the Non-Stock Report.

Disbursements for Transfers and Payments. The accounting records for the FY 1991 Operation and Maintenance funds for the U.S. European Command WWMCCS facility did not reflect available funds because the Finance Command did not record disbursements totaling \$147,705 as shown in Table 3.

Finding B. Accounting Controls for Operation and Maintenance Funds for the Control System

Table 3. Unrecorded Disbursements			
<u>FY 1991 Obligation</u>	<u>Actual Disbursement</u>	<u>Non-Stock Report Amount</u>	<u>Difference</u>
Local Area Network	\$138,641	\$122,381	\$ 16,260
Vendor Payment	131,445	0	<u>131,445</u>
Total Not Disbursed			<u>\$147,705</u>

Disbursements for Computer Maintenance. Accounting records showed that the Finance Command incorrectly charged the FY 1992 Operation and Maintenance appropriation for 19 (totaling \$832,584) of 25 (totaling \$1,004,085) invoices for FY 1993 computer maintenance. Those incorrect charges caused the FY 1992 funds to be overdisbursed by \$832,584 and FY 1993 funds to be underdisbursed by the same amount. Appendix C provides details on those charges.

Obligations for Technical Support. The Finance Command recorded duplicate obligations for FY 1993 Operation and Maintenance funds for the U.S. European Command WWMCCS. We considered a duplicate obligation to be an obligation that was recorded twice for a single requirement.

In July 1993, the resource management personnel sent the Finance Command miscellaneous obligating documents to record estimated obligations for WWMCCS technical support requirements. On September 17, 1993, the resource management personnel requested that the Finance Command replace estimates with contractual obligations. The October 3, 1993, Non-Stock Report showed that the contractual obligations had been recorded; however, the estimated obligations were still on the Finance Command's accounting records. The accounting records for FY 1993 WWMCCS funds managed by the U.S. European Command showed an overobligation of \$139,783 as of January 1994.

Joint Reviews of Unliquidated Obligations

Army Regulation 37-1, section 28-14, "Army Accounting and Fund Controls," April 30, 1991, requires at least three joint reviews of unliquidated obligations each fiscal year between the organization that receives the funds and the

Finding B. Accounting Controls for Operation and Maintenance Funds for the Control System

servicing Finance and Accounting Office. The purpose of the joint review is to validate all unliquidated obligations. The Finance and Accounting Office is responsible for scheduling joint reviews with the organization receiving the funds and for furnishing necessary data for the year reviewed.

Army Regulation 37-1, section 28-14, details the types of obligations to be reviewed.

First Review - all unliquidated obligations for accounts that have lapsed or merged or will have expired or merged by the end of the current FY and all unexpired accounts over \$5,000.

Second Review - all unliquidated obligations for expired accounts not covered in first review, plus all current-year unliquidated obligations over \$5,000.

Third Review - all unliquidated obligations in the unexpired accounts, with special emphasis on miscellaneous obligating documents.

Furthermore, the joint reviews are not to be a substitute for the day-to-day management of funds. The overall purpose of the joint reviews is to verify that all current-year funds are validly obligated and effectively used and that recoveries of moneys after an appropriation expires are minimized.

The Finance Command did not schedule or hold joint reviews with the U.S. European Command during FY 1993. Finance Command personnel told us that the joint reviews had been held in previous years, but those personnel were unable to furnish documentation to show whether reviews had been performed. Finance Command personnel explained that they did not have time to perform the joint reviews in FY 1993 because the Finance Command gained responsibility for the 7th Army accounting and finance operations during FY 1993. If the joint reviews had been done in FY 1993, transaction errors may have been detected and corrected in a timely matter. As a result of the audit, the Finance Command has scheduled FY 1994 joint reviews with the U.S. European Command.

Capitalizations of Equipment

A memorandum, "Criteria for Capitalization of Assets," January 26, 1994, Comptroller of the Department of Defense (now the Under Secretary of Defense [Comptroller]) states:

. . . the Acting DoD Comptroller promulgated a policy that the dollar threshold for capitalizing an asset for accounting purposes is identical to, and automatically changes with, the expense/investment funding threshold used by the Congress for appropriating DoD operating (expense) and procurement (investment) appropriations. Consistent with that policy, and Section 8092 of the FY 1994 DoD

Finding B. Accounting Controls for Operation and Maintenance Funds for the Control System

Appropriations Act, assets acquired (obligations incurred) on or after October 1, 1993, will be capitalized when they have a useful life of two years or more and an acquisition value of \$25,000 or more

Before the memorandum was issued in January 1994, a January 1992 memorandum issued by the Comptroller set the acquisition threshold at \$15,000. Accordingly, the Finance Command implemented procedures to record capitalized assets. The Finance Command annually sends a memorandum to each command it services and requests data on assets. The Finance Command then debits or credits the asset accounts to reflect current asset account balances. The asset balances are then reflected in the Department of the Army's annual financial statements.

The Finance Command sent memorandums to both the U.S. European Command and the U.S. Army, Europe, requesting their asset capitalization input for FY 1992. Even though the U.S. European Command had about \$1.5 million in reportable WWMCCS computer equipment, the U.S. European Command replied that because it was a unified command, it did not have capitalized assets to report. However, because the Army is the Executive Agent for the U.S. European Command, the Army's financial statement must reflect the U.S. European Command's capitalized assets.

Recommendations For Corrective Action

1. We recommend that the Commander, 266th Theater Finance Command:

a. Verify that errors in the General Fund Analysis Exception and Non-Stock Fund Orders and Payables Reports, generated by the U.S. Army Standard Finance and Accounting System, are corrected in accordance with the Army Regulation 37-1, "Army Accounting and Fund Control," April 30, 1991, sections 28, 29, and 30 and the standard operating procedures established by the Accounting Operations Branch, 266th Theater Finance Command.

b. Correct the errors identified in Appendix B that pertain to the U.S. European Command's accounting records.

Management Comments. The Department of the Army concurred with the recommendation. The Army stated that effective April 1, 1994, standard operating procedures have been put into place which should preclude similar problems from happening again. The Army also stated that corrective actions had been taken during the audit and that results were provided to the Inspector General, DoD.

Finding B. Accounting Controls for Operation and Maintenance Funds for the Control System

Audit Response. The Army's comments are responsive to the recommendation. However, the documentation provided did not validate that the errors identified in Appendix B had been corrected; the documentation related to other aspects of the audit. We ask that the Army provide the documents that show errors identified in Appendix B have been corrected.

2. We recommend that the Commander in Chief, U.S. European Command, and the Commander, 266th Theater Finance Command, perform joint reviews of unliquidated obligations in compliance with Army Regulation 37-1, "Army Accounting and Fund Control," April 30, 1991, section 28-14.

Management Comments. The U.S. European Command and the Department of the Army concurred with the recommendation and are performing the joint review of unliquidated obligations in compliance with Army Regulation 37-1.

3. We recommend the Commander in Chief, U.S. European Command, report computer equipment valued at more than \$25,000 per unit to the 266th Theater Finance Command for inclusion in the Army's annual financial statements.

Management Comments. The U.S. European Command concurred with the recommendation.

Part III - Additional Information

Appendix A. Chronology of Significant Funding Events

<u>Date</u>	<u>Amount</u>	<u>Event</u>
March 14, 1991	\$ 400,000	The Support Activity sent a Military Interdepartmental Purchase Request to the Tennessee Valley Authority for WWMCCS support.
July 22, 1991	1,995,846	The Support Activity reclassified annual operating costs as costs for Operations Desert Shield and Desert Storm.
July 25, 1991	2,500,000	The Support Activity sent a Military Interdepartment Purchase Request to AWIS for support of the Army's WWMCCS program.
July 26, 1991	2,000,000	AWIS sent \$2 million of the \$2.5 million to the Lexington Bluegrass Army Depot for the AWIS Life-Cycle Project Management effort.
August 6, 1991	2,000,000	The Lexington Bluegrass Army Depot accepted the AWIS Military Interdepartmental Purchase Request as reimbursable funding.
August 7, 1991	2,500,000	AWIS accepted the Support Activity Military Interdepartmental Purchase Request as direct funding.
August 19, 1991	700,000	The Support Activity sent a Military Interdepartmental Purchase Request to the Tennessee Valley Authority for WWMCCS support.

Appendix A. Chronology of Significant Funding Events

<u>Date</u>	<u>Amount</u>	<u>Event</u>
September 5, 1991	500,000	AWIS sent the remaining \$500,000 of the \$2.5 million from the Support Activity to the Lexington Bluegrass Army Depot for the AWIS Life-Cycle Project Management effort.
September 6, 1991	2,025,000	The Support Activity received funds from the 5th Signal Command through U.S. Army, Europe, for costs incurred for Operations Desert Shield and Desert Storm.
September 11, 1991	500,000	The Lexington Bluegrass Army Depot accepted the AWIS amended Military Interdepartmental Purchase Request for \$500,000 as reimbursable funding.
September 23, 1991	700,000	The Support Activity sent a Military Interdepartmental Purchase Request to the Tennessee Valley Authority for WWMCCS support.

Appendix B. Actions Required on Non-Stock Orders and Payables Report

The 266th Theater Finance Command needs to make corrections on the Non-Stock Orders and Payables Report for the U.S. European Command. The document reference numbers are for program director T6, operating agency 94, allotment series 1031, program element 3900, and accounting processing code T69C.

<u>Document Reference Number</u>	<u>Fiscal Year Affected</u>	<u>Corrective Action</u>	<u>Amount</u>
<u>Disbursements</u>			
WK4ER227M143	1992	Credit	\$ 225,000
F0960391D0999A	1992	Credit	787,151
9C08J6W1127	1991	Debit	16,260
9C011J6W52	1991	Debit	131,445
WK4E3R2275HON1 WK4E3R2275HSA3	1992	Credit	832,584
WK4E3R2275HON1 WK4E3R2275HSA3	1993	Debit	832,584
<u>Obligations</u>			
MODT69CPRCD016	1993	Debit	209,894
MODT69CPRCD017	1993	Credit	101,021
MODT69CPRCD018	1993	Debit	<u>30,910</u>
Total			<u>\$3,166,849</u>

Appendix C. Fiscal Year 1993 Vendor Payments Disbursed Against Fiscal Year 1992 Operation and Maintenance Funds

Records showed that the Finance Command incorrectly disbursed \$832,584 of \$1,004,085 for FY 1993 computer maintenance costs under contract F19630-80-D-0001, G618 against FY 1992 Operation and Maintenance funds.

<u>Invoices</u>	<u>Period of Performance</u>	<u>Amount</u>	<u>Year Charged¹</u>	<u>Year Should be²</u>
DS00879189	10/01/1992 through 02/28/1993	\$269,730	FY 1992	FY 1993
DD30003519	10/01/1992 through 10/31/1992	13,400	FY 1992	FY 1993
DD30003520	11/01/1992 through 11/30/1992	13,400	FY 1992	FY 1993
DD30003538	12/01/1992 through 12/31/1992	13,400	FY 1992	FY 1993
DS00871541	10/01/1992 through 12/31/1992	81,777	FY 1992	FY 1993
DS00871582	10/01/1992 through 12/31/1992	4,341	FY 1992	FY 1993
DS00872238	01/01/1993 through 01/31/1993	27,259	FY 1992	FY 1993
DD10004878	01/01/1993 through 01/31/1993	13,400	FY 1992	FY 1993
DS00875846	02/01/1993 through 02/22/1993	22,359	FY 1992	FY 1993
DD30003689	02/01/1993 through 02/28/1993	13,400	FY 1992	FY 1993
DD30003765	03/01/1993 through 03/31/1993	13,400	FY 1992	FY 1993
DSA0879761	03/01/1993 through 03/31/1993	22,359	FY 1992	FY 1993
DD30003827	04/01/1993 through 04/30/1993	13,400	FY 1992	FY 1993
DD30003895	05/01/1993 through 05/31/1993	13,400	FY 1992	FY 1993
DS00886379	04/01/1993 through 05/31/1993	44,718	FY 1992	FY 1993
DS00886380	04/01/1993 through 05/31/1993	107,891	FY 1992	FY 1993
DS00886562	03/01/1993 through 03/31/1993	53,945	FY 1992	FY 1993
DS0088703	04/01/1993 through 06/30/1993	14,700	FY 1992	FY 1993
DS00887151	06/01/1993 through 06/30/1993	<u>76,305</u>	FY 1992	FY 1993
Subtotal-Incorrect Disbursements		<u>\$832,584</u>		

See footnotes on next page.

Appendix C. Fiscal Year 1993 Vendor Payments Disbursed Against Fiscal Year 1992 Operation and Maintenance Funds

<u>Invoices</u>	<u>Period of Performance</u>	<u>Amount</u>	<u>Year Charged</u> ¹	<u>Year Should be</u> ²
DD30004024	07/01/1993 through 07/31/1993	13,400	FY 1993	FY 1993
DS00892266	08/01/1993 through 08/31/1993	83,004	FY 1993	FY 1993
DS00007944	06/01/1993 through 06/30/1993	(1,176) ³	FY 1993	FY 1993
DS00889866	07/01/1993 through 07/31/1993	81,205	FY 1993	FY 1993
DS00891385	06/01/1993 through 07/31/1993	4,868	FY 1993	FY 1993
DSA872238	12/01/1992 through 01/31/1993	(9,800) ³	FY 1993	FY 1993
Subtotal-Correct Disbursements		<u>\$171,501</u>		
Total		<u>\$1,004,085</u>		

¹Based on the fund citation stated on the payment voucher.

²Based on the period of performance on the invoice.

³Credit invoice.

Appendix D. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1.	Internal Control. Identifies the Support Activity as an assessable unit and assesses the control risk.	Nonmonetary.
A.2.	Internal Control. Improves controls to verify that funds are used as intended and during the year of availability.	Nonmonetary.
A.3.	Compliance with Department of the Army requirements for Operations Desert Shield and Storm. Classifies obligations accurately as required.	Nonmonetary.
A.4.	Compliance with Law. Complies with U.S.C., title 31, section 1502 to use the proper year funds.	Funds of \$2 million put to better use. Fiscal Year: 1991. Appropriation: Operation and Maintenance, Army. Program Element: 0303151A (WWMCCS Automatic Data Processing, Army).
A.5.	Compliance with Law and Department of the Army Regulation 73-1. Complies with U.S.C., title 31, section 1502 to use the proper year funds.	Nonmonetary.

Appendix D. Summary of Potential Benefits Resulting from Audits

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.6.	Compliance with Law, DoD Directive 7200.1, and Department of the Army Regulation 37-1. Provides for reporting a potential Antideficiency Act violation should funds not be available to make adjustments.	Nonmonetary.
A.7.	Internal Control and Compliance with Law. Verifies compliance with U.S.C., title 31, section 1502 to use proper year funds.	Undeterminable. Monetary benefit should be known after implementation of recommendation.
A.8.	Internal Control and Compliance with Department of the Army Regulation 37-1. Reports funds that are expired.	Undeterminable. Monetary benefit should be known after implementation of recommendation.
B.1.a.	Internal Control. Improves controls over the accounting system.	Nonmonetary.
B.1.b. and B.2	Internal Control. Helps produce accurate financial records and reports.	Nonmonetary.
B.3.	Compliance with Law. Helps produce accurate financial records and reports.	Nonmonetary.

Appendix D. Summary of Potential Benefits Resulting from Audits

Discussion Reference	Description of Benefit	Amount and/or Type of Benefit
Other Matters of Interest Page 7	Economy and efficiency. U.S. Army, Europe, removed unused computer equipment from the contractor's maintenance contract as a result of this audit. Funds from March 1993 through February 1994 can be put to better use, until the move to the Army War College.	Funds put to better use of \$181,512 (\$105,882 for FY 1993 and \$75,630 for FY 1994) for avoided computer maintenance. Appropriation: Operation and Maintenance, Army. Program Element: 0303151A (WWMCCS Automatic Data Processing, Army).

Appendix E. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Assistant Secretary of Defense (Command, Control, Communications and Intelligence),
Washington, DC

Joint Staff

Director, Command, Control, Communications, and Computers (J-6), Washington, DC

Department of the Army

Comptroller of the Army, Washington, DC
Headquarters, U.S. Army Information Systems Command, Fort Huachuca, AZ
Army War College, Carlisle Barracks, PA
Director, Program Executive Office, Army WWMCCS Information Systems, Fort
Belvoir, VA
Lexington Blue Grass Army Depot, Lexington, KY

Department of the Navy

Comptroller of the Navy, Washington, DC
Director, Naval Operations Space and Naval Warfare, Command and Control Systems
Division, Washington, DC

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller),
Washington, DC

U.S. European Command

Headquarters, U.S. European Command, Patch Barracks, Germany
Headquarters, U.S. Army, Europe, Campbell Barracks, Germany
Headquarters, 5th Signal Command, Worms, Germany
Command and Control Support Activity-Europe, Smith Barracks, Baumholder,
Germany
266th Theater Finance Command, Heidelberg, Germany
Headquarters, U.S. Naval Forces, Europe, London, England
Headquarters, U.S. Air Forces, Europe, Ramstein Air Base, Germany

Defense Agency

Headquarters, Defense Finance and Accounting Service, Arlington, VA
Defense Finance and Accounting Service, Denver, CO
Defense Finance and Accounting Service, Indianapolis, IN

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense (Comptroller)
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Assistant to the Secretary of Defense (Public Affairs)
Assistant Secretary of Defense (Special Operations and Low Intensity Conflict)
Director, Defense Procurement
Director, Joint Staff

Department of the Army

Secretary of the Army
Auditor General, Department of the Army
Commander, U.S. Army, Europe
Commander, U.S. Army Information Systems Command

Department of the Navy

Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Unified Command

Commander in Chief, U.S. European Command
Commander in Chief, U.S. Special Operations Command

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange

Non-Defense Federal Organizations

Office of Management and Budget

U.S. General Accounting Office

National Security and International Affairs Division, Technical Information Center
Accounting and Financial Management Division

Congressional Committees and Subcommittees

Chairman and Ranking Minority Member of Each of the Following Congressional
Committees and Subcommittees:

Senate Committee on Appropriations

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Committee on Budget

Senate Committee on Governmental Affairs

Senate Subcommittee on Oversight of Government Management, Committee on
Governmental Affairs

House Committee on Appropriations

House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Subcommittee on Oversight and Investigations, Committee on Armed
Services

House Committee on Budget

House Committee on Government Operations

House Subcommittee on Legislation and National Security, Committee on
Government Operations

Part IV - Management Comments

U.S. European Command Comments



REPLY TO
ATTENTION OF

HEADQUARTERS
UNITED STATES EUROPEAN COMMAND
UNIT 30400, APO AE 09128



0 4 OCT 1994

ECCS

MEMORANDUM FOR Inspector General, Department of Defense, Readiness and Operational Support Directorate, 400 Army Navy Drive, Arlington, VA, 22202

SUBJECT: DODIG Draft Audit Report of Controls Over Funds Used for the Worldwide Military Command and Control System in the European Theater (DODIG Project No. 3RE-8001.01) (USEUCOM #92-08)

1. HQ USEUCOM concurs with the recommendations addressed to HQ U.S. European Command as follows.

a. Recommendation B.1. Concur. Corrective Action: HQ USEUCOM concurs that adjustments are required. We are currently reviewing the dollar amounts listed in Appendix B to verify their accuracy. Estimated completion date: 31 Dec 94.

b. Recommendation B.2. Concur. Corrective Action: Since early in FY 94, HQ USEUCOM and 266th Theater Finance Command are performing joint reviews of unliquidated obligations in compliance with Army Regulation 37-1. Completed: Jan 94.

c. Recommendation B.3. Concur. Corrective Action: HQ USEUCOM will comply with regulatory criteria for capitalizing and reporting assets, including computer equipment, valued at more than the capitalization threshold (currently \$25,000 per unit). Completed: 30 Sep 94.

2. HQ USEUCOM office of primary responsibility for this audit is ECJ6, ATTN: MAJ Lebron, DSN 430-8131. HQ USEUCOM audit liaison point of contact is Mr. Mark Scheidler, DSN 430-7308.


RICHARD F. KELLER
Lieutenant General, USA
Chief of Staff

Department of the Army Comments



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
109 ARMY PENTAGON
WASHINGTON, DC 20310-0109

24 OCT 1994

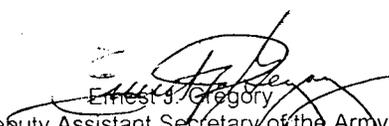


MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

ATTN: Office of Assistant Inspector General (Audit)

SUBJECT: Army Response to Draft Audit Report on Controls over Funds Used
for the Worldwide Military Command and Control System in the
European Theatre (Project No. 3RE-8001.01)

Attached is the Army's response on findings and recommendations contained in subject draft audit. Point-of-contact on my staff is William Swanson, tel 697-0757.


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

Attachment

HQDA Response
DODIG Draft Report
Controls Over Funds Used for the
Worldwide Military Command and Control System
in the European Theatre

Finding A:

Control of Operation and Maintenance Funds for the Worldwide Military Command and Control System (WWMCCS)

RECOMMENDATION 1:

Identify the Command and Control Support Activity, Europe (or its successor organization), as an assessable unit and perform a risk assessment, in accordance with DOD Directive 5010.38, Internal Management Control Program," April 14, 1987.

ACTION TAKEN:

Concur. However, AR 11-2, published in August 1994 has rescinded the requirement for performing periodic risk assessments. This headquarters will review the requirement for CCSA-E (and its successor at the Army War College) and task accordingly.

RECOMMENDATION 2:

Implement procedures to verify that Operation and Maintenance funds for the US Army, Europe WWMCCS facility operations are used economically and efficiently, for the purposes intended, and for the period of availability of the appropriation as required by Army Regulation 37-1, "Army Accounting and Fund Control," April 30, 1991.

ACTION TAKEN:

Concur. This headquarters will insure that the appropriate activity at the Army War College receives the audit report and is tasked accordingly.

RECOMMENDATION 3:

Classify the \$1,995,846 as FY 1991 Operation and Maintenance funds for the annual operations of the WWMCCS facility using program element resource code 39151.

ACTION TAKEN:

Concur. All WWMCCS fund obligations will be recorded in AMSCO 33151.

RECOMMENDATIONS 4 and 5:

Recover (deobligate) \$2 million in FY 1991 O&M fund obligations made for FY 1992 Army WWMCCS program requirements, and record the deobligated \$2 million in the FY 1991 O&M expired account. Obligate \$2 million in FY 1992 O&M funds for the FY 1992 WWMCCS program requirements.

ACTION TAKEN:

Concur. The facts presented in the audit indicate that the obligation made in FY 1991 was based on a bona fide need for FY 1992. As a result, accounting adjustments will be made to obligate FY 1992 funds for \$2 million and to deobligate FY 1991 funds for \$2 million.

RECOMMENDATION 6:

Follow the reporting requirements of DOD Directive 7200.1, as implemented by AR 37-1, if any violation of the Antideficiency Act has occurred as a result of adjusting the FY 1991 and FY 1992 O&M fund balance.

ACTION TAKEN:

Concur. No violation has or will occur as a result of actions required by this audit as known today. However, if a violation occurs, the reporting requirements of DOD Directive 7200.1 will be applied.

RECOMMENDATION 7:

Review the remaining 4705,443 in FY 1991 O&M fund unliquidated obligations for the US Army, Europe, WWMCCS facility to determine whether those obligations were used to pay for bona fide needs for O&M activity during FY 1991, and recover (deobligate) any funds that were not used for bona fide FY 1991 requirements.

ACTION TAKEN:

Concur. All documents associated with remaining FY 1991 obligations are being reviewed and adjusted accordingly.

Department of the Army Comments

RECOMMENDATION 8:

Record the \$968,202 returned by the Tennessee Valley Authority in an expired FY 1991 O&M appropriation account.

ACTION TAKEN:

Concur. All funds returned have already been recorded in FY 1991 records.

Finding B:

HQDA Response
DODIG Draft Report
Controls Over Funds Used for the
Worldwide Military Command and Control System
in the European Theatre

FINDING B: Accounting Controls for Operation and Maintenance Funds for the WWMCCS.

ADDITIONAL FACTS:

It should be noted that the \$3.2 million discussed in the finding was not exclusive one allotment within U.S. European Commands Operation and Maintenance Funds. Accounts which included the WWMCCS project were transferred from VII Corps Regional Finance and Accounting Office (RFAO) to the Heidelberg RFAO (HD-RFAO), 14 Oct 92. The command budget analyst, HQ EUCOM and the operational staff of HD-RFAO performed joint review's prior to transfer of subject accounts. Additionally, the accounts payable staff of HD-RFAO worked closely with the budget analyst, J6 procurement to reconcile contracts and payments made by VII Corps accounts payable division. However, historical data, critical to the reconciliation of both accounting and accounts payable, were not available to the HD-RFAO to perform adequate reconciliation of subject accounts; it was later learned that contracts involving the WWMCCS project were split between HD-RFAO and the 5th RFAO, located in Frankfurt.

RECOMMENDATION B-1:

We recommend that the Commander, 266th Theater Finance Command:

a. Verify that errors in the General Fund Analysis Exception and Non-Stock Fund Orders and Payables Reports, generated by the U.S. Army Standard Finance and Accounting System, are corrected in accordance with the AR 37-1, "Army Accounting and Fund Control," April 30, 1991, sections 28, 29 and 30 and the standard operating procedures established by the Accounting Operations Branch, 266th TFC.

ACTION TAKEN:

Concur. The HD-RFAO has reviewed the procedures and the use of the General Fund Analysis exception listings. Based on the review it was determined that input critical to accurate processing of payment transactions is the joint responsibility of resource managers and accounting operations staff elements. Standard operating procedures have been put in place, effective 1 Apr 94, which should preclude further occurrences of the problems.

Department of the Army Comments

b. Correct the errors identified in Appendix B that pertain to the U.S. European Command's accounting records.

ACTION TAKEN:

Concur. Corrective actions were taken during the DODIG visit and results were faxed to the DODIG office per request.

RECOMMENDATION B-2:

we recommend that the Commander in Chief, U.S. European Command, and the Commander, 266th Theater Finance Command, perform joint reviews of unliquidated obligations in compliance with AR 37-1, "Army Accounting and Fund control", April 30, 1991, section 28-14.

ACTION TAKEN:

Concur. Quarterly joint reviews are performed IAW AR 37-1. Additionally, commanders of respective activities serviced by the HD-RFAO are provided with additional notification 30 days prior to scheduled reviews. The reviews have been in place since May 94.