

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

JOINT CIVILIAN ORIENTATION CONFERENCE FUND

Report No. 95-179

April 17, 1995

Department of Defense

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Acronyms

JCOC
OSD

Joint Civilian Orientation Conference
Office of the Secretary of Defense



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



Report No. 95-179

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**MEMORANDUM FOR ASSISTANT TO THE SECRETARY OF DEFENSE
(PUBLIC AFFAIRS), DIRECTOR, PROGRAMS AND
COMMUNITY RELATIONS
DIRECTOR, WASHINGTON HEADQUARTERS
SERVICES**

**SUBJECT: Audit of the Joint Civilian Orientation Conference Fund
(Project No. 5FH-5015)**

Introduction

We are providing this audit report for information and use. The Director of Budget and Finance, Washington Headquarters Services, requested the audit of the Joint Civilian Orientation Conference (JCOC) Fund because the Treasurer and Assistant Treasurer were retiring. Approximately \$168,000 was disbursed for JCOC No. 56 and JCOC No. 57.

Audit Results

During our review, we accounted for all receipts and disbursements presented on the Status of Funds Reports for JCOC No. 56 and JCOC No. 57. However, controls over disbursements need to be strengthened. JCOC officials agreed to revise the Standard Operating Procedures to include more detailed information on the purchase orders, and to require receipts for disbursements exceeding \$250.

Audit Objectives

The overall audit objective was to determine whether the JCOC Fund had been administered in accordance with the Office of the Secretary of Defense (OSD) Administrative Instruction No. 48 and DoD policy and guidelines. In addition, the audit evaluated management's internal management control program as it pertained to the audit objectives.

Scope and Methodology

We reviewed OSD Administrative Instruction No. 48 and the implementing Standard Operating Procedures; the system of internal controls; and the Fund's

policies and procedures. We also reviewed all financial transactions for JCOC No. 56 and JCOC No. 57 from August 1991 through July 1994. Receipts from JCOC No. 56 were \$74,657, and expenses were \$74,656. Receipts from JCOC No. 57 were \$93,430, and expenses were \$93,071 (see Enclosure 1).

We verified the JCOC Fund's total income by reviewing receipts for conferee contributions and deposits, and by reviewing bank statements. We also verified disbursements, bank records, canceled and returned checks, endorsements on the checks, signature authorizations, vouchers for payments, bills from vendors, financial reports, and other documentation. We also verified reconciliations of bank statements. We received confirmation of the JCOC Fund's bank balance as of December 31, 1994, directly from the bank.

We did not use computer-processed data in the audit.

The financial related audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary. We visited or contacted personnel in the Office of the Assistant to the Secretary of Defense (Public Affairs) and the Office of the Director, Washington Headquarters Services (see Enclosure 2).

Internal Management Control Program

This audit showed that the Washington Headquarters Services implemented the DoD Internal Management Control Program as required by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. The Washington Headquarters Services designated the JCOC Fund as an assessable unit and conducted a risk assessment in August 1994. Our review disclosed no material internal control weaknesses.

Prior Audits

The Inspector General, DoD, Report No. 92-051, "Joint Civilian Orientation Conference Fund," February 19, 1992, states that minor telephone charges, incurred by JCOC conferees during JCOC No. 55, were improperly paid. JCOC officials corrected that deficiency.

The Inspector General, DoD, Report No. 91-040, "Joint Civilian Orientation Conference Fund," January 31, 1991, reported on the audit of JCOC Nos. 49 through 54 (FYs 1984 through 1989). The report identifies the following internal control weaknesses:

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- o receipts were not signed;
 - o checks were not countersigned;
 - o unexpended cash advances were not returned to the JCOC Fund promptly;
 - o the financial report for JCOC No. 53 was not prepared promptly;
 - o supporting documentation for cash advances was not maintained;
 - o JCOC directors paid expenses with personal checks and were subsequently reimbursed by the JCOC Fund;
 - o bank statements were not reconciled; and
 - o no risk assessments or internal control reviews were performed.

Management responded that these internal control weaknesses had been corrected.

Audit Background

The first JCOC was held in 1948 to give the Secretary of Defense a means of exchanging information on DoD policies and programs with representatives from various civilian endeavors.

The objective of the JCOC, as stated in OSD Administrative Instruction No. 48, is to foster community relations by acquainting the public with the problems, workings, and accomplishments of the Department of Defense.

The JCOC consists of annual visits to various DoD installations by about 60 representatives of the civic, business, professional, industrial, and educational communities throughout the United States. The conferees observe demonstrations and shows arranged by the Services. Military air carriers transport the conferees to the installations. Expenses, such as meals, refreshments, receptions, lodging, and mementos, are assessed to the attendees on a pro rata basis. The Director for Programs and Community Relations, Office of the Assistant to the Secretary of Defense (Public Affairs), plans the JCOC and designates the JCOC director. The Director for Budget and Finance, Washington Headquarters Services, appoints the treasurer, who maintains the financial records of the JCOC fund. Most disbursements are made on-site during the conference.

Discussion

JCOC officials disbursed funds without consistently obtaining receipts or vendor invoices to support expenditures. Neither OSD Administrative Instruction No. 48 nor the Standard Operating Procedures clearly specify the information that should be provided for each disbursement. As a result, we could not verify the accuracy or propriety of all expenditures.

Of the 37 checks issued for expenses from JCOC No. 56, 13 checks (35.1 percent) were issued without a receipt or vendor's invoice. Fifteen of the 46 checks (32.6 percent) for JCOC No. 57 were issued without a vendor's invoice or detailed documentation. The JCOC Treasurer issued checks only after the JCOC Director approved the purchase order. However, over 32 percent of the approved purchase orders, maintained by the JCOC Treasurer in support of the checks issued, did not have a vendor invoice or sufficiently detailed information. Therefore, we could not verify the accuracy or the propriety of the disbursements. Most checks without invoices were to military activities ("MWR-Camp LeJeune," "JFK Ballroom Mess," "CV63 Ward Room Mess," etc.) and were for meals or mementos.

Since OSD Administrative Instruction No. 48 and the Standard Operating Procedures do not require invoices, JCOC officials did not request or obtain receipts or invoices. The officials considered the approved purchase orders to be sufficient documentation and in full compliance with OSD Administrative Instruction No. 48. However, the approved purchase orders included only a general description of the service or product (for example, "entertainment," "caps," or "mementos") and the total amount of the payment. Therefore, we could not use the JCOC Treasurer's records to verify the accuracy of the amount or the propriety of the charges for 28 checks totaling \$11,892 (13 checks totaling \$5,199 for JCOC No. 56 and 15 checks totaling \$6,693 for JCOC No. 57).

For JCOC No. 57, the JCOC Director provided a copy of his financial plan (the JCOC Budget Tabulation Report) that described the items and services received, as well as the estimated and actual costs. Although there was no direct correlation between checks and the line items in the financial plan, we used the financial plan to verify the quantity and price for 6 of the 15 checks for which the JCOC Treasurer did not have adequate records.

Without sufficient documentation, disbursements cannot be verified, and the JCOC Fund is vulnerable to erroneous and improper expenditures. The JCOC Director should include a more detailed description of the services and products received (including quantity and price) on the approved purchase orders. The JCOC Director should also obtain receipts from vendors for all expenditures exceeding \$250.

Management Action

JCOC officials have strengthened controls over expenditures. They are revising the Standard Operating Procedures for the Joint Civilian Orientation Conference Fund to require vendor bills or invoices for all disbursements that exceed \$250, and to provide more detailed information on purchase orders for smaller expenditures. The actions taken are responsive to our findings. Therefore, we are not making additional recommendations.

Management Comments

We provided a draft of this report to the addressees on February 28, 1995. Because this report contains no recommendations, no written comments were required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the cooperation extended to the audit staff. Any questions about this audit should be directed to Mr. Raymond D. Kidd, Audit Program Director, at (703) 604-9110 (DSN 664-9110), or Mrs. Sandra G. Elion, Audit Project Manager, at (703) 604-9113 (DSN 664-9113). Enclosure 3 lists the report's distribution.



David K. Steensma
Deputy Assistant Inspector General
for Auditing

Enclosures

Summary of Financial Activity

Joint Civilian Orientation Conference Fund Status of Funds Report Conference No. 56

Beginning Balance		\$ 5,004.54
Receipts		
Conferee Contribution (59 X \$1,250)	\$73,750.00	
Reimbursements for Expenses	<u>906.68</u>	
Total Receipts		74,656.68
Outdated Checks ¹		<u>687.78</u>
Total Funds Available		\$80,349.00
Disbursements		
Current Expenses	\$71,913.06	
Refunds to Conferees	<u>2,743.39</u>	
Total Disbursements		<u>74,656.45</u>
Ending Balance		\$ 5,692.55

¹The bank used by JCOC will not honor checks that are more than 6 months old.

Summary of Financial Activity

Joint Civilian Orientation Conference Fund Status of Funds Report Conference No. 57

Beginning Balance		\$ 5,692.55
Receipts		
Conferee Contribution (62 X \$1,500)	\$93,000.00	
Reimbursement for Film	<u>429.70</u>	
Total Receipts		93,429.70
Outdated Check ²		<u>46.53</u>
Total Funds Available		\$99,168.78
Disbursements		
Current Expenses	\$92,641.79	
Film for Conferees	429.70	
Reissued Check (JCOC No. 56)	46.53	
Prior Period Adjustments	<u>1.85</u>	
Total Disbursements		<u>93,119.87</u>
Ending Balance		\$ 6,048.91

²The bank used by JCOC will not honor checks that are more than 6 months old.

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Audit Team Members

This report was produced by the Financial Management Directorate, Office of the Assistant Inspector General for Auditing.

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