

GAO

Briefing Report to the Chairman,
Subcommittee on Readiness, House
Committee on Armed Services

July 1987

AUDIT RESOLUTION

Responsiveness of Defense Management to Internal Audit Recommendations



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United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division

B-226903

July 31, 1987

The Honorable Dan Daniel
Chairman, Subcommittee on Readiness
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

In response to your request, we are providing this briefing report on the responsiveness of Department of Defense (DOD) management to audit recommendations contained in audit reports issued by the four central DOD audit organizations--DOD Office of Inspector General (OIG), Army Audit Agency, Air Force Audit Agency, and Naval Audit Service. We briefed your staff on our preliminary findings earlier.

In order to assess the responsiveness of DOD management to audit recommendations, we reviewed only those recommendations that management agreed to implement, which are in one of two categories--open or closed. An open recommendation is one where the corrective action that management agreed to take has not been completed. Closed recommendations are those where disputes between managers and auditors on findings and recommendations are resolved and corrective action has been taken and documented in follow-up files. Our fieldwork to verify whether these recommendations had been implemented took us to 43 locations throughout the United States and was conducted primarily from March 1986 through June 1987.

We found that there has been improvement in audit resolution systems in DOD since the establishment of the DOD OIG in September 1982. Provisions have been made for resolving disputes between auditors and managers. Systems have been established to track audit findings and recommendations. Greater emphasis has been placed on documenting corrective action and verifying management action taken.

Although DOD and the military services have improved their audit resolution systems, we found that the benefits which could result by implementing audit recommendations are not

always being achieved; therefore, the benefits resulting from auditing are diminished. We identified two areas where management can increase this payoff. These are (1) taking prompt, responsive action on findings and recommendations that management has agreed to correct and (2) ensuring that closed recommendations have in fact been implemented.

We reviewed open recommendations contained in audit reports issued by the four central audit organizations. For our review, we selected recommendations from fiscal year 1984 Army and Air Force audit agency and DOD inspector general (IG) reports that had exceeded their scheduled implementation dates by at least 1 year and were identified in the audit reports as having potential monetary benefits. The missed implementation dates were ones set by management or audit follow-up officials. For our review of the Navy, we examined similar open recommendations contained in audit reports issued from October 1, 1985, through March 31, 1986.

For each open recommendation in the sample, we reviewed the audit report and documentation in the audit follow-up official's file. We discussed delays with audit follow-up officials.

We found 45 open recommendations that management had agreed to implement but had not implemented within at least 1 year, and in some instances as much as 2 years, after the scheduled implementation dates. These recommendations had reported potential monetary benefits of \$363 million. Implementation delays slow these potential savings and may even prevent them from being realized. Appendix II provides examples of cases where such delays have occurred.

We also reviewed actions reportedly taken on closed recommendations. For our review, we selected 377 closed recommendations that management agreed to implement and claimed were implemented during the period April 1, 1985, to March 31, 1986. These recommendations were made in reports issued by the Army and Air Force audit agencies as well as the DOD OIG. Our methodology for selecting these recommendations is contained in appendix I. In our review of these closed recommendations, which included both monetary and nonmonetary benefits, we found that a high percentage--about 84 percent--were properly reported as being implemented and the benefits expected were generally achieved.

For the remaining 16 percent of the 377 closed recommendations, we were not satisfied that documentation

in audit follow-up files supported the decisions to close the recommendations. For example, in one case, the files showed that DOD reemphasized procedures which auditors reported were not being followed; however, nothing in the files showed that DOD recovered funds which the auditors believed were spent improperly. We did not attempt to make our own observations as to whether management corrected the problems which the auditors reported. However, if the recommendations have not been implemented, as the absence of sufficient documentation in audit follow-up files suggests, DOD may continue experiencing the problems which its auditors identified, and DOD may have lost the potential savings and benefits which would result from implementing the audit recommendations.

For our review of the Navy's closed recommendations, we relied on follow-up reports issued by the Naval Audit Service from October 8, 1985, through March 10, 1986. Naval auditors reported that 21 percent of the 103 recommendations they reviewed had been closed improperly because the required corrective actions had not been taken. Seventy-nine percent of the recommendations were closed properly. Appendix III contains examples of recommendations from each agency that we believe were improperly closed.

Our review was primarily an assessment of supporting documentation in the files of audit follow-up officials regarding the work performed by management to implement auditors' findings and recommendations, not an assessment of the findings and recommendations. We made no attempt to arrive at our own conclusions regarding the quality of auditors' findings and recommendations. The report does not address the reasons for the lack of responsiveness on certain audits and it does not discuss the adequacy of controls over the audit resolution process. Accordingly, we are not making recommendations at this time for improving the audit follow-up process or for improving the manner in which DOD management responds to audits. We plan to report later on the causes of audit resolution problems and to recommend improvements where appropriate.

As requested by your office, we did not obtain official agency comments on this briefing report. We did, however, discuss our findings with responsible audit follow-up officials and program management officials and considered their comments in finalizing our report. As agreed with your staff, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this report. After 30 days, we will send copies to the Secretary of Defense and other

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interested parties. Copies will also be made available to others upon request.

We hope you will find this information useful in your deliberations on DOD management's action in response to audit recommendations. If we can be of further assistance in this matter, please call me at 275-9359.

Sincerely yours,

A handwritten signature in cursive script that reads "John J. Adair". The signature is written in black ink and is positioned above the typed name and title.

John J. Adair
Associate Director

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ABBREVIATIONS

CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
DCIS	Defense Criminal Investigative Service
DLA	Defense Logistics Agency
DOD	Department of Defense
IG	inspector general
MWR	Morale, Welfare, and Recreation
OIG	Office of Inspector General
OMB	Office of Management and Budget

OBJECTIVE

**DETERMINE DOD MANAGEMENT'S RESPONSIVENESS TO INTERNAL AUDIT
RECOMMENDATIONS**

-- WERE CLOSED RECOMMENDATIONS IMPLEMENTED?

**-- WERE DELAYS EXPERIENCED IN IMPLEMENTING
RECOMMENDATIONS?**

INTRODUCTIONOBJECTIVE

The Chairman of the House Committee on Armed Services' Subcommittee on Readiness asked us to determine the responsiveness of Department of Defense management to audit recommendations. These recommendations were contained in audit reports issued by DOD's central internal audit organizations--the DOD OIG, Army Audit Agency, Air Force Audit Agency, and Naval Audit Service.

DOD and the military services record recommendations that management has agreed to implement in one of two categories--open or closed. An open recommendation is one where the corrective action that management agreed to take has not been completed. A closed recommendation is one where disputes between managers and auditors on findings and recommendations are resolved and corrective action has been taken and documented in follow-up files. Our specific review objectives were to (1) determine whether the closed recommendations were properly reported as having been implemented and (2) identify instances where implementation of recommendations was delayed.

SCOPE AND METHODOLOGY

REVIEWED 377 CLOSED RECOMMENDATIONS

IDENTIFIED RECOMMENDATIONS OPEN 1 YEAR OR MORE BEYOND SCHEDULED IMPLEMENTATION

REVIEWED AUDIT REPORTS AND DOCUMENTATION

VISITED AUDITEES TO CONFIRM STATUS OF CORRECTIVE ACTIONS

SCOPE AND METHODOLOGY

To determine the responsiveness of DOD management to audit recommendations, we examined the audit follow-up procedures at installations and headquarters of each military service--Army, Navy, and Air Force--as well as other DOD activities and agencies. We judgmentally selected sites that were geographically dispersed. We conducted our review at 43 locations throughout the United States. Our audit work was conducted from March 1986 through June 1987.

For our review of the Army, Air Force, and DOD OIG, we analyzed 152 audit reports that were related to the sites we selected. From these audit reports, we reviewed 377 closed recommendations that management and audit follow-up officials reported as being implemented during the period April 1, 1985, to March 31, 1986. This period was selected because it was the most recent 1-year period that coincided with the start of our review. Another criterion for selection was to obtain a mixture of recommendations consisting of both those which could result in monetary benefits as well as nonmonetary or management improvement recommendations. In order to review recommendations from a larger number of audit reports, we did not review every recommendation in an audit report. The largest number of recommendations that we reviewed from any one report was three.

For each closed recommendation in the sample, we reviewed the audit reports and documentation in the audit follow-up officials' files. We also interviewed audit follow-up officials and program management officials. For 300, or about 80 percent, of the 377 recommendations reviewed, audit work was also performed at the auditee level in addition to the work performed at the audit follow-up level. We made such on-site visits to further verify that the corrective action management claims to have taken and has reported to the audit follow-up officials actually took place. This work consisted of a review of documentation and discussions with program officials and auditees at the operating units.

Our assessment of whether a recommendation was appropriately closed and documented was based on guidance and standards established by the Office of Management and Budget (OMB) and DOD. OMB and DOD require that complete and accurate records and documentation of the status of audit reports and action taken on findings and recommendations be maintained through the entire process.

For our review of the Navy's closed recommendations, we relied on nine follow-up audit reports issued by the Naval Audit Service from October 8, 1985, to March 10, 1986, which reviewed the responsiveness of management to 103 closed recommendations. The recommendations were selected from audits issued from September 24, 1981, to November 4, 1985.

We reviewed 45 open recommendations contained in audit reports issued by the four central audit organizations. For our review, we selected recommendations from fiscal year 1984 Army and Air Force audit agency and DOD IG reports that had exceeded their scheduled implementation dates by at least 1 year and were identified in the audit reports as having potential monetary benefits. The missed implementation dates were ones set by management or audit follow-up officials. For our review of the Navy, we examined similar open recommendations contained in audit reports issued from October 1, 1985, through March 31, 1986. For each open recommendation, we reviewed the audit report and documentation in the audit follow-up official's file. We discussed these delays with audit follow-up officials.

Our review was an assessment of supporting documentation and the work performed by management and audit follow-up officials to implement audit findings and recommendations, not an assessment of the findings and recommendations. We made no attempt in this review to arrive at our own conclusions regarding the quality of auditors' findings and recommendations.

Although we have disagreed with the decisions to consider some closed recommendations as being implemented, this does not mean that in all cases the recommendations were in fact not implemented. For example, management may not have informed audit follow-up officials of corrective action taken.

As requested by your office, we did not obtain official agency comments on a draft of this report. However, issues in the briefing report were discussed with responsible audit follow-up officials and program management officials.

AUDIT RESOLUTION AND CORRECTIVE
ACTION RESPONSIBILITIES

Responsibility	Audit organization			
	DOD Inspector General (Audit)	Army Audit Agency	Air Force Audit Agency	Naval Audit Service
1. Audit follow-up official*	DOD Inspector General	The Inspector General (Army)	Deputy Assistant Secretary of the Air Force for Financial Mgmt.	Under Secretary of the Navy
2. Resolution official*	Deputy Secretary of Defense	Vice Chief of Staff, Army (except for civil works) Under Secretary of the Army (civil works)	Under Secretary of the Air Force	Under Secretary of the Navy
3. Follow-up system*	DOD Inspector General (Assistant IG for Audit Follow-up)	The Inspector General (Army)	Air Force Audit Agency	Naval Audit Service
4. Implementation of recommendation (corrective action)*	Management	Management	Management	Management
5. Verification of corrective action*	DOD Inspector General (Assistant IG for Audit Follow-up)	Internal Review and The Inspector General (Army)	Air Force Audit Agency	Naval Inspector General and Naval Audit Service

*Note: See appropriate numbered item on opposite page.

AUDIT RESOLUTION AND CORRECTIVE
ACTION RESPONSIBILITIES

The Federal Managers' Financial Integrity Act of 1982 requires the Comptroller General to prescribe standards to ensure the prompt resolution of audit findings. One of the Comptroller General's standards, issued under the act, requires managers to take prompt, responsive action on all findings and recommendations made by auditors.

OMB circular A-50 deals with audit follow-up and requires that each agency head designate a top management official to oversee audit follow-up, including resolution and corrective action. The audit follow-up official is required to maintain a follow-up system and ensure that corrective action has been taken.

DOD has implemented the OMB requirements through DOD directive 7650.3, and the military services have issued their own regulations which implement the DOD directive.

The following explains the steps in the audit resolution and corrective action process outlined in the table on the opposite page.

1. The audit follow-up official is personally responsible for overseeing audit follow-up, including resolution and corrective action.
2. The resolution official resolves disagreements between management and audit officials that cannot be resolved otherwise. The resolution official's decision is final.
3. The follow-up system, also referred to as a tracking system, is to provide a complete record of actions taken on both monetary and nonmonetary findings and recommendations made by auditors.
4. Implementation of recommendations involves the actual taking of action that corrects identified deficiencies, produces improvements, achieves the monetary savings projected by the auditors, and collects or recovers moneys due the government.
5. The verification of corrective action is the process that verifies that the corrective action management claims to have taken actually took place.

AUDIT AND FOLLOW-UP EFFORT
FISCAL YEAR 1986

Audit effort					
Activity	DOD IG	Army Audit Agency	Naval Audit Service	Air Force Audit Agency	Total
Number of audit personnel ^a	485	853	685	903	2,926
Operating costs (\$ in millions)	\$26.1	\$37.5	\$28.0	\$43.9	\$135.5
Number of audit reports issued	138	340	283	1,800	2,561
Number of recommendations	665	3,490	2,155	8,651	14,961
Potential monetary benefits (\$ in millions)	\$839	\$2,568	\$983	\$1,162	\$ 5,552

^aAs of September 30, 1986.

Follow-up effort					
Number of follow-up personnel ^a	27	187	5	37	256
Operating costs (\$ in millions)	\$1.5	\$6.4	\$0.2	\$1.8	\$9.9
Completed corrective actions	819	3,294	2,128	8,628	14,869
Associated savings (\$ in millions)	\$729	\$1,150	\$60	\$856	\$ 2,795

^aAs of September 30, 1986.

AUDIT AND FOLLOW-UP EFFORT--
FISCAL YEAR 1986

During fiscal year 1986, DOD's four internal audit organizations employed about 3,000 civilian and military personnel. Salaries, travel, and other operating costs for fiscal year 1986 amounted to about \$136 million. These audit organizations issued more than 2,500 reports containing about 15,000 recommendations addressed to DOD managers. Potential monetary benefits, which include both budgetary savings and cost avoidances, associated with these recommendations, as determined by the auditors and reported in their issued audit reports, amounted to more than \$5.5 billion.

Follow-up is performed at many levels within DOD, and we did not attempt to determine the total resources devoted to this process. The number of personnel and the cost shown in the table on the opposite page under "follow-up effort" consider only those units having the major responsibility. As shown, the number of persons assigned to follow-up on a full-time basis and the full-time equivalent of those assigned part-time was 256. Salaries and other expenses amounted to \$9.9 million. The DOD inspector general reported to the Congress that during fiscal year 1986, corrective action had been completed on 14,869 audit recommendations. These actions related to recommendations contained in audit reports issued in fiscal year 1986 and earlier. According to the inspector general's report, the savings and cost avoidances associated with the completed actions amounted to about \$2.8 billion.

SUMMARY OF FINDINGS

MANAGEMENT HAS IMPROVED AUDIT RESOLUTION SYSTEMS

OPPORTUNITIES EXIST FOR ACHIEVING MORE BENEFITS BY:

- ACTING ON RECOMMENDATIONS THAT HAVE BEEN OPEN FOR A NUMBER OF YEARS**

- ENSURING THAT CLOSED RECOMMENDATIONS HAVE, IN FACT, BEEN CLOSED**

SUMMARY OF FINDINGS

We noted that audit resolution systems have improved since the establishment of the DOD inspector general position in September 1982. Provisions have been made for resolving disputes between auditors and managers. Also, other systems have been established to track auditors' findings and recommendations and to ensure that DOD managers evaluate audit reports and implement agreed-to recommendations. Greater emphasis has been placed on documenting corrective action and performing on-site verification of management reports and action taken.

Although DOD and the military services have improved their audit resolution systems, we found that the benefits which could result by implementing audit recommendations are not always being achieved; therefore, the benefit resulting from auditing is diminished. We identified two areas where management can increase this benefit: (1) taking prompt, responsive action on findings and recommendations that management has agreed to correct and (2) ensuring that closed recommendations have in fact been implemented.

We found 45 open recommendations that management had agreed to implement but had not implemented within at least 1 year and, in some instances as many as 2 years after the scheduled implementation dates. These recommendations had potential monetary benefits reported at \$363 million. Implementation delays slow these potential savings and may even prevent them from being realized. Appendix II provides examples of cases where such delays have occurred. The information in parentheses at the end of each example refers to the audit report number of the specific case.

Our review of 377 Army, Air Force, and DOD inspector general closed recommendations which included both monetary and nonmonetary benefits disclosed that about 84 percent of the recommendations claimed to have been implemented were properly reported as being implemented and the benefits expected were generally achieved.

For the remaining 16 percent of the 377 closed recommendations, we did not believe that documentation in audit follow-up files supported the decisions to close the recommendations. We did not attempt to make our own observations as to whether management corrected the problems that the auditors reported. However, if the recommendations have not been implemented, as the absence of sufficient documentation in audit follow-up files suggests, DOD may continue experiencing the problems which its auditors identified, and DOD may have lost the potential savings and benefits which would result from implementing the audit recommendations. Appendix III contains examples of closed recommendations that we believe were improperly closed.

Based on Naval Audit Service follow-up audits, 21 percent of the 103 recommendations reviewed were closed improperly because the required corrective action had not been taken. Seventy-nine percent of the recommendations were closed properly.

Appendix IV is a list of audit reports referred to in the cases discussed as examples in appendixes II and III.

APPENDIX II

SOME RECOMMENDATIONS

REMAIN OPEN FOR YEARS

USING PARTS FROM EXCESS ENGINES CAN SAVE MONEY

- AIR FORCE COULD SAVE \$14.5 MILLION BY USING EXCESS ENGINES TO OFFSET SPARE PARTS NEEDED FOR OTHER ENGINES**

- THIS COULD BE AN AIR FORCE-WIDE SITUATION**

- AIR FORCE AUDIT AGENCY RECOMMENDED DIRECTIVE BE REVISED TO COVER ANY TYPE OF ENGINE PROJECTED TO BECOME EXCESS**

- AIR FORCE AGREED TO REVISE DIRECTIVE BY SEPTEMBER 1984**

- AS OF DECEMBER 31, 1986, DIRECTIVE HAD NOT BEEN REVISED**

USING PARTS FROM EXCESS ENGINES
CAN SAVE MONEY

The Air Force Audit Agency determined that the Air Force could save approximately \$14.5 million by requiring that parts from excess engines be used when needed for other engines using the same parts. The auditors noted that this could be an Air Force-wide situation since the Air Force directive did not require spare parts from excess engines to be routinely matched to the need for spare parts for other engines. In a June 1984 report, the auditors recommended that the directive should be revised so that any type of engine projected to become excess would be considered as a source of spare parts to offset other requirements.

Air Force Logistics and Engineering staff agreed to revise the directive by September 1984; however, our review of the files containing the status of corrective action maintained by the audit follow-up official showed that as of December 31, 1986, the directive still had not been revised. Delaying the issuance of the directive limits, and may even eliminate, the opportunity to save the \$14.5 million identified by the auditors. (Project 3010212)¹

¹The information in parentheses after each example in appendixes II and III gives the agency's report number. See appendix IV for report titles.

**OPPORTUNITY TO SAVE \$12.2 MILLION BY BUYING FEWER AIRCRAFT
REFUELING TRUCKS**

- AIR FORCE AUDIT AGENCY SAID USING HYDRANT SYSTEMS
REDUCES THE NUMBER OF REFUELING TRUCKS**

- AIR FORCE MANAGEMENT SAID IT WOULD REVISE THE
REGULATION BY JANUARY 1985**

- AS OF DECEMBER 31, 1986, REGULATION HAD NOT BEEN
ISSUED**

OPPORTUNITY TO SAVE \$12.2 MILLION
BY BUYING FEWER AIRCRAFT REFUELING TRUCKS

In June 1984, the Air Force Audit Agency reported that the Air Force could reduce its planned fiscal year 1988 procurement of refueling trucks by \$12.2 million. The auditors recommended that Air Force Logistics and Engineering staff incorporate into Air Force regulations an effective program for hydrant system usage. These systems consist of underground pipes which deliver fuel through hydrants located at various ramps and aircraft parking areas. Using hydrant systems reduces the number of refueling trucks needed since the fuel is delivered to the plane through the hydrant system rather than by truck. The recommendation was based on the premise that if the usage of hydrant systems were increased, the number of refueling trucks required could be decreased.

Air Force management concurred with the recommendation and said the regulation would be revised to include more guidance for achieving more effective use of hydrant systems. The scheduled completion date for the revision was January 1985. Our review of the files maintained by the audit follow-up official showed that as of December 31, 1986, almost 2 years after the estimated completion date, the regulation had not been issued. Unless action is taken soon to disseminate the regulation, the Air Force may not achieve the \$12.2 million cost avoidance reported by the Air Force auditors. (Project 3010610)

**DETERMINING RESPONSIBILITY BEFORE PAYING FOR DISCREPANCIES AND
DAMAGED GOODS COULD SAVE MILLIONS**

- \$10.2 MILLION RETURNED TO FOREIGN MILITARY SALES
CUSTOMERS DUE TO DISCREPANCIES AND DAMAGED MATERIAL
ALTHOUGH AIR FORCE'S RESPONSIBILITY WAS NEVER
DETERMINED**

- SAVINGS MAY NOT BE ACHIEVED BECAUSE DISCREPANCY
REPORTS ARE NOT REVIEWED**

DETERMINING RESPONSIBILITY BEFORE
PAYING FOR DISCREPANCIES AND DAMAGED
GOODS COULD SAVE MILLIONS

In a June 1984 report, the Air Force Audit Agency found that \$10.2 million was returned to foreign military sales customers for discrepancies and damaged material although responsibility for the discrepancies or damage was never determined. The auditors recommended changing Air Force directives to ensure conformance with DOD guidance regarding discrepancies and damaged material and also recommended that the International Logistics Center reevaluate the discrepancy reports that made up the \$10.2 million.

Management agreed to change Air Force regulations and reevaluate selected reports of discrepancy and said the actions would be completed by October 31, 1984. However, in July 1985, management said that it was not advisable to review fiscal year 1982 and 1983 contractor reports of discrepancy due to the considerable amount of staff-hours that would be required, the lack of documentation, and the age of discrepancy reports. The Air Force Logistics Command personnel did state that internal procedures have been established to review credit procedures to prevent future problems; however, as of December 31, 1986, the Air Force audit follow-up records showed that the recommendation had not been implemented.

Millions of dollars in savings that the auditors identified may not be achieved because a complete review of the 1982 and 1983 discrepancy reports was not accomplished. (Project 3130111)

RECOMPUTE FLOATING STOCK LEVELS TO SAVE PROCUREMENT DOLLARS

**-- \$900,000 IN POTENTIAL MONETARY BENEFITS IF OVERSTATED
QUANTITIES OF FLOATING STOCK PARTS WERE REDUCED**

-- MANAGEMENT AGREED TO ACT BY OCTOBER 30, 1984

**-- AS OF DECEMBER 31, 1986, CORRECTIVE ACTION HAD NOT
BEEN ACCOMPLISHED**

RECOMPUTE FLOATING STOCK LEVELS
TO SAVE PROCUREMENT DOLLARS

The Air Force Audit Agency identified \$900,000 in potential monetary benefits that could be achieved by reducing floating stock requirements. The Air Force Logistics Command is authorized to obtain extra quantities of certain engine components in order to reduce repair time. These extra quantities of component parts are referred to as "floating stock."

In June 1984, the Air Force Audit Agency recommended that Headquarters Air Force Logistics Command, direct the Oklahoma City and San Antonio air logistic centers to analyze component parts on two types of engines with floating stock levels. Air Force management concurred with the recommendation and stated that the air logistic centers would be directed to analyze floating stock. The Air Force Logistics Command established October 30, 1984, as the target date for completion of the corrective action. The Air Force audit follow-up tracking system recorded the recommendation as being open as of December 31, 1986. Our review of documentation maintained in the follow-up files showed that as of December 31, 1986, the promised corrective action had not yet been accomplished. Unless the Air Force corrects the shortcomings in determining floating stock requirements, it cannot achieve the cost avoidances identified by the auditors. (Project 3030215)

REPAIRING A PALLET COSTS MORE THAN A NEW PALLET

-- EXCESSIVE REPAIR COSTS COULD REACH \$479,000 A YEAR

-- AIR FORCE REGULATION WAS TO BE REVISED BY OCTOBER 1985

-- AS OF DECEMBER 31, 1986, REVISION HAD NOT BEEN ISSUED

REPAIRING A PALLET COSTS
MORE THAN A NEW PALLET

The Air Force Audit Agency, in August 1984, reported on an audit of air cargo pallets performed at 23 locations. These pallets are made of aluminum and balsa, cost about \$900 each, and are used to carry cargo on planes. The auditors reported that the cost to repair a pallet was more than the cost of a new pallet. The auditors estimated that excessive repair costs could amount to \$479,000 for the 1-year period ending March 1985, based on existing Air Force regulations which limit repair costs to 75 percent of the cost of a new pallet.

Repair costs were excessive according to the auditors because some factors used in deciding whether a pallet should be repaired were not proper or were not being considered. For example, the cost of a new pallet used in the decision process was incorrect and transportation costs and scrap value were not considered.

The auditors recommended that Air Force Logistics and Engineering staff stop repairing damaged air cargo pallets when the repair costs are estimated to exceed 75 percent of the cost of a new pallet and that the staff ensure that all factors be considered when making repair decisions. Logistics and Engineering said it would request a waiver to the existing regulation and decided to limit repair costs to 90 percent of the cost of a new pallet. According to Logistics and Engineering, by using the 90 percent criterion, almost 2,200 pallets would not be repaired and an estimated \$258,000 would be saved. Logistics and Engineering agreed that the regulation should have been revised to include such things as transportation costs and scrap value and estimated that the regulation would be revised by October 1985. However, as of December 31, 1986, the revision still had not been issued.
(Project 3070212)

USING THE MOST ECONOMICAL RENTAL VEHICLE CUTS TRAVEL COSTS

- TRAVELERS WERE NOT OBTAINING THE MOST ECONOMICAL RENTAL VEHICLES**

- RENTAL COSTS COULD HAVE BEEN REDUCED BY 31 PERCENT**

- AUDITORS RECOMMENDED IMPROVING TRAVEL POLICIES AND STRENGTHENING INTERNAL CONTROLS**

- REGULATION WAS TO BE REVISED BY JULY 1984**

- AS OF DECEMBER 31, 1986, RECOMMENDATION WAS OPEN**

USING THE MOST ECONOMICAL
RENTAL VEHICLE CUTS TRAVEL COSTS

In a July 1984 report, the Air Force Audit Agency concluded that travelers were not obtaining the most economical rental vehicles available. Air Force auditors found that General Services Administration contractors generally provided the most cost-effective service, but they were not always being used because other car rental sources were more convenient. The auditors estimated that fiscal year 1983 third-quarter rental costs of \$1,575,939 could have been reduced by 31 percent, or \$496,311.

The auditors recommended that Air Force Logistics and Engineering staff improve existing travel policies, procedures, and practices and strengthen internal controls. Logistics and Engineering officials agreed with the recommendations and sent a message to all major commands directing travelers to use rental vehicle services at the lowest possible cost to the government. Their estimated completion date for revision of the regulations was July 1984. The audit follow-up officials considered the recommendation to be open. Also, our review of the audit follow-up official's files showed that as of December 31, 1986, the recommendation was still open and implementation had been delayed due in part to (1) delays in revising several Air Force regulations and (2) a study ordered by the Secretary of Defense to review this issue throughout DOD.

Although Logistics and Engineering acted quickly on the recommendation by sending a message to major commands, this was a temporary measure. Unless the Air Force revises the regulations and implements the other recommendations, the savings and other benefits noted by the auditors may not be achieved. (Project 3160111)

OVERPAYMENTS TO CONTRACTORS MAY NEVER BE COLLECTED

- CONTRACTOR PERFORMANCE NOT SUFFICIENTLY MONITORED TO ENSURE PAYMENTS MADE ONLY FOR HOURS ACTUALLY WORKED**

- AUDITORS RECOMMENDED THAT THE COMMAND RECONCILE ITS RECORDS AND RECOVER OVERPAYMENTS OF \$27,200**

- COMMAND AGREED TO RECONCILE RECORDS AND TO RECOVER OVERPAYMENTS BY JULY 1984**

- AS OF DECEMBER 31, 1986, PROMISED RECONCILIATION HAD NOT BEEN MADE AND COLLECTION ACTION HAD NOT BEEN TAKEN**

OVERPAYMENTS TO CONTRACTORS
MAY NEVER BE COLLECTED

The Army Audit Agency reported in March 1984 that contractor performance was sometimes not sufficiently monitored to ensure that payments were made only for hours actually worked and at approved rates of payment. The auditors recommended that the Army Armament Research and Development Center reconcile its records and payments to determine the total overpayment. They also recommended that overpayments totaling \$27,200 identified during the audit be recovered along with any overpayments identified by the command when making the reconciliation.

The command agreed with the auditors' recommendations and stated that by July 1984 a review of all records would be made and every reasonable effort would be made to recover any overpayment identified.

As of December 31, 1986, audit follow-up files recorded the recommendation as still being open. Our review of these files found no evidence that the promised reconciliations had been made nor any evidence of attempts to collect the \$27,200 in overpayments. The command attributed the delay in implementing the recommendations to two reorganizations.

Although work is to continue on correcting the deficiencies, we have some concern about the recoverability of the overpaid funds after such a long delay between discovery of the deficiencies and implementation of the recommendations. Therefore, immediate action is needed if the Army expects to (1) collect the \$27,200 which the auditors reported as overpayments almost 3 years ago and (2) make a reconciliation to determine the total overpayment and collect any other overpayments. (NE 84-8)

MISSING OPPORTUNITY TO SAVE \$455,000 A YEAR

-- UP TO \$455,000 A YEAR COULD BE SAVED BY SENDING LESS DOCUMENTATION TO POTENTIAL BIDDERS

-- THE ARMY PROPOSED A 9-MONTH TEST PERIOD AND A FOLLOW-UP REVIEW TO DETERMINE THE EXTENT OF SAVINGS

-- DELAYS IN CORRECTIVE ACTION MAY HAVE RESULTED IN UNNECESSARY COSTS

MISSING OPPORTUNITY TO
SAVE \$455,000 A YEAR

In a January 1984 audit report, the Army Audit Agency found that the Army Armament, Munitions, and Chemical Command could save as much as \$455,000 a year by sending less documentation to potential bidders. The auditors recommended that only preinvitation/presolicitation notices be sent to potential bidders rather than a complete solicitation package. The command concurred with the recommendation and said that implementation would be accomplished by September 30, 1984.

As of December 31, 1986, the recommendation had not been implemented; therefore, audit follow-up officials recorded it as open.

The audit follow-up files showed that the command proposed that a 9-month test period be established to monitor those instances in which presolicitation notices are used and evaluate the corresponding results. The command further proposed that, upon completion of the 9-month test, a follow-up review be made to determine the extent of the offset costs or cost savings.

Based on the Army Audit report, the Army is losing potential savings by delaying implementation of the audit recommendation.
(MW 84-203)

**ARMY EXPERIENCING DELAYS IN CORRECTING \$75.1 MILLION OVERSTATEMENT
OF AMMUNITION RESUPPLY VEHICLE REQUIREMENTS**

**-- ARMY OVERSTATED REQUIREMENTS FOR AMMUNITION RESUPPLY
VEHICLES**

**-- IN APRIL 1984, AUDITORS RECOMMENDED THAT THE ARMY
REDUCE THE OVERSTATEMENT**

**-- THE ARMY CONCURRED, BUT AS OF DECEMBER 31, 1986, THE
RECOMMENDATIONS HAD NOT BEEN IMPLEMENTED**

ARMY EXPERIENCING DELAYS IN CORRECTING
\$75.1 MILLION OVERSTATEMENT OF
AMMUNITION RESUPPLY VEHICLE REQUIREMENTS

In an audit of the Tactical Troop Cargo Vehicle Requirements, the DOD IG auditors found that the Army had overstated requirements for ammunition resupply vehicles. In their April 1984 report, the auditors claimed a \$75.1 million potential savings for this finding and recommended that the Army (1) use Army guidance in computing ammunition resupply vehicle requirements and (2) reduce the number of trucks authorized to individual units.

The Army concurred with the recommendations and agreed to change its vehicle requirements as necessary to adjust for the ammunition consumption rates once they were developed. The audit follow-up officials' files showed an estimated completion date of August 24, 1985. In response to a December 1985 follow-up inquiry, the Army told the DOD IG audit follow-up officials that it anticipated submitting the ammunition planning factor rates for appropriate changes to vehicle requirements by June 1986. As of December 31, 1986, these recommendations were not yet implemented according to audit follow-up officials' files, and, therefore, the recommendations were recorded as open.

If the potential monetary benefits identified by the auditors are to be achieved, the Army needs to act promptly and responsively to implement the recommendation. (84-074)

DEFENSE LOGISTICS AGENCY MAY BE INCURRING EXCESS TRANSPORTATION COSTS

- DLA INCURRED NEARLY \$1.1 MILLION IN EXCESS TRANSPORTATION COSTS**

- AUDITORS RECOMMENDED CONTRACTS FOR VOLUME-LOT COMMODITIES BE AWARDED, IN PART, ON THE BASIS OF BEST DELIVERY TERMS**

- DLA AGREED TO VERIFY MOST EFFECTIVE TRANSPORTATION METHOD BY OCTOBER 1984**

- AS OF DECEMBER 31, 1986, DLA HAD NOT COMPLETED THE TESTS**

DEFENSE LOGISTICS AGENCY MAY BE INCURRING
EXCESS TRANSPORTATION COSTS

The DOD IG found that the Defense Logistics Agency (DLA) incurred nearly \$1.1 million in excess transportation costs during fiscal year 1982 by procuring volume lots of plywood and sugar without considering transportation expenses when awarding contracts. In their December 1983 report, the auditors recommended that the DLA director require procurement contracts for truckload and carload lots of plywood, other lumber products, sugar, aluminum, and all general volume-lot commodities be awarded, in part, on the basis of delivery terms most cost advantageous to the government.

DLA did not agree with the basic premise of the report but nevertheless agreed to conduct tests to verify the most cost-effective transportation method. The tests were to be completed by October 1984.

Our review of the audit follow-up official's files indicates that, as of December 31, 1986, there was no evidence that DLA had completed the tests. Based on the auditors' report, DLA may continue to incur excess transportation costs because it has not implemented the audit recommendation. (84-023)

DELAYS IN RECOUPING ILLEGAL PAYMENTS TO DOD PHYSICIANS

- AUDITORS FOUND \$152,711 OF ILLEGAL PAYMENTS TO DOD PHYSICIANS WHO, DURING THEIR OUTSIDE EMPLOYMENT ACTIVITIES, TREATED CHAMPUS PATIENTS**

- AUDITORS RECOMMENDED RECOUPING \$29,500 AND REFERRED THE REMAINING \$123,211 TO THE DEFENSE CRIMINAL INVESTIGATIVE SERVICE**

- CHAMPUS OFFICIALS AGREED TO TAKE INITIAL ACTION BY JANUARY 31, 1985**

- AS OF DECEMBER 31, 1986, THE RECOMMENDATIONS HAD NOT BEEN IMPLEMENTED**

DELAYS IN RECOUPING ILLEGAL
PAYMENTS TO DOD PHYSICIANS

In an August 1984 report on the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), the DOD IG auditors found that \$152,711 of illegal payments were made to active duty and civil service DOD physicians who, during their outside employment activities, treated CHAMPUS patients. According to the audit report, title 5, section 5536 of the United States Code prohibits DOD physicians from receiving CHAMPUS payments. The auditors recommended that CHAMPUS officials recoup \$29,500 of the total payments and establish controls to prevent future payment of illegal claims. CHAMPUS officials agreed with the recommendations and estimated that initial corrective action would be completed by January 31, 1985.

The auditors referred the remaining \$123,211 of illegal payments, which represented individual physician claims of \$1,000 or more, to the Defense Criminal Investigative Service (DCIS). Although the auditors' referral to DCIS was not in the form of a recommendation, the DOD IG audit follow-up officials established a "recommendation" in the follow-up system to track results of DCIS's investigations and recoupment.

As of December 31, 1986, the DOD IG audit follow-up officials considered the recommendations addressed to CHAMPUS officials as not yet implemented. CHAMPUS officials informed DOD IG audit follow-up personnel that they needed to verify physicians' employment status prior to making debt collection efforts and that the revised completion date is projected to be mid-1987.

As of December 31, 1986, the DOD IG audit follow-up officials considered the referral to DCIS as an open, not yet implemented, issue. In March 1987, DCIS officials informed DOD IG audit follow-up officials that investigative efforts substantiated \$10,119 of the auditors' \$123,211 finding. DCIS officials further stated that they will provide a report of investigations to CHAMPUS for appropriate recoupment action. Based on this information, in March 1987, the DOD IG audit follow-up officials closed the DCIS "recommendation" that they had established. However, the DOD IG audit follow-up officials' files indicate that recoupment efforts on the cases referred to DCIS will now be tracked through the recommendations made to CHAMPUS. (84-121)

NAVY CAN SAVE MONEY BY ACQUIRING SPARE PARTS THROUGH FEDERAL SUPPLY SYSTEM

- NAVY SOMETIMES PROCURES PARTS FROM CONTRACTORS INSTEAD OF OBTAINING THEM FROM FEDERAL SUPPLY SYSTEM**

- NAVY AGREED TO DETERMINE BY APRIL 1986 THE MOST ECONOMICAL METHOD TO ACQUIRE PARTS**

- AS OF DECEMBER 31, 1986, DOD IG CONSIDERED THIS RECOMMENDATION NOT YET IMPLEMENTED**

NAVY CAN SAVE MONEY BY ACQUIRING SPARE PARTS
THROUGH FEDERAL SUPPLY SYSTEM

In a March 1984 report on initial spare parts procurements, the DOD IG auditors found that the Naval Sea Systems Command sometimes procured spare parts from a contractor instead of obtaining them less expensively from the federal supply system. The auditors recommended that the command fill certain spare parts requirements for future Ohio Class Submarine acquisitions from existing stocks or the federal supply system. The Navy concurred with the recommendation and agreed to complete a study by December 31, 1984, to determine the most efficient and economical method to acquire spare parts for new construction programs, adding that initial test results indicated federal sources to be the most advantageous.

In June 1986, the DOD IG audit follow-up officials determined that the Navy was reviewing the results of the study and would provide overall Navy policy by June 30, 1986. However, as of December 31, 1986, the DOD IG audit follow-up officials considered this recommendation not yet implemented.

Based on the auditors' report, the Navy may continue to incur additional costs for spare parts obtained from the contractor rather than from on-hand stock or the supply system. (84-053)

NAVY SLOW IN COLLECTING IMPROPER PAYMENTS

**-- NAVY APPROPRIATED FUNDS IMPROPERLY USED TO PAY FOR
NONAPPROPRIATED ACTIVITIES**

-- AUDITORS RECOMMENDED THAT \$630,201 BE REPAYED

-- CORRECTIVE ACTION PROMISED BY JANUARY 31, 1986

**-- LIABILITY REVISED TO \$375,273 AND A 2-YEAR REPAYMENT
SCHEDULE PROPOSED**

**-- REQUEST FOR APPROVAL OF PAYMENT SCHEDULE TO BE MADE BY
AUGUST 31, 1987**

NAVY SLOW IN COLLECTING
IMPROPER PAYMENTS

In a February 1986 audit report of Naval Station New York Morale, Welfare, and Recreation (MWR) activities, the Naval Audit Service found that the naval station had underbilled one activity and had not billed another MWR activity for utilities and trash removal services since fiscal years 1979 and 1980, respectively. As a result, the naval station used appropriated funds instead of MWR's nonappropriated funds to pay \$630,201 in utility and trash removal costs. According to the auditors, Navy directives prohibit the use of appropriated funds for such services. The auditors recommended that the naval station bill the MWR activities for the \$630,201.

Although the naval station agreed that the two MWR activities were liable for certain utilities and trash removal costs, it had reservations as to the appropriateness of billing for services rendered as long as 6 years ago. The station agreed to take various actions, one of which was to independently compute the cost of utilities and trash removal services. The naval station, which had been advised of the problems during the course of the audit, estimated completion of these actions by January 31, 1986.

In an April 1986 audit follow-up status report, the station reported a recomputed utility and trash removal cost of \$251,516. The auditors and station officials subsequently agreed that the liabilities totaled \$375,273. In March 1987, the station suggested a repayment schedule that would satisfy the \$375,273 charges over a 2-year period. The estimated completion date for obtaining higher command approval of the repayment schedule is August 31, 1987. (S20295L)

APPENDIX III

SOME CLOSED RECOMMENDATIONS

NOT IMPLEMENTED

\$3.1 MILLION IN CONSTRUCTION REPAIR COSTS NOT RECOVERED

- INSPECTORS FREQUENTLY DO NOT IDENTIFY AND REPORT CONSTRUCTION DEFECTS NOR REQUIRE CONTRACTORS TO CORRECT THEM**

- CORRECTING THE DEFECTS COULD COST THE GOVERNMENT \$3.1 MILLION**

- AUDITORS RECOMMENDED THAT MILITARY DEPARTMENTS DISCONTINUE REPAIRING DEFECTS**

- NO EVIDENCE OF ACTIONS TO REVIEW FEASIBILITY OF RECOVERING \$3.1 MILLION FOR REPAIRS**

\$3.1 MILLION IN CONSTRUCTION
REPAIR COSTS NOT RECOVERED

In December 1984, the DOD IG reported the results of an audit of the DOD Real Property Construction Program. The auditors found that inspectors frequently do not identify and report construction defects nor require contractors to correct the defects. The report disclosed that of the 39 projects selected for review, 32 had defects. The auditors estimated the government cost to correct those defects in 21 of the projects to be \$3.1 million. The auditors recommended that the Secretaries of the military departments direct installation commanders to (1) discontinue repairing defects on new construction and (2) advise the Army Corps of Engineers or the Naval Facilities Engineering Command of all deficiencies and what will be done to fix them. Since existing regulations called for such action, the military departments agreed to reemphasize these procedures.

Our review showed that the DOD IG audit follow-up officials considered these recommendations to be implemented based on the military departments' reemphasis of existing guidance. However, we found no evidence in follow-up files of actions taken to (1) recover costs for the 21 facilities whose repair expenses were estimated by the auditors at \$3.1 million or (2) determine that recovery was not feasible.

Although the auditors did not specifically recommend the recovery of the \$3.1 million which may have been spent to repair defects, we believe DOD should have reviewed the feasibility of a recovery based on the audit finding. We also believe the audit recommendation should not have been considered closed until the funds were recovered or DOD had determined that a recovery was not feasible. (85-055)

UNLIQUIDATED OBLIGATIONS NOT REVIEWED

- \$1.3 MILLION OF UNLIQUIDATED OBLIGATIONS (ABOUT 31 PERCENT) WERE INVALID OR QUESTIONABLE**

- THE AUDITORS RECOMMENDED REVIEWING \$40 MILLION IN UNLIQUIDATED OBLIGATIONS FROM PRIOR YEARS' APPROPRIATIONS**

- MANAGEMENT REVIEWED ONLY \$1.3 MILLION**

- MANAGEMENT SAID IT ADJUSTED FOR \$793,000 OF THE \$1.3 MILLION BUT COULD NOT PROVIDE DOCUMENTATION**

UNLIQUIDATED OBLIGATIONS NOT REVIEWED

At Fort Stewart, Georgia, the Army Audit Agency sampled \$4 million of unliquidated obligations and found that \$1.3 million (about 31 percent) were invalid or questionable. The auditors recommended in an April 1985 report that the Finance and Accounting Operations of the 24th Infantry Division review all unliquidated obligations from prior years' appropriations, which amounted to approximately \$40 million. The files at Fort Stewart showed that the local internal review staff considered the recommendation as having been implemented. Audit follow-up officials also considered the recommendation implemented.

Our review of files maintained by management officials at Fort Stewart disclosed that the Finance and Accounting Operations personnel did not review all of its unliquidated obligations of the \$40 million, but only reviewed the \$1.3 million that the auditors questioned. Management claimed to have adjusted for \$793,000 of the \$1.3 million but could not provide documentation to support the adjustment. Based on our review, we disagree with the decision of the audit follow-up officials to consider the recommendation implemented. (SO 85-11)

NO ATTEMPT TO RECOVER UNAUTHORIZED MAINTENANCE COSTS

- MAINTENANCE CONTRACTOR RECEIVED OVER \$23,000 FOR MAINTENANCE NOT APPROVED AND NOT VERIFIED**

- THE JUDGE ADVOCATE GENERAL STATED THE CONTRACTING OFFICER SHOULD NEGOTIATE AN EQUITABLE SETTLEMENT**

- MANAGEMENT CONSIDERED THE RECOMMENDATION IMPLEMENTED BUT DID NOT ATTEMPT TO RECOVER THE UNAUTHORIZED COSTS**

NO ATTEMPT TO RECOVER
UNAUTHORIZED MAINTENANCE COSTS

At Eglin Air Force Base, Florida, the Air Force Audit Agency found that a maintenance contractor received payments totaling over \$23,000 for maintenance which had not been approved and could not be verified as being required or accomplished. The auditors recommended in their March 1985 report that the chief of supply obtain a legal opinion on the enforcement of provisions requiring base supply personnel approval prior to any maintenance being performed. Management obtained from the Judge Advocate General an opinion which stated that the contracting officer should negotiate an equitable settlement for the unauthorized maintenance.

Based on our review at Eglin Air Force Base, we found that management considered the recommendation as being implemented, but it did not attempt to recover the unauthorized maintenance costs. We disagree that the recommendation should have been considered implemented when no attempt at settlement was made. (820-5-22)

\$936 MILLION SPENT NONCOMPETITIVELY FOR SPARE PARTS

- DLA BOUGHT \$936 MILLION IN SPARE PARTS
NONCOMPETITIVELY IN FISCAL YEAR 1983**

- AUDITORS RECOMMENDED ISSUING GUIDANCE TO SUPPLY
CENTERS**

- IN JULY 1984, DOD IG CONSIDERED THE RECOMMENDATION
IMPLEMENTED**

- IN DECEMBER 1985, DOD IG FOUND THAT DLA HAD NOT ISSUED
GUIDANCE AND RECOMMENDATIONS HAD NOT BEEN REOPENED**

\$936 MILLION SPENT
NONCOMPETITIVELY FOR SPARE PARTS

In May 1984, the DOD IG reported that the Defense Logistics Agency bought \$936 million of spare parts noncompetitively in fiscal year 1983. The auditors found that (1) the lack of technical data and (2) contractors' proprietary claims to the technical data prevented DLA from obtaining more competition. The auditors recommended that DLA provide guidance to the supply centers for obtaining technical data from the contractors and for requiring contractors to validate their proprietary claims to technical data. In July 1984, the DOD audit follow-up officials considered the recommendation as being implemented based on a memorandum from the DLA Deputy Director to the Under Secretary of Defense for Research and Engineering which cited six DLA program initiatives through which implementation had occurred.

Our review of the audit follow-up files showed that a December 1985 evaluation made by the DOD IG audit follow-up officials disclosed that DLA did not issue guidance to the supply centers and that the action reported by the Deputy Director of DLA to the Under Secretary was not completely correct. The audit follow-up officials did not reopen the recommendation nor has the recommendation been pursued for further follow-up except for a June 1986 contact with the auditors. This contact, according to the information in the audit follow-up files, indicated that a DOD-wide reaudit showed improvement. However, our review of the reaudit showed that it did not address the lack of technical data or the contractors' proprietary claims as in the previous audit.

Based on our review, we disagree with the decision of audit follow-up officials to consider the recommendation implemented.
(84-081)

**\$982,345 IN PARTS NOT AUTHORIZED OR REPORTED COULD REDUCE
PROCUREMENTS**

- \$982,345 IN UNAUTHORIZED PARTS IN THE REPAIR SHOPS NOT
REPORTED TO INVENTORY MANAGER**

- AUDITORS CONCLUDED THIS COULD RESULT IN BUYING
UNNEEDED PARTS**

- AUDITORS RECOMMENDED MORE EFFECTIVE INVENTORY CONTROL**

- RECOMMENDATION REPORTED IMPLEMENTED ON SEPTEMBER 30,
1985**

- NEW PROCEDURES LACK RECOMMENDED INVENTORY CONTROL
MEASURES**

\$982,345 IN PARTS NOT AUTHORIZED OR
REPORTED COULD REDUCE PROCUREMENTS

At Robins Air Force Base, Georgia, the Air Force Audit Agency found \$982,345 of unauthorized parts in the repair shops and also noted that these parts were not being reported to the inventory manager. The auditors concluded that the inventory manager was unaware of these items, which could result in buying unneeded parts. The auditors recommended in their September 1984 report that internal procedures be revised to incorporate more effective inventory control and reporting procedures including taking active and complete inventories. This was one of several recommendations the auditors made.

The Director of Distribution at Robins Air Force Base concurred with the recommendation and reported to the audit follow-up officials that the recommendation had been implemented. On September 30, 1985, the audit follow-up officials considered the recommendation to have been closed.

Although management officials at Robins Air Force Base did revise their procedures in response to some of the audit recommendations, our review of the revisions disclosed that the revised procedures did not include the inventory control recommendation that was the subject of our review.

Based on our review of the revised procedures, we disagree with the decision to consider the recommendation as being implemented. (860-4-25)

QUARTERLY REVIEWS TO SAVE HOUSING ALLOWANCE COSTS NOT PERFORMED

- \$313,000 ANNUALLY COULD HAVE BEEN SAVED IF BACHELORS LIVED IN BARRACKS**

- ARMY AUDIT AGENCY RECOMMENDED QUARTERLY REVIEWS TO DETERMINE IF BARRACKS SPACES ARE AVAILABLE**

- COMMAND REPORTED THE RECOMMENDATION HAD BEEN IMPLEMENTED**

- WE FOUND THE QUARTERLY REVIEWS HAD NOT BEEN MADE**

QUARTERLY REVIEWS TO SAVE HOUSING
ALLOWANCE COSTS NOT PERFORMED

In a January 7, 1985, audit of installation facility management at Fort Bragg, North Carolina, the Army Audit Agency claimed that \$313,000 in annual housing allowance costs could have been avoided if enlisted bachelors residing off post had been required to occupy vacant barracks spaces. The Audit Agency recommended to the commanding officer, XVIII Airborne Corps, that quarterly reviews be made to determine if barracks spaces are available for personnel residing off post.

The command, in May 1985, reported that the recommendation had been implemented and audit follow-up officials, based on the command's report, considered the recommendation as being implemented. A follow-up audit conducted by the command's internal review office also considered the recommendation as having been implemented. However, management records at Fort Bragg indicated that the quarterly reviews had not been made. (SO 85-701)

NAVY UNNECESSARILY RESERVING \$12 MILLION IN AIRCRAFT PARTS

- NO NEED TO RESERVE \$12 MILLION IN PARTS**

- AUDITORS RECOMMENDED LOWERING, AND IN SOME CASES ELIMINATING, QUANTITIES BEING RESERVED**

- IN JANUARY 1984, THE RECOMMENDATION WAS CONSIDERED IMPLEMENTED**

- A FOLLOW-UP AUDIT IN OCTOBER 1985 FOUND THAT CORRECTIVE ACTION HAD NOT BEEN TAKEN**

- NAVY NOW PROMISES TO ACT ON RECOMMENDATION BY DECEMBER 1988**

NAVY UNNECESSARILY RESERVING
\$12 MILLION IN AIRCRAFT PARTS

In January 1984, the Naval Audit Service reported that there was no need to maintain a reserve stock of certain aircraft parts, such as wings and rudders, valued at \$12 million. The auditors recommended that the Navy's Aviation Supply Office lower, and in some cases even eliminate, the quantities being reserved for insurance purposes.

The Naval Supply Systems Command suggested an alternate approach for correcting the problem. It was proposed that a needs assessment would be made to determine which items are essential and this would be a basis for stocking these items. The auditors agreed that this alternate approach would correct the conditions cited during their audit. The recommendation was recorded in the tracking system and reported as having been implemented at the time the audit report was issued in January 1984.

In October 1985, the Naval Audit Service performed a follow-up audit to verify whether the recommendation had been implemented. The auditors found that corrective action had not been taken; therefore, the recommendation had improperly been reported as closed. As a result, the status of the recommendation was changed from a closed to an open recommendation. In June 1987, we reviewed records maintained by the Naval Audit Service and found that corrective action still had not been taken for this recommendation. Furthermore, the Navy's Aviation Supply Office now says that corrective action will not be completed until December 1988.
(C24943)

AUDIT REPORTS
FROM WHICH EXAMPLES WERE SELECTED

<u>Audit Report</u>	<u>Title</u>	<u>Date</u>
<u>Department of Defense Inspector General Reports</u>		
84-023	Practices Used to Select Transportation Cost Factors in the Procurement of Volume-Lot Commodities	December 19, 1983
84-053	Initial Spare Parts Procurements for Selected Major Systems	March 7, 1984
84-074	Tactical Troop Cargo Vehicle Requirements	April 18, 1984
84-081	Price Reasonableness of Noncompetitive Procurements of Spare Parts by the Defense Logistics Agency	May 11, 1984
84-121	Survey of CHAMPUS Billings and Payments	August 21, 1984
85-055	Inspection Procedures and Value Engineering Studies in the Real Property Construction Program	December 21, 1984
<u>Army Audit Agency Reports</u>		
MW 84-203	Procurement Evaluation and Selection Practices, U.S. Army Armament, Munitions, and Chemical Command; Rock Island, Illinois	January 31, 1984
NE 84-8	Acquisition and Maintenance of Specialized Automatic Data Processing Equipment, U.S. Army Armament Research and Development Center; Dover, New Jersey	March 15, 1984

<u>Audit Report</u>	<u>Title</u>	<u>Date</u>
<u>Army Audit Agency Reports, continued</u>		
SO 85-11	Finance and Accounting Operations 24th Infantry Division (Mechanized) and Fort Stewart; Fort Stewart, Georgia	April 5, 1985
SO 85-701	Installation Facility Management XVIII Airborne Corps and Fort Bragg; Fort Bragg, North Carolina	January 7, 1985
<u>Air Force Audit Agency Reports</u>		
3010212	Reclamation of Excess Aircraft Engines	June 11, 1984
3010610	Tank Truck Requirements and Use of Hydrant Systems	June 14, 1984
3030215	Management of Flow Times and Floating Stock For Engines in Depot Repair	June 29, 1984
3070212	Management of System 463L Air Cargo Pallets and Nets	August 22, 1984
3130111	Air Force Management of Foreign Military Sales Reports of Discrepancy	June 1, 1984
3160111	Use of Commercially Rented Vehicles During Official Travel	July 2, 1984
820-5-22	Management of Compressed Gases and Gas Cylinders (FB 2823), Armament Division; Eglin Air Force Base, Florida	March 19, 1985
860-4-25	Management of Floating Stock Assets, Robins Air Force Base, Georgia	September 19, 1984

Audit
ReportTitleDateNaval Audit Service Reports

C24943	Review of Funded Internal Planned Program Requirements	January 20, 1984
S20295L	Morale, Welfare, and Recreation Activities at Naval Station New York; Brooklyn, New York	February 27, 1986

(911601)

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