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Requested date:	16-December-2013
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Source of document:	Freedom of Information Officer United States Army Audit Agency 6000 6th Street, Bldg 1464/Mail Stop 5585 Fort Belvoir, VA 22060 Fax: 703-806-1195 Email: usarmy.pentagon.hqda-aaa.list.aaa-foia-liaison@mail.mil

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of Counsel
6000 6th Street
Bldg 1464, Mailstop 5609
Fort Belvoir, VA 22060

January 17, 2014

Office of Counsel

This is to acknowledge receipt of your letter dated 16 December 2013, which was received in this Office on 6 January 2014, in which you requested an electronic copy of each Army Audit Agency Annual Performance Report posted on the U.S. Army Audit Agency Extranet.

We have located one record responsive to your request that is posted on the U.S. Army Audit Agency Intranet. Because the information you seek contain information of interest to other components/agencies, we can respond only after consulting with the office of Strategic Planning and Communication. Accordingly we will be unable to comply with the twenty-working day time limit in this case, as well as the ten additional days provided by the statute.

I regret the necessity of this delay, but I assure you that your request will be processed as soon as possible. If you have any questions you may contact me via timothy.s.hankins.civ@mail.mil or by calling (703) 545-5881.

Sincerely,

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TIMOTHY S. HANKINS
FOIA Officer

DEPARTMENT OF THE ARMY
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Office of Counsel
6000 6th Street
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Fort Belvoir, VA 22060

March 6, 2014

Office of Counsel

This is our final response to your Freedom of Information Act request dated 16 December 2013, in which you requested an electronic copy of each Army Audit Agency Annual Performance Report posted on the U.S. Army Audit Agency Extranet. Please find attached a redacted copy of the 2012 Annual Performance Report.

This report has been redacted under 50 U.S.C. 552 (b) (2)[1], (b) (5)[2], (b) (6),[3] (b) (7) (a)[4], (b)[5], and (e)[6]. This information has also been redacted under 50 U.S.C. 552a, (b)[7] and (j) (2)[8], however, the reasonably segregable portions of the report have been released.

You may appeal this partial denial of your request to the Secretary of the Army, Office of General Counsel. You must file your appeal in such a way that it will reach the appellate authority within 60 calendar days of the dated of this letter. If you decide to appeal, please send your appeal through this office in order that all relevant materials may be forwarded with the appeal for review by the appellate authority.

The search and duplication fees for responding to your request are waived. If you have any questions you may contact me via timothy.s.hankins.civ@mail.mil or by calling (703) 545-5881.

Sincerely,

HANKINS.TIMOTHY.S Digitally signed by
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TIMOTHY S. HANKINS
FOIA Officer

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[1] Applies to information which pertains solely to the internal rules and practices of the agency

[2] Applies to inter and intra-agency memoranda which are deliberative in nature.

[3] Applies to information the release of which, could reasonably be expected to constitute a clearly warranted invasion of the personal privacy of individuals.

[4] Applies to records or information compiled for law enforcement purposes that could interfere with law enforcement proceedings.

[5] Applies to records or information compiled for law enforcement purposes that could deprive a person or a right to a fair trial or impartial adjudication.

[6] Applies to records or information compiled for law enforcement purposes that would disclose investigative technique s and procedures.

[7] Applies to information concerning other individuals which may not be released without their written consent.

[8] Material reporting investigative efforts pertaining to the enforcement of criminal law.

U.S. Army Audit Agency

Annual Performance Report
2012

Providing Solutions for Army Challenges

U.S. Army Audit Agency

Providing Solutions for Army Challenges

OUR MISSION

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.

OUR VISION

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.

OUR CORE VALUES

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.

From The Auditor General...

It's with great pride that I present the U.S. Army Audit Agency's 2012 Annual Performance Report. This report details our accomplishments and progress in achieving the goals in our strategic plan. Thanks to the remarkable talent and commitment of our workforce, we continue to achieve outstanding results. We had another year of positive performance outcomes and made significant strides in executing our strategic plan. The four pillars of this strategic plan—valued service, professional workforce, organizational effectiveness and efficiency, and strategic communications—all showed progress, contributed to our results, and revealed opportunities for the future.

The Army is undergoing transformation at a rapid pace at a time when the nation as a whole is facing global economic challenges and shifts in security focus. However, the Army remains strong and dedicated to its mission. As part of the Army team, we're making every effort to help Soldiers and Army leaders accomplish their mission. We've aligned our audit coverage with the Army's highest priorities and high-risk areas as determined by an Army enterprise-level risk assessment, input from our audit workforce, and feedback from Army senior leaders. Client satisfaction ratings and requests for audit services continue to offer strong evidence that we're delivering beneficial results and that the Army values our services. In FY 12, we published 203 reports with 633 recommendations that represented $1.5 billion in monetary benefits for the Army—a return of $20 for every dollar we spent.

To improve our effectiveness and efficiency, we continue to pursue opportunities to shorten delivery time without affecting the quality of our services or reports. We also continue to demonstrate to Army leaders the importance of implementing our recommendations in a timely way so that benefits can be achieved quickly. Within strategic communications, we're actively seeking ways to address collaboration in internal and external communication. To accomplish this, we've dedicated resources to complete separate internal and external strategic communications plans.

I'm very proud of the hard work and dedication our employees have shown in serving the Army. We've made great strides in accomplishing the goals of our Human Capital Plan. Looking forward, we've reassessed plan initiatives and will focus our efforts in the coming year on closing technical competency gaps, developing leaders, and planning for succession.

The fruits of hard work done over the years is our finishing first of 292 subcomponent organizations in the Partnership for Public Service's 2012 rankings of the Best Places to Work in the Federal Government. Even more telling is that our score was the highest of all agencies competing in all categories of the Federal Government—large, medium, small, and subcomponents. Nevertheless, we'll never declare victory. We will continue to focus on making our Agency an even better place to work, regardless of where we place in the annual competition.
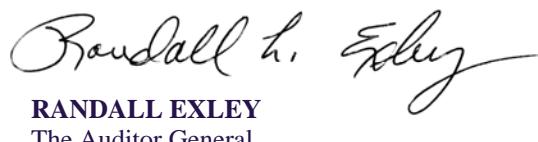
RANDALL EXLEY
The Auditor General

(L-R) The Auditor General Randall Exley; Max Stier, President and CEO, Partnership for Public Service; and Agency staff members (b) (6), (b) *at the ceremony honoring the best places to work in the Federal Government. Army Audit placed first in the agency subcomponent category.*

The Auditor General Randall Exley with recipients of the prestigious Auditor General Award, given each year for outstanding service to the Agency and the Army.

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Cover photo: The Auditor General and other Agency leaders and staff were joined by the Administrative Assistant to the Secretary of the Army and former Auditor General Joyce Morrow (center) at the ribbon-cutting ceremony for the Agency's new operations center at Fort Belvoir.

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 Randall Exley (left) swears in Monique Ferrell (center, right), the new Deputy Auditor General for Manpower, Reserve Affairs and Training Audits, as her family looks on.

Our Agency is led by The Auditor General, Principal Deputy Auditor General, and four deputy auditors general. The Principal Deputy Auditor General oversees our strategic planning efforts and internal support functions. In FY 12, we instituted a new organizational structure that aligned four deputy auditors general with the functions of the Army's Assistant Secretaries. One deputy auditor general is aligned with the Assistant Secretary of the Army (Acquisition, Logistics and Technology); a second deputy auditor general is aligned with the Assistant Secretary of the Army (Financial Management and Comptroller); and a third deputy auditor general is aligned with the Assistant Secretary of the Army (Manpower and Reserve Affairs). The fourth deputy auditor general is aligned with both the Assistant Secretary of the Army (Installations, Energy and Environment) and with the Assistant Secretary of the Army (Civil Works).

To achieve our strategic goals and objectives, we have a workforce of highly trained professionals, many with advanced degrees and certifications. Due to budget constraints, in FY 12 we downsized from more than 600 employees to a staff of 577 organized into 20 functional audit teams. We also have a support staff directorate that helps us accomplish our mission by providing 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 the continental United States and 3 outside the continental United States (Germany, Hawaii, and the Republic of Korea). In addition to Kuwait, auditors are deployed in Afghanistan alongside Soldiers downrange where hostilities are occurring or where they may occur.

(b) (6), (b) _____, Kevin Kelly (right) is sworn in as Deputy Auditor General for Financial Management and Comptroller Audits by The Auditor General Randall Exley (left).

FY 12 Agency Organizational Chart
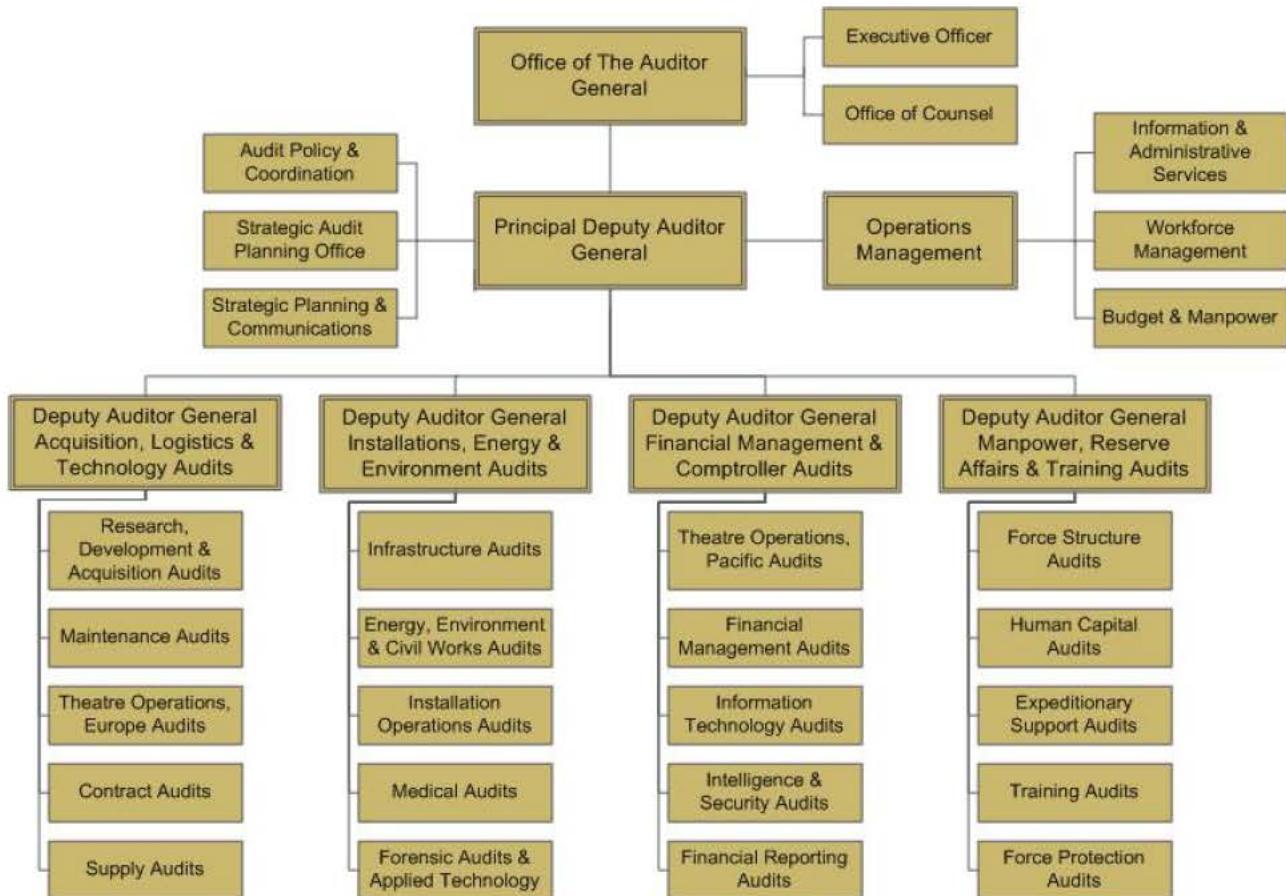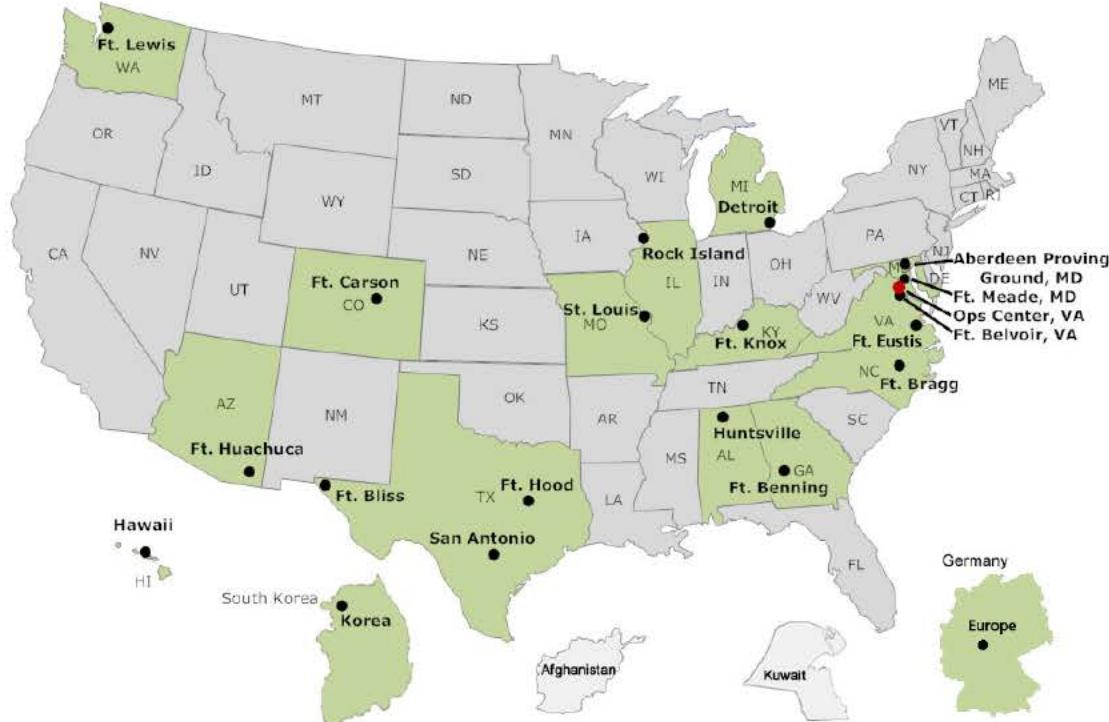
Our Strategic Plan

To ensure we're well-positioned to meet the Army's evolving needs, we periodically update our strategic plan. Our latest plan covers FYs 11–15 and can be found online at https://www.aaa.army.mil or by contacting us at (703) 545-5904. In FY 12, we started an effort to assess, revise, and update this plan to make sure we continue to improve operations and remain relevant in meeting the Army's needs for audit support. We will complete this effort in FY 13. Our current plan has four overarching strategic goals — valued service, professional workforce, organizational effectiveness and efficiency, and strategic communications.

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 at maximizing productivity. Our fourth goal — strategic communications — is both internally and externally focused. In FY 12, we formed a new strategic communications branch and started working on our first internal strategic communications plan. We plan to publish this plan in FY 13 and begin working on an external plan. These plans will help enhance our communication with our Army clients and with each other.

We assess our performance based on these four strategic goals. For each goal, we developed strategies and action plans that were consolidated into an overall implementation plan. That implementation plan also 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.

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.

The Auditor General Randall Exley joins staff at the Agency's Fort Bliss Field Office.

The Auditor General Randall Exley and Deputy Auditor General Kevin Kelly were briefed by a Korean general officer and his support staff about the ship Cheonan (background), which was blown up by a torpedo. South Korea blamed North Korea (with evidence), which has denied the attack.

VALUED SERVICE

We continue to emphasize collaboration with the Army's most senior leaders and to use a detailed corporate risk assessment to ensure that our audits focus on significant risks and senior leader priorities. As a result, our plan is fully aligned with the objectives of the Army's most senior leaders. In FY 12, the Agency published the Army's Fiscal Year 2012 Internal Audit Plan. The plan was endorsed and signed by the Secretary of the Army and the Chief of Staff, 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 of 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. As fiscal pressures mount, Army leadership will look to our Agency to identify opportunities for savings and efficiencies.

For FY 12, the Agency identified 13 areas of significant risk to the Army. Highlights of completed and ongoing audits that address these high-risk areas are on the following pages.

- *Financial Management.*
- *Contracting.*
- *Health Care.*
- *Soldier and Family Support Programs.*
- *Information Technology Consolidation.*
- *Acquisition.*

- *Training.*
- *Inventory Management.*
- *Sustainment.*
- *Energy.*
- *Workforce Management.*
- *Cyber Security.*
- *Army Force Generation.*
- *Other High-Risk Areas.*
- *Supporting Overseas Contingency Operations.*

The Auditor General Randall Exley (left) with MG Ming T. (Ted) Wong, Commanding General, Southern Regional Medical Command/Brooke Army Medical Center/Chief, Dental Corps.

Financial Management

Risks from weaknesses in financial and business systems and in financial management operations affect DOD's ability to manage and account for assets, and to prevent and detect fraud, waste, abuse, and improper payments. The Army also faces significant challenges in achieving auditable financial statements. These include 24 material weaknesses and more than 2,000 financial management improvement tasks to bring business processes to a standard that meets or exceeds audit standards. The largest risk areas include accountability of property and insufficiently integrated systems. In addition, many Army systems don't comply with the Federal Financial Management Improvement Act (FFMIA) of 1996. This act requires Federal financial systems to provide accurate, reliable, and timely financial management information. For this reason, there are significant, ongoing efforts to improve the Army's business processes and business systems to allow them to capture and report accurate and reliable information. Our audits examined numerous high-risk areas under **financial management**, including:

Agency auditors (b) (6), (b) meet with SGM (b) (6), (b) Army National Guard (ARNG) G-8 (b) (6), (b) on a financial management audit.

- *Federal Financial Management Improvement Act Compliance of Army Enterprise Resource Planning Systems.*
- *Recruiting Assistance Programs – Reserve Components.*
- *Training for Financial Management Units.*
- *Host Nation Support – Korea.*
- *Basic Allowance for Subsistence Pay for Soldiers Participating in Field Training.*
- *Arlington National Cemetery Budget Execution.*
- *Defense Travel System Permission Levels.*
- *Examination of the Existence and Completeness of the Army's UC-35A.*

Federal Financial Management Improvement Act Compliance of Army Enterprise Resource Planning Systems. The Assistant Secretary of the Army (Financial Management and Comptroller) asked us to examine Army enterprise resource planning systems as part of the Army's efforts to make sure that the functionality of its systems complied with FFMIA. The act mandates auditable financial statements and for financial management systems to provide accurate, reliable, and timely financial information. In FY 12, we examined three systems and key supporting documents for military pay. Our results provided the Army with assurance that these systems and supporting documentation will provide the necessary controls and support to achieve audit readiness. Here are details:

- **General Fund Enterprise Business System (GFEBS).** GFEBS is a Web-based system that will allow the Army to share financial and accounting data across the Service. The Army successfully demonstrated 1,099 of 1,134 requirements in a test environment during the 3 major test events held between 2008 and 2012. We recommended that the Army complete the process

to update the FFMIA requirements baseline to the current Blue Book version (a Defense Finance and Accounting Service publication with FFMIA requirements) and incorporate changes into future FFMIA compliance planning. As a result, GFEBS will enhance the Army's audit readiness capability.

- **Global Combat Support System (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 confirmed that the Army made proper changes to the system's FFMIA requirements baseline to represent the system's functionality.

- **Logistics Modernization Program (LMP).** 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 system's FFMIA requirements baseline and tests of system functionality for selected requirements. We recommended that the Army develop and implement a business process to address gaps in accounting for military equipment throughout the equipment's life cycle and to improve system functionality testing to better manage logistics.

- **Army Military Pay Key Supporting Document Matrix.** We reported that most key supporting documents identified for military pay entitlements provided sufficient documentation to support the various entitlements. However, we also reported that key supporting documentation for 6 of 335 military pay entitlements weren't sufficient. Our report helped the Army improve its audit readiness.

Recruiting Assistance Programs—Reserve Components. U.S. Army Criminal Investigation Command (CID) asked us to audit Recruiting Assistance Programs for the U.S. Army National Guard and U.S. Army Reserve. We conducted a fraud-risk assessment of the programs, which consisted of about $339 million in payments to recruiter assistants associated with 151,333 enlistments. (b) (5), (b) (7)(A), (b) (7)(B)

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After our assessment, the Assistant Secretary of the Army (Manpower and Reserve Affairs) took immediate action and canceled all Recruiting Assistance Programs and $45 million in future funding requirements. As a result, the Secretary of the Army established a task force on these programs and tasked:

- (b) (5), (b) (7)(A), (b) (7)(B), (b) (7)(E) ████████████████████████████
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- The Assistant Secretary of the Army (Acquisition, Logistics and Technology) to conduct a procurement management review of the contract.

- Our Agency to audit the Active Component program and the contract awarded by the National Guard Bureau to establish its program. The Active Component Program audit was finalized in the first quarter of FY 13; the National Guard Bureau contract audit will be finalized later in FY 13.

Training for Financial Management Units. The Deputy Assistant Secretary of the Army (Financial Operations) asked us to review institutional and operational training programs available to financial management Soldiers. The request was generated because of findings in another audit—Controls Over Vendor Payments (Phase II), Southwest Asia—in which we found finance units weren't ready to perform financial management operations in a deployed environment. We identified challenges in training priorities, training resources, and command and control relationships between finance units and their next higher sustainment command. These challenges limited the opportunities to teach and sustain the critical skills necessary for financial management units to remain proficient before they deployed. The Army recognized the operational training capability gap and created an operational support team under U.S. Army Financial Management Command to provide technical training and to assess deploying units. However, this initiative didn't fully solve the problem. Units had little time to take corrective action before they deployed. Additionally, the initiative allowed sustainment commanders to rely heavily on an activity outside their chain of command to evaluate the proficiency of financial management units instead of providing training and technical assessments themselves. Our recommendations to have a standardized training event and to clarify the role of the operational support team should alleviate the issues with financial management operations in a deployed environment.

Host Nation Support—Korea. The Republic of Korea provides more than $690 million in support to U.S. Forces Korea each year in three categories—labor, logistics, and construction. We verified that the Army was planning for, receiving, and using host nation support provided by Korea in accordance with guidance and international agreements. Overall, the Army in Korea was properly planning, receiving, and executing host nation support and adjusting training resources and base operations support requirements models. However, U.S. Army Installation Management Command's sustainment funding requirements for Korea in 2009 and 2010 were overstated by about $28 million and $19 million, respectively. Adjusting sustainment funding requirements for the next program objective memorandum cycle would allow the Army to use about $120 million ($20 million per year for 6 years) in available funds for higher priority requirements. In its official Army position to our report, the Assistant Chief of Staff for Installation Management agreed with $100 million of the estimated $120 million in monetary benefits and with our recommendations to develop better policy and to adjust funding requirements to account for host nation support.

The Auditor General Randall Exley, Deputy Auditor General Kevin Kelly, and Korea Field Office staff on a tour of a Korean Service Corps facility.

Basic Allowance for Subsistence Pay for Soldiers Participating in Field Training. We audited whether Soldiers receiving basic allowance for subsistence pay were properly charged for meals while conducting training in the field in accordance with DOD and Army directives. The Army commands we reviewed had insufficient emphasis on collecting these funds from their Soldiers. Specifically, the Army wasn't routinely charging Soldiers receiving basic allowance for subsistence pay for government meals provided to them during field duty. By implementing our recommendation

(b) (6), (b)
Agency auditors (b), (b) (6) on the audit of basic allowance for subsistence pay.

for command to emphasize to unit commanders their responsibility to collect these funds from Soldiers during field training at the sites we visited, the Army could achieve at least $24 million in savings from FY 12 through FY 17. Additionally, the Army agreed that this was a systemic problem and agreed to report insufficient collections as a material weakness in FY 13.

Arlington National Cemetery Budget Execution. We performed a followup audit of Arlington National Cemetery (ANC) budget execution at the request of the Executive Director, Army National Cemeteries Program. This report was subsequent to our audit of ANC budget execution published in FY 11. We reported that ANC effectively implemented two recommendations through actions taken in FYs 11-12 to resolve open projects with unliquidated balances and FYs 04-10 allotments with unobligated balances. Through these actions, ANC realized monetary benefits totaling about $31 million from FYs 04-10 allotments in the Standard Finance System that it transferred to GFEBS, in which funds could be applied to FYs 11-12 and future ANC projects. However, though ANC added several procedures to resource management daily operations in FYs 11-12, it hasn't formalized these processes. As a result, there's a risk that ANC won't continue monitoring the status of appropriated funds if there are changes in personnel. This could lead to accumulating unused funds in later fiscal years.

The Assistant Secretary of the Army (Financial Management and Comptroller) asked us to determine if internal controls over DTS permission levels ensured that only valid travel payment procedures were being followed. Possessing conflicting permission levels allows a DTS user to potentially create and submit erroneous travel claims and alter system data without visible evidence. (b) (2)

We conducted a subsequent audit to verify that certain transactions weren't subject to fraud, waste, and abuse based on DTS permission levels.
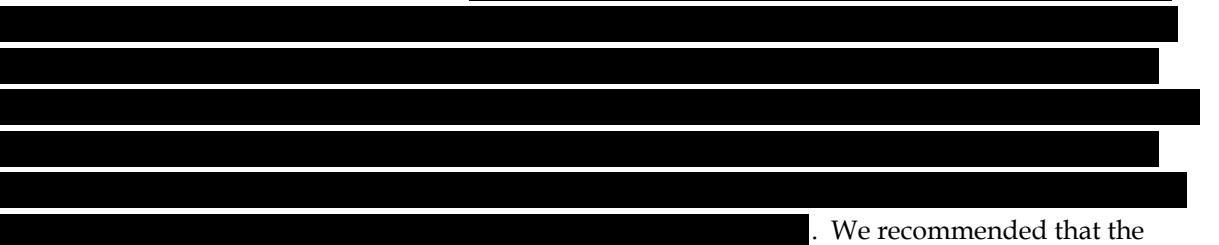
. We recommended that the Army's DTS monitoring program include specific steps to monitor potential fraud and to coordinate with the Defense Travel Management Office to generate a system change request.

We determined that UC‑35A aircraft inventory in the Army's "Quick Wins" assertion package existed and was complete as of 31 March 2011. However, we reported that during the assertion process, errors identified in the coding of aircraft errors weren't corrected. Specifically, two assets were coded incorrectly as UC-35As in the accountable system of record. Since the assertion package only had actual UC-35As, the assertion was complete. The recommendation to the director of the Accountability and Audit Readiness Directorate required errors identified during future assertion processes be corrected immediately and corrections verified. During the engagement, the Army took action to make the corrections in the property book. We also provided feedback on obstacles we encountered that, if addressed, could help facilitate future financial audits performed by external financial auditors.

Contracting

The Army is more dependent on contractor support than at any other time in its history as evidenced by significant contractor operations in Southwest Asia. The Government Accountability Office continues to identify DOD contract management as a high-risk area. Weaknesses noted included contract requirements that weren't well-defined and insufficient trained acquisition and contract oversight personnel. These place DOD at risk of paying more than necessary for contract support. Additionally, the Gansler Commission's report on Army acquisition and program management in expeditionary contracting concluded that key weaknesses have encumbered the performance of the Army's contracting system.* (b) (5)

. (b) (5)

Major high-risk areas we reviewed related to **contracting** included:

- *Contracting for Arlington National Cemetery.*
- *Attestation of Freight Tenders at the Black Sea Area Support Team Transportation Office in Romania.*
- *Contract Planning in U.S. Army Africa.*
- *Army's Acquisition Workforce Growth — Sustainment Funding.*
- *Procurement Management Reviews.*

Contracting for Arlington National Cemetery. Our work in support of ANC continued through FY 12. We followed up on three prior audit reports that addressed contracting and government purchase card operations in support of the cemetery. The followup audits determined if our original recommendations were implemented and if the actions fixed the conditions we identified. Also, at the request of the Executive Director, Army National Cemeteries Program, we looked at whether controls were effective that ANC and the U.S. Army Corps of Engineers Norfolk District relied upon to monitor and evaluate project costs and contractor performance during project execution. These controls included making sure the contractor met timeliness of delivery and quality expectations for ANC's Columbarium Court 9 project.

Arlington National Cemetery — Contracting Operations. Army Contracting Command-National Capital Region implemented all five recommendations addressed to its director. However, at the time of our followup audit, the command's executive director hadn't fully implemented our recommendation to monitor the effectiveness of the National Capital Region's corrective action plan put in place to improve contract administration. We also reported that the Office of the Deputy Assistant Secretary (Procurement) implemented its recommendation, and that U.S. Army Mission and Installation Contracting Command implemented four of its five recommendations. However, it was too soon to tell if all of the corrective actions fixed the conditions identified in our original reports.

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* Gansler Commission on Army Acquisition and Program Management in Expeditionary Operations, *Urgent Reform Required: Army Expeditionary Contracting on Army Acquisition and Program Management in Expeditionary Contracting,* 31 October 2007.

Mission and Installation Contracting Command didn't implement our recommendation to develop performance objectives for all contracting personnel to address and emphasize contract quality and compliance with regulatory guidance and sound business practices. However, command said it would do so in its response to our followup audit report. In addition, we verified that the contract requirements determination process for the Army National Cemeteries Program was sufficient to develop a sound basis for quality contracting actions.

Arlington National Cemetery—Government Purchase Card. The Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) met the intent of our recommendation to issue government purchase card guidance requiring activities to report repetitive problems and weaknesses at individual and organization levels. However, our review of program coordinators overseeing ANC's government purchase card account showed that information needed to determine the effectiveness of the Army's surveillance program wasn't being reported. Additionally, as of April 2012, program coordinators had reviewed ANC's government purchase card account, but had partially reviewed only 16 of the 152 remaining non-Arlington billing official accounts during the first two quarters of FY 12. We also determined that the Executive Director, Army National Cemeteries Program and ANC officials implemented the recommendations previously addressed to them. Specifically, the executive director transferred the ANC government purchase card account to ANC and appointed a new billing official and cardholders. In addition, ANC instituted procedures that required separating duties among cardholders, the billing official, and the funds certifier; provided for recording accountable and pilferable property; and established a process to periodically evaluate the effectiveness of management controls. We concluded that the conditions identified at ANC in the original report were fixed and government purchase card controls were working effectively.

Columbarium Court 9 Contract Management. We determined that ANC and program managers from the U.S. Army Corps of Engineers Norfolk District developed and implemented sufficient policies and procedures to provide reasonable assurance that the columbarium court would be constructed on time and at a level of quality that met or exceeded the Army's expectations. However, at the request of Norfolk District managers, ANC provided approximately $1.3 million in funds over and above the fixed-price contract to support any future contingencies plus about $74,000 in associated supervisory

and administrative costs applied to the contingency amount. This amount wasn't determined by or based on the unique circumstances and nature of the Columbarium Court 9 project. Instead, it simply represented a flat 10 percent of the contract award's value (the amount the district typically requests from customers to support construction projects). Given the fixed-price contract, the contractor's and Corps' prior experience constructing columbarium courts at Arlington, and that construction will rely heavily on preformed units, the likelihood of unforeseen requirements is much lower than a typical construction project. And, in the event of an unforeseen change in project requirements, a process is already in place, via the Columbarium Court 9 Project Management Plan, to allow ANC to quickly approve the change, negotiate any cost increases, and transfer necessary funds to the Norfolk District. Accordingly, we concluded that funds weren't needed and should be returned because they exceeded the amount required to complete the project as planned and agreed to by all parties. Because of our audit, ANC requested, and the Norfolk District returned, approximately $1.4 million in contingency-related funds for the Columbarium Court 9 construction contract.

Attestation of Freight Tenders at the (b) (7)(A), **Area Support Team Transportation Office** (b)(7)(E) **.** The Army provides transportation capabilities for movement control and distribution throughout Europe. Transportation officers working within local branch movement control teams manage transportation requirements for their specific area of responsibility. When military transport isn't available, transportation officers use general tenders to meet requirements. The Intra-Theater Commercial Transportation Branch, under U.S. European Command, centrally manages transportation tenders in Europe. (b) (5), (b) (7)(A), (b) (7)(E)
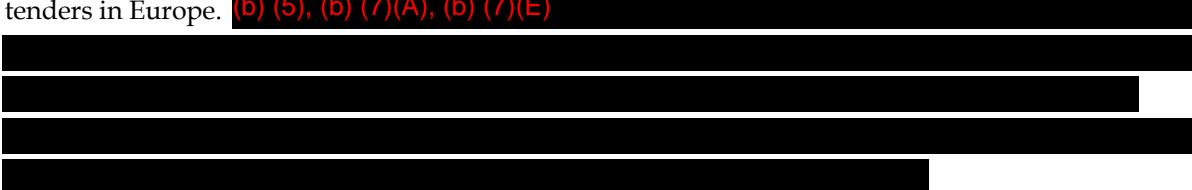
We reviewed carriers with tender agreements to provide transportation support (b) (7)(A), (b) (7)(E) Our review identified potential control weaknesses related to freight transportation operations (b) (7)(A), (b) (7)(E)

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Insufficient controls potentially allowed two freight carriers to overcharge the Army about $353,000 for freight services for the period reviewed. (b) (7)(A), (b) (7)(E), (b) (5), (j)(2)

Contract Planning in U.S. Army Africa. U.S. Army Africa's mission is to conduct sustainment and stability operations in Africa. The command conducts exercises with host countries on the continent to accomplish this mission. Exercises include humanitarian assistance, field training exercises, and mock administrative exercises all focused on increasing host nation capabilities and stability. (b) (2)

The Auditor General Randall Exley and Deputy Auditor General Joe Bentz with staff from the Europe Field Office.

We reviewed the planning process for those contracts to verify that command had sufficient oversight and controls to ensure a contract was executed efficiently. Our audit showed that U.S. Army Africa sufficiently executed contracts supporting its mission. However, oversight and controls needed improvement. (b) (2), (b) (5)

Because of our effort, the Commanding General, U.S. Africa Command asked us to conduct a similar audit of central African region operations to verify that U.S. Africa Command is planning and executing its operations effectively.

The Deputy Assistant Secretary of the Army (Procurement) and Executive Director, U.S. Army Contracting Command asked us to audit whether the Army programmed sustainment funding for new civilian acquisition workforce positions, which had been funded using the Defense Acquisition Workforce Development Fund. The Army received funding to sustain most of the 1,885 new acquisition workforce growth positions after the positions were approved through the Army's requirements process. However, at the time of our review, 463 new civilian positions (of which 366 were contracting) hadn't been included in approved concept plans. Because several Army organizations didn't have approved concept plans to support the new civilian positions, the Army intended to reprogram about $175 million for positions that had already been approved but that represented lower priority requirements and weren't even included in the Army's acquisition workforce growth plan.

We recommended immediate steps be taken to approve the needed acquisition positions to fully realize the intended benefits of the Acquisition Workforce Growth Program, particularly the much-needed

increase in civilian contracting personnel. Without these actions, the Army would have:

- Incurred an additional $175 million in sustainment costs for the already filled positions.
- Lost about 22 percent (366 of 1,650) of the intended growth for planned new contracting positions.
- Lost about 41 percent (97 of 235) of the intended growth for other planned new acquisition positions.

In response to our recommendations, the Army reprogrammed about $184 million in future years to ensure high-priority acquisition positions are approved and funded in future years.

████████████████████████ We assessed the effectiveness of procurement management reviews as a key control in the Army's contracting program. We focused on controls to analyze and improve contracting operations and management and controls to hold contracting personnel accountable for implementing corrective actions.

Procurement management reviews were generally effective and reliable in identifying areas of concern within individual contracting offices. Additionally, personnel at the Office of the Deputy Assistant Secretary of the Army (Procurement) made several improvements to the FY 12 program. However, the program needed additional enhancements to:

- Improve the identification of root causes for systemic weaknesses and to better address those causes.
- Analyze results and identify Armywide trends more fully.
- Target reviews toward high-risk contracts and contracting activities.

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As we recommended, by changing to a 3-year cycle and using data mining and prior review results, the Deputy Assistant Secretary and program managers can better target more frequent and thorough procurement management reviews to struggling activities.

The Auditor General Randall Exley briefs staff at the Fort Meade Field Office during one of his regular town hall meetings.

Health Care

Health care continues to be a high-risk area because of rising costs and the adverse effects on Soldiers because of multiple deployments. Military health care costs have more than doubled from FY 01 to

FY 10 and are expected to increase 5 percent to 7 percent annually through FY 15. There's a high risk that weak controls and fraud have contributed to rising costs for TRICARE, the DOD's military health system. Major high-risk areas of **health care** we reviewed in FY 12 included:

- *Army Workers' Compensation Program.*
- *Medical Stocks – Korea.*
- *Behavioral Health – Fort Sam Houston and Fort Bliss and William Beaumont Army Medical Center.*

Army Workers' Compensation Program. The Army has spent nearly $2 billion over the last 11 years to provide wage replacement and medical benefits to Federal civilian employees for on-the-job injuries and illnesses. The program also provides a mechanism to bring previously injured and recuperating claimants back to productive work, using a number of return-to-work programs and initiatives. During FY 12, we conducted a series of audits that evaluated various aspects of the Army's Workers' Compensation Program.

In one audit, we verified that program administrators effectively used return-to-work programs and initiatives. We concluded that the Army returned medically cleared claimants back to work and used DOD's Pipeline Program. That program helps employing agencies by granting over-hire authority and providing funding for the position for the first year to offset costs. However, the Army didn't capture information related to medically cleared claimants who returned to work because it didn't have a formal process to capture this information on a frequent and consistent basis. Consequently, the Army couldn't provide sufficient oversight to effectively maximize the potential of return-to-work programs, minimize costs, and measure the success of return–to-work initiatives. Also, DOD officials reported that only 16 of 76 Army activities used DOD's Pipeline Program during FY 11, and 5 of 60 activities hadn't used the program since its inception.

We recommended that the Army establish and implement new controls to provide greater oversight and accountability for the return-to-work process. We also recommended that the Army use the Pipeline Program and ask DOD to reexamine the funds budgeted for the Army and reduce the Army's annual contribution to better reflect its actual use of the program. We estimated that about $9.5 million could be saved over the next 6 years by implementing our recommendations. The Army Deputy Chief of Staff, G-1 generally agreed with the report, but stated DOD would realize the monetary benefits and not the Army.

In another audit, we verified that the Army effectively managed claims to prevent fraud and abuse. We found the Army didn't have an effective process to manage claims to prevent fraud and abuse for chargeback years 2008 through part of 2011. For example, injury compensation program administrators couldn't locate files for about 7 percent of the cases selected for review and didn't:

- Take sufficient action to determine whether claimants had been medically released to return to work for 48 percent of the "PR–periodic roll" cases reviewed at four sites.
- Maintain the claimant's current medical documentation for 53 percent of the cases reviewed.
- Review and verify that medical billings were valid.
- Have controls to stop paying deceased claimants.

The Army agreed with our recommendations to improve the case management process, centralize the function of injury compensation program administrators into one location, and reduce dedicated full-time administrators to 55. We estimated the Army could save an estimated $19.3 million over 6 years (FYs 13-18).

Medical Stocks—Korea. We verified that the Army had sufficient controls over its medical stocks in Korea, focusing on wholesale operations and retail pharmaceutical management. Overall, controls were in place for managing wholesale stocks. Inventories were done, duties were segregated, stocks were supported by demand, and documents were maintained. However, management of wholesale pass-through orders, expired pharmaceuticals, and inventory procedures for retail pharmacy items needed improvement. In FY 11, wholesale stocks worth about $4 million were passed through the warehouse instead of being shipped directly from vendors to the community hospital. This could have helped reduce handling costs and waiting time for customers by 3 to 5 days.   In addition, expired pharmaceuticals weren't returned promptly, causing activities to miss opportunities to apply for up to $1.9 million in manufacturer's credits in FYs 09-11.   Changing procedures for direct shipments and expired pharmaceuticals would help reduce warehouse costs and customer wait time and potentially increase credits for expired drugs. Implementing a reliable automated inventory management system will also help improve retail pharmacy management because manual inventory procedures were still used at the hospital for managing pharmaceuticals and staff relied on automated inventory systems that didn't interface.

Behavioral Health—Fort Sam Houston and Fort Bliss and William Beaumont Army Medical Center (WBAMC). Army leadership has made implementing behavioral health programs a top priority because of the high incidence of Soldier suicides and behavioral health problems attributed to multiple deployments. The Army has determined that recurring tours of duty in a combat environment contribute to a variety of problems associated with post-traumatic stress disorder, behavioral issues, depression, drug and alcohol abuse, and suicide. The continuing increase in suicide and other related incidents has led the Vice Chief of Staff, Army to mandate a series of initiatives to expand behavioral health programs to help the Army better address these concerns.

Audit of Behavioral Health at Fort Sam Houston. During our audit, Fort Sam Houston transitioned from an Army organization to a Joint base organization under the command and control of the U.S. Air Force. Therefore, we modified our objective to verify that the installation implemented behavioral health prevention and awareness programs before transitioning to Joint base operations. We also looked at whether transferring behavioral health programs to Joint Base San Antonio could potentially degrade services to Soldiers and their family members.

We concluded that U.S. Army Garrison Fort Sam Houston had generally implemented a full range of behavioral health prevention and awareness programs needed to identify, refer, and treat Soldiers and family members requiring related services. The Army designated 70 behavioral health programs or services as core programs at each installation in its report on health promotion, risk reduction, and suicide prevention. We reviewed 12 of these 70 core programs deemed most significant in the report and found that the required programs or services were available at Fort Sam Houston. However, a possible degradation of services could occur to some aspects of programs within the Family Advocacy Program and the Army Substance Abuse Program under Joint base operations. Therefore, the Army needs to continue monitoring programs provided by Joint Base San Antonio to ensure there is no degradation of services under the current Joint basing memorandum of agreement.

Audit of Behavioral Heath Fort Bliss and William Beaumont Army Medical Center. We audited selected behavioral health programs at the headquarters of U.S. Army Medical Command and U.S. Army Installation Management Command, and at Fort Bliss and WBAMC. Our overall audit objective was to evaluate Army implementation plans and actions relating to behavioral health programs. We sought to verify that the installations and medical treatment facility centers:

- Implemented behavioral health prevention and awareness programs needed to identify, refer, and treat Soldiers and their families requiring related services.
- Obtained needed resources to provide required behavioral health services to Soldiers and their families.
- Established measures for monitoring the implementation of behavioral health programs.

We concluded that Fort Bliss and WBAMC generally implemented a full range of behavioral health prevention and awareness programs (63 of 70 core programs) for identifying, referring, and treating Soldiers and family members requiring related services. However, home improvements were needed for two major programs—the Army Substance Abuse Program and the Family Advocacy Program.

Specifically:

- Army Substance Abuse Program testing and referral requirements didn't fully comply with established standards or realize the intended benefits of the drug-testing program.
- The clinical and nonclinical functions for the Family Advocacy Program weren't integrated sufficiently.
- Fort Bliss didn't have enough social workers to support behavioral health programs. The Army Substance Abuse Program will have a shortage of at least 15 substance abuse counselors, and the Family Advocacy Program will need 10 additional behavioral health providers by FY 12.

We concluded that the installation had established a community health promotion council, and many of the actions the council took resulted in developing a process for monitoring behavioral health programs.

Soldier and Family Support Programs

President Obama directed the National Security Agency to develop a coordinated Federal Governmentwide approach to supporting military families. The effort, "Joining Forces," will enhance the well-being and psychological health of military families; ensure excellence in military children's education and their development; develop career and educational opportunities for military spouses; and increase childcare availability and quality for the Armed Forces. However, Army leaders have recognized insufficient processes and models to predict needs and monitor outcomes of many of these programs. Therefore, it's not known whether the Army's investment in these programs is too much or not enough. A major challenge is identifying the appropriate balance among programs to achieve desired outcomes within budget constraints. Congress has also expressed concern over potential budget cuts affecting these support programs. Major high-risk areas in **Soldier and Family Support Programs** we reviewed included:

- *Ombudsman Program.*
- *Child Youth Services – Facility Requirements.*
- *Family Readiness Support Assistant Staffing and Utilization.*

Ombudsman Program. Following events concerning conditions wounded Soldiers encountered at Walter Reed Army Medical Center, U.S. Army Medical Command implemented a medical action plan in 2007 to improve medical care and services available to wounded Soldiers and their families. As part of this series of initiatives, command established the Ombudsman Program to assist Soldiers and their families with concerns about their medical care and to provide general assistance with the Army's disability evaluation system. The Surgeon General requested this audit to verify that ombudsmen provided the support the program required and that the program provided relevant information to Medical Command to improve business operations. The Secretary of the Army subsequently ordered a comprehensive review of how the Army conducted behavioral health diagnoses and disability evaluations. A behavioral health task force was created and we were tasked to provide audit results to the task force.

We identified seven sites (Forts Bragg, Campbell, Carson, Drum, Gordon, Hood, and Huachuca) that were representative of a Warrior transition unit population, workload, type of medical treatment facility (hospitals, clinics, and medical centers), and variety of units at Army installations. From April through June 2012, we visited these sites that supported more than one-third of all Soldiers assisted programwide in FY 11 (2,380 Soldiers and 3,172 issues) and the first quarter of FY 12 (769 Soldiers and 900 issues). We reported that ombudsmen generally provided the intended support as required. To enhance the capabilities of ombudsmen, we recommended that Medical Command implement standing operating procedures, develop a training program to fully prepare personnel to perform their responsibilities, and identify and evaluate resulting performance metrics. In addition, our recommendations to refine how the program collects data on complaints ombudsmen handled should provide command and program stakeholders with a better overview of problems associated with medical activities and operations.

Child Youth Services—Facility Requirements. The Army established a child development services program to promote the quality of the Force, promote military retention, and contribute to the quality of life and well-being of families with young children. Both child development centers and youth activity centers are part of this program. Child development centers and youth activity centers are part of the Army's efforts to provide quality child development options through a network of childcare delivery systems to reduce the conflict between parental responsibilities and unit mission requirements. At the request of Fort Bliss's deputy garrison commander, we performed this audit to determine whether existing and planned facilities met current and anticipated demand for child, youth, and school services programs. We concluded that existing facilities met current and anticipated demand requirements due to the Base Realignment and Closure Act of 2005 (BRAC 05) and Grow the Army population growth to FY 12. Facility planners proactively determined that additional childcare spaces were needed to meet the demands of population growth. However, we found that additional future facilities and renovating the main child development center weren't needed. Implementing our recommendation will save the Army about $7.8 million in military construction funds. Command agreed with us and canceled the renovation project.

Family Readiness Support Assistant (FRSA) Staffing and Utilization. The FRSA program evolved from Army Family Action Plan Issue Number 543 (Inadequate Support of Family Readiness Groups). In 2007, the Deputy Chief of Staff, G-3/5/7 approved a concept plan to standardize the program for FRSAs. This plan was based on the Army's FY 08 Force Structure Plan and the Army Force Generation process.

FRSAs are advisors to the commander on the unit's family readiness group program; they also provide support to unit family readiness group leaders. The FRSA program was intended to enhance combat readiness by promoting effective and efficient communications among the command, family readiness groups, and family members.

We looked at whether FRSAs were assigned, used, and trained in accordance with established guidance. FRSAs generally provided the support the program intended. However, FRSA staffing requirements needed to be reallocated with operational requirements throughout the Army. Current staffing assignments were standardized across the Army based on a concept plan and adjusted to align personnel at various organizational levels within a unit's structure. Our comparative analysis of the total number of family readiness groups to existing staffing reflected a misalignment of unit assignment with staff workload. Additionally, resource managers needed to adjust budgetary rates for personnel authorizations to align them with current General Schedule salary schedule rates. The Army could save as much as $46.8 million each year by adjusting staffing requirements and budgetary rates to reallocate personnel resources properly.

Information Technology Consolidation

Executing today's complex Army operations relies on using information technology. The Army must determine which information technology services to provide with limited funding while still meeting mission demands. The Army began several information technology initiatives in FY 10, including data center consolidation, enterprise e-mail, and enterprise service desk. The Army expects to achieve savings of more than $800 million in FYs 12-16 through these initiatives. Consolidating the Army's information technology poses a significant risk to bandwidth because the infrastructure may not have the capacity to transmit the significant amount of information required under consolidation. There's also risk that the efficiencies will not be achieved, resulting in an adverse impact on mission demands or significant unfunded requirements. Major high-risk areas in **information technology consolidation** included:

- *Enterprise E-mail.*
- *Bandwidth Requirements for Connecting Army Installations to the Global Information Grid.*

Enterprise E-Mail. We performed a series of projects in support of the Army's implementation of enterprise e-mail. The first project began in December 2011. The National Defense Authorization Act of 2012 tasked our Agency to evaluate expected cost savings and cost avoidance from each of four alternatives described in a cost-benefit analysis of enterprise e-mail. We performed a review attestation of this analysis, focusing solely on statements in the analysis specifically related to the costs of the four alternatives: (i) status quo, (ii) commercial managed service provider, (iii) Army Knowledge Online, and (iv) the Defense Information Systems Agency.

In one report, we noted minor discrepancies in multiple calculations within work breakdown structures, but none of them individually or taken together had a material effect on cost-benefit analysis costs. However, the projected cost savings didn't include all necessary factors; specifically, the analysis didn't accurately account for unrecoverable enduring costs that would offset any selected alternative. Including unrecoverable costs, the savings would be about $76.1 million in FY 13 and a total savings of $379.9 million in FYs 13-17, which was approximately $343.9 million less than projected.

Shortly after we completed this project, we began two other projects related to enterprise e-mail. One completed in FY 12 was a lessons-learned review of the enterprise e-mail cost-benefit analysis. This review differed from our National Defense Authorization Act-driven review of costs and efficiencies in that we reviewed the entire cost-benefit analysis. The goal was to help the Army identify lessons learned from the challenges faced in the e-mail cost-benefit analysis process that may be applied to developing future analyses. We concluded that the Army's Chief Information Officer (CIO)/G-6 followed the U.S. Army Cost Benefit Analysis Guide prepared by the Deputy Assistant Secretary of the Army for Cost and Economics in all material respects, but we reported four areas in which CIO/G-6 could have improved the credibility of the cost-benefit analysis by better communicating the analysis and results. We also have an ongoing audit of enterprise e-mail. The objectives of this audit are to verify that the Army is achieving efficiencies, and that e-mail services being provided by the Defense Information Systems Agency meet Army requirements. We expect this report to be published in the second quarter of FY 13.

Bandwidth Requirements for Connecting Army Installations to the Global Information Grid. We audited processes the Army used to identify and plan for future bandwidth needs, and how it manages and allocates current bandwidth to connect installations to the global information grid. We reported that the Army didn't have a process to identify and plan for future bandwidth requirements; instead, bandwidth was allocated on a reactionary basis, which didn't consider emerging requirements. Additionally, the Army's available bandwidth was unmanaged and its processes weren't typically flexible enough to adapt quickly to changing requirements. This includes an unwillingness to prioritize Internet traffic to meet mission needs on a day-to-day basis. The Army also used a large portion of available bandwidth to access non-mission information. As a result, at certain installations, the Army was struggling for enough available bandwidth to satisfy mission needs. This problem will likely worsen as the Army moves to providing information technology services at the enterprise level. We recommended a series of actions to ensure that bandwidth managers were better informed about future requirements. We also developed and recommended a process by which local network enterprise centers can manage bandwidth effectively to ensure it's more readily available to meet mission needs.

Acquisition

Modernization is a top leadership concern for the Army and a congressional focus for the future. Concerns include cost growth in major acquisition programs and implementing acquisition reform initiatives. With billions of dollars of annual acquisition costs, the Army has high risk of potential fraud, waste, and abuse. Congress has concerns about increasing cost and schedule overruns to acquire new weapons systems. When overruns occur, planned production quantities may decrease below economic production levels, further increasing the cost of weapon systems. Overruns also have a ripple effect, as other budgeted expenses may be cut back to account for the overruns.

The Army is reevaluating its acquisition strategy from one that seeks the "exquisite" solution and new capabilities that can take years to produce to one that capitalizes on proven technologies that provide the 80-percent "good-enough" solution to wartime problems. Initiatives in the Army acquisition review identified as successful (rapid acquisition processes and rapid fielding initiatives) bypass some of the controls in the current formal acquisition process. Some major high-risk areas in **acquisition** we reviewed included:

- *Rapid Acquisition Processes — Testing Procedures.*
- *Rapid Acquisition Processes — Institutionalization.*
- *Commercial Off-the-Shelf Software Costs in Weapon Systems.*
- *Test and Evaluation of Special Access Programs.*

Army Rapid Acquisition Processes — Testing Procedures. We evaluated the Army's procedures for testing systems that it rapidly fielded or equipped to Warfighters in theater. We also reviewed how the Army tailored testing for rapid initiatives that were transitioning to acquisition programs. The Army used rapid acquisition to identify and deliver effective capabilities through streamlined requirements, resourcing, and acquisition processes to mitigate critical warfighting capability gaps.

Although U.S. Army Test and Evaluation Command (ATEC) had a fairly rigorous and coordinated process to testing and evaluating rapid initiatives, the Army could strengthen its processes by ensuring ATEC had oversight of all initiatives before fielding them to the Warfighter. We found that ATEC

didn't have oversight of some rapid initiatives because there was no central entry point or repository for tracking rapidly fielded and equipped materiel. As a result, a few rapid initiatives that weren't evaluated by ATEC reported instances of poor interoperability and functionality upon fielding to the Warfighter. Additionally, we determined that the Army tailored testing procedures for rapidly acquired materiel transitioning into acquisition programs.

However, testing was largely based on whether the previously fielded rapid initiative system was the same as the acquisition program system. When the Army transitioned to a different version of the system for the acquisition program, program managers and ATEC personnel didn't rely much on the operational results of the rapid initiative system used in theater. Instead, they designed testing plans that required more extensive tests due to the requirements to field sustainable systems to the Army. ATEC personnel believed the process could be further improved if a formal system was developed to capture performance information from users and if some rapid initiative items were retained for Stateside testing. Current feedback from users in the field didn't include metrics and measurable data that could only be acquired in a controlled environment.

Army Rapid Acquisition Processes—Institutionalization. We evaluated actions taken by the Army to institutionalize temporary rapid acquisition organizations and processes that were established in response to years of persistent conflict in Iraq and Afghanistan. The Army created rapid acquisition organizations and processes to satisfy escalating urgent operational needs requests brought about by the increased number of Soldiers deployed and an evolving enemy. These conditions forced the Army to adjust its tactics, techniques, and procedures. Now, with the planned drawdown, the Army is determining the most efficient and effective way to proceed with these rapid acquisition initiatives while considering budget constraints and projected operational needs.

We reported that the Army had taken positive actions to institutionalize some enduring rapid acquisition processes and lessons learned from years of persistent conflict. This will help reduce the potential need to reinvent ad hoc approaches during each new period of high-intensity demand. We found that the Army has codified the operational needs statement and Joint urgent operational need processes within Army regulations, but it has delayed a decision on the future of the Rapid Equipping Force 10-Liner process as an enduring capability. Although senior Army leaders identified the importance of the Rapid Equipping Force in providing equipment to the war effort, it remained a temporary, informal organization under the operational control of the Office of the Deputy Chief of Staff, G-3/5/7. As a result, the Army could potentially dissolve the process without sufficiently considering the long-term effects on future operations.

Additionally, we determined that the Army hadn't completely codified resourcing and acquisition processes to include visibility and tracking of funds to support rapid acquisition. Rapid acquisition wasn't a cost category for the Army and there wasn't a regulatory requirement to account for the total costs to support rapid acquisition efforts. Although DOD had no requirement for tracking rapid acquisition, the National Defense Authorization Act for FY 11 had provisions that required DOD to capture the total cost of rapid acquisition. Given the proposed changes to rapid acquisition and the gradual shift from overseas contingency operations to base funding, the Army needs to capture the total funding it expends in support of rapid acquisition. We made several recommendations to assess the long-term viability of the Army's current processes and to review rapid acquisition holistically to identify enduring capabilities.

Commercial Off-the-Shelf (COTS) Software Sustainment Costs in Weapon Systems. We evaluated whether the Army's acquisition strategy for COTS software effectively addressed minimizing sustainment costs for weapon systems' software. Most weapon systems remain in DOD's inventory for decades following acquisition; consequently, decisions to acquire COTS software during acquisition can have far-reaching implications over the lifespan of the system.

The Army's acquisition strategies included using COTS software in developing, procuring, and sustaining weapon systems. To a limited extent, the Army avoided costs by consolidating and bundling COTS software purchases. However, the Army could have achieved greater savings if it had:

- Developed procedures that allowed it to consolidate requirements before beginning the acquisition process.
- Armywide visibility over COTS software license requirements for weapon systems.
- An effective oversight mechanism (database) in place to capture and report requirements.

We recommended that the Army designate affiliated software engineering centers as intermediaries between program managers and Computer Hardware, Enterprise Software, and Solutions (CHESS) to coordinate COTS software purchases.

████████████████████████████████ We audited test and evaluation controls over special access programs. We looked at whether internal controls were sufficient over planning and evaluating tests and safeguarding program information during testing. We determined that the Army had assurance that the tests provided the necessary information to decide to continue maturing technologies or support redirection and that program information was protected during the tests. (b) (2) ████
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██ We recommended that the Army develop guidance regarding the review and approval process for special access program testing that requires approval by the Secretary of Defense or Secretary of the Army and to develop a test reporting mechanism to ensure Army senior leaders have pertinent test information to make informed decisions. We also recommended that the Army determine ATEC's involvement in the test and evaluation process for all Army special access programs.

Training

The allocation of training dollars must be managed well to achieve the highest payoff while simultaneously ensuring that all training programs are properly resourced. In an era of constrained resources, the Army will need the correct balance among manning, training, and equipping the force.

The Army is undergoing a comprehensive and collective training review to restore training capability for full-spectrum operations and to increase the flexibility of training enablers and capacity across the Army. In doing so, the Army must refine its understanding of full-spectrum operations through training and professional dialogue, reduce the

The Auditor General Randall Exley, Principal Deputy Auditor General Joe Mizzoni, and Executive Officer COL Sheila Denham joined staff at the Agency's Training and Doctrine Command Field Office for a ribbon-cutting ceremony.

backlog of professional military education programs, and revitalize home station training programs. Some major high-risk areas in **training** we reviewed included:

- *Operating Tempo Funds.*
- *Use of Mobile Training Teams for Institutional Training.*

Operating Tempo (OPTEMPO) Funds. The Vice Chief of Staff, Army asked us to perform multiple audits reviewing the Army's OPTEMPO program. These included auditing ground OPTEMPO program execution and reporting as well as OPTEMPO fund use. The Vice Chief requested these because of concerns including the accuracy of mileage reporting, appropriateness of vehicle use, overexecution of mileage, and visibility of fund migrations. For the execution and reporting audit, we determined that units understated reported mileage and overexecuted ground OPTEMPO mileage when compared to their associated funded mileage. In addition, although units used vehicles for training events that were aligned with approved strategies and plans, OPTEMPO requirements could be reduced by about $26.9 million annually if commercial and organic resources were used to transport vehicles to training sites. Therefore, we recommended that the Army develop an automated exception reporting tool to analyze reported mileage and establish business rules to identify questionable mileage. We also recommended that the Army address using commercial and organic resources to transport vehicles to training sites. These actions should improve mileage reporting and reduce program requirements.

The execution and reporting audit initially identified OPTEMPO fund migrations in FYs 09-10, which resulted in the subsequent OPTEMPO fund use audit. For that audit, we determined that Army commands generally used these funds for OPTEMPO requirements. However, various Army command activities migrated about $29.7 million (about 11 percent) of $258.9 million in OPTEMPO funds for

non-OPTEMPO requirements—primarily for base operations support and information technology requirements. As a result, the Army didn't have full visibility of how OPTEMPO funds were used or the full amount of funds required for services from U.S. Army Network Enterprise Technology Command and U.S. Army Installation Management Command services. This potentially hindered the Army's ability to make informed budget decisions, and we made several recommendations to strengthen OPTEMPO program oversight.

Use of Mobile Training Teams for Institutional Training. We performed this audit to verify that the Army sufficiently managed and used institutional mobile training teams to satisfy the Army's requirements to train Soldiers. We found that the Army implemented actions to improve how it managed these teams in FY 09. Additionally, we determined that training via mobile training teams increased the average time Soldiers were at home station by 22 days in FY 10, supporting the Army's goal to reduce their time away from home station to satisfy training. However, several conditions needed improvement:

- Significant mobile training teams were processed outside the Structure and Manning Decision Review process. Specifically, the Army processed 771 of 1,331 FY 10 U.S. Army Training and Doctrine Command institutional mobile training team classes outside of this review process. Annual Training Resources Arbitration Panels accounted for 386 outside classes, and direct requests between the unit and schoolhouse without proper DA Headquarters-level approval accounted for 385 outside classes.
- Our analysis of 682 mobile training team classes determined that 283 had fill rates below the 95-percent DA standard, resulting in 2,808 unfilled seats.

We made several recommendations to reduce Training Resources Arbitration Panel-approved training classes; improve validation of mobile training team requirements; and establish controls and assign responsibility to ensure units make reservations in the Army Training Requirements and Resources System to help reduce Soldier no-shows for scheduled mobile training team classes.

Inventory Management

The Army faces unprecedented inventory management challenges as it draws down operations in Iraq and Afghanistan. (b) (2) ███████████████ ███████████████ ███████████████ ███████████████ ███████████████ ███████████████ ███████████████ ███████████████ ███████████ As a result, the Chief of

Staff of the Army established the Campaign on Property Accountability to account for all Army property and ensure that excess equipment is in the Army's supply system for disposition or redistribution. However, there is risk that significant amounts of property will still be unaccounted for because of the drawdown efforts.
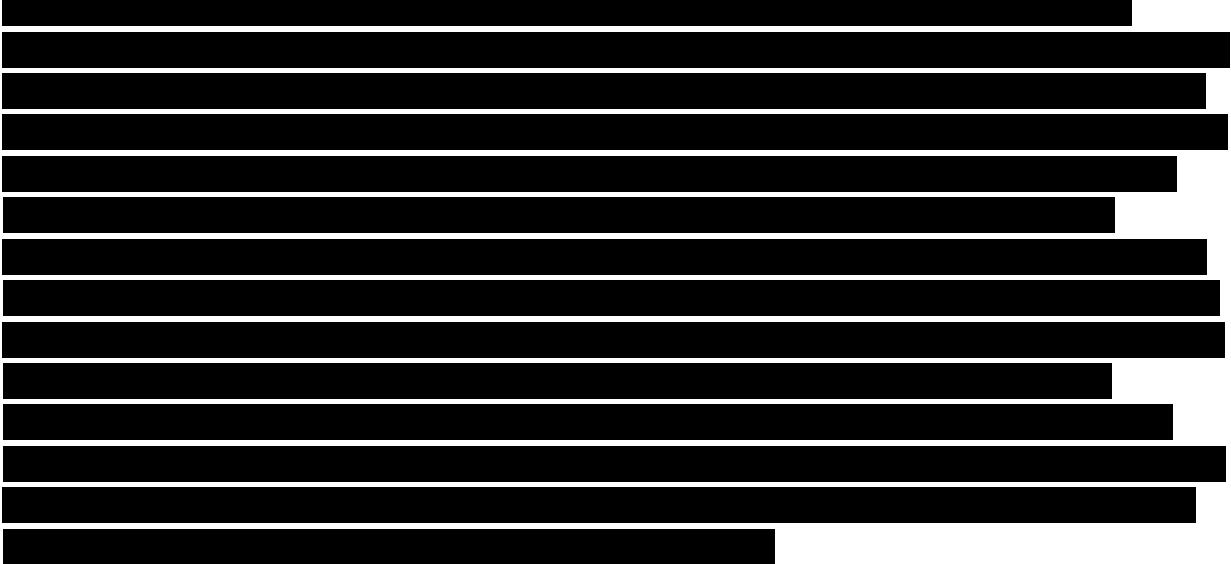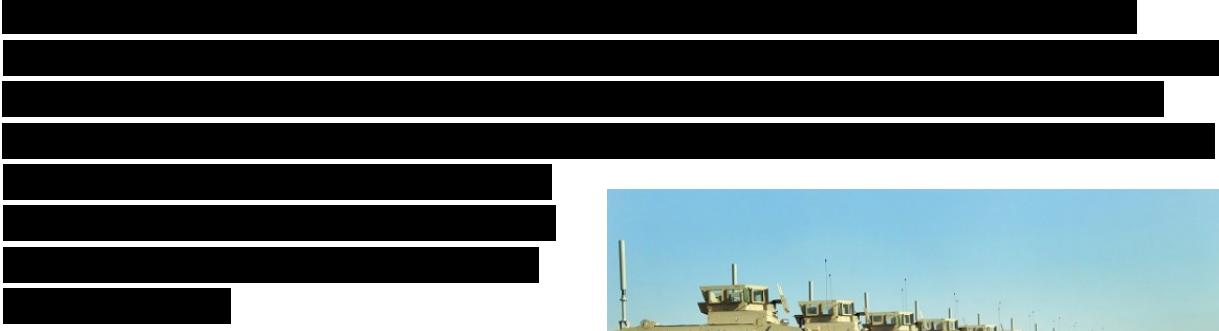
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Command Supply Discipline Program. At the request of the Deputy Chief of Staff, G-4, we audited the Command Supply Discipline Program. We performed this audit in several parts. One portion was to verify that the Army's automated and procedural support systems supported the program, and we determined that the Army had sufficient automated and procedural systems in place. About half of Command Supply Discipline Program requirements in Appendix B of AR 710-2 (Supply Policy Below the National Level) used existing automated systems, primarily PBUSE. AR 25-1 (Army Knowledge Management and Information Technology) states that the Army should use as much automation as possible to reduce paperwork and downtime that manual processes may cause. In our opinion, the Army's use of automated systems was sufficient to support the Command Supply Discipline Program.

Commanders should achieve full oversight of supply discipline at subordinate units using established Army guidance and automated systems. We plan to review effects of recent guidance changes in upcoming audits.

We also verified that responsible activities in the Active Army, U.S. Army Reserve Command, and the U.S. Army National Guard evaluated supply operations in a timely way and effectively performed inventories, recorded onhand equipment in property books, and identified and reported excess equipment. Our audit showed that units performed required cyclic, sensitive, and change-of-command inventories and had programs to identify and report equipment excess, shortages, and losses. We found some weaknesses in compliance with the Command Supply Discipline Program. In each case, local commands initiated actions to correct the weaknesses. In addition, the Deputy Chief of Staff, G-4 has limited visibility and oversight of program evaluations because the Command Logistics Review Program wasn't fully implemented.

During our audit, we advised the Army's Property Accountability Task Force and shared our audit findings. We also incorporated any requests to validate audit steps when task force members or other Army leaders needed information to support decisionmaking efforts. We gave biweekly feedback to leadership within the Office of the Deputy Chief of Staff, G-4. Finally, we used our results to advise leaders on developing an action plan that was created for the Vice Chief of Staff, Army. Because actions planned by Army leadership and approved by the Vice Chief of Staff fully addressed the issues we related in this report, we made no recommendations.

Item Unique Identification (IUID) Program. We performed this audit at the request of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) and the Deputy Chief of Staff, G-8. We audited the IUID program to verify that the Army effectively implemented the program to achieve its envisioned benefits. Though the Army developed a sound initial strategy to implement the program, implementation plans created by Army activities weren't always complete. The Army also took actions

to integrate the IUID program into business processes, but didn't develop a coordinated strategy. We recommended that the Deputy Chief of Staff, G-4 appoint an existing organization to function as an execution cell to develop a use strategy and plan to include interim milestones and metrics to measure progress. We also recommended that the Army request periodic IUID program status reports, and implement any positive processes identified during pilot projects Armywide. These recommendations should help the Army improve implementing the program and realize benefits, such as improved product life-cycle management, property accountability and management, financial transparency, and valuation.

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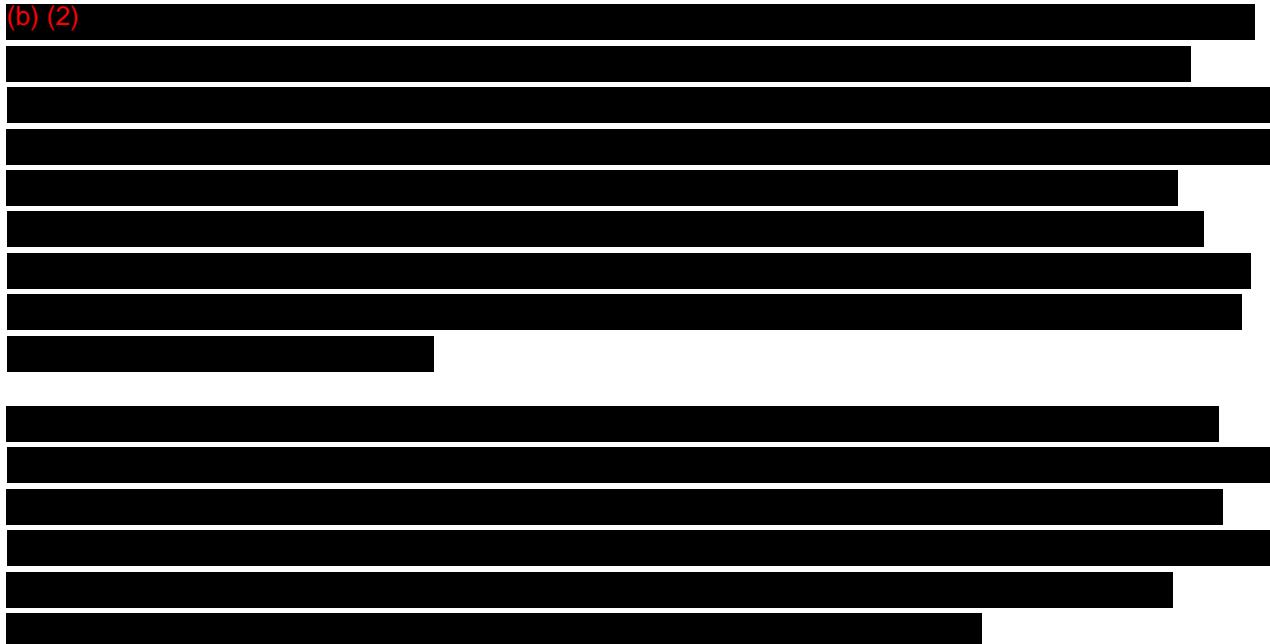
Sustainment

Sustainment is a warfighting function of related tasks and systems to provide support and services to ensure freedom of action, extend operational reach, and prolong endurance. Sustainment includes equipment maintenance and associated acquisition of repair parts and supplies. Operations in Iraq and Afghanistan have created a high demand for maintenance services to repair worn-out equipment and maintain left-behind equipment as units deploy. The Army requested $4.4 billion to reset equipment in its FY 12 budget request. To meet demand, the Army contracted for maintenance services to augment organic capability. Maintenance contracting is also an area of high risk for fraud, waste, and abuse. For example, the DOD Inspector General reported that

Staff from the Agency's Aberdeen Proving Ground Field Office gathers to celebrate the holidays.

maintenance contractors were underused in Iraq and Kuwait by up to 86 percent, yet they overstated workhours and overtime to receive additional reimbursement. We have also reported weaknesses in contract oversight related to contracting procedures and work statements. Finally, life-cycle sustainment planning remains an area of high risk. The Army hasn't been able to develop a viable life-cycle sustainment model for nonstandard systems and equipment acquired through rapid acquisition programs. Thus, there's increased risk that the Army won't have the necessary resources programmed to sustain its equipment. High-risk areas in **sustainment** we reviewed included:

- *National Source of Repair Selection Process — Phase II.*
- *Predeployment Training Equipment.*

National Source of Repair Selection Process—Phase II. The Office of the Deputy Chief of Staff, G-4 asked us to review the Army's source-of-repair decisions. We reported that the process emphasized maximizing organic repair sources rather than identifying the best value for repairs exceeding core requirements. This occurred because item managers didn't know how many repairs were necessary to meet core requirements. We identified two repair programs in which the Army could have saved $54.7 million if it had used a contractor for repairs. However, repair contracts for life-cycle management commands had ceilings that specified maximum repair quantities. As a result, even if the contractor could repair an item at less cost, contracts limited the number of repairs the Army could send to the contractor. The Deputy Chief of Staff agreed to clarify guidance and require item managers to use the best value source for repairs above core requirements. Both DA and U.S. Army Materiel Command agreed to ensure item managers had visibility of core requirements.

Predeployment Training Equipment. The Office of the Deputy Chief of Staff, G-4 requested this audit. We reported that the Army had a sufficient process to estimate requirements for predeployment training equipment for individual deploying units. However, Army activities didn't provide sufficient support for requirements included in operational needs statements for predeployment training equipment, maintain equipment usage data, or periodically adjust requirements based on demand usage. The Army's predeployment training equipment included items that didn't meet the intent of the program and quantities of equipment that exceeded authorizations and were underused. In addition, U.S. Army Sustainment Command had a sufficient process to identify sustainment requirements. However, fiscal management could be improved by funding authorized predeployment training equipment and by establishing a more transparent process. Our audit showed that the added costs associated with maintaining excess equipment and equipment that didn't meet the intent of the program reduced the assurance the Army was gaining the intended benefits from its investment in maintaining this equipment. Command agreed that transferring excess predeployment training equipment to other Army activities such as U.S. Army Forces Command would reduce sustainment costs by approximately $33.4 million.

Energy

To ensure that the Army is meeting required energy initiative goals from the Office of Management and Budget and DOD, it must accurately track and report energy consumption. The Energy Policy Act of 2005 requires Federal agencies to reduce energy use in their buildings by 2 percent annually; Executive Order 13423 increases this requirement to 3 percent per year. In its FY 09 annual energy report, the Army noted that it reduced energy consumption by 7.2 percent from the FY 03 baseline. However, this was actually an increase when compared to FY 08. The Army may not necessarily know its actual consumption.

Although the Army has many programs in place (including those to address renewable energy and alternative fuels), meeting energy goals will still be difficult. Non-DOD appropriations funded many of these projects, but these funds may diminish due to potential Federal spending cuts. The Army also needs to ensure it has sustainment costs budgeted for these programs. Finally, conserving energy is a major culture change, especially if responsible personnel are not paying the bills. Until the Army can enforce energy savings policies and procedures, it may not be able to achieve energy savings goals. Some **energy** areas we reviewed included:

- *Central Heating Distribution System at Joint Base Lewis-McChord.*
- *Energy Management of Information Technology.*

Central Heating Distribution System at Joint Base Lewis-McChord. (b) (7)(E)
We found that while the projects qualified for act funding, they supported a larger effort to restore and use a potentially inefficient central heating distribution system. As a result, we conducted this more recent audit to assess the system's efficiency and whether the Joint base maximized opportunities to reduce energy consumption and costs using this system in an area known as the "Banana Belt." Our review showed that the Joint base opted to restore and use the central heating system instead of converting to individual boiler systems in the Banana Belt area based on a 2004 life-cycle cost analysis. However, despite major changes since 2004, the installation didn't sufficiently reevaluate how new infrastructure changes to the Banana Belt area and new Federal requirements calling for drastic energy reductions would affect its decision to restore and use this system. Based on our review, the Army could potentially achieve about $14.7 million in savings in FYs 12-17 by discontinuing efforts to restore and use the central heating distribution system and by converting to individual boiler systems in the Banana Belt area. Neither the Assistant Chief of Staff for Installation Management nor U.S. Army Installation Management Command agreed with our recommendation, but the former agreed to stop work and abide by a third-party life-cycle cost analysis that would include all possible options.

In April 2012, the U.S. Army Corps of Engineers-Huntsville Center completed an independent life-cycle cost analysis that confirmed our conclusion that decentralized heating systems were the best economic alternative for Joint Base Lewis-McChord. The Corps estimated that the Joint base could save $26.9 million to $38 million over 40 years (the economic life of the analysis). As a result, the Assistant Chief of Staff for Installation Management instructed Installation Management Command to implement the findings of the analysis at the Joint base. The Corps also plans to develop new guidance for determining when to use a centralized or decentralized heating system. The guidance will include updated guidelines for life-cycle cost analysis.

Energy Management of Information Technology. To improve energy efficiency and reduce greenhouse gas emissions, President Obama signed Executive Order 13423, which required Federal agencies to reduce energy usage by 3 percent annually or 30 percent by 2015. To help the Army meet

these goals, we reviewed its efforts to use power management settings on information technology equipment. We reported that the Army didn't manage the power usage of this equipment to conserve energy. Good energy conservation practices would dictate that energy-saving features be used to their full advantage. The largest savings could be realized by putting computers and monitors into a power-save mode during inactivity. (An average workstation in sleep mode uses about 3 watts versus 71 watts if the feature isn't used.) The Army made a good first step by establishing conservation practices in AR 420-1 (Army Facilities Management), which required energy-saving features be enabled after 30 minutes of inactivity for computers and for peripheral equipment to be turned off when not in use. However, the Army didn't translate the policy into actions to employ conservation measures or centrally manage them. We recommended the use of energy-saving techniques and features that would allow the Army to potentially avoid about $25.8 million annually in utility expenses and reduce its carbon footprint.

Workforce Management

The Auditor General Randall Exley, Executive Officer COL Sheila Denham, and Deputy Auditor General Monique Ferrell with Agency staff at the Fort Benning Field Office.

With potentially significant budget constraints ahead, the Army faces its biggest workforce challenges since contingency operations in Southwest Asia began more than 10 years ago. As mission requirements increased, the demand for military, civilian, and contractor personnel also increased significantly. Now the Army needs to decrease its workforce while simultaneously maintaining mission readiness and without stressing the force. The Army attempted to review workforce requirements across the enterprise using a capability portfolio review process. The review identified clear inefficiencies in the requirements determination process and overlap of functions among Army activities. Many organizations developed capabilities in-house (outside of their functional areas of expertise) without considering whether they could leverage other functional expertise within the enterprise. Additionally, workforce requirements seemed to have little relevance to authorizations or actual resourcing of those authorizations and, therefore, had minimal value. Our audits examined numerous high-risk areas under **workforce management,** including:

- *Mission Support Elements.*
- *Reserve Retirement Points System.*
- *Manning the Missile Defense Site – Fort Greely.*
- *Training Support System Manning Models.*

Mission Support Elements. The Assistant Secretary of the Army (Manpower and Reserve Affairs) and Deputy Chief of Staff, G-8 asked us to audit U.S. Army Forces Command's mission support elements. Our focus was to verify that work done by mission support elements was different than that done by U.S. Army Installation Management Command's installation support personnel. The Vice Chief of Staff, Army asked us to include operational staff (corps/division headquarters) in our audit. Although functions provided by mission support elements and Installation Management Command's installation support personnel were sometimes similar, we found that each provided services to different customers with a different funding stream consistent with Decision Point 91. Some minor duplication existed to enable continuity of Title 10 support when the corps/division headquarters deploys.

Because there wasn't workload data, we couldn't validate that current mission support element staffing levels were needed. Staffing levels should be driven by workload to establish minimum levels necessary to accomplish the mission. At the time of our review, U.S. Army Forces Command was working with the U.S. Army Manpower Analysis Agency to assess staffing requirements. Forces Command also planned to identify critical deployed mission tasks that mission support elements could transfer or train the corps/division headquarters while at home station. Such action is vital to readiness because it allows Soldiers to maintain proficiency in critical skill sets needed in a deployed environment.

Reserve Retirement Points System. The Adjutant General of the Army asked us to evaluate the processes and procedures that U.S. Army Human Resources Command and U.S. Army Reserve Command used to execute and manage the Reserve Retirement Points Program. Overall, Human Resources Command had sufficient processes to record and manage data in the retirement points system and to provide retirement pay benefits to retirees on time. However, automated data feeds to award retirement points for paid duty and correspondence courses weren't working properly. In addition, current guidance didn't reflect processes being used or clearly define organizational responsibilities. The Army last updated the regulation governing the Retirement Points Program in 1987. Since then, program responsibilities and procedures to manage retirement points have changed. Also, unit-level personnel in the Army Reserve submitted erroneous corrections to retirement points. In FY 10, about 72 percent of units that input corrections did so erroneously for more than half of the transactions. Consequently, Human Resources Command rejected about 69 percent of the transactions. This resulted in many inaccuracies in Soldiers' retirement records, which required manual correction by command personnel. We reviewed records for 63 Soldiers at 4 Army Reserve units and found that 17 had at least one error in his or her record. Retirement points statements were also incorrect because:

- Units didn't regularly review retirement points statements at opportune times, such as during in-processing and birth-month audits.
- Unit-level users didn't receive proper training for entering corrections to retirement points.

Despite these weaknesses, the processes Human Resources Command used to notify Soldiers provided sufficient time to locate eligible retirees, correct records, and process retirement applications. This, in turn, resulted in Soldiers receiving retirement benefits on time. Our recommendations will ensure that Army guidance reflects current processes and responsibilities and that unit personnel are properly trained to update retirement points. They will also correct automated updates to

The Auditor General with Fort Hood Field Office staff.

retirement points records. These combined actions will reduce corrections needed and increase the accuracy of retirement points records for Reserve Soldiers.

Manning the Missile Defense Site—Fort Greely. We conducted this audit at the request of the Alaska National Guard's adjutant general. The 49th Missile Defense Battalion assigned to Fort Greely is composed of United States Code Title 32 Active Guard Reserve Soldiers who perform a unique Federal mission in which most Soldiers transition between Title 32 and Title 10 duty status on a regular and recurring basis. Our objective was to verify that the Alaska National Guard accurately tracked Title 10 service for battalion personnel. We found that the Alaska National Guard wasn't tracking Title 10 service performed by the battalion's Soldiers. We estimated that the Soldiers worked between 167 to 204 days per year in a Title 10 status, but their service wasn't tracked or documented. As a result, Soldiers weren't being credited for the Title 10 service they performed. This caused inaccurate service records and Soldiers weren't able to claim some benefits to which they were entitled. These benefits included not being able to buy back Title 10 service if a Soldier enters Federal civilian service and not being able to use post-9/11 G.I. Bill benefits before 2011. Our recommendations will help ensure Soldiers receive the benefits they have earned.

Training Support System Manning Models. We conducted this audit at the request of the Director of Training, Office of the Deputy Chief of Staff, G-3/5/7 to evaluate the Army's manning models used to determine required staffing levels and to make resourcing decisions for the Active Component CONUS Training Support System. The Army proactively implemented a process to determine Training Support System manning requirements. The models provided the Training Simulations Division with a consistent and reasonable methodology to estimate manpower requirements and to prepare and justify budget requests and program funding to meet installation Training Support System missions. However, because of anticipated budget reductions in FY 12 affecting DA civilian authorizations and service contracts, U.S. Army Installation Management Command created provisional FY 13 tables of distribution and allowances that made implementing Training Support System models optional. As a result, not all Training Support System funding received by Installation Management Command was used in the areas as originally programmed. The way command executed Training Support System funds potentially increased the Army's risk of not meeting training support requirements. Additionally, stakeholders didn't have real-time access to resourcing execution data to effectively monitor the

execution of Training Support System funds and to develop future programs. As a result, key system stakeholders couldn't sufficiently monitor command's execution of DA's training resourcing. Additionally, stakeholders couldn't readily determine how programmed resources were applied during the year of execution to achieve approved objectives or get feedback for adjusting future resource requirements. Therefore, we recommended that the Army provide access to funding execution data to Training Support System stakeholders to allow more visibility and to adjust its manning models to reflect more accurate estimates. These actions will ensure that limited available Training Support System funds are allocated and used more accurately to prevent unnecessary funding shortages.

Cyber Security

Protecting Federal computer systems and other systems that support critical infrastructure like power distribution, water supply, telecommunications, and national defense is a continuing concern. Federal information security has been on the Government Accountability Office's list of high-risk areas since 1997. In the March 2010 Comprehensive National Cyber Security Initiative, President Obama identified cyber security as one of the most serious economic and national security challenges the Nation faces, but one that the government isn't sufficiently prepared to counter. The Office of the Secretary of Defense's Chief Information Officer reported that each day intruders make 70,000 attempts to hack into DOD's computers. In October 2010, U.S. Army Cyber Command was activated to plan, coordinate, integrate, synchronize, direct, and conduct network operations and defense of all Army networks.
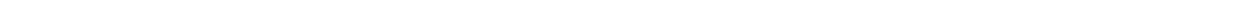
The Auditor General Randall Exley and Executive Officer COL Sheila Denham visit Agency staff at the Fort Huachuca Field Office.

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Army's Response to Cyber Events and Incidents for Army Materiel Command. Army Materiel Command Headquarters asked us to assess command's technical communications flow of information relating to cyber events and incidents in the CONUS theater. Overall, the Army's response to cyber events and incidents protected Materiel Command's systems on the non-secure Internet protocol router

network. However, the response process didn't provide command with all technical information on cyber events and incidents affecting its systems. This hindered the ability of Materiel Command's Cyber Working Group to meet its objective to provide expert and coordinated recommendations and courses of action to command leadership. To get the technical information, the working group will need access to databases on cyber events and incidents and to develop an Internet protocol address crosswalk to identify affected Materiel Command systems. Our suggested actions will help command receive timely, actionable information about events and incidents affecting its systems so it can better protect its information.

Disposal of Excess Information Technology Equipment. We reviewed how the Army was sanitizing and disposing of excess information technology equipment. These processes are vital to protecting the Army's information from unintended release as the Army goes through normal life-cycle replacement of its equipment. The Army generally had valid sanitization and disposal processes in place; however, we identified ways to improve the sanitization process. Specifically, there wasn't:

- A process to identify government-owned or leased devices that process unclassified but sensitive data.
- Current guidance on sanitizing BlackBerry devices or on leased information technology equipment other than computers.
- A requirement to track hard-drive components after they were removed from a device.

We also reviewed contracts for leased equipment. During this review, we found that contracts didn't clearly and completely address sanitizing hard drives. This increased the risk that sensitive data may be leaked outside of the Army. By improving guidance on the sanitizing and disposal process, and by addressing requirements in contracts for leased equipment, the Army will have better visibility of all aspects of the process and reduce the risk that sensitive information may be leaked.

Army Force Generation

The overarching goal of Army Force Generation (ARFORGEN) is to provide combatant commanders and civil authorities with a steady supply of trained and ready units that are task organized in modular force packages and tailored for Joint mission requirements. There's a high risk that ARFORGEN won't transform the Army as intended because supporting tasks won't be achieved in a timely way or at all.

The Auditor General Randall Exley joins Agency staff at the Fort Belvoir Field Office.

ARFORGEN requires significant resources to cyclically recruit, organize, man, equip, train, sustain, mobilize, and deploy units. For instance, continued cross-leveling of personnel and equipment threatens implementing the ARFORGEN model effectively. There are multiple ARFORGEN automation efforts that aren't fully integrated and synchronized to ensure deployment schedules and decisions are made based on accurate data. High-risk areas in the **ARFORGEN** process we reviewed included:

- *Deployment Extension Incentive Pay—Active Component.*
- *Deployment Extension Stabilization Program—Army National Guard.*

Deployment Extension Incentive Pay—Active Component. We verified that deployment extension payments were made to eligible Active Component Soldiers and were properly computed. Deployment extension incentive pay for the Active Component was implemented in March 2009 to mitigate the effect of eliminating the Stop Loss Program. This was a voluntary, two-tiered incentive program offered to all deploying enlisted Active Army Soldiers who met program eligibility requirements. The program encouraged enlisted Soldiers who did not intend to reenlist to voluntarily extend their service to complete a deployment with their assigned unit.

Overall, we found that deployment extension incentive payments were made to eligible Soldiers and correctly computed and paid. We found a small number of records for Soldiers who received incorrect payments. We provided these records to U.S. Army Human Resources Command and recommended that it analyze the documents and circumstances related to the potentially incorrect payments, initiate actions to collect overpayments, and make appropriate payments when Soldiers were underpaid. During the audit-reply process, Human Resources Command said it had reviewed each potentially incorrect record, finding deficiencies in 52 percent. Command stated that it would correct each of these deficiencies. We also found an internal control weakness related to insufficient documentation for Human Resources Command's deployment extension incentive payment initiation process. Command took quick and appropriate action during the audit and corrected this problem.

Deployment Extension Stabilization Program—Army National Guard. We conducted this audit to verify that deployment extension stabilization payments were made to eligible Army National Guard Soldiers and were properly computed. Although most Soldiers were eligible and correctly paid, the records we reviewed showed that some Soldiers didn't meet eligibility standards or they received overpayments. Internal controls within the States' processes weren't sufficient to prevent incorrect payments from being processed. When we raised this issue to the Army National Guard's Financial Services Center, the center reported that it had recently identified the problem in the Active Guard Reserve Soldier population for which it is responsible. As a result, in October 2011, the center established a monthly report of excess payments as an internal control.

Other High-Risk Areas

Under the category of "Other," senior leaders identified areas they believe have risk, but not to the same degree as the 13 high-risk areas already identified. For example, the Agency included audits targeting prevention and detection of potential insider threats that resulted from follow-on actions the Army is taking in response to the Fort Hood shootings. Some **other high-risk areas** we reviewed included:

- *Army Actions Taken to Implement Fort Hood Report Recommendations.*
- *Summary of American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting (Phase III).*
- *Joint Basing Facilities.*
- *Joint Basing – Funding of Installation Services.*
- *Followup of DOD Support to the 2009 Presidential Inaugural.*

Army Actions Taken to Implement Fort Hood Report Recommendations. The Army Deputy Chief of Staff, G-3/5/7 asked us to evaluate the Army's progress in addressing the Fort Hood report recommendations and findings. That report identified 79 total recommendations of which the Army was responsible for 78 (DOD retained responsibility for one of the recommendations). We developed a two-phased approach to address the 78 recommendations and the associated report findings. In phase one, we evaluated HQDA-level actions taken; in phase two, we'll evaluate actions taken at installations.

As of July 2012, the Army approved closing 30 of the 78 Fort Hood recommendations and it reported that HQDA principal offices were in the process of completing actions for the remaining 48. Our assessment showed that the HQDA principal offices took appropriate actions to address the specific wording for all 78 Fort Hood recommendations. However, we identified opportunities in which one of the offices could take additional actions to better address the intent of the reported findings for 4 of the 30 closed recommendations. The principal office agreed and started corrective actions during our audit. Our assessment also showed that 13 of the 30 closed recommendations involved establishing or revising Army guidance. The principal offices took appropriate actions to develop or update the guidance, but the documents were in various stages of final publication. Therefore, we recommended that Army Protection Program managers continue to monitor these recommendations until all guidance documents have been published and institutionalized at the installations.

The Army Protection Program agreed and established a new tracking category to maintain visibility of these recommendations during future Army Protection Program update meetings. Additionally, we identified opportunities in which HQDA could strengthen its management controls over processes used to implement and address the recommendations and findings to make sure implementation continues to be successful. These key controls included establishing clear and specific criteria for closing recommendations, maintaining documented audit trails of completed actions, and developing performance measures and followup programs.

Summary of American Recovery and Reinvestment Act of 2009: Project Outcomes and Recipient Reporting (Phase III). The Army received approximately $7.7 billion in Recovery Act funds for operation and maintenance, military construction, RDT&E, and U.S. Army Corps of Engineers civil works projects. During FY 12, we continued to perform audits supporting the mandated requirement for the Office of the DOD Inspector General to oversee Recovery Act plans and implementation. For the final phase of the Inspector General's three-phased approach, we audited the Army's implementation of the act for 85 projects valued at $194 million at 10 selected Active Army, Joint base, Army National Guard, and Corps of Engineers locations. Specifically, we verified that installation and activity personnel achieved planned outcomes for projects and took sufficient actions to ensure recipient reporting met transparency requirements.

For our Phase III reviews, we concluded that the Army generally achieved planned outcomes and took sufficient actions to ensure recipient reporting met transparency requirements for the 85 Recovery Act projects we reviewed. Our review of the projects managed by the Corps of Engineers identified a systemic issue with its review process of recipient reports. The process didn't ensure that recipient reports met the act's transparency requirements because narrative descriptions in the reports weren't reported in a manner to facilitate understanding by the public. We made recommendations during our audits to address this systemic issue and several other isolated instances that affected or could have affected the ability of installations or activities to achieve project outcomes. The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) agreed with our summary results.

Joint Basing Facilities. The Deputy Assistant Secretary of the Army (Installations, Housing and Partnerships) asked us to determine whether the Army properly transferred real property between the Services and whether facility information recorded in the Headquarters Installation Information System was correct. Our objective was to verify that Army actions related to facilities met the intent of recommendation 146 in the Base Realignment and Closure Act of 2005 (BRAC 05) and the memorandums of agreement established for Joint Base Myer-Henderson Hall and Joint Base Lewis-McChord. We determined that the Army met the intent of the BRAC recommendation and the memorandums of agreement. However, the Army needed to improve the accuracy of facility information in the Headquarters Installation Information System for both bases.

Staff gather during the holidays at the Joint Base Lewis-McChord Field Office.

During the audit, Joint Base Myer-Henderson Hall personnel took action to correct discrepancies related to facility information. However, discrepancies related to land acreage at Henderson Hall remain. The Office of the Assistant Chief of Staff for Installation Management is working with the U.S. Army Corps of Engineers to make corrections.

Discrepancies noted at Joint Base Lewis-McChord are similar to those noted at Joint Base Myer-Henderson Hall, but there are more discrepancies at Joint Base Lewis-McChord mainly because the installation is larger. Personnel at Joint Base Lewis-McChord started to make corrections during the audit. We recommended that the Assistant Chief of Staff for Installation Management direct the commander of Joint Base Lewis-McChord to:

- Conduct a 100-percent inventory of real property transferred from the Air Force to the Army.
- Validate the accuracy of all data in real property records to include measurements, category codes, and operational status codes; and to update property records as appropriate.
- Attach facility number tags to facilities that are missing them.

Joint Basing—Funding of Installation Services. The Assistant Chief of Staff for Installation Management asked us to verify that the Army received installation services for which it agreed to pay above established standards at Joint bases in which the Army was a supported activity. We also reviewed the Army's processes to identify those services and to transfer appropriate funding. BRAC 05 mandated consolidating 26 geographically close Army, Air Force, Navy, and Marine Corps installations into 12 Joint bases, consolidating responsibilities and funding for installation support functions under a single Service to achieve greater efficiencies and economies of scale.

To help achieve these efficiencies, senior DOD personnel approved common output level standards for Joint bases in March 2008. These standards are the basis for inter-Service support agreements between DOD Services. Additionally, the Army identified the need for some services above these standards to ensure it met its commitment to Soldiers and their families under the Army Family Covenant. The covenant commits the Army to improve family readiness. We determined that, overall, the Army successfully ensured Soldiers and their families at Joint bases received services required above Joint base common output level standards. To further improve the process, we suggested the Army:

- Improve identification of services required above Joint base common output level standards in Joint base memorandums of agreement.
- Take appropriate followup action to recoup funds inappropriately transferred at one Joint base.
- Add specific language in memorandums of agreement to assure the Army's ability to periodically evaluate required services above the Joint base common output level standards at Joint bases.

Followup of DOD Support to the 2009 Presidential Inaugural. In 2009, we audited resource management, logistics, and personnel support that Joint Force Headquarters-National Capital Region (JFHQ-NCR) and its two subordinate activities—the U.S. Army Military District of Washington and the Armed Forces Inaugural Committee—provided to the 2009 Presidential Inaugural. The inaugural was unique due to the size of the crowds, the significant challenges in staffing shortages because of two ongoing war efforts, and the significant changes in the support environment. JFHQ-NCR and its subordinate activities addressed these challenges and, through their continual adjustments, provided effective ceremonial support consistent with DOD guidelines. The Military District of Washington and the Armed Forces Inaugural Committee also completed all actions needed to close out support operations for the 2009 Inaugural.

In our prior audit report, we made five recommendations for more efficient operations for the 2013 Inaugural. In this followup audit, we determined that JFHQ-NCR had taken the necessary actions to correct the underlying conditions. It clearly identified responsibilities for inaugural operations and developed a checklist to ensure future inaugurals are executed efficiently. In addition, it has included inaugural property in its normal life-cycle process and is using an already established property book office to record inaugural property. JFHQ-NCR is on track to realize monetary benefits identified in the prior report. Based on an approximately 16.4-percent reduction in the 2013 Presidential Inaugural budget when compared to 2009 Presidential Inaugural expenses, JFHQ-NCR could potentially save about $1.4 million.

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 Army and other Service commanders in the Joint environment. More than 200 auditors have deployed downrange since 2002; at the end of FY 12, we had 29 auditors in Afghanistan and 2 in Kuwait.

In FY 12, we published 21 reports in theater. These reports continued to focus primarily on logistics related to property accountability, financial controls over invoices, and contract management in Afghanistan. (b) (2), (b) (5)

Members of Team MTE met in Bagram, Afghanistan, to discuss upcoming audits and communication strategies for a successful 2012 fall deployment.
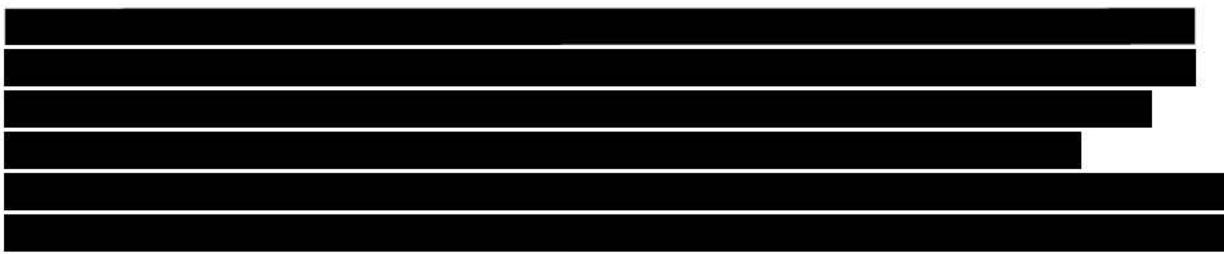
Army Audit Agency (AAA) auditors team up with Naval Audit Service (NAS) auditors (b) (6), (b)

(b) (2), (b) (5)

(b) (2), (b) (6), (b)

(b) (6), (b)

(b) (2), (b) (5)

Overseas Contingency Operations (OCO) Resource Reporting. After more than a decade of war, the Army must refocus on cost management principles. To enable it to make better budget decisions, the Assistant Chief of Staff for Installation Management asked us to analyze FYs 08-09 OCO funding

execution for representative ARFORGEN installations. We looked at whether the Army funded, executed, and accurately reported the use of OCO funds in accordance with established policy and guidance, with the intent to ensure that future base budgets were accurately built. We reported that the two Reserve Component installations we visited (Camp Atterbury and Fort Dix) used OCO funds primarily for contingency purposes.

The two Active Component sites we visited (Fort Stewart and Fort Hood) were forced to use a portion of their OCO funds to supplement their base budget and to fund base operations support. This occurred because of funding shortages at the installations, misinterpretation of continually evolving guidance, and incomplete oversight. As a result, the Cost of War report was overstated, and enduring base operations support requirements were understated, which could lead to future base budget funding shortages.

Our recommendations to the Assistant Secretary of the Army (Financial Management and Comptroller) included reinforcing prohibitions against using OCO funds for base budget requirements and working with funded activities to establish controls to ensure OCO funds are used appropriately. We also recommended determining the extent of OCO funds used for base budget services, reducing the reported amounts, and adjusting base budget requirements. Implementing our recommendations should alleviate these situations. We also identified potential savings of more than $500,000 annually at one Reserve Component installation we visited if the installation used more economical business practices.

Supporting Army Clients

To assess how Army clients value our services, we track several quantitative measures, including:.

- *Client satisfaction.*
- *Return on investment.*
- *Benefits realized.*

Client Satisfaction. We survey our Army clients and stakeholders 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 delivering information, effectiveness of audit teams, repeat requests and referrals, and comparison with other audit organizations. We use client ratings to compute our Agency's overall client satisfaction rating. During FY 12, we received 102 survey responses (33 clients and 69 stakeholders). Our Level I goal is to achieve favorable ratings of at least 80 percent from survey respondents and we exceeded this goal in five of the seven survey categories.   These numbers show our clients believe we're helping them accomplish their mission and that they value what we do. Details are in Table 1 on the next page.

Table 1: Client Satisfaction Ratings*

Overall Client Satisfaction	94%
~ Subject Matter	94%
~ Timing of Engagement	79%
~ Benefits of Engagement	95%
~ Timeliness of Delivering Information	90%
~ Effectiveness of Audit Teams	99%
Repeat Requests and Referrals	79%
Comparison with Other Audit Organizations	90%
Overall Stakeholder Satisfaction	86%

*Client: 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.

Stakeholder: An individual assigned to the activity under review with a material interest in the outcome of the audit regardless of whether recommendations are directed to him or her.

Our FYs 11-15 Strategic Plan established a performance goal to develop a broad-based client satisfaction program that addresses a more comprehensive program to obtain feedback and measure client satisfaction. As a result, we started the General Officer (GO)/Senior Executive Service (SES) survey program. The GO/SES survey is an abbreviated version of the client survey and is sent to at least one GO or SES for each audit. The new survey has four questions that relate to key issues of our senior leaders—cycle time, senior leader collaboration, fair and balanced reporting, and actionable recommendations. Here are the results of this effort for FY 12:

Table 2: Client Satisfaction Ratings
General Officers and Senior Executive Service

Activity Type	Surveys Sent	Surveys Received	Cycle Time	Senior Leader Collaboration	Fair and Balanced Reporting	Actionable Results	Overall Satisfaction
Secretariat/DA Staff	23	5	100%	100%	100%	100%	100%
FOA/DRU	3	2	100%	100%	100%	100%	100%
ACOM	13	4	75%	100%	100%	100%	94%
ASCC	3	1	100%	100%	100%	100%	100%
Installation Activity	0	0					
Corps/Division/Brigade	3	0					
Other	14	5	100%	100%	100%	100%	100%
Total	59	17	94%	100%	100%	100%	98%

Abbreviations:
ACOM: Army Command
ASCC: Army Service Component 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 the 6‑year program objective memorandum period to ensure requirements associated with benefits are programmed and funded. In FY 12, we issued 28 reports with potential monetary benefits. This exceeded our Level II/satisfactory goal of 20 reports (10 percent) and fell short of the Level I/exceptional goal of 40 reports (20 percent). However, the dollar value of the savings—$1.5 billion—compared to the Agency's FY 12 annual operating costs of about $76 million yielded an overall return on investment of about $20 to $1. This met our Level I goal of $20 to $1 and shows that our audits produce an excellent return on investment for the Army's resources.

Benefits Realized and Recommendations Implemented. We perform followup audits to determine if the Army realized our estimated monetary benefits. We use results to calculate the performance measure called "percentage of monetary benefits realized." In FY 12, we reviewed recommendations that included about $532.5 million in formal monetary benefits to which command had previously agreed. Followup audits showed that, of that amount, command realized about $213.9 million (40 percent). Additionally, one of our leadership's signature issues is to ensure we make actionable recommendations. 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 12, our corporate goal is the percentage of recommendations implemented in FY 10. The 96-percent implementation rate far exceeded our Level I goal (80 percent) of recommendations implemented in FY 10.

Corporate Integration

We continue to seek ways to strengthen partnerships with our clients and to deliver timely, pertinent information to Army leaders. In our FYs 11-15 Strategic Plan, The Auditor General emphasized the importance of continued collaboration with Army leaders at all levels. To that end, during FY 12, Agency leaders continued to meet with 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 on our work. The Auditor General also encouraged staff to participate on Army teams and task forces for process improvements. As a result, our employees spent nearly 4,200 hours advising Army task forces, such as the Joint Audit Planning Group for

Construction, Sustainment, & Environment; Commercial Activities Studies Joint Planning Group; and the Property Accountability Task Force. We also continued to support Army-sponsored events, such as change-of-command ceremonies and diversity celebrations. The Agency also added a new position to develop a comprehensive strategic communications plan during FY 12 to improve our internal and external communication channels. All of these efforts are enhancing communications with Army leaders and executives as well as Agency employees to help ensure that we remain a highly sought-after, integral part of the Army's team.

Auditors from Naval Audit Service augmented our Agency in Kuwait during 2012. (b) (6), (b)

Our strategic objectives and performance goals focus on maintaining a high-performing workforce. We do this by attracting and retaining the right people with the right skills and by developing employee competencies. After publishing our first Human Capital Plan in 2009 and creating some process action teams to complete initiatives, we have successfully worked through all initiatives in the plan. We will focus our efforts this coming year on closing technical competency gaps, developing leaders, and planning for succession.

Human Capital Management

Workforce Management. In FY 12, we continued to focus on maximizing our ability to accomplish our mission through our people. We merged our training and human resources functions and established a new workforce management team within the Agency's Operations Management Division. This reorganization facilitated continued implementation and sustainment of the programs and initiatives in our Human Capital Plan to ensure we maintain a talented and engaged workforce.

The Agency's Workforce Management team does some teambuilding in the Agency's new training room at its Operations Center at Fort Belvoir.

Human Capital Plan Initiatives. Here are some noteworthy accomplishments from FY 12:

- Redesigned the Agency's training and development program to close competency gaps identified through the 2010 Competency Management System survey. The program includes a combination of classroom, distance learning, and on-the-job training strategies.
- Developed strategies to strengthen leadership capabilities at all levels and to close identified leadership competency gaps. Those strategies led the Agency to increase its focus on Army Civilian Education System courses through an update of its training matrix, to achieve 100-percent compliance with the Army's mandatory supervisory development course requirement, to engage lower levels in senior leadership meetings, and to establish an expanded mentor program for GS-13s.
- Implemented the Agency's newly developed succession planning strategy, which focuses on preparing Agency leaders to advance to the next level. We evaluated audit managers against competencies required for program director positions, held talent discussions, and documented developmental needs for each employee interested in advancement.
- Participated in the Deputy Chief of Staff, G-1's strategic workforce planning efforts, including identifying and reporting gap closure strategies for the 511 Auditor high-risk mission-critical occupational series.
- Continued overseeing and executing remaining initiatives in the Agency's FYs 09-12 Human Capital Plan. Initiatives were reassessed based on external changes that limited recruiting and funding.

Professional Development. We continued to provide professional development opportunities for our workforce and 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 12. Many of these requirements were met through our high-quality Agency-conducted matrix auditor 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 and the Georgetown Master's Program. In FY 12, we also updated our formal mentor program, focusing on developing partnerships to close specific competency gaps and expanded the program to employees at the GS-13 level to help build their leadership capabilities.

Employee Satisfaction. For more than a decade, our Agency has conducted an annual survey of our workforce to gauge how employees view their jobs and the Agency's organizational culture. Senior leaders use results from this survey to develop or revise policies and programs to enhance the work environment for employees and to improve operational efficiency. We linked our survey questions to our Human Capital Plan goals to make sure we progress toward meeting those goals. We also included questions from the Federal Viewpoint Survey by the Office of Personnel Management and the questions the Partnership for Public Service uses to rank agencies across the Federal Government for the Best Places to Work. Overall, our scores went up this year. In addition, our response rate increased by 5 percent to 76 percent—our highest in 5 years. Higher scores may be at least partially attributable to the stability in leadership over the year and the improvement in communication between Agency senior leaders and staff.

We met our Level I goal for three corporate measures—Leadership Excellence, Workforce Engagement, and Talent Management—85 percent, 81 percent, and 80 percent, respectively. We met our Level II goal for the remaining measure—Support Functions—with a score of 75 percent. This score was likely due to a delay in replacing aging laptops and the transition of some help desk functions to HQDA. The computer refresh was completed when more than 570 new Hewlett-Packard laptop computers were issued. Help desk functions will remain with HQDA and 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.

Table 3: 2012 Corporate Measures			
Category	**Level I Goal**	**Level II Goal**	**Scores**
Leadership Excellence	80%	70%	**85%**
Workforce Engagement	80%	70%	**81%**
Talent Management	80%	70%	**80%**
Support Functions	80%	70%	**75%**

We compared last year's results with this year's results for the categories in the survey. Our overall employee satisfaction score was 85 percent, which was 6 percent higher than last year and exceeded our Level I performance goal (80 percent). Our scores went up between 1 percent and 7 percent in 8 of 9 categories.

For some areas, we made particularly notable progress. In 7 of the 9 traditional categories, we had the highest scores since at least 2004. The improvement in "Leadership and Management" was particularly significant with a 7-percent increase from 2011. As a result, the category moved from Level II to Level I. We believe this reflects the heightened focus and effort that many of our organization's leaders and managers have placed in this area. "Empowerment, Motivation, Accountability, and Teamwork" also showed notable improvement with a 5-percent increase from last year and all questions were rated at Level I—the highest rating in this category since 2004. Here's a summary of the 2012 workforce survey results for each of the nine categories that we have traditionally used, as well as overall satisfaction:

Table 4: 2012 Workforce Survey Results

Category	Level I Goal	Level II Goal	2012 Score
Leadership and Development	80%	70%	84%
Performance and Recognition	80%	70%	79%
Training and Development	80%	70%	79%
Empowerment, Motivation, Accountability, and Teamwork	80%	70%	86%
Communications	80%	70%	87%
Information Technology	80%	70%	62%
Equal Employment Opportunity	95%	85%	89%
Sexual Harassment Prevention	95%	85%	91%
Work Environment	80%	70%	83%
Overall Satisfaction	80%	70%	**85%**

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 third 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 were based on responses from our workforce survey. The first 2 years we participated, we placed second. This year, we placed first of 292 agencies in our category (agency subcomponents). The Governmentwide score of 60.8 percent for employee satisfaction was the lowest score since the partnership began reporting the rankings in 2003 and a drop of 3.2 percentage points from last year. Likewise, most agencies experienced a decline in their component scores.

Despite this trend, the Agency had the highest score for job satisfaction compared to all agencies in the federal government—large, mid-size, small, and subcomponent—at more than 85 percent. This is a great honor for the Army Audit family.

Agency leaders have always placed significant emphasis on our workforce and their needs. In response to perceived weaknesses and disconnects in staff-management communications, leadership dedicated time and resources to improving communications and fostering open and transparent dialogue. These efforts included conducting a communications course for all supervisors. We also expanded efforts to practice sound succession planning and improve transparency by inviting audit managers to leadership and audit operations meetings and program directors to senior leadership meetings. Those are just a few examples of actions our leaders have taken to foster a positive work environment for our employees and they will continue to look for ways in which we can build upon that success.

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 12, the council focused on some important topics, many of which are still ongoing, including:

- Creating a spreadsheet for the travel area of SharePoint in which staff can post information about their experiences at bachelor officer's quarters.
- Researching the honorary awards process.
- Exploring an expansion of opportunities for auditor rotations.
- Reworking the council's SharePoint site to be more user-friendly.
- Using the Agency blog to reach out to, and communicate with, constituents.

SECRETARY OF THE ARMY
WASHINGTON

DEC 2 6 2012

To the Employees of our Army Audit Agency

Congratulations on your top finish in "The Best Places to Work in the Federal Government" competition. Finishing 1st among the 292 Federal subcomponents that competed in FY 2012 is quite impressive. It adds further to your stellar performance in FYs 2010 and 2011 during which you finished 2nd of over 200 competing subcomponents in each of those years. Your score in FY 2012 (85.4) is also the highest not only for your subcomponent category but also for all four categories in the competition (including large, medium, and small agencies). Your accomplishments are great news for the Army, and we are inspired by your sustained record of exceptional performance.

I am thrilled to see you recognized for your distinguished service to our country. Your professionalism and dedication to duty are noteworthy, and your leadership and commitment have been essential in helping the Army carry out its responsibilities. And, it's clear also that you make a formidable team. With those qualities, you stand as a stalwart example of success for our Army organizations and the rest of the Federal Government.

Thank you for all that you have done to help our Soldiers, their Families, and our Army confront the challenges we face around the world. You have established a high standard of excellence, and I am proud to serve on the Army team with you.

Sincerely,

John M. McHugh

Letter from Secretary of the Army John M. McHugh congratulating the Agency on placing first in the Federal Government's "Best Places to Work."

ORGANIZATIONAL EFFECTIVENESS AND EFFICIENCY

Our strategic objectives and performance goals in organizational effectiveness and efficiency are to improve our internal business processes and maximize 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. As we developed our FYs 11-15 Strategic Plan, we 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 12, we established a new organizational structure to address two major objectives. The first was to expand to a four operating directorate structure and to align those directorates with the Assistant Secretaries of the Army to make sure we were organizationally positioned to best support Army leadership. The second objective was in direct response to our Human Capital Plan Initiative 6B, which challenged us to address the issue of one-deep positions and the staffing and management of our professional support positions. We restructured our Operations Management Directorate, adding two new divisions (Budget & Manpower and Workforce Management). The Training Branch moved from Audit Policy and Coordination to Workforce Management. These moves aligned branches with connected missions under the same divisions to achieve synergies. The Strategic Planning & Communications Division also reorganized and became aligned with the Principal Deputy Auditor General. The Editorial Branch and a new Strategic Communications Branch were added to this division, while Knowledge Management moved into the Information and Administrative Services Division.

Audit Process. The Agency continues to make reviewing the audit process—from initial planning to final report—a high priority to identify ways to 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 to prior year. We exceeded our Level I goals (70 percent and 5 percent, respectively), issuing 155 draft reports (76 percent) within 300 elapsed days and reducing average elapsed days to deliver final reports by 24 days (7 percent) compared to FY 11.

In FY 12, the Agency completed its initial testing and implementation of the TeamMate electronic working paper module. We appointed an additional TeamMate administrator who, along with the primary administrator, serves as an Agency subject-matter expert. We also appointed and trained TeamMate champions from each field office to be first-line support to users and to liaise between users and the administrators. By the end of FY 12, approximately half of our audit staff had received training and 16 audit teams had successfully implemented TeamMate. In FY 13, we will continue training Agency staff and begin testing newer versions of the electronic working paper module and other TeamMate modules.

Internal Support Processes. We continually revise, assess, and adjust our internal support processes to help accomplish our mission. As part of our annual workforce survey, we gauge employee satisfaction with our internal support processes. We measure satisfaction with internal support functions and whether they help employees get the job done. The satisfaction rating was 75 percent, exceeding our Level II goal (70 percent). Table 5 shows

The Auditor General Randall Exley (far right), Principal Deputy Auditor General Joe Mizzoni (far left), and Director of Operations Kathe Nelson (second from left) present commemorative coins to some of the Agency's support staff in appreciation of their service to the Agency.

ratings of our support processes. We met or exceeded our Level I goal for 8 of 10 processes. Our management team uses the results to identify areas in which we are doing well and areas in which we need to improve. We experienced increases in satisfaction in four areas— Strategic Audit Planning Office (4 percent), Human Resources Office—Personnel (4 percent), Audit Coordination and Followup (6 percent), and General Counsel Office (7 percent). Here are details:

Table 5: Satisfaction with Support Processes*	
Professional Support Area	**Ratings**
Applied Technology Team	85%
Audit Coordination and Followup Office	89%
Human Resources Office—Pay	81%
Human Resources Office—Personnel	81%
Human Resources Office—Travel	92%
General Counsel Office	91%
Help Desk	63%
Knowledge Management Branch	84%
Strategic Audit Planning Office	93%
Training and Education Branch	70%

*Level II Goal (Satisfactory) = 70% ~ Level I Goal (Exceptional) = 80%.

STRATEGIC COMMUNICATIONS

This is our newest strategic goal. 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 in the Army and fully engage all team members.

Strengthening Communications. In FY 12, we placed significant focus on improving communications between management and staff by revising performance objectives to include expectations regarding effective communications, training all Agency leaders through a course called "Communications in Critical Conversation Situations," and developing a best practices handbook for communications. The Auditor General reinforced effective communications throughout the year through blog posts and e-mail and at town hall and Agency leadership meetings. In addition, this year, we dedicated a full-time resource to our newly formed Strategic Communications Branch.

Strategic Communications Plan. The purpose of this plan is to create a blueprint that will ensure we communicate a consistent message to our workforce and clients/stakeholders about who we are, what we do, and how we do it. And, because the Agency is always striving to improve communications, the plan will outline areas in which there is room for improvement and strategies to address those areas, among them:

- Generational differences.
- Increasing trust between Agency senior leaders and the workforce.
- Stronger communication within and between audit teams.
- Communicating the overall importance of our work.
- Improving the way we gauge client satisfaction.

This year, we focused on developing our internal plan and personnel from the Strategic Communications Branch met with:

- Each member of the SES group to understand his or her vision/key messages for the plan.
- Personnel from the Office of the Army Chief of Public Affairs to get their help structuring the plan.
- Agency Human Resources personnel to gain insight on the development of the Human Capital Plan.
- Selected program directors to discuss workforce issues related to communications.
- Staff from each field office who wished to participate (in person or via video-teleconferencing) to get their perspectives on how to enhance communication to help the workforce do their jobs and make Army Audit an even better place to work.

The internal plan is in draft and will be published in FY 13; at that time, we'll start developing the external plan.

Communication Skills Workshop. During FY 12, the Workforce Management Division led a 2-day communications skills course for all Agency leaders and supervisors. This training was packed with valuable content and practical exercises. Participants were introduced to 10 principles of compelling communication and then practiced these principles by applying them to 8 critical conversations and situations that occur regularly in the workplace. Feedback by attendees was very positive—many wished the course had been longer! This was a testament that the information was relevant and that the investment of time and resources was worthwhile. At the end of this course, the division developed a best practices handbook that was based on feedback from class participants and roundtable discussions with leadership, which was disseminated to the entire workforce.

One of the Agency's popular communications skills workshops was held near the St. Louis Field Office.

(Clockwise from left) Hawaii Field Office staff members (b) (6), (b) are joined by The Auditor General Randall Exley and his Executive Officer COL Sheila Denham.

The Auditor General Randall Exley (far right), joined by Principal Deputy Auditor General Joe Mizzoni (far left) and Director of Operations Kathe Nelson (second from left), recognizes the Agency's contractor support staff.

AGENCY SENIOR LEADERSHIP

RANDALL EXLEY
The Auditor General

COL SHEILA DENHAM
Executive Officer

JOSEPH MIZZONI
Principal Deputy Auditor General

JOE BENTZ
Deputy Auditor General
Acquisition, Logistics
& Technology Audits

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

KEVIN KELLY
Deputy Auditor General
Financial Management
& Comptroller Audits
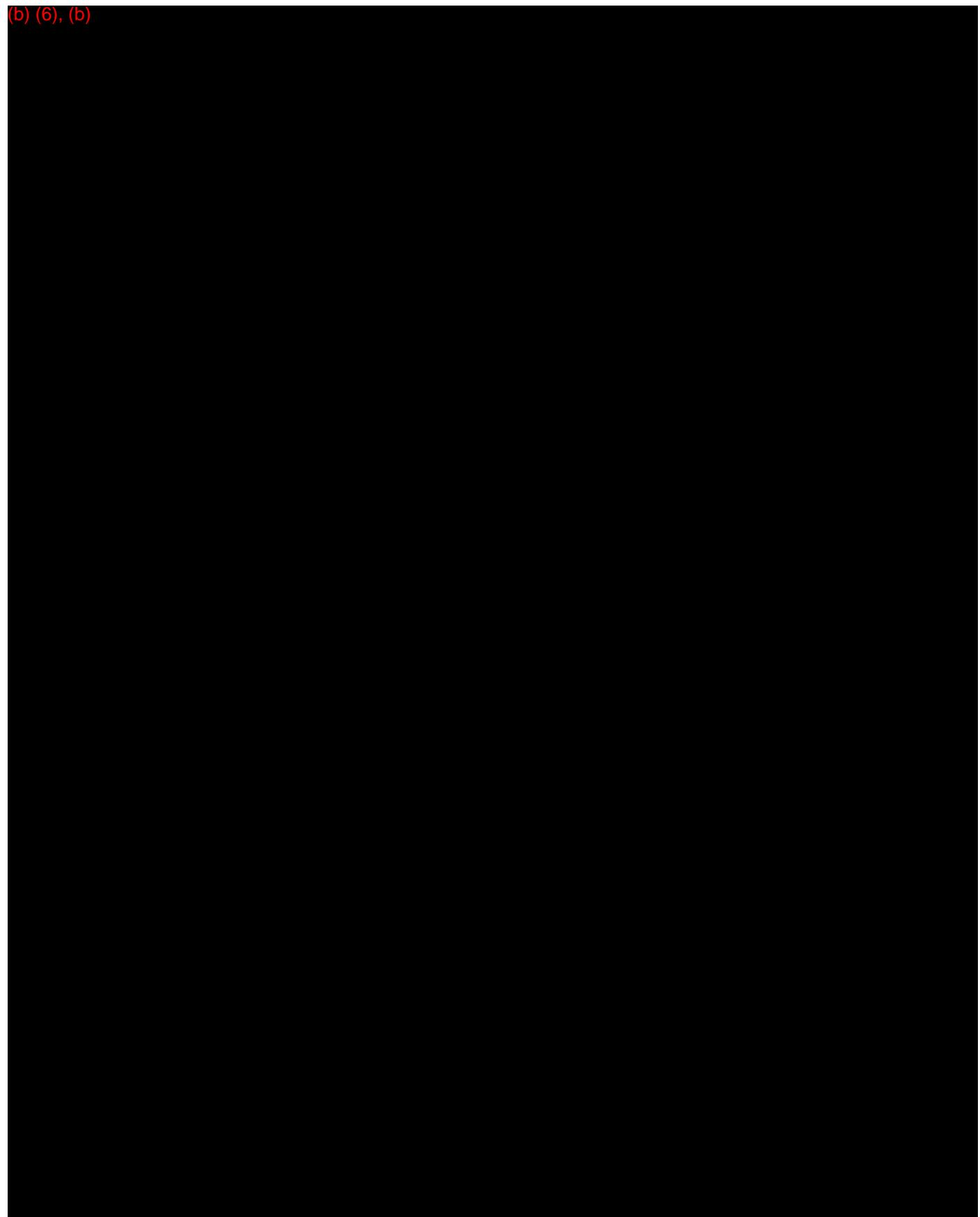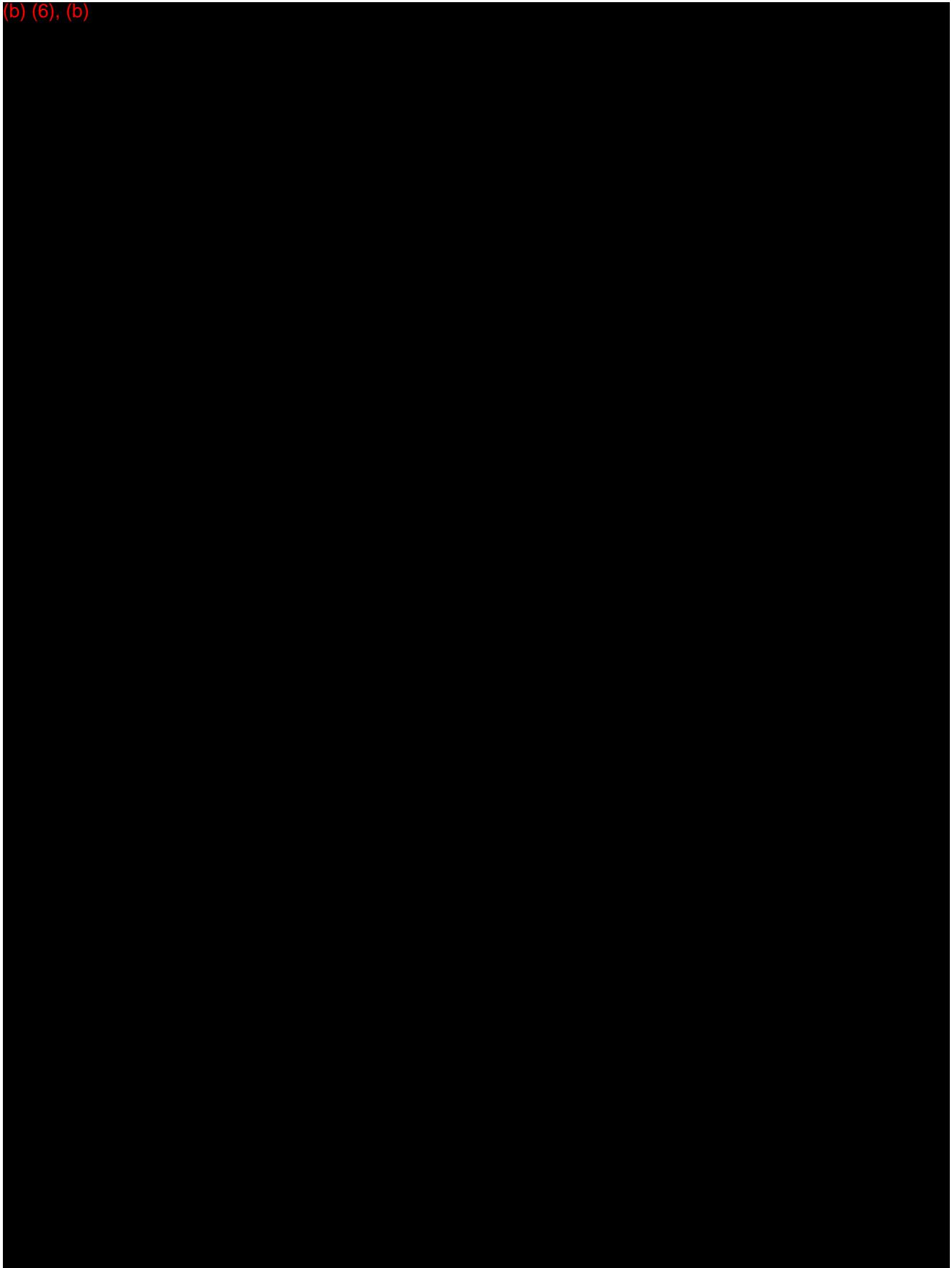
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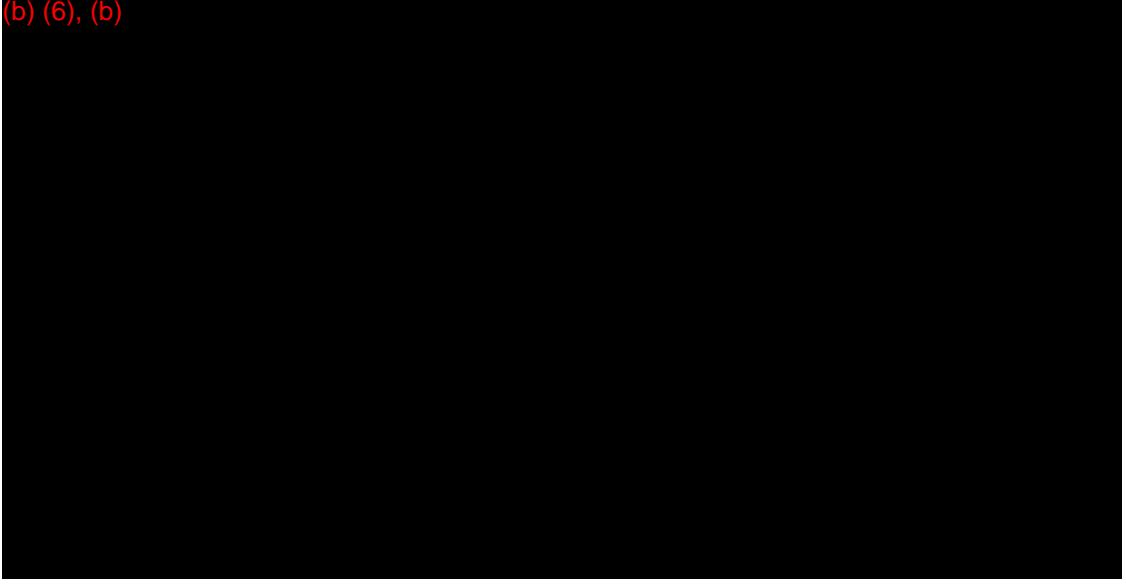
CONTACT INFORMATION AND WEB SITES

To make audit suggestions or request audit support, contact Ms. Jo.L.Spielvogel, Program Director for Strategic Audit Planning, at (703) 545-5882 or Jo.Spielvogel.civ@mail.mil.

To obtain copies of our audit reports, please visit our Web site. Note: this site is only available to military domain users and the U.S. Government Accountability Office; other activities may obtain copies of Agency reports by contacting our Audit Coordination and Followup Office at (703) 614-9425.

For more information on the contents of this annual performance report, please contact Ms. Debbie Marois, Program Director for Strategic Planning and Communications, at (703) 545-5904 or Debbie.A.Marois.civ@mail.mil.

The following information is available online:

Army Audit Agency Web Sites

Extranet	Internet
https://www.aaa.army.mil	http://www.hqda.army.mil/aaaweb
• Agency Leaders • Audit Reports • Training • Policy and Guidance • Annual Performance Report • Strategic Plan • Human Capital Plan	• Agency Organization & Structure • Agency Leadership • Agency Strategic Plan • Career Opportunities

Providing Solutions for Army Challenges
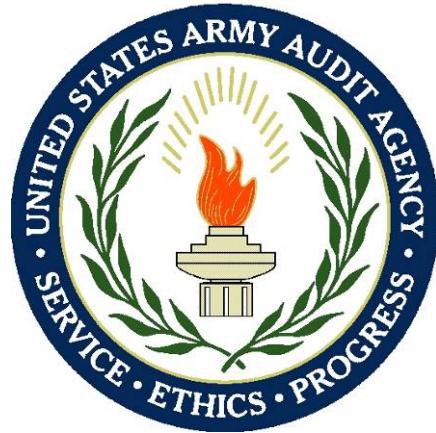
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