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May 5, 2015

Office of Counsel

This is to acknowledge receipt of your letter dated 24 February 2015, in which you requested an electronic copy of the U.S. Army Audit Agency 2013 Annual Performance Report. For your information, because your letter was not properly addressed it was returned to you as not deliverable, and this office did not receive your request until 22 April 2015. Please find attached the requested report.

The search and duplication fees have been waived in this request. I consider this matter closed as full disclosure has been made in this request. If you have any questions you may contact me via e-mail, [timothy.s.hankins.civ@mail.mil](mailto:timothy.s.hankins.civ@mail.mil) or by calling (703) 545-5881 and refer to FOIA Request 2015-09.

Sincerely,

HANKINS.TIMOTHY.SCOTT  
.1093993760

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TIMOTHY S. HANKINS  
FOIA Officer

# U.S. Army Audit Agency 2013 Annual Performance Report



*Providing Solutions  
for Army Challenges*







# U.S. ARMY AUDIT AGENCY



PROVIDING  
SOLUTIONS  
FOR ARMY CHALLENGES



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## OUR MISSION

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We serve the Army's evolving needs by helping senior leaders assess and mitigate risk, and by providing solutions through independent auditing services for the benefit of the American Soldier.

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## OUR VISION

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To be a world-class audit organization of respected professionals that anticipates change and exceeds client expectations. As an integral part of the Army team, we will improve the Army by providing timely, value-added services and by fostering employee growth, innovation, integrity, and accountability.

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## OUR CORE VALUES

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**Service.** We provide high-quality, client-focused service that is timely and relevant. We accomplish this with a highly diverse workforce that communicates openly while working as a team and commits to professional development through education and experience.

**Ethics.** We demonstrate integrity, credibility, and commitment to accountability and maintain the independence to perform our mission in keeping with professional standards. In all aspects of our internal operations, we hold ourselves to the same standards that we apply to those we audit.

**Progress.** We anticipate and adapt quickly to change and institute innovative approaches and techniques. We facilitate this by focusing our efforts on meaningful work and by maintaining a culture that supports empowerment and promotes quality-of-life issues.



*Principal Deputy Auditor General Joe Bentz (left); Max Stier, President and CEO, Partnership for Public Service (2nd from right); The Auditor General Randall Exley (right); and Agency staff members at the ceremony honoring the Best Places to Work in the Federal Government. The Agency placed third in the agency subcomponent category. (Photo by Sam Kittner/Kittner.com)*



## FROM THE AUDITOR GENERAL...

I'm pleased to present the U.S. Army Audit Agency's 2013 Annual Performance Report. This report details our accomplishments and progress in achieving the goals in our strategic plan. Thanks to the remarkable talent and dedication of our workforce, we continue to achieve outstanding results in spite of a significantly challenging environment. To continue to be a highly valued member of the Army team, we focus on the four pillars of our strategic plan—providing valued service, growing and nurturing a professional workforce, improving organizational effectiveness and efficiency, and institutionalizing transparent, strategic communications—both within our organization and beyond. We had another year of positive performance outcomes. We showed progress in all areas of our strategic plan and continued to identify opportunities where we want to build on our past successes as we look to the future.

The Army continues to perform its mission in an extremely challenging environment. It continues to transform into a smaller, more mobile force while faced with tightening budget constraints. It is now more critical than ever that the Army effectively and efficiently manage its programs to achieve desired program results and prevent fraud and waste. As part of the Army team, we focus our efforts on helping the Army perform its mission in these challenging times. To that end, we focused our audit efforts on the Army's highest priorities through an Army enterprise-level risk assessment, as well as input from our workforce and senior Army leaders.

Measurements for our Valued Service goal demonstrate that we had a very successful year. Client satisfaction ratings and requests for audit services continue to offer strong evidence that we are meeting Army leaders' needs and facilitating better stewardship and accountability in all aspects of the Army's business operations. **In FY 13, we published 156 reports with 521 recommendations that represented \$2.7 billion in monetary benefits for the Army— a remarkable return of \$35 for every dollar we spent.**

To improve our effectiveness and efficiency, we continue to assess our organizational structure, as normal attrition and a hiring freeze relentlessly shrink our workforce and the likelihood of additional permanent personnel cuts looms. (We lost 30 personnel authorizations in FY 12.) We also continue our efforts to reduce delivery time, make stronger recommendations, and encourage Army leaders to expeditiously implement our recommendations so that benefits can be realized more quickly. We continue to work to improve both internal and external communications and become even more transparent.

I'm very proud of the hard work, dedication, and professionalism our employees have shown in serving the Army over the past year. Amid furloughs and a government shutdown, years of no raises or bonuses, and limited professional training, our workforce remained positive and focused on mission.

The hard work and resiliency of the Agency's family of employees continues to reap rewards as evidenced by our finishing third of 300 subcomponent organizations in the **Partnership for Public Service's 2013 Best Places to Work in the Federal Government** competition. This is the **fourth consecutive year we have placed in the top three**, including our first place finish in 2012. Although we have experienced great success, we'll continue working very hard to become an even better best place to work, and build on our successes to achieve even higher levels of performance.

We will give all we can to serve the Army's Soldiers, civilians, and families and help Army leaders remain great stewards of the resources entrusted to it.

A handwritten signature in black ink that reads "Randall H. Exley". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

**RANDALL EXLEY**  
The Auditor General



# TABLE OF CONTENTS

<b>About the U.S. Army Audit Agency</b>	<b>2</b>
<b>Valued Service</b>	<b>6</b>
~ <i>Acquisition</i>	7
~ <i>Audit Readiness</i>	9
~ <i>Contracting</i>	11
~ <i>Cyber Security</i>	14
~ <i>Energy</i>	15
~ <i>Enterprise Services</i>	16
~ <i>Financial Management</i>	17
~ <i>Health of the Force</i>	22
~ <i>Installation Management</i>	24
~ <i>Sustainment</i>	27
~ <i>Training</i>	30
~ <i>Workforce Management</i>	31
~ <i>Other Risk Areas</i>	33
~ <i>Supporting Overseas Contingency Operations</i>	38
~ <i>Supporting Army Clients</i>	40
~ <i>Corporate Integration</i>	42
<b>Professional Workforce</b>	<b>43</b>
<b>Organizational Effectiveness and Efficiency</b>	<b>48</b>
<b>Strategic Communications</b>	<b>50</b>
<b>Agency Senior Leadership</b>	<b>52</b>

*(Pictured on cover and title page, Agency leadership gathered at the Agency's Operations Center at Fort Belvoir, Virginia.)*

# ABOUT THE U.S. ARMY AUDIT AGENCY

## OUR ROLE

The U.S. Army Audit Agency was created after World War II to help the Army meet its global strategic challenges through independent, value-added auditing services. The Agency helps Army leaders and Soldiers resolve issues by providing high-quality solutions that enable them to meet their goals more effectively and efficiently.

At the request of the Under Secretary of War, the Agency was established on 12 November 1946, when General Dwight D. Eisenhower issued General Order 135. Placed under the jurisdiction of the Chief of Finance, the Agency was tasked with maintaining appropriation and fund accounting, maintaining military property accountability, and auditing the accounts of the American Red Cross.

The DoD Reorganization Act of 1986 placed the Agency under the jurisdiction of the Secretary of the Army. Subsequent general orders made The Auditor General responsible for internal audit services throughout the Department of the Army, including audit policy, training, followup, and liaison with external audit organizations.

Today, we examine the full spectrum of the Army's operations and programs. Our goal is to be recognized as a model organization with an engaged workforce of respected professionals, guided by innovation and integrity, helping the Army overcome challenges in high-risk areas.

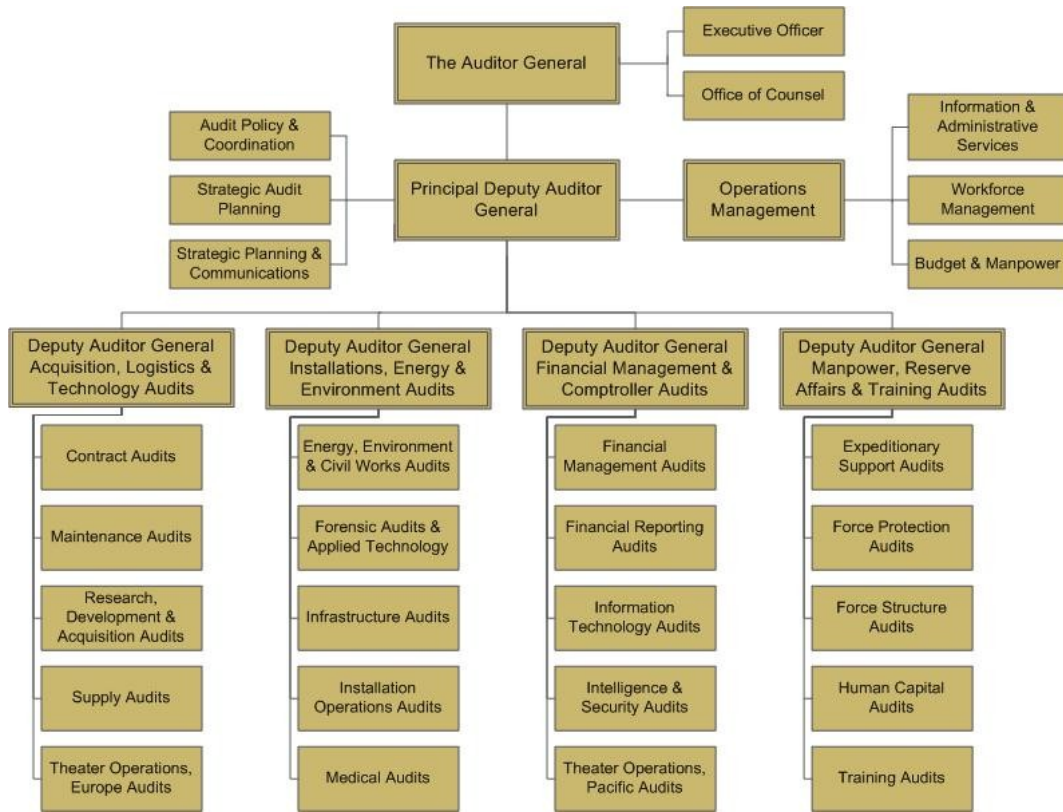
## OUR ORGANIZATIONAL STRUCTURE

The Auditor General, Principal Deputy Auditor General, and four deputy auditors general lead our Agency. The Auditor General is responsible for the career development of auditors and the internal operations of the Agency. The Principal Deputy Auditor General oversees the Agency's strategic planning efforts, internal support functions, and operational control over four deputy auditors general. The four deputies oversee audits of various Army operations.

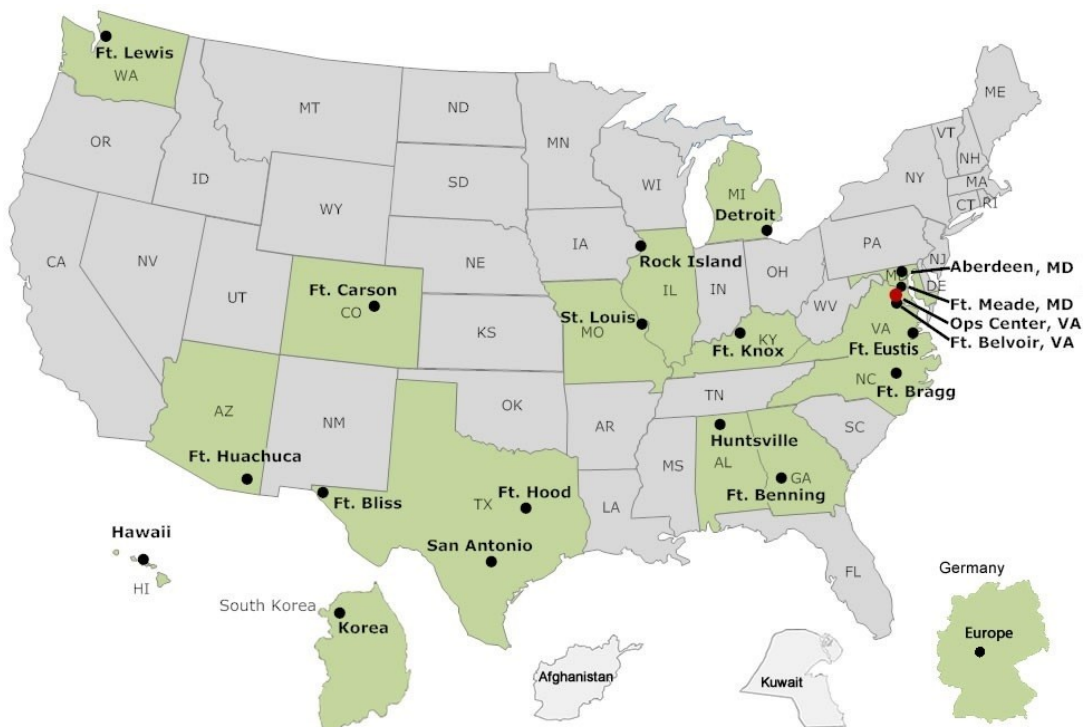
To achieve our strategic goals and objectives, we maintain a workforce of highly trained professionals, many with advanced degrees and certifications. Our staff of approximately 530 (though authorized 577) is organized into 20 functional audit teams. We also have a support staff directorate that helps us accomplish our mission by performing functions such as information technology, workforce management, and resource management. About 80 employees are based at our operations center at Fort Belvoir, Virginia. The rest are at 20 field offices—17 in CONUS and 3 outside CONUS (Germany, Hawaii, and the Republic of Korea). Auditors are also deployed to Afghanistan and Kuwait to support Overseas Contingency Operations.

The chart and map on the next page show the Agency's FY 13 organizational structure and office locations.

## FY 13 Agency Organizational Chart



## Agency Offices and Downrange Locations



## OUR STRATEGIC PLAN

To ensure we're well-positioned to meet the Army's evolving needs, we periodically update our strategic plan. In FY 13, we assessed, revised, and updated this strategic plan to make sure we continue to improve operations and remain relevant in meeting the Army's needs for audit support. The strategic plan has four overarching strategic goals—valued service, professional workforce, organizational effectiveness and efficiency, and strategic communications. Our latest plan covers FYs 14–18 and is available online at <https://www.aaa.army.mil> or by contacting us at 703.545.5904.

Our first goal—valued service—is client-focused. It's intended to strengthen our partnership with our Army clients and to measure how well we're meeting their needs. The next two goals—professional workforce and organizational effectiveness and efficiency—are more internally focused. They're aimed at developing and maintaining a world-class workforce and maximizing productivity. Our fourth goal—strategic communications—is both internally and externally focused. We added this goal in our FYs 11-15 strategic plan because effective communication is essential to any successful organization. We continue to take significant actions to improve our communications and plan to build on those efforts with the development of internal and external strategic communications plans. These plans will provide a directional framework for communicating targeted messages to key internal and external audiences. They will focus on the importance of transparent and open multidirectional communication in understanding the needs of our key customers and our workforce.

We assess the progress of our organization based on these four strategic goals. For each goal, we developed strategies and action plans that were consolidated into an overall implementation plan. That plan documents priorities for performance goals and defines the scope and methodology for our 18 corporate performance measures. We measure progress in quarterly performance reviews and at senior leadership meetings.



*The Auditor General (center, almost middle) and his Executive Officer (far left) with staff from the Agency's San Antonio Field Office.*

## Army Audit Agency Strategic Goals

### Valued Service

Provide the right audit support at the right time to improve Army operations and continue to be a highly sought-after resource that's an integral part of the Army.

### Professional Workforce

Cultivate an engaged and high-performing workforce that maximizes our ability to deliver on our mission.

### Organizational Effectiveness and Efficiency

Operate a highly effective and efficient organization that continually evaluates internal processes and embraces change to increase our value to the Army.

### Strategic Communications

Maintain open lines of communication and project a distinctive professional image that delivers our message throughout the Agency and across the Army enterprise.



*Agency leadership at the Operations Center at Fort Belvoir, Virginia. From left to right: Deputy Auditors General Joe Benz and Kevin Kelly, The Auditor General Randy Exley, Principal Deputy Auditor General Joe Mizgoni, and Deputy Auditors General Monique Ferrell and Kathe Nelson.*



## VALUED SERVICE

We continue to emphasize collaboration with Army leadership and to use a detailed corporate risk assessment to ensure our audits focus on the Army's most significant issues. As a result, our plan is fully aligned with the priorities and interests of the Army's most senior leaders. In FY 13, the Agency published the Army's FY 13 Internal Audit Plan. The plan was endorsed and signed by the Secretary of the Army.

The Agency continually assesses enterprise-level risk by attending Army senior leader meetings at the headquarters level. The Agency also reviews work done by other oversight organizations, DoD high-risk areas, directives from the Office of Management and Budget, and congressional testimony and concerns. The Agency assesses audit risks in programs and functional areas, as well as potential impairments to achieving Army objectives. The Secretary of Defense has directed the Army to identify \$28.3 billion in efficiencies during FYs 12–16 to help fund equipment modernization initiatives. Decreasing budgets mean that Army leaders will continue to rely on the Agency's expertise to perform audits relevant to Army missions and to identify opportunities for savings and efficiencies. For FY 13, the Agency identified these 14 categories of risk to the Army in which we provided audit coverage:

- *Acquisition.*
- *Audit Readiness.*
- *Contracting.*
- *Cyber Security.*
- *Energy.*
- *Enterprise Services.*
- *Financial Management.*
- *Health of the Force.*
- *Installation Management.*
- *Sustainment.*
- *Training.*
- *Workforce Management.*
- *Other Risk Areas.*
- *Supporting Overseas Contingency Operations.*

Highlights of completed and ongoing audits that address these risk areas follow.



*During a visit to Joint Base San Antonio-Fort Sam Houston, Deputy Auditor General Monique Ferrell (second from right) and Agency staff visit with MG Perry L. Wiggins, (far right), then Deputy Commanding General, U.S. Army North (Fifth Army). MG Wiggins is now the Commanding General.*

## ACQUISITION

The Army is modernizing combat forces for tomorrow's battlefields while restoring current capabilities and undertaking reforms to improve acquisition processes. DoD and Army leadership have called for modernizing the force and operating a more efficient acquisition system. In addition, DoD and the Army still face challenges from sequestration, further adding pressure for acquisitions to be as lean, agile, and cost-effective as possible. The goal is to prioritize programs and needs against resources while investing in developing new capabilities.

A major challenge for Army acquisition is to prioritize, streamline, and collaborate on requirements at the front end of the acquisition process to emphasize technological maturity, affordability, and productivity. The key to doing these successfully is to define the force's current capability, compare that capability with requirements, identify unmet capability requirements, evaluate the suitability of current materiel solutions to meet those needs, and identify affordable acquisition programs to close any capability gaps. Some major high-risk areas we reviewed in **acquisition** include:

- *Army's Development of Weapon System Requirements.*
- *Army Tactical Radio Strategy.*
- *Aviation Requirements—Small Unmanned Aircraft Systems.*
- *Mobile Tower System.*

**Army's Development of Weapon System Requirements.** We evaluated the Army's process to establish affordable, achievable requirements throughout weapon system development. The Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA (ALT)) asked us to determine whether processes and procedures to develop weapon system requirements were sufficient to ensure collaboration among the acquisition, resourcing, and requirements communities.



We determined that the Army had collaborative processes to develop requirements that included greater considerations of cost and technological feasibility. The Army conducted trade studies to refine requirements and used risk workshops to carry out technical and schedule risk assessments. In addition, the Army developed several initiatives to improve its processes, including using knowledge point briefings to facilitate early senior leader involvement in refining requirements and cost targets to support cost-informed analyses. However, the Army didn't apply these processes consistently to support all major defense acquisition programs; it also didn't use cost-informed analyses to inform leadership decisions at all times.

We recommended that the Army develop knowledge points throughout the technical development phase and require using cost target development in support of all major defense acquisition programs. By implementing our recommendations, the Army could further improve its requirements development processes and provide greater assurances on the affordability and achievability of future acquisition programs.

**Army Tactical Radio Strategy.** We evaluated the Army’s processes to provide a framework for balancing investments in tactical radios. The Army’s strategy for acquiring these radios centered on replacing legacy radios with the Joint Tactical Radio System (JTRS) to enable networking capabilities. However, the JTRS acquisition strategy and timelines weren’t properly aligned with program manager integration and funding schedules. Army staff conducted the basis-of-issue plan collaboratively, allowing for the identification of voice and data requirements. However, there were inaccuracies in the calculation of the Rifleman Radio Army acquisition objective, and Army funding for the JTRS didn’t align procurement schedules with mission requirements for FYs 12–18.

Calculations for the Rifleman radio acquisition objective didn’t reconcile with basis-of-issue plan feeder data. Variances occurred primarily because the data hadn’t been updated. Inaccurate data could result in Army leadership using incorrect information as the basis for planning and resource decisions.

Additionally, Army funding for JTRS didn’t align procurement schedules with mission requirements. As a result, the Army budgeted about \$407 million more to procure radios than will be needed for FYs 13–18. To align procurement schedules with mission requirements, we recommended that the Army align Other Procurement, Army funding with mission requirements for FYs 13–15 and reprogram FYs 16–18 Other Procurement, Army funding scheduled for JTRS radios slated for incompatible vehicles to later years when platform integration issues have been resolved.

**Aviation Requirements—Small Unmanned Aircraft Systems.** We evaluated requirements and capabilities across Army aviation portfolios for manned/unmanned reconnaissance and attack platforms to meet the needs of the future operational force. We also reviewed DoD and Army strategic guidance, analyzed aviation requirements, and interviewed key personnel from the Army aviation community.

We recommended that the Army not obligate \$32.8 million to procure the remaining Raven systems in FYs 13–15 until a decision is made on the capabilities production document for the Rucksack Portable Systems.



**Mobile Tower System.** We looked at whether the mobile tower system would meet the needs of the Soldier and address system capability shortfalls.

We determined that testing and procedures were sufficient to evaluate mobile tower system performance and that test results supported the low-rate initial production decision. However, the Army had overstated its acquisition objective for the system by three because it used a 10-percent operational readiness float factor that wasn't in accordance with Army regulations.



The Army agreed to our recommendation to use the two engineering developmental model systems within the acquisition objective as operational readiness floats. Using these models will reduce planned procurements for operational readiness floats and save the Army about \$6 million.

## AUDIT READINESS

The Army faces an unprecedented challenge of transforming a 238-year-old mission-focused organization to meet financial and managerial requirements. In 1990, Congress mandated audited financial statements by enacting the Chief Financial Officers Act. In 1996, the government passed the Federal Financial Management Improvement Act (FFMIA), which requires federal financial management systems to provide accurate, reliable, and timely financial information to Federal Government managers.

Although the law requires DoD to have auditable financial statements by the end of FY 17, the Secretary of Defense directed DoD to have the Statement of Budgetary Resources ready for audit by the end of FY 14. Consequently, the Army embarked on several audit-readiness initiatives to improve its complex business environment and maximize investments in enterprise resource planning systems. Our audits examined numerous high-risk areas in **audit readiness**, including:

- *Federal Financial Management Improvement Act Compliance of Army Enterprise Resource Planning Systems.*
- *General Fund Enterprise Business System Miscellaneous Pay Process.*
- *General Fund Enterprise Business System Vendor Pay Process.*
- *Metrics and Milestones of Army Audit Readiness.*

**Federal Financial Management Improvement Act Compliance of Army Enterprise Resource Planning Systems.** The Assistant Secretary of the Army (Financial Management and Comptroller) (ASA (FM&C)) asked us to examine Army enterprise resource planning systems as part of the Army’s efforts to make sure system functionality complied with FFMIA. The act mandates that financial management systems provide accurate, reliable, and timely information on the financial condition of the U.S. Government. In FY 13, we examined two systems—the Global Combat Support System (GCSS)-Army and the Logistics Modernization Program (LMP). Our results provided assurance to the Army that these systems will provide the necessary controls and support to achieve audit readiness. Here are details:

- **GCSS-Army.** GCSS-Army is the Army’s tactical logistics and financial enterprise resource planning program to integrate business processes and offer an Armywide view of logistics information from the battlefield. We identified and informed Army senior leaders of issues affecting the ability of the GCSS-Army and other Army systems to support audit readiness.
- **LMP System.** LMP delivers a fully integrated suite of software and business processes to streamline maintenance, repair, overhaul, planning, finance, acquisition, and supply of weapon systems, spare parts, services, and materiel to the Warfighter. We examined the FFMIA requirements baseline for the system’s Increment 2 to help the Army ensure that it included needed functionality.

**General Fund Enterprise Business System Miscellaneous Pay Process.** The Deputy Assistant Secretary of the Army (Financial Operations) (DASA (FO)) asked us to verify that miscellaneous pay certification controls remained in place as the Army assumed the miscellaneous pay approver role. We determined that miscellaneous pay approvers were an ineffective control to ensure payments were valid, accurate, and supported in a manner to sustain a financial audit. To improve internal controls and ensure miscellaneous payments were audit ready by FY 14, we recommended that DASA (FO):

- Establish functional guidance for approvers and ensure they are fully trained on their functional responsibilities and pecuniary liability.
- Require that Army commands and direct reporting units provide resource management oversight of miscellaneous payments.
- Require the General Fund Enterprise Business System (GFEBS) role provisioner to verify that the Governance Regulation and Control module has evidence of the approver’s authority to approve miscellaneous payments in GFEBS before assigning the role.



**General Fund Enterprise Business System Vendor Pay Process.** We determined that ready-to-pay files submitted to the Defense Finance and Accounting Service (DFAS) were properly computed and complete. However, some documents required manual intervention to obtain the required three-way match. Many manual entries were due to interface issues and this affected GFEBS's ability to automatically process invoices for payment. During the effort, DASA (FO) established the Army Audit Data Repository and planned to develop a process to get supporting documentation from the responsible office or system. This action will provide a process for retrieving appropriate supporting documents in a timely manner. Because GFEBS assigns a new number to each document, it's essential that the process tie the source document to the transaction for quick retrieval.

#### **Metrics and Milestones of Army Audit Readiness.**

Additional communication about internal control testing could improve Army activities' understanding of internal controls and audit readiness. The Army's Accountability and Audit Readiness Directorate provided some feedback to the activities we tested. However, in some instances, the information didn't help them develop corrective action plans because they weren't sure what to correct. Additionally, providing trend data to activities that weren't included in the testing would help those activities understand the control issues encountered Armywide and prepare tests at their respective locations. We also suggested that the Army add audit readiness training in its schools for both Servicemembers and civilians.



*Under Secretary of the Army Joseph W. Westphal addresses financial managers to highlight the expertise and dedication of the Assistant Secretary of the Army (Financial Management & Comptroller)'s civilian workforce in ensuring that Army leaders incorporate cost considerations as critical decisions are made regarding current fiscal constraints.*

## **CONTRACTING**

Contracting is a persistent area of concern within the Federal Government. Challenges to effective and efficient contracting for DoD and the Army were highlighted by the 2007 Gansler Commission report, *Urgent Reform Required: Army Expeditionary Contracting*; the 2011 Commission on Wartime Contracting report, *Transforming Wartime Contracting: Controlling Costs, Reducing Risks*; and numerous audits, inspections, and oversight peer reviews. However, our Agency is well-positioned to help the Army ensure that it meets the fast-paced, innovative, and flexible contracting requirements of the future within increasingly limited resource environments. In September 2013, we gave the Secretary of the Army a comprehensive update of our most significant recently completed, ongoing, and planned contracting audits. At his direction, we made recommendations to bring lasting change to correct underlying root causes of poor and inefficient contracting. Our audits examined numerous high-risk areas under **contracting**, including:

- *Contracting for Health Care Providers.*
- *Contracting Oversight, Quality Control, and Accountability.*
- *Contracts for the Guard Recruiting Assistance Program.*
- *Defense Acquisition Workforce Development Fund Tax Payments.*

### **Contracting for Health Care Providers.**

We audited U.S. Army Medical Command's (MEDCOM's) processes for health care provider contracts to verify that the contracts were based on valid and well-defined performance requirements and that the Army received the services it paid for. We performed the audit because MEDCOM spends a significant amount on contracted providers—during FY 11, the command obligated at least \$2.2 billion for health care provider contracts. We determined that MEDCOM's Health Care Acquisition Activity awarded the contracts according to the Federal Acquisition



*The Health Care Acquisition Activity (HCAA) is located at Joint Base San Antonio with HQ MEDCOM. HCAA primarily contracts for health care services in support of the Army Medical Department. HCAA awards and administers contracts for a variety of services, to include nurses, transcription services, reference laboratory services, imaging maintenance services, physicians, dentists, pharmacists, ancillary services, and a variety of medical-specific technicians. Shown here is San Antonio Military Medical Center.*

Regulation and policies issued by DoD, the Army, and MEDCOM. Additionally, MEDCOM customers established requirements based on workload and staffing standards with command approval and generally monitored contracts to ensure performance requirements were met and the Army received the services it paid for.

However, documentation wasn't available to show that three of six contracts we reviewed were cost effective. Also, sufficient hours weren't available to pay for completed requirements on two contracts. In addition, contracting officer's representatives on four contracts didn't follow quality assurance surveillance plans, document surveillance activities, or report contractor performance to contracting officers.

We made three recommendations to MEDCOM to improve contract oversight. Specifically, we recommended establishing procedures to ensure contract approvals include documentation of cost-effectiveness and that contract line items include sufficient funding for all requirements. Additionally, we recommended that contracting officer's representatives document their activities in accordance with quality assurance surveillance plans and contracting personnel provide prompt feedback on contractor performance. MEDCOM generally agreed with our recommendations but stated that higher-level policies on in-sourcing and resource limitations may prevent full implementation. The Assistant Secretary of the Army (Manpower and Reserve Affairs) provided the official Army position, agreeing with our recommendations.

**Contracting Oversight, Quality Control, and Accountability.** The Army contracting community has been reluctant to hold individual contracting offices and contracting officers accountable for the quality of their work. For example, 84 percent of procurement management reviews done by the Deputy Assistant Secretary of the Army (Procurement) (DASA (P)) during FYs 10 and 11 rated Army contracting offices as a medium or high risk. However, fewer than 0.5 percent of responsible contracting personnel in those same offices received low performance ratings. Our recommendation to ASA (ALT) and DASA (P), which they

agreed with, was to require appointment letters for heads of contracting activities and principal assistants responsible for contracting to be revised and include language empowering DASA (P) to hold them accountable for contracting performance.

Another recommendation was for DASA (P) to establish an Armywide standard warranting program for all contracting officers that includes tracking all individuals and their associated contracting warrant levels of authority. The Army agreed to establish a contracting officer review board to set standards for the program and to periodically assess individual training, education, performance, and contracting experience requirements for each warrant level.

**Contracts for the Guard Recruiting Assistance Program.** The Secretary of the Army asked us to verify that the National Guard Bureau (NGB) met Federal Acquisition Regulation requirements for soliciting, awarding, and administering contracts and task orders for the Guard Recruiting Assistance Program (G-RAP). We determined that the NGB didn't meet most of these requirements in the three contracts it used to execute G-RAP. Specifically, NGB didn't sufficiently perform acquisition planning, administer contract actions, or oversee contractor performance.

As a result, NGB executed a high-risk program laden with program abuse and potentially fraudulent activity. Our work led to developing significant actions to improve management and oversight of contracting at the NGB. ASA (ALT) assigned the NGB's head of contracting activity to a position subordinate to the Chief, NGB, and agreed to issue a policy memorandum to all Army contracting activities requiring the full text of the Contractor Code of Business Ethics and Conduct be included in all future contracts. In addition, the Chief took significant actions to reorganize NGB's contracting function to achieve effective oversight of all contract actions and to develop policies and procedures to incorporate reviews and approvals by NGB's Contracting Quality Assurance Branch throughout the contract life cycle.

**Defense Acquisition Workforce Development Fund Tax Payments.** We verified that the Army could use expired Operation and Maintenance, Army funds to pay annual Defense Acquisition Workforce Development Fund tax liabilities. Freeing those funds during FYs 13–15 for other high-priority, current-year needs will save the Army about \$823 million in current year Operation and Maintenance, Army funds. In response to our work, the Offices of the ASA (FM&C) and ASA (ALT) said that beginning in FY 13, they would use available expired-year funds to pay the tax.

## CYBER SECURITY

The U.S. Government Accountability Office (GAO) designated information security as a governmentwide high-risk area in 1997. Since then, GAO has consistently reported that persistent weaknesses in information security policies and practices continue to place the confidentiality, integrity, and availability of sensitive information and information systems at risk. In addition, network security incidents reported by Federal agencies increased by more than 650 percent from FYs 06–10. We reviewed *Elevated Privileges* as a high-risk area under **cyber security**.

**Elevated Privileges.** We performed this audit to verify that the Army was managing elevated access to its network. We couldn't verify that the Army met the principle of least privilege for its existing elevated users because network enterprise centers weren't requiring sufficient justification within the orders used to appoint elevated users before granting elevated privileges. Army regulations didn't have detailed information regarding the process for approving elevated privileges. This led to confusion over which entity approved elevated privileges—network enterprise centers or the command. Also, the centers were providing oversight of elevated users to ensure they met training and certificate requirements and used tokens to access privileged accounts. However, the Army could reduce the risk to its network by developing a best business practice to identify group policies and scripts that centers could use to improve oversight of elevated accounts. We made recommendations to help ensure that elevated privileged access on installations was sufficiently documented, justified, and verifiable. This should allow network enterprise centers to more easily modify any elevated privilege accounts if capabilities or staffing changes over time; it also could reduce the risk to the Army of an attack by an insider threat.



## ENERGY

Energy is a foundational enabler for all military capabilities. Army operations span a diverse range of environments and tasks—from base infrastructure under lesser threat to expeditionary operations and sustained campaigns in hostile areas. Supplying energy for these diverse missions is increasingly challenging. Constraints and threats to the supply of energy, water, and other resources are growing in scope and complexity both abroad and at home. To address these challenges, the Army is implementing a comprehensive energy and sustainability program based on culture change and developing renewable and alternate sources of energy. The Army is making these investments to ensure the Army of tomorrow has the same or greater access to energy, water, land, and natural resources as it does today.

The 2012 National Defense Authorization Act defined energy security as having assured access to reliable supplies of energy and the ability to protect and deliver sufficient energy to meet mission-essential requirements. The Army spent more than \$5 billion in FY 11 on energy and liquid fuel and continued to rely heavily on energy for day-to-day and major operations. Considering shrinking budgets, the worldwide demand for fuel used to create energy, and the vulnerability of utility systems to failure or sabotage, the Army must make sure it identifies energy security measures for installations and operations. Our audits examined numerous high-risk areas under **energy**, including:

- *Army Sustainability Reporting Measures.*
- *Use of Energy-Efficient Lighting.*

**Army Sustainability Reporting Measures.** The Army Sustainability Report (ASR) documents efforts and progress in instilling sustainability into planning, training, equipping, and operations; and achieving DoD's annual Strategic Sustainability Performance Plan (SSPP) goals. The Assistant Secretary of the Army (Installations, Energy and Environment) asked us to review the ASR to ensure it sufficiently captured the Army's progress toward meeting DoD requirements and Federal mandates for sustainability.

The 2012 ASR emphasized sustainable operations and provided sustainability performance data trends for FYs 04–11. Also, unlike previous versions, the 2012 ASR cross-walked among Executive Order 13514 requirements, DoD's SSPP goals, Global Reporting Initiative (GRI) indicators, and the Army's baselines and progress for each of its core enterprises—materiel, readiness, human capital, and services and infrastructure. The Army also increased reporting of GRI indicators from 33 fully reported in the 2010 ASR to 37, and it provided appropriate explanations for indicators that weren't reported on or only partially reported. The audit provided the Assistant Secretary with assurance that the 2012 ASR sufficiently captured the Army's progress towards meeting DoD requirements and Federal mandates. The Assistant Secretary agreed with the audit findings and stated that the Army does not plan to issue a GRI-based ASR for 2013 due to resource constraints and will evaluate the feasibility of issuing a 2-year report in FY 14.



**Use of Energy-Efficient Lighting.** In October 2010, the Assistant Secretary of the Army (Installations, Energy and Environment) directed activities to begin using energy-efficient lighting by October 2015 to comply with energy conservation mandates. We conducted the audit to verify that the Army has taken sufficient actions to use this lighting to help meet energy conservation goals. We looked at progress toward implementing energy-efficient lighting at three U.S. Army Installation Management Command (IMCOM) installations and one U.S. Army Materiel Command installation. For example, the installations used energy savings performance contracts to install lighting upgrades in existing buildings and had policies to control the purchase of incandescent bulbs. In addition, IMCOM developed six energy conservation measures/performance metrics and issued guidance for installations to report their progress.



However, the Army didn't have a sufficient process to consistently measure, track, and report progress toward reaching the energy-efficient lighting goal or effective oversight because the guidance wasn't sufficient. Specifically, IMCOM's guidance didn't specify methodology and data sources to be used for reporting progress, guidance from other commands was limited and didn't require activities to report their progress, and Army guidance didn't specify how the policy applied to tenant activities. Consequently, energy managers didn't have sufficient data to report on and monitor progress. The Deputy Assistant Secretary of the Army (Energy and Sustainability) and Assistant Chief of Staff for Installation Management agreed with our report and recommendations to issue clarifying guidance and improve oversight.

## ENTERPRISE SERVICES

In FY 10, the Army began several major efficiency initiatives, including Enterprise Email, data center consolidation, and Enterprise Service Desks. The Army plans to achieve savings of more than \$800 million during FYs 12–16 because of these initiatives. We examined *Army Data Center Consolidation* as a high-risk area under **enterprise services**.

**Army Data Center Consolidation.** We evaluated data center consolidation progress in FYs 11 and 12. This is the second audit in support of the Army Data Center Consolidation Plan (ADCCP). We concluded that the Army didn't achieve expected efficiencies in FY 11. Though the Army closed six non-base realignment and closure (BRAC) data centers in FY 11, none reported cost savings in its closure reports. The Chief Information Officer (CIO)/G-6 expected commands to achieve at least \$2.5 million in cost savings as a result of these closures. At the request of the CIO/G-6, we reviewed FY 12 closure reports to gauge progress. We determined that as FY 12 progressed, commands began to report more required information and efficiencies. As of 30 July 2012, 23 non-BRAC data centers were closed, and ADCCP identified more than \$10.9 million in efficiencies. However, \$9.1 million of this came from one closure—most closures in FY 12 didn't achieve expected efficiencies.

Commands didn't achieve cost savings because they didn't reduce applications they maintained through rationalization as expected; they also didn't transfer applications to the Defense Information Systems Agency or a commercial provider for hosting.



This resulted in little overall change to the Army's data center footprint. Also, in FY 11, the Army's processes for identifying data center efficiencies relied heavily on commands to provide and update a series of reports to determine an accurate "as is" baseline and to report efficiencies gained through the closures. In FY 12, ADCCP improved the process by working with commands to capture pertinent information. We provided three suggested actions to address some of the challenges that the Army needs to overcome to effectively consolidate data centers and realize efficiencies.

## FINANCIAL MANAGEMENT

Given the size and complexity of DoD worldwide operations involving hundreds of billions of dollars of resources, accurate and timely financial management information and effective accountability are critical. Nonetheless, control weaknesses have contributed to GAO designating DoD financial management as high risk since 1995. These weaknesses adversely affect the Army's ability to ensure basic accountability; maintain funds control; and prevent and detect fraud, waste, and abuse.

Each year, the government spends American taxpayer dollars on improper payments to individuals, organizations, and contractors. The government sometimes makes payments to the wrong person, in the wrong amount, or for the wrong reason. Our audits examined numerous high-risk areas under **financial management**, including:

- *Army Referral Bonus Program.*
- *Controls Over Incentive Programs in the Army Reserve and National Guard.*
- *Controls Over Meal Cards.*
- *Nonappropriated Fund Instrumentalities Risk Assessment.*
- *Recruitment Incentive Programs.*
- *Reimbursable Support for Installation Services.*
- *Second Destination Transportation—Fund Execution.*
- *Stopping Pay for Soldiers in an Absentee or Deserter Status.*

**Army Referral Bonus Program.** After informing the Secretary of the Army of our findings on recruitment incentive programs, we began auditing the Army Referral Bonus Program. We determined that the Army authorized unnecessary payments to sponsors for recruits already nominated in other incentive programs.

**Controls Over Incentive Programs in the Army Reserve and National Guard.** We continued our work to verify that controls over the Selected Reserve Incentive Program and the Student Loan Repayment Program were effective. Prior multilocation efforts, starting with an attestation assisting U.S. Army Criminal Investigation Command, identified serious control weaknesses that allowed improper incentive contracts and payments in the Army National Guard. We subsequently evaluated controls over incentives in the Army Reserve. We determined that the Reserve needed more controls to ensure that recipients were eligible and that supporting documents and data for the incentives were maintained and promptly recorded. Further, there weren't tools for Reserve units to monitor Soldiers' continued eligibility to receive and retain incentive payments.

We also followed up on whether the National Guard implemented recommendations made during our prior efforts. One of those efforts focused on the California Army National Guard, wherein the former State incentive manager received a prison sentence for making fraudulent payments. We verified that the California Guard implemented several recommendations and began recoupment action for improper payments. Additionally, the Deputy Chief of Staff, G-1 and Director, Army National Guard completed corrective actions addressing most of the weaknesses identified Guardwide. However, some significant control weaknesses remained because the Guard hadn't fully implemented several key recommendations. As a result, ineligible Soldiers continued to receive incentive payments.

Due to our extensive audit coverage, the Reserve Component has continued to improve its oversight and management of these incentives, which helps the Army meet readiness requirements. Our audits provided assurance that sufficient controls were in place within these historically well-funded programs.

**Controls Over Meal Cards.** We audited the Army's meal card program to verify that controls over issuance, usage, turn-in, and accountability were sufficient. We determined that they weren't because:

- Meal card control officers issued cards to only those Soldiers who were authorized subsistence-in-kind. However, there were no processes requiring Soldiers to report to these control officers.
- Dining facility personnel generally followed headcount policies and procedures, but current manual procedures didn't ensure that the meal card represented a valid meal entitlement. In addition, units didn't sufficiently perform verifications to identify misuse. Our verifications identified two instances in which Soldiers were receiving duplicative meal entitlements.
- Meal card control officers didn't enforce the requirement for Soldiers to turn in meal cards when leaving the unit. Although unit-clearing procedures required them to turn in meal cards when outprocessing, a significant percentage of Soldiers didn't do so.
- Meal card control officers didn't have enough accountability of active meal cards, and book control officers didn't have sufficient controls over meal card control books.

These happened primarily because commanders didn't emphasize the importance of the program by ensuring required audits were performed, taking disciplinary action against individuals responsible for lost accountability, and ensuring proper training of personnel appointed to execute the program. As a result,



units we visited lost accountability of meal card control books and individual cards worth at least \$10.5 million. Units also provided duplicative meal entitlements worth about \$10,600.

Although our audit included only three installations, our results indicated there could be an Armywide problem. Our advanced notification of site visits gave units sufficient time to develop standing operating procedures, appoint key meal card personnel, and improve meal card accountability. Our work identified the need for Headquarters, DA to update AR 600-38

(Meal Card Management System) to incorporate metrics for command inspections and a mechanism to ensure proper audits and inspections are done. In addition, Headquarters, DA agreed to issue a directive requiring a 100-percent Armywide inventory of meal cards to establish proper accountability and to develop training for meal card control book officers, meal card control officers, and verification officers on card accountability, verification, and turn-in. Finally Headquarters, DA agreed to examine the feasibility of replacing paper meal cards with an automated process that verifies meal entitlements at dining facilities.

**Nonappropriated Fund Instrumentalities Risk Assessment.** The U.S. Army Nonappropriated Fund Audit Committee asked us to verify that audit coverage of major nonappropriated fund instrumentalities complied with financial audit requirements of DoD regulations and aligned with enterprise risks. ASA (FM&C), in conjunction with IMCOM's Internal Review and Audit Compliance Office, made significant progress in identifying the universe of nonappropriated fund instrumentalities. They provided the scope of 57 nonappropriated fund instrumentalities (4 aligned under DoD and 53 aligned under the Army) we reviewed.

Almost half of the 57 instrumentalities had low overall risk (26 of 57), one-fifth had moderate overall risk (12 of 57), and about one-third had high overall risk (19 of 57). We determined these risks by first evaluating the reported instrumentalities against criteria in DoD regulations and identified eight instrumentalities that didn't comply with the financial audit requirement (which generally requires instrumentalities with revenue or expenses in excess of \$10 million to have a financial statement audit). We assessed these as an overall high risk. For the remaining instrumentalities, we averaged individual enterprise risks (financial, strategic, and operational) to determine overall enterprise risk. The committee has begun action to ensure compliance with DoD audit regulations and to identify and implement an oversight body for each high-risk instrumentality.

**Recruitment Incentive Programs.** Based on the significant findings identified during the audit of the Recruiting Assistance Program—Reserve Component, the Secretary of the Army asked us to review the Active Component's program. The Active Component consisted of about \$5.2 million in recruiter assistance payments associated with 2,806 enlistments.

Using information from Criminal Investigation Command and our prior audit of the Reserve Component program, we established criteria for our fraud-risk assessment. Using advanced data-mining and analytic tools,

we identified individuals associated with potentially fraudulent or suspicious payments. We provided law enforcement-sensitive fact sheets to Criminal Investigation Command for further investigation and referred individuals to the Army for AR 15-6 (Procedures for Investigating Officers and Boards of Officers) investigations. In addition, we determined that the Army overpaid the contractor managing the program. As a result of our recommendation, the additional monies were recouped from the contractor soon after our report was released.

**Reimbursable Support for Installation Services.** The Assistant Chief of Staff for Installation Management asked us to review how garrisons implemented procedures to define, categorize, and track Army reimbursements in its standard financial system. We looked at whether installations properly managed reimbursable installation support. Specifically, we assessed whether garrison personnel properly accounted for reimbursable transactions in GFEBS and charged and received appropriate reimbursement from non-Federal tenants and DoD entities without appropriated funding.

We limited our review for the first objective to verifying that garrison personnel assigned reimbursement identification codes to reimbursable transactions and implemented guidance on reimbursement tracking procedures. For the second objective, we focused on utility costs. We conducted the audit at two garrisons and concluded that garrison personnel had processes in place to record reimbursable transactions in the financial system. However, they began assigning reimbursement identification codes to those transactions only after the start of our audit. In addition, even after the codes were included in the financial system, information from the system didn't provide appropriate visibility and oversight of reimbursable funding for management levels above the installation.

We also concluded that garrisons had processes to monitor, review, and update support agreements and to charge tenants based on current utility rates. However, they didn't receive appropriate reimbursement because some tenants didn't pay in a timely way for their support. Also, non-Federal tenants and DoD entities without appropriated funding weren't paying in advance for their reimbursable support.

We made recommendations to improve consistent identification of reimbursable transactions within the financial system and to create meaningful management reports for levels above the installation. We also recommended establishing Armywide consensus on the status of all tenants as either Federal or non-Federal to ensure they make appropriate advance payments.

**Second Destination Transportation—Fund Execution.** The Office of the Deputy Chief of Staff, G-4 asked us to verify that the Army had sufficient controls to oversee how second destination transportation funds were executed and recorded. We published a separate report that focused on whether the Army had appropriate information to identify funding requirements for second destination transportation when building the program objective memorandum. Second destination transportation is the movement of Army materiel worldwide—from the first point of acceptance or storage point to the point of use. DoD uses a contractor-operated third-party payment system to pay for commercial transportation. In FY 11, there were more than 400,000 transactions that totaled about \$453 million in the third-party payment system that the Army paid for using second destination transportation funds.



The Army needed to improve controls over executing and recording these funds. Review of funds that G-4 personnel centrally managed showed that:

- Managers relied on incomplete information to oversee funds execution.
- Transportation transactions weren't consistently authorized and supported.
- The Army Working Capital Fund should have paid for some transportation charges.
- The Army could have avoided DFAS charges to manually process transactions with missing transportation account codes.

Transportation office personnel didn't have guidance and training for processing transactions and didn't understand the impact that missing data had on the Deputy Chief of Staff's ability to monitor how centrally managed funds were executed. As a result, the Army had decreased assurance that second destination transportation transactions were properly authorized and supported; about \$528,000 in second destination transportation funding was incorrectly used to ship repair parts; and the Army incurred about \$2.7 million in unnecessary DFAS processing fees each year.

We recommended that the Deputy Chief of Staff, G-4 establish guidance on authorizing second destination transportation transactions, to include requirements for documenting transactions, assigning appropriate transportation account codes, performing internal control evaluations, and conducting organizational inspections of transportation offices. In addition, we recommended the Deputy Chief of Staff establish a training course for transportation offices. We estimated these actions would save the Army at least \$19.4 million in FYs 13–18.

**Stopping Pay for Soldiers in an Absentee or Deserter Status.** The Army didn't have sufficient controls in place to enforce established policies and procedures for reporting deserters and absentee Soldiers to the pay system to ensure that pay and benefits for these Soldiers were promptly curtailed. Consequently, between January 2010 and July 2012, the Army made more than 9,000 payments to Soldiers in an absent without leave (AWOL) or deserter status. This happened because unit commanders weren't submitting the required personnel action forms to installation military pay offices in a timely way to stop the pay and benefits of absentee Soldiers. Also, gaining unit commanders weren't reconciling their due-in lists of Soldiers with Soldiers who were in-processing and were therefore unaware of any AWOL Soldiers.

As a result, the Army overpaid absentee Soldiers about \$16 million during this time. We estimated the Army could achieve about \$39 million in savings during FYs 13–18 by emphasizing a unit commander's responsibility to process and report absentee Soldiers in accordance with current policies and procedures.

## HEALTH OF THE FORCE

During the last decade, the Nation's Soldiers, families, and civilians have experienced the pressures and consequences of an Army in continuous combat. The effects have taken a toll on the physical and mental health of many individuals. In preparing for the Army of 2020, the Army needs to remain focused on building and sustaining resiliency in its Soldiers, families, and civilians by emphasizing the health of the Force.

Issues such as posttraumatic stress disorder, alcoholism, depression, suicide, and risky behaviors are on the rise and significantly affect readiness. In addition, military health care costs are one of the biggest areas of growth in the DoD budget—rising at rates far greater than inflation. Skyrocketing health care costs will consume an increasingly large portion of the DoD budget at the same time the Federal deficit will force decreases in defense spending. The Army has taken its obligation seriously to diagnose and treat conditions resulting from over a decade of persistent conflict, not only assisting Soldiers in their recovery but supporting their family members as well. In addition, the future of military health care promises new innovations and better treatments. The Army must plan for the future by encouraging research into new treatment options and planning for medical centers of the future.

The Agency has played a significant role in identifying and evaluating high-risk areas under **health of the force**, including:

- *Deployment Health Assessments.*
- *Implementation of Pain Management Initiatives—Polypharmacy.*
- *Medical Research Grants and Cooperative Agreements.*

**Deployment Health Assessments.** We audited the Army's processes to provide Soldiers with the deployment health assessments required by DoD policy to mitigate deployment-related health threats and to ensure Soldiers could receive treatment if needed.

Of the almost 30,000 Soldiers who deployed in selected units between 2009 and 2011, almost 99 percent received predeployment assessments, 97 percent received postdeployment assessments, and 85 percent received postdeployment reassessments. About 82 percent of these assessments met DoD timeliness standards. In addition, the Army made further treatment available to Soldiers when health care providers determined it was needed. However, at least 4,000 assessments didn't result in referrals, even though the assessments indicated that Soldiers had behavioral health concerns.



*The program executive officer for the Deployment Health Assessment Program (DHAP) answers questions from Soldiers about deployment health assessments. (Photo courtesy of DHAP Strategic Communications)*

At least 43 percent of these assessments didn't explain why further treatment wasn't needed. To improve oversight and ensure Soldiers receive appropriate referrals and care, we recommended that MEDCOM make deployment and redeployment dates available for tracking in the Medical Protection System. We also recommended that MEDCOM require health care providers to document the actions they take when Soldiers' responses to assessment questions indicate health-related concerns and, if applicable, why a referral wasn't needed. This will ensure that a Soldier's medical history details are available if future deployment-related health problems arise.

**Implementation of Pain Management Initiatives—Polypharmacy.** Polypharmacy patients are treated for multiple conditions with a variety of medications prescribed by several health care providers, generally taking four or more medications that include a psychotropic or central nervous system depressant. These Soldiers are considered at high risk for adverse outcomes, such as accidental death by medications or suicide.

We audited controls to manage prescriptions for Warrior transition Soldiers defined as polypharmacy patients. At the request of MEDCOM officials, we also reviewed methods used for disposing of outdated or unused medications. We interviewed medical professionals, Warrior transition staff, and Warrior transition Soldiers at five locations—Forts Belvoir, Gordon, Knox, and Riley, and Walter Reed National Military Medical Center—whose medical treatment facilities operate under the Joint Task Force National Capital Region Medical Command and whose Warrior transition units operate under U.S. Army Warrior Transition Command.

Command generally implemented controls to manage prescriptions in accordance with existing policies. Warrior transition staff and pharmacy personnel regularly coordinated to ensure patients received the necessary medication amounts and to mitigate the risk of adverse reactions. We made recommendations in the areas of prescribing, monitoring, communicating, and securing medications that should reduce adverse outcomes for polypharmacy Soldiers and others. Command has updated policies to limit dispensed drugs and conduct medication reviews.

**Medical Research Grants and Cooperative Agreements.** U.S. Army Medical Research and Materiel Command uses grants and cooperative agreements to acquire research that advances medical care across the U.S. health care system. Command's management of awards includes advancements and breakthroughs in military infectious diseases, combat casualty care, military operational medicine, medical chemical biological defense medicine, medical training and health information sciences, DoD blast injury, regenerative medicine, congressionally directed medical research programs, and the Telemedicine and Advanced Technology Research Center. The awards, collectively termed assistance agreements, were generally made to nonprofit research organizations such as public universities. Between 1 October 2009 and 30 October 2011, the U.S. Army Medical Research Acquisition Activity managed almost 2,500 grants and cooperative agreements valued at about \$2.8 billion. These grants and agreements were awarded to non-DoD private institutions.

The Army managed medical research grants and cooperative agreements to ensure that project goals were met and funds were generally spent for authorized purposes. Additionally, acquisition assistance agreements resulted in research that served a public purpose and referenced U.S. public law. The acquisition agency followed DoD procedures to award assistance agreements and had qualified staff to manage project execution. The acquisition staff's emphasis was to obtain quality, agreed-to deliverables from award recipients. A review of detailed billing charges from institutions indicated that reimbursed amounts were generally project-related and allowable expenditures.

However, even though management controls were in place to award and administer projects, selected controls weren't effective for some aspects of the award process. Our audit identified that publicly available sources reported that some universities limited support to the U.S. military, grant officer representatives sometimes didn't meet financial disclosure requirements, and grant officers had limited assurance that universities were remitting interest earned on advance payments.

We made recommendations to improve oversight of assistance agreements and compliance with DoD regulations. These included procedures to assist with interagency coordination when award eligibility questions arise. Also, we made recommendations to ensure key personnel provide the necessary financial disclosures and to verify award recipient compliance to remit interest due. These recommendations reduce institutional risk to the Army and provide better stewardship of research funds in a time of declining resources.

## INSTALLATION MANAGEMENT

GAO continues to designate DoD management of support infrastructure as a high-risk area. Specifically, GAO states that DoD is challenged with reducing excess and obsolete infrastructure, sustaining facilities, and achieving efficiencies in base support by eliminating duplicative support services. Installation service providers (including civilians, contractors, and an increasing number of military personnel) operate and maintain buildings and a quality-of-life environment for Soldiers, families, and civilians throughout the world. Through the last decade of persistent conflict, Soldiers' families have looked to their installations for support and quality of life. Although the end strength of the Active Duty Component is reduced, the Army's size and number of installations remain about the same. Also, installation-related costs within the Army have grown from \$9 billion to \$15 billion annually during the past 7 years, which the Army may no longer be able to sustain as budgets shrink. However, Army senior leaders remain focused on providing a high quality of life to Soldiers, civilians, and families. In FY 13, our audits examined numerous high-risk areas under **installation management**, including:

- *Counseling Services in Europe.*
- *Data on Child, Youth, and School Services Personnel Suitability.*
- *Support to Operation Homefront.*
- *U.S. Army Fisher House Program Management.*

**Counseling Services in Europe.** Soldiers supporting Overseas Contingency Operations face increased deployments throughout the world. These deployments place additional stress on Soldiers and family members as they balance work and life issues, including single parenting, communication, marriage, financial stability, relocation, and absence from family. In October 2007, the Secretary of the Army and Chief of Staff, Army established the Army Family Covenant to institutionalize the commitment to care for Soldiers and their families. The covenant focuses on standardizing and resourcing programs that provide Soldiers and families with a quality of life commensurate with their service to the Nation. The Secretary’s top priorities were for the Army to review its investments, eliminate redundant and poor performing programs, and sustain those programs that have proven most beneficial.

We reviewed programs in Europe that provided counseling services to Soldiers, family members, and civilians to verify that they were organized to minimize duplication. Although some programs offered overlapping services, we concluded there wasn’t duplication because the services focused on different needs of the population or different target audiences. Some services focused on prevention and education while others focused on intervention and treatment. Also, services had unique credentialing requirements for education, certification, licensure, and experience. Army garrisons in Europe established community health promotion councils that met quarterly to assess current programs, discuss emerging issues, and set priorities. As a result, there was reasonable assurance that garrisons identified redundancies or voids in existing programs and coordinated target interventions to meet the changing needs of the population. In addition, Headquarters, DA initiated these two reviews of Soldier and family programs to address potentially overlapping services:

- The Services and Infrastructure Core Enterprise Board established an Armywide requirements validation review of counselors on Army installations to determine staffing levels for each counseling program.
- The Army Health Promotion and Risk Reduction Council established a capabilities assessment of 124 programs to include measurement metrics for quality, productivity, cost, access/delivery, and expeditionary capabilities.

Upon completion, these reviews may identify opportunities to consolidate overlapping services, thereby achieving even more efficiencies.

**Data on Child, Youth, and School Services Personnel Suitability.** DoD and Army policy both require criminal background checks (CBCs) for individuals working in child care services. For the safety and well-being of military-connected youth, it’s imperative that background checks be accurate and that proper documentation be maintained that verifies the check.

*Auditors from the Fort Eustis Field Office at Watervliet Arsenal working on the attestation of compliance with requirements for CBCs in child, youth, and school services.*





As part of a multifaceted oversight approach, the Secretary of the Army directed us to review the use of CBCs and CBC verifications by the Office of the Assistant Chief of Staff for Installation Management. We reviewed CBC information for more than 17,000 personnel involved in child care services on 76 Army installations. Using statistical sampling, we projected about 86 percent of this population had at least part of a completed CBC. However, only about 33 percent had all portions completed. Because the effort was a review attestation, we made no recommendations. For the safety and security of our children, we'll use the results to plan future audit projects and help the Army improve the process by which installations provide and maintain CBCs.

**Support to Operation Homefront.** As current military conflicts continue, many private organizations assist Servicemembers and their families. Operation Homefront is a nonprofit organization that provides emergency financial and other assistance to families of Servicemembers and to Wounded Warriors. At the request of the Secretary of the Army, we verified that Army personnel followed proper procedures to secure approvals to provide logistical and financial support to Operation Homefront and the Army Homefront Fund. Our review at Forts Belvoir, Bliss, Bragg, Hood, and Meade showed that neither logistical nor financial support was provided to either organization. Although Operation Homefront attended events at these installations, Army personnel didn't provide support for these events; Operation Homefront provided support to Soldiers at all of the events and activities.

Although several situations came to our attention that may have implied preferential treatment in the initial stages of standing up the two organizations, these were rectified by the time we began our audit or referred to the Office of General Counsel for such determination.

**U.S. Army Fisher House Program Management.** The Fisher House Foundation is a private-public partnership that provides "comfort homes" to military families so they can be close to their loved ones while their loved ones are hospitalized. The program builds houses on the grounds of major military medical centers across all Services and the U.S. Department of Veterans Affairs and then donates them to the respective Military Service to manage. The Army has 15 Fisher Houses that provide a total of 146 guest suites at 10 different Army installations. MEDCOM asked us to audit controls over the Army's Fisher House program. We determined that controls were generally in place and operating. Our audit included a review of financial controls over the program along with controls over personally identifiable information. Additionally, we reviewed the Fisher Houses for compliance with the Americans with Disabilities Act. Our audit included houses (*pictured below, L-R*) at Joint Base San Antonio, Joint Base Lewis-McChord, and Fort Bliss.



Our recommendations will increase program oversight, accountability, and transparency; ensure consistency of operations; better safeguard personally identifiable information; and ensure people with disabilities can access Army Fisher Houses. These recommendations included (i) placing nonmonetary gifts on property records; (ii) obtaining required higher-level approvals for large-dollar-value gifts; (iii) safeguarding cash receipts and deposits, including making timely deposits; (iv) obtaining preapproval for credit card purchases; (v) standardizing the guest registration process, including not collecting unnecessary personally identifiable information; and (vi) ensuring facilities comply with the Americans with Disabilities Act.

## SUSTAINMENT

Army sustainment is an area of increasing importance that will be challenged by potential budget cuts in the coming years. The Army is responsible for maintaining and distributing a vast array of vehicles, aircraft, and other equipment. Although Army Forces are beginning to withdraw from Afghanistan, the responsibility for sustaining the assets remains. Army assets need to be accounted for, properly maintained, and repositioned for the next operational mission. In addition, while at war, the Army significantly relies on contractor support to sustain its military equipment. Our audits examined numerous high-risk areas under **sustainment**, including:

- *Army Prepositioned Stocks.*
- *Automatic Reset Induction Criteria.*
- *Maintenance of Left Behind Equipment in Europe.*

**Army Prepositioned Stocks.** Since 2011, we have dedicated significant audit resources to strategically important prepositioned stocks. The Office of the Deputy Chief of Staff, G-4 requested this audit work as a series of audits to make a holistic, global evaluation of the Army Prepositioned Stocks (APS) program. The focus areas include materiel and equipment requirements, stock management, and storage capacity. We developed our audit strategy through extensive coordination with Headquarters, DA and Army Materiel Command leadership. Here are details:

- **APS-4 Medical.** This audit addressed how medical prepositioned stocks in Japan are managed and stored. We couldn't attest to whether all items were properly accounted for, maintained, and stored because U.S. Army Medical Materiel Agency (USAMMA) didn't allow access to medical items (28 percent) in sealed, long-term storage containers due to the cost of resealing the containers. However, for items stored in warehouses (72 percent), USAMMA generally had good accountability of its prepositioned equipment and effectively managed shelf-life items. We determined that 38 percent of shelf-life items stored in sealed containers had expired according to the Theater Enterprise-Wide Logistics System. Maintenance personnel also didn't fully document that all required preventive maintenance checks and services on equipment were done. We recommended removing shelf-life items from sealed containers and storing them in the warehouse to make sure they were properly coded, rotated, and inspected in addition to establishing procedures to make sure medical equipment

maintenance was properly documented. The Office of the Deputy Chief of Staff, G-4 and Materiel Command agreed to increase oversight and establish procedures and controls to ensure proper maintenance of medical equipment. They will also determine if there is sufficient space in the warehouse to store shelf-life items from sealed containers.

- **APS-4, Management and Storage.** We determined that Army Field Support Battalion–Northeast Asia generally had good accountability of its prepositioned equipment, but contractor personnel didn't perform inventories correctly. The battalion also didn't properly maintain some equipment. For example, it sometimes didn't perform maintenance on commodities at required intervals or ensure that the contractor performed fault repairs on vessels within required timelines. At times, it also didn't monitor maintenance standards; manage shop stock equipment appropriately; assign equipment condition codes correctly; or ensure the contractor properly inspected, documented, stored, and rotated vessel shelf-life equipment. The audit showed the battalion had enough space to store prepositioned equipment on hand. Though it generally stored equipment in accordance with guidance, additional humidity-controlled storage space would better protect some prepositioned equipment from corrosion and deterioration. Further, the battalion sometimes didn't make sure that vessels were stored at required humidity levels. The Deputy Chief of Staff and Materiel Command generally agreed with our recommendations and began taking corrective actions during the audit, which included measures to increase contract oversight and improve maintenance procedures and controls.
- **CONUS Mine Resistant Ambush Protected Vehicles Storage.** This audit focused on the CONUS storage strategy for mine resistant ambush protected (MRAP) vehicles allocated to the APS program in accordance with the Army Campaign Plan's Decision Point 147. We reviewed three MRAP studies conducted by U.S. Army Training and Doctrine Command (TRADOC) from 2009 to 2013. We also evaluated the Army Corps of Engineers' Facilities Requirements Analyses for Sierra Army Depot (2011) and Joint Base Charleston (2012), which quantified requirements for permanent facilities to store and maintain MRAP vehicles. We reviewed the original military construction project data forms and associated cost estimates for the requested military construction funding for each site. We determined the Army no longer required all the planned new construction. This primarily occurred because the Army-approved MRAP III study in 2013 significantly reduced CONUS storage requirements.

Specifically, the Army reduced the required quantity of vehicles at Joint Base Charleston and Sierra Army Depot. As a result, Army Materiel Command could reduce its military construction funding request by about \$160 million. Though the Office of the Deputy Chief of Staff, G-4 and Army Materiel Command agreed with the intent of our recommendations, they stated they would wait until after the upcoming Chief of Staff, Army decision on the tactical wheeled vehicle strategy before implementing them.

**Automatic Reset Induction Criteria.** We audited equipment requirements over the Army’s automatic reset induction program. The program generally supported equipment requirements. However, FY 13 sustainment-level reset requirements (unit costs or quantities) weren’t supported for three of the eight systems we reviewed. TACOM Life Cycle Management Command didn’t have a consistent methodology for developing and validating requirements. The command developed the requirements 12 months before the year of execution and relied on the midyear review process to validate those requirements. As a result, TACOM overstated its FY 13 requirements by about \$233.9 million. TACOM personnel took action during the audit and reduced the FY 13 reset requirements for the three systems identified, which resulted in funds made available to meet other high-priority needs early in the fiscal year.

**Maintenance of Left Behind Equipment in Europe.** In 2005, Headquarters, DA established the Left Behind Equipment (LBE) program through the Army Campaign Plan. The program was designed to relieve forward unit commanders from managing and maintaining nondeployed equipment remaining at the unit’s home station. The Army Campaign Plan’s LBE program didn’t apply to U.S. Army Europe (USAREUR) deploying units, but in October 2007, Materiel Command and USAREUR agreed to execute an LBE proof-of-concept mission in theater. In February 2009, an agreement was reached to expand the program to all USAREUR units, and in FY 10, accountability of property in the LBE program transitioned from a contractor overseen by the 405th Army Field Support Brigade to the 21st Theater Sustainment Command’s Theater Logistics Support Center–Europe (TLSC-E).

The audit focused on maintenance operations at TLSC-E and determined that units generally didn’t induct equipment into the LBE program at technical manual (TM) 10/20 standards because of time constraints. The audit also showed that maintenance activities completed repair work to bring LBE to TM 10/20 standards and units were generally satisfied with the reissued equipment. However, activities didn’t perform maintenance efficiently and frequently conducted repairs that exceeded TM 10/20 standards. Specifically, the activities replaced serviceable parts, projected repair times on work orders that exceeded maintenance allocation charts, and exceeded the inflated repair projections on work orders.



*An Agency auditor inspects a piece of equipment as part of an audit.*

These issues occurred because oversight and management of operations at TLSC-E were insufficient. Specifically, TLSC-E didn’t establish performance metrics, monitor performance, or make maintenance data visible to higher commands in standard Army management systems. As a result, the LBE program cost more than necessary, and maintenance activities didn’t complete repairs on time, which prevented equipment from being returned to units within milestones.

To address these issues, we recommended that USAREUR establish an oversight process to ensure TLSC-E maintenance operations were effective, require inspectors to adhere to maintenance allocation chart hours,

adjust staffing levels as a result of more efficient maintenance operations, establish reporting requirements for maintenance activities based on established metrics, and implement the Unit Maintained Equipment program throughout the European theater. We estimated that USAREUR could reduce maintenance-related costs, saving about \$112 million over the program objective memorandum, if it implemented the Unit Maintained Equipment program and reduced the workforce in line with completing maintenance within projected man-hours.

## TRAINING

The Army has diminished its presence in Iraq, and as it begins to draw down Forces in Afghanistan, it is approaching a critical transition point. The shift must now focus from the singular idea of succeeding in current conflicts to simultaneously staffing, training, and equipping a readiness-focused Force, which is the Chief of Staff, Army's main priority. Training is an area in which the Army hopes to achieve savings as it draws down Forces in Afghanistan and faces the likelihood of decreasing budgets over the next several years. As it transitions from a training model based on specific missions and tasks to one of decisive action operations in an era of persistent conflict, the Army is leveraging technology and home station training to reduce costs. Our audits examined numerous high-risk areas under **training**, including:

- *Managing Resource Requirements for Training and Doctrine Command Institutional Training.*
- *Training Support System Manning Models, U.S. Army Reserve.*

### **Managing Resource Requirements for Training and Doctrine Command Institutional Training.**

TRADOC's former deputy commanding general asked us to verify that the Army had a sufficient process to manage training resources to implement new or adjusted training requirements. In addition, we evaluated key efforts taken by TRADOC to automate manual processes, to include acquiring an enterprise scheduling system. The Army had a process that allowed it to accomplish its mission by executing approved training. However, the process was inefficient because it relied on labor-intensive procedures requiring personnel to manually link and analyze data from various systems to validate resource needs and schedule training. Despite this shortcoming, this process was used because the Army didn't have an automated tool capable of quantifying training resources as a result of increases and decreases in training requirements. TRADOC and the schools we visited weren't successful in acquiring an automated system that provided these necessary capabilities. Therefore, TRADOC personnel couldn't sufficiently validate training resource needs commandwide or Armywide. Schools we visited expended about \$13.3 million during FYs 08–12 to acquire, modify, and sustain scheduling systems with minimal to no return on investment.

We recommended that TRADOC implement an automated scheduling system with specific capabilities and direct schools currently using other scheduling systems to stop investing additional Army funds to modify and sustain these systems once an enterprise scheduling system is fielded. We also recommended that U.S. Army Combined Arms Support Command discontinue using the Scheduling Enterprise Resource Planning system at Fort Lee schools, which resulted in about \$6.9 million in funds that could be put to better use over the FYs 13–18 program objective memorandum. Implementing these actions should significantly streamline TRADOC's efforts to manage resources and make more informed resource decisions.



**Training Support System Manning Models, U.S. Army Reserve.** We conducted this audit as the second phase of an original request from the Deputy Chief of Staff, G-3/5/7's director of training to evaluate manning models used to determine required staffing levels and make resourcing decisions for the Army's Training Support System (TSS). In phase I, we focused on the Active Component; in phase II, we reviewed the U.S. Army Reserve. G-3/5/7's Training Simulations Division used manpower modeling techniques based on DA-approved workload requirements to standardize staffing levels for each of the four TSS components we reviewed. However, even though the Army had developed TSS manning models for Army Reserve training, the models were outdated. Consequently, U.S. Army Reserve Command and the installations were using workarounds as an interim way to provide staffing for TSS operations. DA, Reserve Command, and IMCOM were performing separate reviews to determine manning requirements and authorizations for installation operations, including TSS. We recommended that IMCOM coordinate with Headquarters, DA for consistency and develop an enduring strategy for determining manpower requirements for the Army Reserve's TSS. This should prevent further duplication of efforts and create a process for determining requirements for the future to avoid interim solutions. Additionally, we determined that the two contractor-supported shoot houses at Fort McCoy, Wisconsin, had very low use. We recommended that Reserve Command stop funding one of these, which resulted in annual cost savings of about \$368,000.

## WORKFORCE MANAGEMENT

The Army's greatest and most expensive asset is its workforce. This includes Soldiers, civilians, and contractors. During the last 10 years, the Army has grown to meet the demands of current Overseas Contingency Operations; however, with the drawdown in theater operations and the new Defense strategy, the Army must determine the proper size and mix of its workforce. In addition, it must determine the appropriate blend of incentives it needs to recruit and retain the best Soldiers. Finally, it must determine the correct model for ensuring troops are ready and available to perform full-spectrum missions to counter future threats. Our audits examined a number of high-risk areas under **workforce management**, including:

- *Accession of Military Personnel into Contracting.*
- *Financial Management—Force Structure.*
- *Nonappropriated Fund Labor Expenses.*

**Accession of Military Personnel into Contracting.** We reviewed the contracting career field to identify the most appropriate time to transition military personnel into contracting to better staff contingency contracting offices. The Army had been unable to fully staff these offices with experienced, technically proficient military personnel primarily because staff didn't begin their first contracting assignments until 10 to 11 years into their careers. The Army relied largely on DoD for required contract training and didn't have a process to ensure military personnel received the work experience needed to execute the full spectrum of contracting operations in contingency environments. We worked with the Under Secretary of the Army (Acquisition, Logistics and Technology) to establish a viable solution to fix the problems we identified.

**Financial Management—Force Structure.** The DASA (FO) asked us to audit the mission command and organizational alignment of financial management (FM) units to verify that they allowed FM Soldiers to meet mission requirements and support financial reporting. We reported that FM units faced significant challenges in performing their assigned missions and ensuring that Soldiers were properly trained. After-action reviews, unit interviews, and prior audit reports showed systemic challenges in conducting and enforcing internal controls and implementing theater policy. These occurred, in part, because FM unit doctrine and organization weren't properly aligned to create a strong enforcement mechanism. For example, units didn't have the authority through a mission command relationship to carry out some of their assigned duties. For example:

- Sustainment commanders had a limited understanding of FM technical operations.
- FM units had varying success in marketing their mission.
- FM support operations weren't working as intended.

**Nonappropriated Fund Labor Expenses.** At the request of the Nonappropriated Fund (NAF) Audit Committee, we audited NAF labor expenses to verify that positions authorized to receive appropriated fund (APF) support under the uniform funding and management (UFM) process received the same consideration for funding as APF positions. The UFM process merges APF and NAF to provide morale, welfare, and recreation (MWR) services using NAF rules and procedures, which can be more efficient. The UFM process is authorized under the Bob Stump National Defense Authorization Act for Fiscal Year 2003. Under UFM, all APF MWR positions are to be converted to NAF either by the APF incumbent voluntarily converting to NAF or when the APF incumbent vacates the position. APF positions authorized to convert under UFM were identified as of the beginning of FY 06. As of the beginning of 2012, the Office of the Assistant Chief of Staff for Installation Management identified 4,933 previously APF positions in the Structure and Manpower Allocation System. These were removed from a table of distribution and allowances (TDA) and converted to NAF.

We determined that positions taken off a TDA and converted to a NAF position received similar consideration as APF support positions. Since APF are payroll items and are considered “must fund,” the UFM-converted positions were included in management decision package funding as critical requirements and were a top priority in the funding process.



*Youth Services Center, Category B MWR activity building at Fort Carson, Colorado.*

However, there was no process to adjust for changes to programs after initial implementation, which included the number of positions under UFM. This was due to: creating new child, youth, and school services programs and services; replacing loss of borrowed military manpower at recreation facilities; converting one APF position into more than one NAF position (even if the total cost of the new NAF positions combined was the same as the cost of the one converted APF position); and using regular part-time and flex personnel without establishing full-time equivalents. NAF positions not previously on a TDA weren't recognized as critical requirements.

We made recommendations to ensure that all APF UFM-eligible positions receive similar treatment under NAF by providing guidance and developing a process to define terminology, setting a standard to equate regular part-time and flex employees to full-time equivalent positions, maintaining an audit trail to record baseline and future changes, and providing appropriate oversight to ensure continued compliance. We also recommended that current programs be reviewed to determine the correct number of positions that should be authorized as APF and to establish a process to get the authorized positions recognized in the Structure and Manpower Allocation System and eligible to be considered a critical requirement.

## OTHER RISK AREAS

Senior leaders identified other areas they believe have risk, but not to the same degree as the 12 high-risk areas already identified. For example, the Agency included audits targeting prevention and detection of fraud, assisting the military intelligence community, analyzing force protection programs, and addressing unique circumstances. Some **other risk areas** we reviewed included:

- *Accident Investigations and Reporting.*
- *Actions Taken by the U.S. Army Corps of Engineers at Lake Cumberland, Kentucky.*
- *Army Protection Program at Arsenal, Depots, and Plants—U.S. Army Materiel Command.*
- *Initial Outfitting of Equipment at Military Medical Treatment Facility Construction Projects.*
- *Property Accountability of Training Aids, Devices, Simulators, and Simulations Upon Receipt.*
- *Service Cost Execution Process.*
- *Transformation of the U.S. and Republic of Korea Forces.*
- *Transportation Operations, Hawaii.*

**Accident Investigations and Reporting.** At the request of the Deputy Assistant Secretary of the Army (Environment, Safety and Occupational Health) (DASA (ESOH)), we followed up on actions taken to oversee developing a single accident reporting system and to ensure activities stopped developing legacy systems. The original report, A-2010-0033-FFE (Accident Investigations and Reporting), dated 22 December 2009, showed that the Army didn't have a centralized safety system that captured Armywide accident data sufficiently. "ReportIt" is the first of four tiers in a modernization effort of the Army Safety Management Information System—Revised (ASMIS-R). ReportIt is a Web-based tool for reporting accidents that consolidates several existing Army systems into a single, user-friendly reporting application.

We concluded that DASA (ESOH) took actions to oversee and coordinate ReportIt's development and the Army realized monetary benefits of \$3.75 million. However, actions weren't sufficient to fully implement the recommendation and develop ReportIt in a timely manner. Specifically:

- Army Materiel Command's FY 12 and FY 13 budgets included an additional \$4.5 million for its legacy system, and the command had no plans to execute the funding as described in its budget request.
- Two Army activities were using systems with similar characteristics and capabilities as ASMIS-R. The Army plans to spend an additional \$18.1 million to develop and sustain the ASMIS-R modernization effort between FYs 13 and 18 even though DoD currently has an ongoing initiative to select or develop a DoD-wide safety management system.

We recommended that DASA (ESOH) reevaluate ASMIS-R cost effectiveness and document whether the system (which includes ReportIt, AnalyzeIt, TrackIt, and PreventIt) should remain the Army's vehicle for implementing the Vice Chief's 2006 requirement for a single reporting system. We also recommended that DASA (ESOH) discontinue funding ASMIS-R modernization until this reevaluation is done. We estimated the Army could save at least an additional \$18.1 million if it determines it's cost effective to cease the modernization efforts and use other viable solutions. DASA (ESOH) didn't agree with the \$18.1 million in potential monetary benefits but agreed to conduct a reevaluation, closely monitor funding for ASMIS-R, and turn in any cost savings identified. Also, Materiel Command took corrective action during the audit to save \$4.5 million by removing funding requirements for efforts to develop its safety system.

**Actions Taken by the U.S. Army Corps of Engineers at Lake Cumberland, Kentucky.** The Secretary of the Army asked us to audit actions taken by the U.S. Army Corps of Engineers at Lake Cumberland, Kentucky, with respect to marina owners following a drawdown of the lake in January 2007. We looked at whether the Corps complied with applicable laws, regulations, and guidance for actions related to marina owners and in developing its 2011 Lake Cumberland Master Plan. Our audit concluded that the Corps generally complied with applicable laws, regulations, and guidance for actions related to marina concessionaires at Lake Cumberland and in its development of the master plan. Specifically, the Corps appropriately:

- Exercised its permissive authority to grant rent abatement to nine marina concessionaires due to the short notice of the drawdown and to offset anticipated one-time reconfiguration costs. Under the abatement, 9 Corps-leased marinas collectively paid \$9 for 1 July 2007 to 30 June 2008 instead of about \$800,000. The district also expended about \$1.7 million on other actions to mitigate the effects of the drawdown. In accordance with its authority, the Nashville District also appropriately denied requests from concessionaires to extend the rent abatement.
- Coordinated and involved the public in the master planning process to ensure the plan sufficiently addressed regional and ecosystem needs, project resource capabilities and suitability, and public interests and desires. The plan also aligned with applicable national and local initiatives.

Although the outgrant management process needed improvement, this didn't affect the validity of the district's decision to deny requests for the extended abatement. Also, the Corps needed to make sure that actions are taken Corpswide to address systemic issues with the master planning process identified in a 2007 Corps Inspector General report.

**Army Protection Program at Arsenals, Depots, and Plants—U.S. Army Materiel Command.**

Established by directive in 2011, the Army Protection Program (APP) was designed to be an overarching management framework to synchronize, prioritize, and coordinate protection policies and resources. The Executive Deputy to the Commanding General, Army Materiel Command, asked us to assess command's implementation of four APP requirements—continuity of operations, emergency management, fire and emergency services, and law enforcement. We determined that:

- Though Materiel Command generally implemented the program requirements, more actions were needed. For example, two of five sites hadn't fully implemented the emergency management program because requirements weren't included in the operating contract.
- All five sites had professional fire and emergency services, but four sites were unable to completely determine and fulfill personnel requirements. In addition to funding constraints, command had limited fire and emergency expertise and oversight. Also, DA hadn't developed APP benchmarks for fire and emergency services.

As a result of not having completely implemented these program requirements, essential Army industrial facilities were more vulnerable to mission disruption or failure from various threats and natural hazards.

**Initial Outfitting of Equipment at Military Medical Treatment Facility Construction Projects.** The future of military health care promises new innovations and better treatments. To facilitate these processes, the Agency reviewed planning for new construction. In response to an unprecedented amount of funding for medical facility construction projects in the FYs 13–17 program objective memorandum, Materiel Command asked us to verify that the Health Planning Facility Agency's process for developing and managing equipment requirements was effective. In addition, command asked us to validate that an available automated DoD system provided project-specific detailed equipment requirements that the Army could use to develop equipment requirements.

We determined that the Army's process for developing \$1.4 billion in initial outfitting equipment requirements wasn't transparent enough to fully support those requirements. We recommended that command establish guidance for developing and managing the execution of the program to ensure oversight of funds obligated and executed was effective. We also tested the reliability of DoD's Space and Equipment Planning System and concluded it was a highly reliable model for estimating equipment requirements. Using this system, we estimated that command could reduce requirements by about \$572 million. Because of the audit, MEDCOM will benefit by improvements to its processes for developing and managing equipment requirements, and the Army can reallocate the \$572 million in monetary savings to other unfunded, critical medical requirements. Command made immediate reductions to the FYs 14–18 program objective memorandum by \$285 million of the reported \$572 million in monetary savings.



**Property Accountability of Training Aids, Devices, Simulators, and Simulations Upon Receipt.** The Deputy Chief of Staff, G-4 asked us to verify that the Army properly accounted for and reported training aids, devices, simulators, and simulations (TADSS). We focused on verifying that receiving activities (installation-level activities) properly accounted for TADSS. Installation training support centers used the Training Support–Materiel Armywide Tracking System (TS-MATS) to account for TADSS; as of April 2012, the system had 22.8 million TADSS items worth about \$11.6 billion.

We concluded that installation-level activities didn't properly account for and report TADSS equipment. Physical inventories at two installations showed that they didn't have an accurate accounting of TADSS items or an audit trail of transactions. Our review of TS-MATS also identified significant inaccuracies. For example, of the reported 22.8 million TADSS items, 14.5 million items valued at about \$4.7 billion were fictitious ammunition. Personnel at one training support center entered this data into TS-MATS to quantify "real" ammunition saved by using the engagement skills trainer (a simulator).

Further, in accordance with DoD policy, 82,000 items costing about \$5.4 billion were nonexpendable property that should have been accounted for in an accountable property system of record. Army policies require training support centers to use TS-MATS to account for TADSS items, but the system wasn't an accountable property system of record. The system didn't link with core financial systems or maintain an audit trail of transactions. As a result, the Army had diminished assurance that TADSS items were properly accounted for and reported for asset visibility and financial readiness.

As a result of the audit, the Deputy Chief of Staff, G-4 issued a directive requiring units and activities to record nonexpendable TADSS in an accountable property system of record. The Deputy Chiefs of Staff, G-3/5/7 and G-4, started revisions to AR 350-38 (Policies and Management for Training Aids, Devices, Simulators, and Simulations) and AR 710-2 (Supply Policy Below the National Level). These changes define responsibilities for accounting for TADSS items and will improve the accuracy of asset and financial reporting. Finally, the Office of the Deputy Under Secretary of the Army for Business Transformation commenced a business process review of the functionality of TS-MATS.

**Service Cost Execution Process.** The Assistant Chief of Staff for Installation Management asked us to analyze the execution of service costs to determine if the Installation Status Report–Services (ISR-S) captured true service costs. We reported that ISR-S data compiled for FYs 10–11 didn't reflect the complete cost picture for the installation services reviewed, which could negatively affect DA's ability to program for future funding needs of the installations. This occurred because of systemic problems implementing GFEBS, which DA, in turn, used to populate ISR-S. Additionally, local shortcomings in recording service execution costs and supplemental funds issues contributed to these differences.

We made recommendations to improve detailed reporting of base operations service costs, which should result in more accurate forecasting of future funding requirements. We also identified potential savings of about \$7.8 million due to reducing the vehicle fleet at one installation. Finally, we determined that DFAS overpaid about \$24,000 in February 2010 to a local electric cooperative for electrical services. The garrison took immediate action to report the situation, remediate the action, and recoup the funds.

**Transformation of the U.S. and Republic of Korea Forces.** Under Combined Forces Command, U.S. Forces and Republic of Korea (ROK) forces are transitioning from U.S.-led combined Forces to an ROK-led alliance. Transitioning the alliance to a new ROK-led military command and control structure, with U.S. Forces and United Nations forces in a supporting role, will establish a relationship that best serves the interests of both nations for the long term. The United States plans to complete the transition by 2016. This transformation requires relocating and consolidating U.S. Forces from Seoul and areas north of Seoul to two major hubs farther south—U.S. Army Garrisons Humphreys and Daegu.

In 2007, the Agency conducted a workload survey to identify potential audit coverage for this transformation. Since then, we have completed seven audits in various transformation-related subjects, including master planning, program management, and construction quality assurance. These audits identified solutions for meeting expectations of project stakeholders and improving both surveillance of ROK-managed construction projects and program management for the relocation. In December 2012, the Chief of Staff, U.S. Forces Korea, and Commanding General, Eighth Army, asked us to perform another survey to identify additional audits that would help manage the risk associated with the transformation. Through our survey, we identified several audits covering areas important to transformation and troop readiness. These audits will address design quality; construction surveillance; command, control, communications, computers and intelligence (C4I) management; sustainment funding; unit movement plans; family and Soldier housing management; equipment readiness; site closure processes; environmental compliance; and managing enduring installations.

**Transportation Operations, Hawaii.** IMCOM, Pacific requested this audit. U.S. Army Garrison, Hawaii's Directorate of Logistics provided transportation services to other Military Services under the Common-User Land Transportation program, but U.S. Army Pacific needed to establish local policy to apply U.S. Pacific Command's implementing guidance on the program's funding responsibilities. It also needed to develop memorandums of agreement with the other Services to ensure proper reimbursement procedures were in place so Army activities in Hawaii could assess and collect approximately \$500,000 a year in additional charges from other Services for transportation support. In addition, establishing procedures for improved asset management and increased oversight of the transportation program will help the garrison save about \$523,000 a year on underused assets by turning in the vehicles to the source of supply. Improved controls in quality assurance will also increase oversight of tracking reimbursable charges and contractor invoices.

## SUPPORTING OVERSEAS CONTINGENCY OPERATIONS

The Agency continues to maintain a presence in U.S. Central Command's area of responsibility, providing audit services for a wide range of issues that affect the Army and other Service commanders in the Joint environment. More than 200 auditors have deployed downrange since 2002; at the end of FY 13, we had 12 auditors in Afghanistan and Kuwait.

In FY 13, we published 15 reports in theater. These reports focused primarily on logistics related to property accountability, financial controls over invoices, and contract management in Afghanistan. Some major areas we reviewed included:

- *Cost Sharing: Logistics Support, Services, and Supplies.*
- *U.S. Drawdown in Afghanistan.*

**Cost Sharing: Logistics Support, Services, and Supplies.** USFOR-A asked us to verify that sufficient agreements, processes, and procedures were in place to equitably allocate costs and recoup funds from coalition partners for logistics support, services, and supplies (LSSS) provided by the Army. Our review of LSSS provided under the Logistics Civil Augmentation Program (LOGCAP) IV contract showed that processes and procedures weren't in place and that coalition partners weren't reimbursing the Army for LSSS. We estimated about \$707 million could have been billed to coalition partners if required information had been available. Our recommendations were designed to ensure that the LOGCAP contractor provides the required information in accordance with contract requirements and to use an Office of the Secretary of Defense-approved reimbursement rate to bill coalition partners until the LOGCAP contractor is in full compliance with the contract data requirements. We estimated the Army could recoup about \$384 million in FYs 13 and 14 by using the approved rate to bill coalition partners.

**U.S. Drawdown in Afghanistan.** With the war in Afghanistan coming to an end, we structured a series of proactive audits designed to help U.S. Forces-Afghanistan (USFOR-A) prepare to successfully redeploy and retrograde DoD Forces and assets. The retrograding assets in land-locked Afghanistan, along with concurrent hostilities, was recognized worldwide as unprecedented in modern warfare and an enormous undertaking.

USFOR-A dedicated tremendous resources toward the effort and included us in its strategic planning and execution efforts—requesting several audits. We designed these audits to ensure significant risks were identified, effective mitigation strategies developed, and processes and procedures were based on proactive planning and “road-tested” before the surge of redeployment activities. Specific audits covered base closures, foreign excess property programs, materiel retrograde, and contract drawdown and reassignment.

- **Base Closures.** The drawdown of forces resulted in the rapid closure of hundreds of forward operating bases. Our audit recommendations helped ensure critical processes were in place and operating related to identifying and disposing of “found on installation” property, environmental remediation, physical inventories of garrison and contractor property, and contract drawdown and reassignment.

- **Foreign Excess Property.** The closure of bases resulted in massive excess property needing responsible disposal. Two programs were vital to successful and cost-effective disposal: the Foreign Excess Personal Property and Foreign Excess Real Property programs. Our audit recommendations helped ensure USFOR-A had processes and procedures in place to maximize the use of legislative authorities to expedite disposition and to dispose of property in ways that advanced counterinsurgency operations.
- **Materiel Retrograde.** FY 13 saw the beginning of efforts to retrograde or dispose of materiel. Our audits of materiel consolidation points (retrosort yards) and asset visibility and accountability during retrograde helped ensure materiel was assigned proper condition codes and disposition instructions. Our recommendations also strengthened the visibility and accountability of materiel in transit through extremely high-risk geographical areas. We were also able to show USFOR-A how to save about \$24 million by using available Army-owned shipping containers instead of leased containers.
- **Contract Drawdown and Reassignment.** Redeploying forces and closing bases created opportunities to reduce contract requirements and realize savings. We audited actions that managers in LOGCAP IV were taking to reduce requirements. Our recommendations helped to develop methodologies to reduce requirements and calculate savings.



*Deputy Auditor General Monique Ferrell (left) presents the prestigious Auditor General Award to an Agency auditor while her program director looks on.*



*An Agency auditor receives the prestigious Auditor General Award from Principal Deputy Auditor General Joe Bentz as her program director looks on.*

## SUPPORTING ARMY CLIENTS

We track several measures to assess how Army clients and stakeholders value our services, among them:

- *Client/Stakeholder Satisfaction.*
- *Return on Investment.*
- *Benefits Realized and Recommendations Implemented.*

**Client/Stakeholder Satisfaction.** Our client is the individual who requested the audit or a key member of his or her staff who was materially involved in the engagement. For audits that weren't requested, the client is normally the senior manager who directs the activity under review. Stakeholders are individuals assigned to the activity under review with a material interest in the outcome of the audit regardless of whether recommendations are directed to them.

We survey our Army clients to measure how well we're meeting their needs and expectations. We ask them to rate their satisfaction in seven areas—subject matter, timing of engagement, benefits of engagement, timeliness of information delivery, effectiveness of audit teams, repeat requests and referrals, and comparison with other audit organizations.

We use Army client ratings to compute our Agency's overall client/stakeholder satisfaction rating. Our Level I goal is to achieve favorable ratings of at least 80 percent from survey respondents. We exceeded this goal in six of the seven survey categories in the client satisfaction rating and four of five survey categories in the stakeholder satisfaction rating. These numbers show our Army clients believe we're helping them accomplish their mission and that they value what we do. Here's a summary of our client/stakeholder satisfaction ratings:

**Table I: FY 13 Army Client Satisfaction Ratings**

Survey Category	Client Satisfaction	Stakeholder Satisfaction
Overall Satisfaction	90%	89%
~ Subject Matter	91%	*
~ Timing of Engagement	87%	*
~ Benefits of Engagement	86%	87%
~ Timeliness of Information Delivery	88%	87%
~ Effectiveness of Audit Teams	97%	92%
Repeat Requests and Referrals	76%	79%
Comparison with Other Audit Organizations	95%	91%

\* Not measured for stakeholders.



The General Officer (GO)/Senior Executive Service (SES) survey is an abbreviated version of our client survey, and it's sent to at least one GO or SES for each audit. The survey has four questions that relate to senior leaders' key issues—cycle time, senior leader collaboration, fair and balanced reporting, and actionable results. Here are the results of this effort for FY 13:

Table 2: FY 13 Client Satisfaction Ratings General Officers and Senior Executive Service					
Activity Type	Cycle Time	Senior Leader Collaboration	Fair and Balanced Reporting	Actionable Results	Overall Satisfaction
Secretariat/DA Staff	90%	100%	100%	90%	95%
FOA/DRU	100%	100%	100%	100%	100%
ACOM	100%	100%	100%	100%	100%
Other	80%	100%	80%	100%	90%
<b>Total/Average</b>	<b>90%</b>	<b>100%</b>	<b>97%</b>	<b>94%</b>	<b>95%</b>

Abbreviations:  
 ACOM: Army Command  
 DRU: Direct Reporting Unit  
 FOA: Field Operating Agency

**Return on Investment.** We generate monetary benefits for the Army when our work results in actions that reduce spending or lead to reprogramming funds to other priority areas. Monetary benefits are limited to a 6-year period covered by the most current program objective memorandum to ensure requirements associated with benefits are programmed and funded. In FY 13, we issued 161 reports that included 29 reports with potential monetary benefits. This exceeded our Level II/satisfactory goal of 16 reports (10 percent) having potential monetary benefits, but fell short of our Level I/exceptional goal of 32 reports (20 percent) with potential monetary benefits. However, the dollar value of the savings—\$2.7 billion—compared with the Agency’s FY 13 annual operating costs of about \$76 million yielded an overall return on investment of about \$35 to \$1. This far exceeded our Level I goal of \$20 to \$1 and shows that our audits produce an excellent return on investment.

**Benefits Realized and Recommendations Implemented.** We perform followup audits to determine if the Army realizes our estimated monetary benefits. We use results to calculate the performance measure called “percentage of monetary benefits realized.” In FY 13, we reviewed 41 recommendations that included about \$346 million in formal monetary benefits to which command had previously agreed. Our followup audit results showed that command realized about \$60 million (17 percent) of that amount. Although the results show the percentage of monetary benefits achieved appears low, some results showed that command did achieve some valuable benefits. However, auditors were unable to readily express this in monetary terms. In those cases, we didn’t count any realized monetary benefits so the true realized amount is likely considerably higher. Agency leadership continues to focus on ensuring that we make actionable recommendations and that the monetary benefits we claim are calculable once they have been achieved.

The corporate goal for implemented recommendations is the percentage of past recommendations implemented within 2 years of the fiscal year in which the report was issued. Therefore, for FY 13, our corporate goal is the percentage of recommendations made in FY 11 that have been implemented. The 95-percent implementation rate exceeded our Level I goal (80 percent) of recommendations implemented in FY 11.

## CORPORATE INTEGRATION

We continue to seek ways to strengthen partnerships with our Army clients and to deliver timely, pertinent information to Army leaders. Our FYs 11–15 Strategic Plan emphasized the importance of collaboration with Army leaders at all levels. During FY 13, Agency leaders continued to increase direct communications with the Army’s most senior political appointees, GOs, and SESs during courtesy visits to the Pentagon and to numerous installations and activities to review our audit plan and to solicit feedback. The Auditor General also encouraged staff to participate on Army teams and task forces for process improvements. To that end, our employees spent more than 1,750 hours advising Army task forces, such as the Joint Audit Planning Group for Construction, Sustainment & Environment; Army Task Force for Behavioral Health; Army Audit Readiness for Financial Management Group; Army Enterprise Resource Planning Finance Integrated Process Team; Army Contracting Commands Industry Executive Council; and Governance, Risk Management and Compliance Working Group. We also continued to support Army events, such as change-of-command, award, and promotion ceremonies; Wounded Warrior visits to the Pentagon; and diversity celebrations.

All of these efforts continue to strengthen and enhance communication with Army leaders and executives to help ensure that we remain a highly sought-after and integral member of the Army’s team.



*Members of the team from the audit of Recruiting Assistance Programs receiving the prestigious DoD Comptroller Award.*



*The Agency’s Training Branch Chief receives the Functional Chief Representative Special Award, given for her contributions to the Comptroller Civilian Career Program. Flanking her are (L-R): Principal Deputy Auditor General Joe Bentz, Deputy Auditor General Kathe Nelson, the Workforce Management Program Director, and the Operations Management Director.*

## PROFESSIONAL WORKFORCE

*Our strategic objectives and performance goals focus on developing an engaged, high-performing, and diverse workforce that maximizes our ability to deliver on our mission. To achieve these goals, the Agency focused its efforts on closing technical competency gaps, building inclusiveness through diversity, developing leaders, and maintaining high levels of employee engagement and satisfaction. In the coming year, we anticipate increased attrition and decreased employee morale due to substantial personnel cuts, closing of Agency field offices, and continued restrictions on hiring new staff and Federal pay increases. We'll focus future efforts on retaining our highly valued and professional workforce and closing critical competency gaps through training, professional development and other identified strategies.*

### HUMAN CAPITAL MANAGEMENT

In FY 13, the Agency's Workforce Management Team worked closely with senior leadership to sustain and build upon programs and initiatives resulting from our first Human Capital Plan. The team's efforts, combined with the support and commitment of Agency leaders as well as our workforce, allowed us to continue to make strides in our human capital programs even during the toughest times as we endured continued hiring and pay freezes, an administrative furlough, and government shutdown. While other Federal organizations were quick to shut down their human capital programs as an immediate cost-saving measure, we continued to work towards achieving our strategic goals and objectives to maintain a professional workforce. Some of our most noteworthy accomplishments are highlighted below.

**Competency-Based Human Capital Management.** The Agency dedicated a full-time auditor resource to work in concert with the Agency's Workforce Management Team to implement gap closure strategies resulting from our initial competency assessment in the Army's Competency Management System (CMS). Some key strategies implemented in FY 13 were:

- Revising Agency matrix training courses to develop proficiency in specific competencies key to accomplishing critical auditing tasks.
- Comprehensively reviewing and evaluating distance learning, which addresses critical competencies in which we have proficiency gaps, to include writing.
- Publishing recommended training to the workforce to incorporate into their individual development plans.
- Surveying our current on-the-job training environment and evaluating competencies to be taught or enforced through that training.
- Developing competency-based on-the-job training plans for auditors through the GS-13 level.

**Diversity.** We continued to implement our Agency plan to build inclusiveness through diversity with a focus on celebrating diversity and leveraging differences to promote an effective, efficient workforce. We shared best practices for celebrating diversity across our Agency, and staff participated with enthusiasm. Many field offices incorporated these best practices through office events and celebrations. We also published a best practices handbook for building effective communications that focused on individualizing communications based on the individual needs of the listener. Our leaders also focused on improving communication within their respective teams and shared their best practices during Agency leadership meetings.

**Developing Leaders.** We continued to implement our leadership development strategy resulting from our Human Capital Plan, to include creating a central repository of resources for self development on our Agency’s workforce management intranet site. We also identified gap closure methods for our audit managers that resulted from a comprehensive review of their experience and competency proficiencies. This will prepare them to take on even higher-level leadership roles within the Agency. We also worked with the Army to secure centrally funded training for our leaders and managers for the Defense Decision Support Course, which addressed critical gaps in decisionmaking and critical thinking.

**Professional Development.** Despite significant budgetary cuts and conference policy restrictions to our training program, we continued to provide professional development opportunities for our workforce. We made sure that all auditors received at least 80 hours of continuing professional education, including 24 hours of qualifying government continuing professional education credit, by the end of FY 13. We worked individually with auditors to identify alternatives to commercial classroom training or conferences, which was restricted by the Army’s conference policy. We also partnered with other Federal agencies to continue to sustain our high-quality matrix training. To promote an environment of continual learning, we offered tuition reimbursement to employees and actively participated in Army centrally funded degree programs, such as the Defense Comptrollership Program at Syracuse University and the Master of Policy Management Program at Georgetown University.

**Employee Satisfaction.** For more than a decade, our Agency has surveyed its workforce each year to gauge how staff view their jobs and the Agency’s organizational culture. Agency senior leaders use results from this survey to develop or revise policies and programs to enhance the work environment and to improve operational efficiency.



*Deputy Auditor General Kevin Kelly (right) presents the prestigious DoD Comptroller Team Award to members of the team for the audit of Afghanistan Security Forces Fund.*

We linked our survey questions to our Human Capital Plan goals to make sure we progress toward meeting those goals. We also incorporated some questions from the Federal Viewpoint Survey by the Office of Personnel Management, including questions the Partnership for Public Service uses to rank agencies across the Federal Government for the Best Places to Work.

Overall, we had a very good year despite challenging circumstances outside of our Agency’s leaders’ span of control, including sequestration and furloughs. These operating challenges prevented us from hiring and even promoting from within our own ranks, except in very limited circumstances. Despite these major obstacles, our employees remained committed to our mission, the Soldiers, and their families. Survey scores showed a marginal decrease, by no more than 2 percent, in three corporate measures we track through the employee satisfaction survey—leader excellence, workforce engagement, and talent management. One corporate measure—support functions—increased by 1 percent. We also tracked a new corporate measure this year—diversity/inclusiveness—which scored an 87-percent favorable rating, exceeding our Level I goal of 80 percent for employee satisfaction.

In addition, our response rate increased by 8 percent to 84 percent—our highest in 6 years. This is an indication that our workforce believes in the survey and leadership’s commitment to act on information the survey provides. We met our employee satisfaction Level I goals for the corporate measures of leadership excellence and diversity/inclusiveness at 83 percent and 87 percent favorable, respectively. We met our Level II goals for the remaining measures—workforce engagement, talent management, and support functions at 79 percent, 78 percent, and 76 percent favorable, respectively. The next table summarizes employee satisfaction ratings results for FY 13.

<b>Category</b>	<b>Level I Goal</b>	<b>Level II Goal</b>	<b>Scores</b>
<b>Leadership Excellence</b>	<b>80%</b>	<b>70%</b>	<b>83%</b>
<b>Workforce Engagement</b>	<b>80%</b>	<b>70%</b>	<b>79%</b>
<b>Talent Management</b>	<b>80%</b>	<b>70%</b>	<b>78%</b>
<b>Support Functions</b>	<b>80%</b>	<b>70%</b>	<b>76%</b>

We compared last year’s results with this year’s results for the categories in our survey. Our overall employee satisfaction score was 81 percent favorable. This was only 1 percent lower than last year, and it still exceeded our Level I performance goal for employee satisfaction (80 percent). One category—harassment-free environment—remained steady at a 91-percent favorable satisfaction rating. Another category—information technology—showed an increase in satisfaction by 6 percent. Seven scores showed slight decreases in satisfaction; no category decreased by more than 2 percent. Although it continues to be our lowest-scoring category, we made notable progress in the information technology category. Last year, this category showed the only decrease in satisfaction, having fallen 15 percent from FY 11. Last year’s score was attributed to a delay in replacing aging laptops and the transition of some help desk functions to HQDA.



This year, information technology was our only category that showed an increase in satisfaction—up 6 percent from last year. The computer refresh was completed this year when more than 530 new Hewlett-Packard laptop computers were issued. However challenges remained when there were large-scale technical problems with those laptops. Resolving those technical issues should improve satisfaction in this area. Additionally, employee scoring of the support provided by our own help desk may improve as we institutionalize the understanding that the HQDA portion is outside our control.

The next table summarizes 2013 workforce survey results for each of the nine categories that we have traditionally used, as well as overall satisfaction.

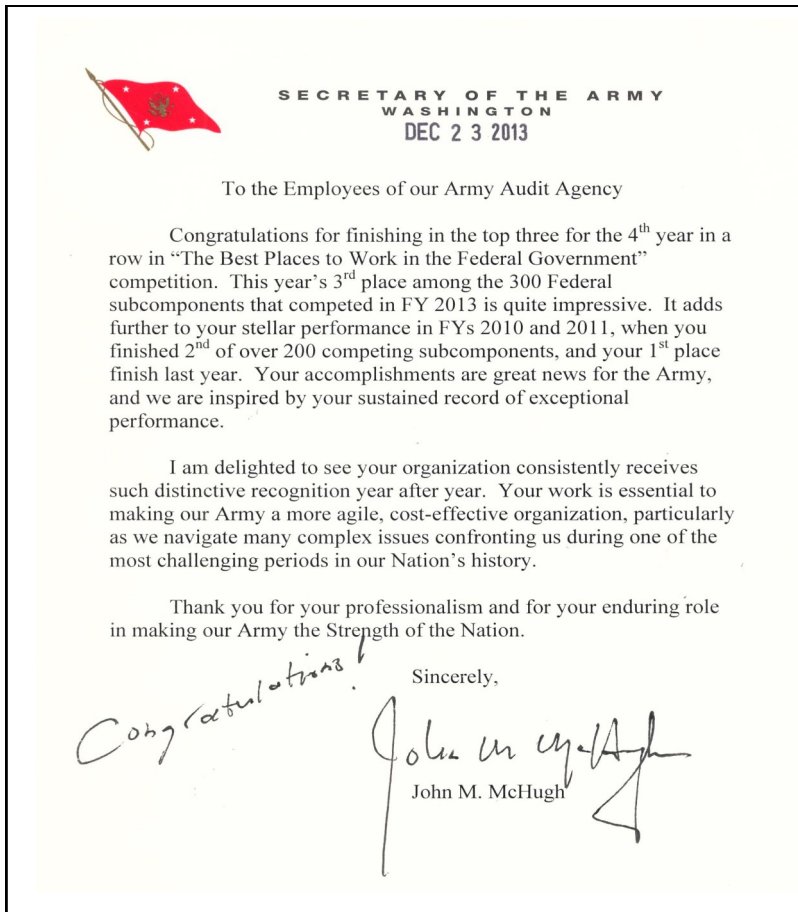
**Table 4: 2013 Workforce Survey Results**

<b>Category</b>	<b>Level I Goal</b>	<b>Level II Goal</b>	<b>2013 Score</b>
Leadership and Management	80%	70%	82%
Performance and Recognition	80%	70%	77%
Training and Development	80%	70%	77%
Empowerment, Motivation, Accountability, and Teamwork	80%	70%	85%
Communications	80%	70%	86%
Information Technology	80%	70%	68%
Equal Employment Opportunity	80%	70%	88%
Sexual Harassment Prevention	80%	70%	91%
Work Environment	80%	70%	81%
<b>Overall Satisfaction</b>	<b>80%</b>	<b>70%</b>	<b>81%</b>

As a way to benchmark employee satisfaction with other agencies, we participated in the Best Places to Work in the Federal Government rankings for the fourth time. The Partnership for Public Service describes these rankings as “the most authoritative rating and analysis of employee engagement in the Federal Government.” The results and our overall ranking are based on responses from our workforce survey. The first 3 years we participated, we placed in the top three finishers, including a first-place finish in 2012. In 2013, we placed third among 300 agencies in our category (agency subcomponents). The governmentwide score of 57.8 percent for Federal employee satisfaction was the lowest score since the partnership began reporting the rankings in 2003 and a drop of 3 percentage points from last year. Likewise, most agencies



experienced a decline in their component scores. Despite this trend, our Agency had the third highest score for job satisfaction at 83 percent compared to all agencies in the Federal Government—large, midsize, small, and subcomponent. This is a great honor for the Army Audit family.



*Several senior Army leaders, including Secretary of the Army John McHugh, sent notes of congratulations to the Agency for placing third in the Best Places to Work competition.*

**Employee Council.** The Employee Council is chartered to identify and respond to employee issues and to provide Agency leadership with recommendations to improve the effectiveness of the workforce, help ensure employee productivity, and increase morale. In FY 13, the council worked on some internal improvements, such as redesigning the council's SharePoint site to be more user-friendly; using the Agency blog to reach out to the workforce; and utilizing Defense Connect Online and video teleconferencing to conduct regular meetings to save travel funds. Other important topics the council addressed were:

- Exploring the Agency's use of honorary awards and providing recommendations to Agency leadership.
- Establishing and participating in a working group to expand the use of developmental assignments and auditor reassignments.
- Researching the duties of, and training for, field office LAN/WAN administrators.



*Deputy Auditor General Monique Ferrell (left) presents the prestigious Auditor General Award to an Agency auditor.*

# ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY

**O**ur strategic objectives and performance goals in organizational effectiveness and efficiency are aimed at improving our internal business processes and maximizing our resources. We're determined to improve our audit and support processes so we have sufficient resources to fulfill our operational requirements to help the Army accomplish its critical missions—both on and off the battlefield.

## CONTINUOUS PROCESS IMPROVEMENT

To support the Army's business transformation initiative and foster an environment of continuous process improvement, the Agency is always looking for ways to be more effective and efficient. Our FYs 11–15 Strategic Plan focused on three areas:

- *Evaluating our organizational structure to support Army mission requirements.*
- *Streamlining the audit process to deliver results in a more timely way.*
- *Providing innovative, efficient support services to facilitate the audit mission.*

**Organizational Structure.** In FY 13, we operated under severe budgetary constraints, hiring freezes, and furloughs. However, we were determined to operate efficiently and monitor our organizational footprint to be strategically positioned to aid Army leaders. To ensure that we provided value-added support, we reviewed our organizational structure to make sure it remains aligned with Army priorities. Although we've taken some personnel reductions, we've maintained our current organizational management structure and reduced spans of control to enable us to better mentor staff and focus on improving relationships with our clients.

**Audit Process.** The Agency continues to make reviewing the audit process—from initial planning to final report—a high priority to identify ways to maximize our resources and reduce delivery time. We have seven performance goals related to the audit process, and each contributes to our overall objective to streamline the audit process. We also have two corporate measures for cycle time—percentage of audits with draft report delivered within 300 elapsed days and percentage reduction in average elapsed days to deliver final reports compared with the prior year. We exceeded our Level I goal of 70 percent, issuing 121 draft reports (79 percent) within 300 elapsed days. Although we missed our Level II goal for delivery time reduction for final reports with an increase in our average delivery time by 4 days (1 percent), we decreased elapsed days to deliver final reports by 15 percent since the start of FY 11, when we began emphasizing the reduction in delivery time. The law of diminishing returns tells us that we can expect smaller and smaller reductions in delivery time from year-to-year. However, we'll continue to adopt practices that further reduce delivery time, such as expanding our use of data mining. And we'll continue to stress the importance of providing high-quality audit products, results, and information to Army and DoD decisionmakers in an expeditious manner. Delivering audit results in a more timely way will allow Army operations to more quickly realize savings and other benefits we identify.

We completed implementing the TeamMate electronic working paper module software to increase the efficiency and productivity of our audit process. In FY 13, we added a TeamMate site to an area of SharePoint where staff can find resources to help them use the software. The Agency also developed a training package to enhance our quality control process. We continued training Agency personnel and tested newer versions of the software. By the end of FY 13, our audit staff had received training, and the Agency had successfully implemented TeamMate. In FY 14, we'll continue testing newer versions of the software and other TeamMate modules to expand its use as a comprehensive audit management software system.

**Internal Support Processes.** We continually revise, assess, and adjust our internal support processes to help accomplish our mission. In addition, in a fiscal environment that eliminated employee bonuses and included a hiring freeze that prohibited promotions, internal support contributes significantly to employee satisfaction. As part of our annual workforce survey, we measure satisfaction with our internal support processes and whether they help employees get the job done. The overall satisfaction rating was 75 percent, exceeding our Level II goal (70 percent). We met or exceeded our Level I goal (80 percent) for 11 of 14 processes we measured. We experienced significant increases in satisfaction with three support offices—Training and Education Branch (9 percent), Human Resources Office—Pay (6 percent), and Human Resources Office—Personnel (4 percent). Satisfaction with five offices increased or remained the same—Applied Technology Team and Help Desk (no change), Audit Policy Office, Human Resources Office—Travel, and Knowledge Management Branch (1 percent). Three support offices experienced satisfaction decreases of 4 percent — Audit Coordination and Followup Office, Office of General Counsel, and Strategic Audit Planning Office. We added three new support offices to this year’s survey—Administrative Services Branch, Editorial Branch, and Security Branch. Here are the results for all 14 support processes we measured:

<b>Table 5: Workforce Survey Results for Professional Support Services</b>		
<b>Area</b>	<b>2012 Score</b>	<b>2013 Score</b>
Administrative Services Branch	*	84%
Applied Technology Team	85%	85%
Audit Coordination and Followup Office	93%	89%
Audit Policy Office	89%	90%
Editorial Branch	*	95%
General Counsel Office	91%	87%
Help Desk	63%	63%
Human Resources Office—Pay	81%	87%
Human Resources Office—Personnel	81%	85%
Human Resources Office—Travel	92%	93%
Knowledge Management Branch	84%	85%
Security Branch	*	78%
Strategic Audit Planning Office	93%	89%
Training and Education Branch	70%	79%

\* Not measured in 2012.

## STRATEGIC COMMUNICATIONS

*E*ffective communication is essential to any successful organization. Our strategic objectives and performance goals are intended to maintain open lines of communication and deliver a clear and consistent message within and outside our organization while projecting a distinctive professional image. We're committed to continuing to improve our internal and external communications so that we can maximize our relevance to the Army and fully engage all team members.

**Strengthening Communications.** In FY 13, we placed significant focus on improving internal communications and enhancing and expanding our communications with Army leaders. We have taken a strategic pause in our efforts to develop internal and external strategic communications plans as a framework for communicating targeted messages to key internal and external audiences due to a lack of dedicated resources and emerging priorities. Although efforts to develop formal communications plans have slowed, we have not stopped working to improve communications.

The Auditor General promoted both internal and external effective communications throughout the year through his blog posts and email, during sensing sessions, town hall meetings, field office visits, and Agency leadership meetings.

**Internal Communications.** Internally, we have made concerted and deliberate efforts to become a more open and transparent organization. In a budgetary environment that created significant uncertainty and employee concerns over additional budget cuts, continuing pay freezes, and furloughs, Agency leadership shared information with the workforce every step of the way. The Auditor General regularly shared news as he received it, addressed rumors, and explained leadership's efforts to protect the Agency from additional budget and personnel cuts. We have also updated our best practices handbook for communications between management and staff based on workforce ideas and input.



*On 13 May 2013, the ALC contracting team attended the dedication ceremony of the newly constructed Columbarium Court 9 at Arlington National Cemetery (ANC). The team completed several audits and provided many recommendations to assist ANC and its Executive Director, Kathryn Condon (third from left).*



**External Communications.** The leadership group continued to expand and enhance our communications with senior Army leaders. Increasing communications with GOs and SESs by audit teams was a significant area of focus for FY 13. These efforts were aimed at developing and enhancing senior-level relationships that we can leverage during audits and that will continue to grow as these senior leaders become top Army leaders in the future. These relationships also act as effective marketing tools for our services. We also plan to publish a handbook of best practices for briefings and PowerPoint presentations in the coming year to continue to improve all types of communications throughout the workforce and with our clients.



*Fort Bliss Field Office staff celebrate one of their own receiving the prestigious Auditor General Award.*



*The Auditor General Randall Exley and other Agency senior leaders at a ceremony honoring several Auditor General Award recipients. The award is given once a year for outstanding service to the Agency and the Army.*

# AGENCY SENIOR LEADERSHIP



**RANDALL EXLEY**  
The Auditor General



**JOSEPH P. BENTZ**  
Principal Deputy Auditor General



**COL SHEILA DENHAM**  
Executive Officer



**KATHLEEN NELSON**  
Deputy Auditor General  
Installations, Environment  
& Environment Audits



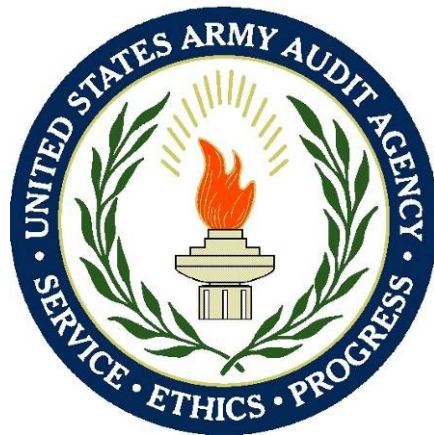
**KEVIN KELLY**  
Deputy Auditor General  
Financial Management  
& Comptroller Audits



**MONIQUE FERRELL**  
Deputy Auditor General  
Manpower, Reserve Affairs  
& Training Audits



*Providing Solutions  
for  
Army Challenges*



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