Army Requirement to Acquire Individual Carbine Not Justified

OVERVIEW:

The Individual Carbine program is an Acquisition Category II major system program that entered the engineering and manufacturing development phase of the acquisition process in April 2011. The program was designated as an Army Acquisition Executive special interest program and placed on the Office of the Secretary of Defense, Director of Operation Test and Evaluation oversight list. As of May 2013, the Army had spent about $14 million in research, development, test and evaluation funds. The Army plans to spend an additional $2.5 billion to acquire, operate and support 501,289 carbines over a 20-year life cycle. DoD IG determined whether the Army justified its competition to acquire a new carbine weapon and whether the Army was implementing an effective acquisition strategy.

FINDINGS:

The Army did not justify the need for a new carbine and, as a result, wasted about $14 million on a competition to identify a source to supply new carbines it does not need. In addition, the Army plans to spend $2.5 billion over a 20-year life cycle to procure and maintain 501,289 carbines that the Army's own analysis states can be delayed for another 10 years with no impact to readiness. During the audit, DoD IG identified potential monetary benefits of $2.5 billion, $382 million of funds to put to better use and $2.1 billion in cost avoidance after FY 2018 if the program is terminated.

RESULT:

DoD IG recommended that the Army terminate the Individual Carbine competition and eliminate funding the Individual Carbine program. Also, the Army should validate the quantity of M4 carbines needed and hold a competition if additional carbines are determined to be needed. Furthermore, Army should reprogram the $382 million in procurement and research, development, test and evaluation funding currently allocated to acquire carbines across the FY 2013 to FY 2018 Future Years Defense Program, adjusted by validated M4 carbines needed. Management actions met the intent of the recommendations.

Report No. DODIG-2013-131

DoD IG determined whether the Army justified its competition to acquire a new carbine weapon.

FINANCIAL MANAGEMENT

Although the Department is far from reaching an unqualified opinion on its financial statements, it has made progress. DoD senior leadership has placed an increased emphasis on achieving this goal. DoD IG believes the increased emphasis is essential to the Department's ability to meet its internal milestones, as well as the 2014 and 2017 audit readiness mandates. The Department continues to make progress toward meeting the 2014 audit readiness goal of the statement of budgetary resources; however, it is still uncertain whether the Department will meet the 2014 goal.

DoD IG oversight is continuing to focus on the Department's audit readiness effort to include examinations of existence, completeness and rights of the critical assets and development and implementation of the enterprise resource planning systems. During this reporting period, DoD IG issued a report on the examination of Army's assertion for existence and completeness of operating materials and supplies quick win assets. DoD IG also issued several reports addressing the Department's efforts to develop and implement enterprise resource planning systems identifying improvements to ensure the systems will report timely and reliable financial information. Other oversight focused on the Department's efforts to prevent improper payments and the proper reporting when they do occur.

Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements

OVERVIEW:

DoD developed the Defense Agencies Initiative as a single enterprise resource planning system for 28 DoD agencies. DAI's primary objective

> *"The DAI program management office spent $193 million to develop and deploy DAI from FY 2007 through May 2012 and estimated the total cost at completion for DAI to be $426.8 million through FY 2016."*

is to achieve an auditable, Chief Financial Officers Act-compliant system environment that facilitates accurate and timely financial data. The DAI program management office spent $193 million to develop and deploy DAI from FY 2007 through May 2012 and estimated the total cost at completion for DAI to be $426.8 million through FY 2016. DoD IG determined whether the DAI fulfilled selected functional capabilities needed to generate accurate and reliable financial data and reported data in compliance with U.S. Standard General Ledger requirements.

FINDINGS:

The Defense Agencies Initiative program management office did not ensure the DAI system fulfilled the functional capabilities needed to generate reliable financial data. The DAI program management officer did not have procedures and periodic reviews to ensure proper implementation of reporting attributes, Standard Financial Information Structure Transaction Library posting logic and the DoD standard chart of account codes before deploying DAI. The Defense Agencies Initiative could not generate all the financial data necessary to prepare financial statements.

RESULT:

DoD IG recommended that DoD officials configure DAI with all U.S. Standard General Ledger reporting attributes, establish controls over manual vouchers, develop complete system documentation and annually certify that DAI complies with the U.S. Standard General Ledger and Standard Financial Information Structure. DoD officials should revise the DoD Financial Management Regulation to require core financial systems to include all the accounts in the DoD Standard Chart of Accounts and require DoD to accumulate and report major program costs by program instead of appropriations.

Report No. DODIG-2013-070

Navy Did Not Develop Processes in the Navy Enterprise Resource Planning System to Account for Military Equipment Assets

OVERVIEW:

The Department of the Navy acknowledged seven material weaknesses related to the Navy's business processes and systems that prevent the Navy from producing auditable financial statements. These material weaknesses exist, in part, because the Navy did not design its legacy accounting systems to maintain auditable data at the transaction level to support the amounts reported on its financial statements. DoD IG determined whether the amounts reported in the Defense Departmental Reporting System were supported by business processes in the Navy Enterprise Resource Planning system for the aircraft, shipbuilding and weapons procurement appropriations.

FINDINGS:

Department of Navy Office of Financial Operations personnel did not use the Navy Enterprise Resource Planning system to support $416 billion in military equipment assets reported out of the Defense Departmental Reporting System-Audited Financial Statements. As a result, Navy officials spent $870 million to implement the Navy Enterprise Resource Planning system and still did not correct the pre-existing military equipment material weakness.

RESULT:

DoD IG recommended that the Navy re-engineer the business process used to record military equipment and correct the existing material weakness in military equipment valuation and implement processes in the Navy Enterprise Resource Planning system to properly record and support military equipment assets. Further, DoD IG recommended that the Navy develop a business process re-engineering plan that accounts for military equipment assets and considers the Navy Enterprise Resource Planning system as one of the possible solutions.

Report No. DODIG-2013-105

Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Process

OVERVIEW:

The Army developed the General Fund Enterprise Business System to be a Web-enabled financial, asset and accounting management system. On July 1, 2012, the Army completed the final planned deployment of GFEBS with more than 53,000 users at 227 locations in 71 countries. DoD IG determined whether the Army had adequate controls over recording accounting transactions within the acquire-to-retire business process through GFEBS and whether the Army had verifiable audit trails to support these transactions.

Findings:

The Army's inadequate controls over the recording of accounting transactions for the acquire-to-retire business process in GFEBS contributed to more than $100 billion of journal voucher adjustments during FY 2012. The Army will continue using inefficient legacy business processes and diminish the estimated benefits associated with business system modernization. Although the Army has spent $814 million on GFEBS, it did not provide Army decision makers with relevant and reliable financial information for real property, and it is unable to identify the cost to correct the unreliable real property information. In addition, the Army is at increased risk of not accomplishing the FY 2017 audit readiness goal.

Result:

DoD IG recommended Army officials create working groups to implement necessary functionality in GFEBS for Army real property management; develop standardized procedures and controls that leverage all GFEBS capabilities; provide job-specific training; review all real property data, including land, in GFEBS for accuracy; develop integrated processes for recording construction costs; and develop procedures for converting fixed assets.

Report No. DODIG-2013-130

DoD IG recommended Army officials create working groups to implement GFEBS functionality necessary for Army real property management.

Enhanced Oversight Needed for Nontactical Vehicle Fleets in the National Capital Region

Overview:

Presidential Memorandum—Federal Fleet Performance, May 24, 2011, emphasizes as a priority that government vehicle motor pools be reduced to a level that will ensure agencies can meet their mission in the most efficient way possible. Each agency is responsible for its fleet management process, which includes determining the vehicle needs of the organization; acquiring vehicles; using these vehicles; and implementing appropriate controls to ensure effective fleet management and disposition of vehicles after use. DoD IG determined whether various DoD organizations had controls in place to accurately assess their requirements for nontactical vehicles in the National Capital Region.

Findings:

The Navy, Defense Logistics Agency, Pentagon Force Protection Agency and Washington Headquarters Services had 511 excess nontactical vehicles, with annual base lease costs of $1.2 million. Eliminating the excess vehicles in their fleet would save $7.2 million over the next six years. Further, DLA's Fort Belvoir fleet manager used a government purchase card to pay $57,000 for the DLA director's leased vehicle, rental cars and taxis without valid contracts in place. Thus, unauthorized commitments of funds occurred and DLA might not have received the best value for rental cars.

Result:

DoD IG made recommendations to the various DoD organizations to eliminate or justify excess vehicles, perform annual mileage reviews of vehicles and establish daily logs. DoD IG also recommended that the director, DLA needed to initiate action to review unauthorized commitments and begin ratification actions in accordance with the Federal Acquisition Regulation and Defense Logistics Agency Directive.

Report No. DODIG-2013-117

The Audit Opinion of the DISA FY 2011 Working Capital Fund Financial Statements Was Not Adequately Supported

Overview:

In 2006, DoD IG issued policy instructing all other defense organizations to execute contracts with independent public accounting firms for the audit of financial statements through the

Inspector's General Chief Financial Officer Multiple Award Contract. The purpose of the policy was to ensure that DoD IG would maintain oversight of the financial statement audits of other defense organizations. In 2010, DoD IG issued policy establishing that DoD IG will conduct post audit reviews on a sample of the DoD entities financial statement audits for which DoD IG did not provide oversight. DoD IG determined the adequacy of Acuity Consulting, Inc.'s auditing procedures for the Defense Information Systems Agency FY 2011 Working Capital Fund Financial Statements.

FINDINGS:

Acuity Consulting, Inc.'s auditing procedures on the DISA FY 2011 Working Capital Fund Financial Statements were inadequate. In addition, the director, Procurement and Logistics Directorate, DISA, prohibited the contracting officer representative from completing key duties required to provide oversight of Acuity's work. Acuity did not have sufficient evidence to issue an unqualified opinion on the DISA FY 2011 Working Capital Fund Financial Statements.

RESULT:

DoD IG recommended DISA should ensure that individuals performing contract oversight of financial statement audits are qualified DISA employees and seek a refund from Acuity. Acuity Consulting, Inc. should withdraw their opinion and review the planned work on future audits to gather sufficient evidence to support their opinion.

Report No.DODIG-2013-071

The Navy Commercial Bill Pay Office, in Naples, Italy, Needs to Identify and Report Improper Payments

OVERVIEW:

The Department of the Navy established the Commercial Bill Pay Offices in FY 1996 to streamline fiscal responsibility and functions. The Naples CBPO provides disbursing support for contract payments for Navy Region Europe, Africa and Southwest Asia. The Naples CBPO processes approximately 80 percent of its payment transactions through One Pay. One Pay was designed to create payment entitlements in accordance with the Prompt Pay Act, recognize and manage applicable discounts or deductions, and compute and apply interest when necessary. From July 1, 2011, through June 30, 2012, Naples CBPO processed 18,688 payments, valued at approximately $712.7 million. DoD IG determined whether improper payments processed through the One Pay system at Navy activities were identified and reported.

> *"From a nonstatistical review of 25 payments valued at $2.5 million, DoD IG identified five improper payments, valued at $158,602 that the Naples CBPO neither identified nor reported."*

FINDINGS:

The Naples Commercial Bill Pay Office did not comply with the requirements of the Improper Payments Elimination and Recovery Act and the implementing DoD regulations. The Naples CBPO did not perform reviews to identify and report improper payments from the 18,688 payments. The Navy and DoD understated the amount of improper payments reported. From a nonstatistical review of 25 payments valued at $2.5 million, DoD IG identified five improper payments, valued at $158,602 that the Naples CBPO neither identified nor reported.

RESULT:

DoD IG recommended that the Navy update guidance to clarify responsibility for processing payments in One Pay and develop procedures for improper payment identification and reporting.

Report No. DODIG-2013-077

Efforts to Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Needed Improvement

OVERVIEW:

DoD processed more than 1.3 million invoices and paid $3.5 billion from July 2010 to March 2012 to ship household goods for DoD military and civilian employees who relocated to and from DoD installations worldwide. DoD IG determined whether the Department's efforts to minimize, identify, report and recover improper payments on the shipment of household goods were sufficient, effective and in compliance with applicable laws and regulations.

FINDINGS:

DoD IG determined that General Services Administration post-payment audits identified more than 16,000 invoices with potential overpayments that DoD had not detected. The Surface Deployment and Distribution Command and the Defense Finance and Accounting Services did not obtain information from GSA that could assist in identifying and preventing the improper payments. As a result, DoD lost the use of $4.6 million of overpayments and DFAS underreported the number of improper payments. DoD IG also determined that DFAS identified 142,636 processed line items that had accounting errors related to shipments of household goods, resulting in $13 million of costs that could be saved over a five-year period.

RESULT:

DoD IG recommended the Surface Deployment and Distribution Command use GSA data to improve compliance and implement automated controls over the input of household goods information. Additionally, DoD IG recommended DFAS report improper payment information in accordance with guidance. Management generally agreed with the recommendations.

Report No. DODIG-2013-083

Fuel Exchange Agreements Reconciliations Are Effective, but the Joint Reconciliation Process Needs Improvement

OVERVIEW:

International agreements include fuel exchange agreements and fuel support agreements entered into between Defense Logistics Agency Energy and foreign governments that bind both parties to the terms and conditions established for all types of fuel-related supplies and services. DLA Energy, as delegated by the DoD through DLA, has overall responsibility for negotiating, concluding and amending international agreements. International agreements are a critical control for the worldwide fuel network required to support the DoD and other agencies. DoD IG determined whether the management and oversight of the Defense Logistics Agency Energy's international fuel support agreements were effective.

FINDINGS:

DLA Finance Energy's reconciliation process was generally effective for 11 fuel exchange agreements reviewed. However, DLA Finance Energy's process for reconciling the Italian air force fuel exchange agreement jointly with the Northern Italian Pipeline system fuel support agreement did not comply with established guidance on reciprocal pricing. As a result of this reconciliation process, DLA Finance Energy over-calculated the amount of aviation fuel required to settle the Northern Italian Pipeline System fuel support agreement by approximately 3.4 million gallons of aviation fuel, valued at approximately $10.8 million for 2006 through 2010.

RESULT:

DoD IG recommended DLA revise the annual joint reconciliation process to deduct the monetary value of the Italian Air Force fuel exchange agreement balance, calculated at standard price, from the dollar value of the Northern Italian Pipeline System fuel support agreement bill, document the process that complies with the reciprocal pricing laws and initiate actions to recover overcompensation from the annual joint reconciliations.

Report No. DODIG-2013-101

JOINT WARFIGHTING AND READINESS

The Department is making progress in addressing the many difficulties in the drawdown in Afghanistan, resetting equipment and ensuring the long-term viability of the all-volunteer force. However, the Department must also be ready to address fiscal challenges, starting with sequestration. There are already reductions in spending for available training hours and needed maintenance and reset needs. These continuing challenges will impact DoD's Joint Warfighting and Readiness efforts for the foreseeable future. As such, DoD IG oversight will continue to focus on these important issues concerning warfighter capabilities and readiness. During this reporting period DoD IG oversight of Department's Joint Warfighting and Readiness efforts included classified reports addressing efficiency improvements with the munitions requirements process, transportation planning for retrograde operations and military support operations with civil-military operations in the Horn of Africa. DoD IG also reported on communication capabilities during domestic emergencies and accountability of aircraft.