
June 10, 2002



Human Capital

Compensation Policies and
Procedures for Selected
Nonappropriated Fund Childcare
Providers
(D-2002-101)

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Acronyms

CDC	Childcare Development Center
CDP	Child Development Program
CONUS	Continental United States
DMDC	Defense Manpower Data Center
GS	General Schedule
NAF	Nonappropriated Fund
OCONUS	Outside CONUS
OPM	Office of Personnel Management



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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June 10, 2002

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (FORCE
MANAGEMENT POLICY)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
DIRECTOR, DEFENSE MANPOWER DATA CENTER

SUBJECT: Audit Report on Compensation Policies and Procedures for Selected
Nonappropriated Fund Childcare Providers (Report No. D-2002-101)

We are providing this report for review and comment. We conducted the audit in response to a request by the Assistant Secretary of Defense (Force Management Policy). We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request that the Air Force provide additional comments on Recommendation B.1. and reconsider its response to Recommendation B.2. and provide comments by July 10, 2002.

We request that the Air Force provide comments that conform to the requirements of DoD Directive 7650.3. If possible, please provide management comments in electronic format (Adobe Acrobat file only). Send electronic transmission to the e-mail addresses cited in the last paragraph of this memorandum. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the classified SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Dennis E. Payne at (703) 604-8907 (DSN 664-8907) (dpayne@dodig.osd.mil) or Mr. Albert L. Putnam at (703) 604-8779 (DSN 664-8779) (aputnam@dodig.osd.mil). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

Handwritten signature of Thomas F. Gimble in black ink.

Thomas F. Gimble
Acting
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Office of the Inspector General of the Department of Defense

Report No. D-2002-101

June 10, 2002

(Project No. D2001LH-0169)

Compensation Policies and Procedures for Selected Nonappropriated Fund Childcare Providers

Executive Summary

Who Should Read This Report and Why? DoD program managers responsible for the administration of DoD civilian employee personnel and pay policies should review this report to ensure that they are correctly following pay procedures for nonappropriated fund (NAF) employees.

Background. Consistent with the Military Child Care Act of 1989, DoD and the Services agreed to pay entry-level NAF childcare providers at DoD childcare development centers a minimum pay rate equivalent to that of a General Schedule grade 2, step 1, at the locality where the childcare development center is located. NAF childcare providers are civilian employees who are not subject to many of the personnel laws administered by the Office of Personnel Management, such as the annual general and locality pay increases. However, the Military Child Care Act of 1989 requires DoD to pay NAF childcare providers at rates of pay substantially equivalent to rates of pay to other employees with similar training, seniority, and experience at the installation where the job is located. In June 2001, the Office of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) analyzed April 2001 data from the NAF childcare provider database maintained by the Defense Manpower Data Center (DMDC) and concluded that the DMDC data indicated that 22 percent of NAF childcare providers in the continental United States were paid lower than \$8.26 per hour. In 2001, \$8.26 was the minimum hourly rate in the continental United States for a General Schedule grade 2, step 1, employee. For overseas locations, 41 percent were paid lower than the applicable minimum rate of \$7.67 per hour. The combined percentage of NAF childcare providers who were underpaid was 25 percent, according to the database.

Results. DoD compensation policies for NAF childcare providers were generally effective. The childcare development center initial training program and advancement policies were effectively implemented at the 12 sites visited. Details are in Appendix C.

All 857 NAF childcare providers at the 12 sites visited were paid at least the minimally required amount for entry-level positions at their pay locality. However, 23 NAF childcare providers employed by the Marine Corps did not receive the percentage increase mandated by DoD regulations when they were promoted. As a result, though the NAF childcare providers were paid at rates equivalent to or more than the minimally required amounts, some should have been paid at rates higher than they were being paid. Establishing controls will ensure that NAF childcare providers are paid at the correct pay rates when they are promoted from one pay position to another (finding A).

The NAF childcare provider database maintained by DMDC and the databases transmitted to DMDC by the Services were inaccurate and unreliable as of July 2001. Specifically, for the 12 sites visited, 15 childcare providers in the database were no longer employed at the childcare development centers. Further, 232 of 857 NAF childcare providers were not included in the DMDC database. As a result, the DMDC database could not be relied on to provide DoD decision makers with current, accurate, and reliable information. Establishing controls and performing quarterly reconciliations would ensure that current and accurate data on childcare providers are available to DoD decision makers (finding B).

See the Findings section for the detailed recommendations. See Appendix A for details on our review of the management control program.

Management Comments and Audit Response. The Marine Corps concurred with the recommendation to establish controls to ensure that NAF childcare providers receive the required compensation upon promotion. The Army, the Navy, the Air Force, and the Marine Corps concurred with the recommendation to establish controls to ensure that NAF childcare provider databases transmitted to DMDC are current and accurate. The Navy and the Marine Corps concurred with the recommendation to establish policies and procedures to perform reconciliation of the Service NAF childcare provider databases with the database maintained by DMDC to ensure the integrity and accuracy of the databases. The Army partially concurred with the recommendation, and the Air Force concurred with the intent of the recommendation. A discussion of management comments is in the Findings section of the report and the complete text is in the Management Comments section.

The Army, the Navy, and the Marine Corps comments are responsive. The Air Force comments are partially responsive. We agree with the Air Force that the cost of administrative controls should be compared to the benefits of the controls. However, we believe that the benefit of providing DoD decision makers with current and accurate data outweighs the minimal funds and staffing required to ensure the accuracy of the Air Force data. We request the Air Force to reconsider its response to the recommendation and also provide detailed information on the controls it established by July 10, 2002.

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Background

We performed this audit in response to a request from the Assistant Secretary of Defense (Force Management Policy). In June 2001, the Office of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) analyzed the database of nonappropriated fund (NAF) childcare providers maintained by the Defense Manpower Data Center (DMDC) for April 2001 and concluded that 22 percent of NAF childcare providers in the continental United States (CONUS) were paid lower than the minimum entry-level rate of \$8.26 per hour. In 2001, the minimum CONUS General Schedule (GS) grade 2, step 1 (GS-2/1), pay rate was \$8.26 per hour. For outside CONUS (OCONUS), 41 percent of the NAF childcare providers were paid lower than the applicable \$7.67 per hour minimum rate. The combined percentage of NAF childcare providers who were underpaid was 25 percent, according to the database. The Deputy Assistant Secretary of Defense (Civilian Personnel Policy) restricted his review of CONUS to the localities where the minimum pay rate was \$8.26 per hour and to NAF Child Development Program Assistants classified as being in the Education and Training Technician Series (1702s).

The Military Child Care Act of 1989 requires DoD to pay NAF childcare providers at pay rates competitive with the pay rates of other employees at the installation with similar training, seniority, and experience. To implement the Military Child Care Act of 1989, DoD established a 2-year pilot program in February 1990 to increase the pay for NAF childcare providers at the entry level to a minimum rate that was equivalent to the local rate for a GS-2/1 and a maximum rate equivalent to a GS-3/10. NAF childcare providers are DoD civilian employees at child development centers (CDCs) who are not subject to many of the personnel laws administered by the Office of Personnel Management (OPM), such as the annual general and locality pay adjustments available for appropriated fund employees. The pilot program also provided a career path for NAF childcare providers at the CDCs to prevent them from remaining at the entry level longer than necessary. Subsequent to the pilot program, DoD and the Services agreed to make the NAF childcare provider pay system permanent. DoD referred to the NAF pay system as the payband system (discussed later). In March 1999, DoD incorporated the payband system into DoD Manual 1400.25-M, "Department of Defense Civilian Personnel Manual," December 1996.

In January 2001, OPM published 32 different CONUS locality GS pay rate tables for 2001. The tables showed the pay rates for 31 specific geographical locations identified by OPM and for "the rest of the U.S.," which covered all CONUS locations that were not specifically identified in the other tables. The 2001 OPM locality pay adjustments did not include Alaska, Hawaii, and OCONUS. The pay rate for a GS-2/1 on the rest of the U.S. table was \$8.26 per hour, which incorporated a 2.7 percent general increase and a 7.68 percent locality pay increase, a net increase from 2000 of 3.57 percent.

Objectives

Our overall audit objective was to assess compliance with policies and procedures concerning compensation for DoD childcare providers. We also evaluated compliance with training requirements for entry-level NAF childcare providers. The management control program as it related to the overall objective was also reviewed. See Appendix A for a discussion of the audit scope and methodology and our review of the management control program. See Appendix B for prior coverage. See Appendix C for other matters of interest, including the results of our evaluation concerning training requirements, which showed that the initial training program was effectively implemented at the 12 sites visited.

A. Salary Payments to NAF Childcare Providers

DoD compensation policies for NAF childcare providers were generally effective. All 857 NAF childcare providers at the 12 sites visited were paid at least the minimally required amount for entry-level positions at their pay locality. However, 23 NAF childcare providers employed by the Marine Corps did not receive the percentage increase mandated by DoD regulations when they were promoted. The Marine Corps did not enforce the DoD guidance. As a result, though the NAF childcare providers were paid at rates equivalent to or more than the minimally required amounts, at least 23 childcare providers should have been paid at rates higher than they were being paid.

Criteria

Public Law. Section 1792, title 10, United States Code (10 U.S.C. 1792), February 1996, requires DoD to establish a program to increase the compensation of childcare employees who are directly involved in providing childcare at military installations and are paid from NAFs.

- In the case of entry-level NAF childcare providers, DoD must provide rates of pay competitive with the rates of pay to other entry-level employees at the installation who are drawn from the same labor pool.
- In the case of other NAF childcare providers, DoD must provide rates of pay substantially equivalent to the rates of pay to other employees at that installation with similar training, seniority, and experience.

DoD Policies. DoD Manual 1400.25-M implements civilian personnel policies, establishes uniform DoD-wide procedures, and provides guidelines regarding civilian personnel management within DoD. To implement 10 U.S.C. 1792, DoD incorporated subchapter 1405, Appendix C, into DoD Manual 1400.25-M in March 1999. Appendix C establishes policies for the classification and pay system for NAF childcare providers. All NAF childcare providers at the CDCs were converted to that system.

Pay Rates and Pay Increases. Appendix C of DoD Manual 1400.25-M states that the minimum and maximum pay rates for NAF childcare providers at each payband will be equivalent to the GS rates. The minimum and maximum rates could be adjusted by the servicing civilian personnel officers or human resources officers as necessary to equate to the corresponding GS rates for the locality in which the job was located. Additionally, the Manual states that “an employee’s pay must be increased as necessary to prevent it from falling below the minimum rate of the band. However, employers have the discretion to set pay within the minimum and maximum rates for each band.” The Manual also states that “a position change to the next level of responsibility within or

between paybands requires a minimum of 6 percent hourly rate increase, or the minimum rate associated with the applicable GS grade in the locality to which assigned, whichever is higher.”

Payband System. Appendix C of DoD Manual 1400.25-M assigns all NAF childcare providers to DoD-wide standard position descriptions (the 1702 job series) and into one of two paybands. The first payband (CC-I) covers positions at the entry and intermediate levels, and the second payband (CC-II) covers positions at the target, leader, and technician levels. CC-I positions are developmental positions for advancement into CC-II positions. Advancement occurs when a childcare provider moves from one childcare development program (CDP) level to another, starting at the entry level. Table 1 depicts the childcare provider paybands.

Table 1. Structure of Classification and Pay System For DoD NAF Childcare Providers

<u>Payband</u>	<u>Position</u>	<u>Minimum Pay Rate (GS Equivalent)</u>	<u>Maximum Pay Rate (GS Equivalent)</u>
CC-I	CDP Assistant, Entry Level (comparable to GS-2)	GS-2/1	GS-3/10
	CDP Assistant Intermediate Level (comparable to GS-3)	GS-2/1	GS-3/10
CC-II	CDP Assistant, Target Level (comparable to GS-4)	GS-4/1	GS-5/10
	CDP Assistant, Leader Level (comparable to GS-5)	GS-4/1	GS-5/10
	CDP Technician Level (comparable to GS-5)	GS-4/1	GS-5/10

Service Policies. All the Services have similar policies and procedures implementing DoD Manual 1400.25-M. In January 2001, headquarters NAF personnel for the Services* issued additional guidance on the implementation of

* The Army policies were issued by the Defense Finance and Accounting Service, NAF Financial Services, Texarkana, Texas. The Navy policies were issued by the Commander, Navy Personnel Command, Millington, Tennessee. The Air Force policies were issued by the Headquarters Air Force Service Agency, Human Resources Division, Randolph Air Force Base, Texas. The Marine Corps policies were issued by Management Information Systems, Personnel and Family Readiness Division, Quantico, Virginia.

the 2001 pay rates to the personnel offices at the military installations where the CDCs were located. The guidance also stated that an employee's pay must be increased as necessary to prevent it from falling below the minimum rate of the payband.

Paid at Minimum Rates

All 857 NAF childcare providers at the 12 sites visited were paid at least the minimally required amount for entry-level positions at their pay locality. We visited 12 of 103 CONUS (3 per Service) sites with over 30 childcare providers in the database provided to us by each of the Services. At each of the 12 sites, we reviewed the personnel and payroll records of the NAF childcare providers at the CDCs. All 857 of the NAF childcare providers were paid at least \$8.26. Table 2 shows the sites visited and the number of employees reviewed.

Pay Increase Upon Advancement

At two of the three Marine Corps sites visited, 23 NAF childcare providers had not received the percentage increase mandated by DoD Manual 1400.25-M upon their advancement. All of the 23 employees received a 6 percent pay increase when they were promoted. However, we believe the 6 percent pay increase was lower than the amount mandated by DoD Manual 1400.25-M. Management controls to enforce compliance with the DoD guidance for promotion-related pay increases were not adequate.

Advancement among NAF childcare providers occurs when the employees move from one CDP position to another (CDP positions are shown in Table 1). According to DoD Manual 1400.25-M, a position change to the next level of responsibility within or between paybands requires an increase of 6 percent or an increase to the minimum rate associated with the applicable GS grade level in the locality to which assigned, whichever is higher. At two of the three Marine Corps sites, 23 CDC NAF childcare providers that were promoted received pay adjustments of 6 percent when they were promoted from one CDP level to another. However, the 6 percent pay increases were lower than the minimum rate associated with their paybands. For example, at one of the two sites, an entry-level NAF childcare provider paid at \$8.26 per hour was promoted to CDP Assistant, Intermediate Level, and was given a 6 percent pay increase, which increased the employee's pay to \$8.77 per hour. As shown in Table 1, that level is comparable to a GS-3. Although \$8.77 per hour was within the payband at the intermediate level, the 2001 locality pay for a GS-3/1 of \$9.02 per hour was higher. We believe the employee should have been paid at least \$9.02 per hour and not \$8.77 per hour.

Conclusion

DoD compensation policies for NAF childcare providers were generally effective. All 857 NAF childcare providers at the 12 sites visited were paid at least the minimally required amount for entry-level positions at their pay localities, indicating compliance with DoD policy. However, the Marine Corps needs to ensure compliance with DoD Manual 1400.25-M regarding childcare provider compensation upon advancement.

Recommendation and Management Comments

A. We recommend that the Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps, establish controls to ensure that nonappropriated fund childcare providers receive the required compensation upon advancement from one child development program level to another.

Marine Corps Response. The Marine Corps concurred and stated that controls to ensure that childcare providers receive the required compensation upon advancement will be discussed at a directors conference scheduled for August 2002. Additionally, headquarters personnel will review this issue during their regularly scheduled on-site visits to childcare centers at Marine Corps facilities.

B. Databases of NAF Childcare Providers

The NAF childcare provider database maintained by DMDC and the databases transmitted to DMDC by the Services were inaccurate and unreliable as of July 2001. Specifically, for the 12 sites visited, 15 childcare providers in the database were no longer employed at the CDCs. Further, 232 of 857 NAF childcare providers were not included in the DMDC database at that time. The inaccuracy occurred in part because of errors in data provided by the Services and an unexplained exclusion of Navy data. Service databases were inaccurate because of inadequate management controls. Additionally, there were no policies and procedures in place for the Services to reconcile their databases with the DMDC database to ensure integrity and accuracy of the databases. As a result, the DMDC database could not be relied on to provide DoD decision makers with current, accurate, and reliable information.

Role of DMDC

The primary function of DMDC is to support the information management needs of the Under Secretary of Defense for Personnel and Readiness. In that capacity, DMDC collects and maintains an archive of automated personnel, training, and financial databases for DoD. Databases and files at DMDC are made up of large numbers of submissions received from agencies inside and outside DoD. The Services provide data concerning their NAF childcare providers to DMDC on a monthly basis.

The servicing personnel offices for the CDCs input personnel data on NAF childcare providers to the Services' personnel databases. Headquarters NAF personnel electronically extract each CDC's data, consolidate the information, and then transmit the data to DMDC on a monthly basis. The databases transmitted to DMDC include personnel and pay information on each NAF childcare provider employed at the CDCs as of the date of the transmission. The format for reporting the data to DMDC is included in a May 28, 1998, memorandum from the Office of the Assistant Secretary of Defense (Financial Management Policy) to the Services.

Accuracy of the DMDC NAF Childcare Provider Database

The NAF childcare provider database maintained by DMDC was inaccurate and unreliable. For the 12 sites visited, the DMDC database included data on 15 childcare providers who were no longer employed at the CDCs. NAF childcare providers who left the CDCs before January 1, 2001, did not receive locality and general pay adjustments for 2001. As a result, those employees, who were still included in the DMDC database, were shown as receiving

2000 pay rates. Also, the DMDC database did not include any data for NAF childcare providers at the three Navy bases visited. Navy personnel stated they had transmitted the data to DMDC and could not explain why the data were missing from the DMDC database.

For the 12 sites visited, the DMDC database included 773 childcare providers who were shown as being in the 1702 job series. Our review of the DMDC data for those 773 1702s indicated that 133 were not NAF childcare providers at the CDCs, leaving 640 CDC employees. Databases maintained by Service headquarters NAF personnel offices and source documents at the 12 sites indicated that the DMDC database should have included 857 NAF 1702s employed at the CDCs, not 640 NAF CDC 1702s. Most of the difference is from the 199 NAF CDC 1702s at the three Navy sites who were not in the DMDC database. In addition, 33 other employees were not in the DMDC database and 15 who should have been deleted from the database were still in it. Table 2 shows the discrepancies in the DMDC database.

Table 2. Analysis of NAF CDC 1702 Employees in the DMDC Database

<u>Service</u>	<u>DMDC Database</u>	<u>Not In Database</u>	<u>No Longer At CDC</u>	<u>Actual</u>
Army				
Fort Belvoir, VA	77	0	3	74
Fort Benning, GA	51	7	1	57
Fort Carson, CO	157	13	6	164
Subtotal	285	20	10	295
Navy				
NSB Bangor, WA	0	135	0	135
NAS Brunswick, ME	0	27	0	27
NAS Jacksonville, FL	0	37	0	37
Subtotal	0	199	0	199
Air Force				
Cannon AFB, NM	27	0	0	27
Langley AFB, VA	63	0	0	63
Maxwell AFB, AL	73	5	1	77
Subtotal	163	5	1	167
Marine Corps				
Camp Lejeune, NC	80	6	1	85
MCAS Cherry Point, NC	60	1	0	61
MCAS New River, NC	52	1	3	50
Subtotal	192	8	4	196
Total	640	232	15	857
AFB	Air Force Base			
MCAS	Marine Corps Air Station			
NAS	Naval Air Station			
NSB	Naval Submarine Base			

Quantitative Review of the DMDC Database. The Quantitative Methods Division of the Office of the Inspector General reviewed and compared the July 2001 database obtained from DMDC with the databases obtained from the Services for all NAF CDC 1702s. The inconsistencies identified by that review included the following.

- The databases from the Services listed different numbers of employees per CDC than the DMDC database. In addition, the total number of employees listed in the Navy database was significantly higher than the DMDC database—by more than a thousand employees.
- Some employees were listed in the DMDC database and not in the Service database and vice versa.
- The databases included a small number of duplicate records.

Accuracy of Service Personnel Databases

The NAF childcare provider databases maintained by the Services and the data transmitted to DMDC were not accurate and reliable because management controls were inadequate. The databases did not include data on all NAF childcare providers, were not always purged to delete information on NAF childcare providers who were no longer employed by the Service CDCs, and included some duplicate entries. Table 3 shows the discrepancies in the Service databases of NAF CDC 1702s by site.

**Table 3. Analysis of NAF CDC 1702 Employees
In Service Databases**

<u>Service</u>	<u>Service Database</u>	<u>Not In Database</u>	<u>No Longer At CDC</u>	<u>Actual</u>
Army				
Fort Belvoir, VA	78	0	4	74
Fort Benning, GA	n/a ¹	n/a ¹	n/a ¹	57
Fort Carson, CO	n/a ¹	n/a ¹	n/a ¹	164
Subtotal	n/a¹	n/a¹	n/a¹	295
Navy				
NSB Bangor, WA	150 ²	14	29 ²	135
NAS Brunswick, ME	42	1	16	27
NAS Jacksonville, FL	42	2	7	37
Subtotal	234	17	52	199
Air Force				
Cannon AFB, NM	27	0	0	27
Langley AFB, VA	63	0	0	63
Maxwell AFB, AL	72	6	1	77
Subtotal	162	6	1	167
Marine Corps				
Camp Lejeune, NC	85	0	0	85
MCAS Cherry Point, NC	58	3	0	61
MCAS New River, NC	50	0	0	50
Subtotal	193	3	0	196
AFB	Air Force Base			
MCAS	Marine Corps Air Station			
NAS	Naval Air Station			
NSB	Naval Submarine Base			

¹ Not available. Data did not include names and social security numbers, which precluded matching the data to specific employee records.

² Does not include duplicate entry on one employee.

Army Database. Army data are transmitted to DMDC by the Assistant Secretary of the Army (Manpower and Reserves Affairs), Civilian Personnel Policy, NAF Personnel Policy and Program Division, Alexandria, Virginia. Although the data transmitted to DMDC included employee names and social security numbers, the data provided for this audit did not identify employees by name or social security number. As a result, we could not compare the individual Army records with individual personnel records to determine the number of NAF childcare providers employed at the CDCs included in the Army data. However, the number of childcare providers (1702s) in the Army database was 301. The DMDC database showed 356 Army 1702s. At one Army CDC, we were able to match the Army data to personnel records by position description and number and concluded that four of the 78 NAF childcare providers included in the Army database were no longer employees of that CDC.

Navy Database. Navy data are transmitted to DMDC by the Navy Personnel Command, Millington, Tennessee. The DMDC database did not include data on the three Navy sites visited. The database received from the Navy for this audit included 234 NAF CDC 1702s for the three sites. We compared the Navy data with personnel records and concluded that the Navy database included at least 52 NAF CDC 1702s who were no longer employed at the Navy CDCs. For example, at one Navy site, 29 NAF childcare providers who were no longer employed by the CDCs were still in the Navy database. At least three of the 29 employees had left the CDCs before December 31, 2000. One of those 29 was listed twice in the Navy database. Also, data on 17 NAF childcare providers at the three sites were not included in the Navy database.

Air Force Database. Air Force data are transmitted to DMDC by Headquarters Service Agency, Directorate of Force Management and Personnel, Human Resources Division, San Antonio, Texas. Both the data transmitted to DMDC and the database provided for this audit included data on one NAF childcare provider who was no longer employed at the Air Force CDC. The Air Force database was also missing data on six NAF childcare providers employed at the CDCs. The hourly pay rates in the personnel records for three NAF childcare providers at one CDC were higher than the hourly rates shown in the Air Force database. The pay rates in the personnel records agreed with the payroll records.

Marine Corps Database. Marine Corps data are transmitted to DMDC by Management Information Systems, Personnel and Family Readiness Division, Quantico, Virginia. Both the data transmitted to DMDC and the database provided for this audit did not include data on three NAF childcare providers who were employed at one of the Marine Corps CDCs. Also, at each of two Marine Corps CDCs, the hourly pay rates shown in the Marine Corps database for one NAF childcare provider were different from the hourly pay rates in the DMDC database. The pay rates in the DMDC database agreed with the payroll records.

Reconciliation of Databases

There were no policies and procedures in place for the Services to reconcile their databases with the database maintained by DMDC to ensure the integrity and accuracy of the databases.

Recommendations, Management Comments, and Audit Reponse

B. We recommend that the Assistant Secretary of the Army (Manpower and Reserve Affairs); the Assistant Secretary of the Navy (Manpower and Reserve Affairs); the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Logistics); and the Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps:

1. Establish controls to ensure that data on nonappropriated fund childcare providers transmitted to the Defense Manpower Data Center are current and accurate.

2. Establish policies and procedures to perform reconciliation, at least on a quarterly basis, of Service nonappropriated fund childcare provider databases with the database maintained by the Defense Manpower Data Center to ensure the integrity and accuracy of the databases.

Army Comments. The Army concurred with Recommendation B.1. and partially concurred with Recommendation B.2. The Army stated that it has implemented the Defense Civilian Personnel Data System, which will be used to provide data to DMDC. The data sent to DMDC will be accurate as of the date the data is pulled from the field databases into the headquarters database. Additionally, DoD is installing a Corporate Management Information System that, when fully operational, will provide DoD with current Army data as often as the system is updated. In addition, the Army stated that the NAF Payroll Interface, part of the Civilian Personnel Data System, has the capability to perform a quarterly reconciliation with the NAF Financial Services payroll records. According to the Army, the system, when fully operational, will compare payroll and personnel records and reject any mismatches; mismatches will be corrected to ensure the quality of the database. The Army anticipates the system to be in operation by September 30, 2002.

Audit Response. The Army comments on Recommendation B.1. are responsive and the comments on Recommendation B.2. meet the intent of the recommendation.

Navy Comments. The Navy concurred and stated that the Navy Personnel Command is implementing a new information system and all personnel data, including pay information, will be entered into the system at one time. The information system will feed directly into the payroll system, thereby eliminating additional manual inputs and ensuring data updates on a regular basis. The system will be operational at 75 percent of the Navy installations by the end of 2003 and 100 percent by the end of 2005. In the interim, the Navy will continue training its personnel with emphasis on complying with procedures currently in place. The Navy also stated that it would implement a quarterly validation process before personnel data is sent to DMDC. The quarterly validation process will begin in the third quarter of FY 2002.

Additionally, the Navy stated that it would include cross check of the quarterly validation in its Child Development Program annual inspections.

Air Force Comments. The Air Force concurred with Recommendation B.1. and with the intent of Recommendation B.2. The Air Force stated that controls to ensure data accuracy have been established and the audit findings, which were limited to one installation, were corrected during the audit. The Air Force also stated that current Air Force controls should be sufficient to ensure that both the Air Force and the DMDC databases were accurate and that establishing additional administrative processes for quarterly reconciliation will consume substantial funds and staffing. Additionally, the Air Force stated that considering the limited number of findings, performing quarterly reconciliation of the Air Force and the DMDC databases is not considered cost-effective.

Audit Response. The Air Force comments are partially responsive. We request that the Air Force provide detailed information on the controls it established in response to Recommendation B.1. We also request the Air Force to reconsider its comments on Recommendation B.2. The audit finding applied to one of three (33 percent) of the Air Force sites we visited and 7 of 167 (4 percent) of the records we reviewed. Although our results cannot be generalized to the universe of Air Force sites, Air Force controls were not sufficient at 33 percent of the Air Force sites we visited during the audit. We agree with the Air Force that the cost of administrative controls should be compared to the benefits of the controls. However, we believe that the benefit of providing DoD decision makers with current and accurate data outweighs the minimal funds and staffing required to ensure the accuracy of the Air Force data.

Marine Corps Comments. The Marine Corps concurred and stated that it is currently implementing a new Human Resources/Payroll system. When the system is in place, the Marine Corps will work with DoD to develop procedures to ensure that the DMDC and Marine Corps databases are accurate.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We discussed the scope of the NAF childcare provider underpayments and obtained additional information on the June 2001 study from the Office of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy). We obtained and reviewed the Services' NAF childcare provider databases for July 2001 that were transmitted to DMDC. We also obtained and reviewed the NAF childcare provider databases that DMDC received from the Services for July 2001. We visited and interviewed personnel at DMDC headquarters. We also talked to the personnel at the DMDC office at Monterey, California, who were responsible for the management of the DMDC NAF childcare provider database. We contacted and discussed the consolidation and transmission of NAF childcare provider databases to DMDC with headquarters NAF personnel at each of the Services. At each of the 12 sites we visited, we interviewed personnel, reviewed personnel and training records, and reviewed payroll records for the last pay period in July 2001. We visited the CDCs at the 12 sites and obtained listings of NAF childcare providers as of July 2001. We compared the databases obtained from the Services with the database obtained from DMDC and with the NAF childcare provider listings obtained from the CDCs or their local personnel offices. At each site's personnel center, we reviewed vacancy announcements for NAF childcare providers at the CDCs to determine whether vacancies were being advertised at appropriate hourly rates.

Limitations to Audit Scope. Our review was limited to NAF childcare providers classified as 1702s and who were employed at the CDCs at the end of the last pay period in July 2001 at the 12 sites we visited. Our review of training records was limited to those NAF childcare providers who had been employed not more than 1 year as of July 2001.

Use of Computer-Processed Data. We used computer-processed data provided to us by DMDC and the Services for general analysis. We used the Service databases to determine the universe of NAF childcare providers employed at the CDCs and to select the sample sites to visit. We did not perform tests of the systems' general and application controls to confirm the reliability of the computer systems. However, not establishing the reliability of the computer systems does not materially affect the results of our audit. To verify the accuracy and reliability of the records of NAF childcare providers in the DMDC and Service databases, we obtained listings of NAF childcare providers from the CDCs or their local personnel offices and compared the listings with the databases.

Universe and Sample. The sampling for our audit included DoD-wide NAF childcare providers classified in the 1702 job series and employed at the CDCs at the end of the last pay period in July 2001. For reasons of efficiency, we excluded OCONUS sites, including Hawaii and Alaska, and those sites that the Service databases showed as having fewer than 30 childcare providers.

Statistical Sampling Methodology. We grouped childcare providers by Service and by site based on the July 2001 databases we received from the Services. We used stratification to ensure that all four Services were represented. We randomly selected sites within each Service for the sample. The following table shows the universe and sample sites selected by Service. The first three randomly selected sites for each Service were the sites we visited for this audit.

Universe and Sample by Service

<u>Service</u>	<u>Total Sites</u>	<u>Sample Sites</u>
Army	29	12
Navy	14	10
Air Force	52	15
Marine Corp	8	6
Total	103	43

Use of Technical Assistance. Statisticians from the Quantitative Methods Division, Audit Followup and Technical Support Directorate, Office of the Assistant Inspector General for Auditing, provided assistance in designing the sampling plan for the audit and in evaluating DMDC and Service databases. Members of the Office of the General Counsel, Office of the Inspector General, DoD, provided legal interpretation of laws and regulations.

Audit Dates and Standards. We performed this audit from July through January 2002 in accordance with generally accepted government auditing standards.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of the Review of the Management Control Program. We reviewed the adequacy of management controls over NAF childcare providers' compensation and advancement. Specifically, we reviewed controls over pay rates, over training of personnel for advancement, and over database integrity.

Adequacy of Management Controls. We identified material management control weaknesses for the Services as defined by DoD Instruction 5010.40. Service management controls for managing NAF childcare provider databases

were not adequate to ensure that the databases were current, accurate, and reliable. Also, Service management controls were not adequate to ensure the accuracy and integrity of the NAF childcare provider data transmitted to DMDC. Recommendations B.1. and B.2., if implemented, will improve the accuracy of the Service NAF childcare provider databases. A copy of the report will be provided to senior officials responsible for management controls within each of the Services.

Adequacy of Management's Self-Evaluation. The Services did not consider NAF childcare provider databases as an assessable unit and, therefore, did not identify or report the material management control weaknesses identified by the audit.

Appendix B. Prior Coverage

During the last 5 years, the General Accounting Office has issued one report comparing DoD and civilian childcare cost. The Army Audit Agency has issued two reports on NAF payroll issues at specific Army installations, and the Air Force Audit Agency has issued 10 reports discussing salaries or training at CDCs at specific Air Force installations. Unrestricted General Accounting Office reports can be accessed over the Internet at <http://www.gao.gov>.

General Accounting Office

GAO Report No. HEHS-00-7, "Child Care: How Do Military and Civilian Center Costs Compare?" October 14, 1999

Army

Army Audit Agency Report No. AA 01-479, "Nonappropriated Fund Payroll," September 25, 2001

Army Audit Agency Report No. AA 01-201, "Nonappropriated Fund Payroll: U.S. Army Communications-Electronics Command and Fort Monmouth," March 9, 2001

Air Force

Air Force Audit Agency Report No. EO001067, "Child Development Center, 22d Air Refueling Wing, McConnell AFB [Air Force Base], KS," August 20, 2001

Air Force Audit Agency Report No. EO001055, "Child Development Center, 55th Wing, Offutt AFB, NE," May 21, 2001

Air Force Audit Agency Report No. EA001019, "Child Development Center Management, 89th Airlift Wing, Andrews AFB, MD," March 6, 2001

Air Force Audit Agency Report No. WH001017, "Child Development Program, 35th Fighter Wing, Misawa AB [Air Base], Japan," February 6, 2001

Air Force Audit Agency Report No. WH001018, "Child Development Program, 374th Airlift Wing, Yokota AB, Japan," February 6, 2001

Air Force Audit Agency Report No. WM000062, "Child Development Center, 28th Bomb Wing, Ellsworth AFB, SD," May 25, 2000

Air Force Audit Agency Report No. DR099022, "Child Development Center Activities, Warner Robins Air Logistics Center, Robins AFB, GA," May 21, 1999

Air Force Audit Agency Report No. DE099011, "Child Development Center, Air Armament Center, Eglin AFB, FL," December 22, 1998.

Air Force Audit Agency Report No. ER099008, "Child Development Center 86th Airlift Wing Ramstein AB, Germany," October 23, 1998

Air Force Audit Agency Report No. 51598009, "Management of Child Development Center, 314th Airlift Wing, Little Rock AFB, AR," February 18, 1998

Appendix C. Other Matters of Interest

Training and Advancement

The CDC initial training program and advancement policies were effectively implemented at the 12 sites visited.

Public Law. Section 1792, title 10, United States Code, February 1996, requires that the Secretary of Defense prescribe uniform regulations implementing a training program for childcare providers. Additionally, the law requires satisfactory completion of the training program as a condition of employment. The law also requires childcare providers to complete the training program not later than 6 months after their date of employment.

DoD Policies. DoD policies require childcare providers to have completed required training and education before they can advance to the next CDP level. CC-I CDP levels are developmental positions for entry into CC-II CDP levels. CDC managers are required to inform entry-level NAF childcare providers of the training requirements for advancement and to ensure that the training is available and offered. DoD Manual 1400.25-M also requires mandatory advancement to CDP Assistant, Target Level, which is the first CDP level in CC-II, within two pay periods of satisfactorily completing prerequisite training and meeting experience requirements.

Training at the CDCs. To determine whether NAF childcare providers were completing required training no later than 6 months after the date they were employed, we examined training records for NAF childcare providers who had been employed for no more than 1 year as of the end of July 2001.

Implementation of the initial training programs for NAF childcare providers by the CDCs was effective. Training coordinators at the CDCs ensured that NAF childcare providers were on schedule for meeting their training requirements and provided counseling and help to those who were behind schedule. As shown in the following table, only six out of the 206 NAF childcare providers in our sample did not meet their training within 6 months of their employment. All of the NAF childcare providers who had completed their training were promoted to CDP Assistant, Target Level.

Training of CDC NAF Childcare Providers

<u>Service</u>	<u>Actual Number of Employees</u>	<u>Number of Employees Hired After July 2000</u>	<u>Number Not Meeting Training Requirements Within 6 Months of Employment</u>
Army			
Fort Belvoir, VA	74	25	0
Fort Benning, GA	57	19	2
Fort Carson, CO	164	78 ¹	1
Subtotal	295	122	3
Navy			
NSB Bangor, WA	135	n/a ²	n/a ²
NAS Brunswick, ME	27	2	0
NAS Jacksonville, FL	37	6	2
Subtotal	199	8	2
Air Force			
Cannon AFB, NM	27	15	0
Langley AFB, VA	63	22	0
Maxwell AFB, AL	77	22	0
Subtotal	167	59	0
Marine Corps			
Camp Lejeune, NC	85	9	0
MCAS Cherry Point, NC	61	3	0
MCAS New River, NC	50	5	1
Subtotal	196	17	1
Total	857	206	6

AFB Air Force Base
 MCAS Marine Corps Air Station
 NAS Naval Air Station
 NSB Naval Submarine Base

¹ Training records for three NAF childcare providers were not available for review.

² Not available. We did not review training records because of time constraints.

Navy Pay Adjustments

As part of our planning process for the audit, we visited one Army site and one Navy site to gain an understanding their operations. For the Navy, we visited the Navy Personnel Command, Millington, Tennessee. At Millington, we reviewed personnel and pay records of 33 current and former NAF childcare providers and compared the information with the database that we received from the Navy and from DMDC.

The personnel and pay records of the 33 NAF childcare providers indicated that they were all underpaid. It appeared that their pay in prior years had been understated, and their 2001 general and locality pay adjustments had been based on the understated 2000 hourly rates. We did not quantify the total amount of the underpayment because of the compound effect of the underpayments for prior periods. However, we discussed our observations with the appropriate personnel at the base and they promised to take immediate corrective actions. The results of our review of the Navy records at Millington, Tennessee, were not included in finding A because the site was not in our sample.

NAF Personnel Issues at Fort Hood

At the request of the Office of the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) and the Director, Child and Youth Services, U.S. Army Community and Family Support Center, we visited and reviewed personnel and compensation policies for NAF childcare providers at Fort Hood, Texas. For the review at Fort Hood, we expanded the scope of the audit to include NAF childcare providers at the CDCs, School Age Services, and Youth Services.

Compensation Policies. Compensation policies for NAF childcare providers at Fort Hood were generally effective. All 219 NAF childcare providers reviewed were paid at or in excess of the minimally required amount. In addition, all of the childcare providers received the 2001 locality pay adjustment in a timely manner. Also, the childcare providers received the percentage increase mandated by DoD Manual 1400.25-M upon their advancement.

Training. We examined training records for 22 NAF childcare providers—16 who had been employed for not more than 1 year as of the end of July 2001 and 6 who had been employed for more than 1 year but had not been promoted. Six NAF childcare providers (three at the CDC, one at School Age Services, and two at Youth Services) had not met their training requirements within 6 months of their employment. One of the six employees resigned before the end of July 2001, four resigned after July 2001, and one is still employed at one of Fort Hood's CDCs. That employee was counseled for not meeting the required training within 6 months of employment.

Data Integrity. The Fort Hood data transmitted to DMDC by the Army was inaccurate. We compared the DMDC data with employee listings received from the Army headquarters NAF personnel office, the Office of Child and Youth Services, the local personnel office, and the CDCs and concluded that six of the 224 employees in the DMDC database had resigned before July 31, 2001, and should not have been in the database. Also, data on one employee was missing from the DMDC database. The headquarters NAF personnel office listing of 213 employees did not include data on five employees who were in the DMDC database and was also missing data on the same person who was missing from the DMDC database.

Background Checks. DoD Instruction 1402.5, "Criminal History Background Checks on Individuals in Child Care," January 19, 1993, requires background checks on all individuals involved in providing childcare services. The Fort Hood NAF personnel office completed Fort Hood Form 215-X16, "Background Checks," August 1, 1994 (or prior editions), indicating when the various background checks were initiated and completed. Childcare providers can be hired before completion of background checks. However, the DoD Instruction requires the removal of an employee from employment if the employee is determined to be unsuitable to provide childcare services because of derogatory information contained in a suitable investigation. Prior to removal, the DoD Instruction requires that the employee be allowed to respond to the unfavorable results of the background check. At Fort Hood, such an employee would appear before a Quality Review Advisory Panel.

DoD background checks for childcare providers at Fort Hood were effectively implemented. However, Fort Hood Form 215-X16 in the personnel folders was not always updated to include when specific background checks were completed. The forms were updated and maintained in the desk drawer of the person coordinating the checks, instead of the personnel folders, and personnel changes resulted in updates not being made to the forms in the personnel folders. For example, the personnel folder for one employee indicated that a July 1993 National Agency Check was unfavorable but did not indicate whether the employee appeared before any panel to explain the unfavorable results. The person currently responsible for background checks stated that she believed the employee had appeared before the Quality Review Advisory Panel but could not provide any support for that belief. As of January 11, 2002, the individual was still employed as a childcare provider. We indicated to the responsible officials that updated Fort Hood Form 215-16X should be maintained in the official personnel folders, and they promised to take immediate corrective action.

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Force Management Policy)
Deputy Assistant Secretary of Defense (Civilian Personnel Policy)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Army (Manpower and Reserve Affairs)
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Manpower and Reserve Affairs)
Naval Inspector General
Deputy Naval Inspector General for Marine Corps Matters
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Logistics)
Auditor General, Department of the Air Force

U. S. Marine Corps

Deputy Commandant for Manpower and Reserve Affairs

Other Defense Organizations

Director, Defense Manpower Data Center

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Department of the Army Comments



DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-1
300 ARMY PENTAGON
WASHINGTON DC 20310-0300



SAMR-CPP

25 April 2002

MEMORANDUM FOR Inspector General, Department of Defense, 400 Army Navy Drive,
Arlington, Virginia 22202-4704

SUBJECT: Army Response to DoDIG Draft Report "Compensation Policies and
Procedures for Selected Nonappropriated Fund Childcare Providers", dated March 8,
2002 (Project No. 2001LH-0169)

1. Reference draft Proposed Audit Report, HQDA IG, 8 Mar 02, subject: Compensation Policies and Procedures for Selected Nonappropriated Fund Childcare Providers" (Project No. 2001LH-0169).
2. This memo represents the Army response on the Department of Defense, Inspector General (DoDIG) subject draft report in accordance with referenced DoD Directive. The Army concurs with the recommendations.
3. The Army point of contact is the Director, NAF Human Resources Policy and Program Division, Ms. Sandra G. Curran, (703) 325-7762, DSN 221-7762, e-mail Sandra.Curran@asamra.hoffman.army.mil.

Encl

DAVID L. SNYDER
Assistant G-1 for Civilian
Personnel Policy

**DoDIG REPORT DATED MARCH 8, 2002
(Project No. D2001LH-0169)**

**“COMPENSATION POLICIES AND PROCEDURES FOR SELECTED
NONAPPROPRIATED FUND CHILDCARE PROVIDERS”**

DEPARTMENT OF ARMY COMMENTS ON DODIG RECOMMENDATIONS

Condition: Army data is transmitted to the Defense Manpower Data Center (DMDC) by the Assistant Secretary of the Army (Manpower and Reserve Affairs) Civilian Personnel Policy, Civilian Personnel Information Systems Branch, Alexandria, Virginia. The data transmitted to DMDC included employee names and social security numbers. The data provided for this audit did not identify employees by name and social security numbers. As a result, we could not compare the individual Army records with individual personnel records to determine the number of NAF childcare providers employed at the Child Development Centers (CDC) included in the Army data. The data is gathered in accordance with the DoD DMDC instructions. The data sent to DMDC is accurate as of the date the information is pulled from field databases not the date of the transmission of the extract to DMDC. The comparisons made between DMDC data (2 to 6 weeks old) and field data (current) showed many disparities. In one instance the audit showed that the number of childcare providers in occupational series 1702 in the Army databases audited was 301. The DMDC database showed 356 Army 1702s. The Army has expanded the DoD childcare program to include Youth Services whose program assistants are in the same occupational series as those in CDCs this was not captured in the DMDC data pull. At another Army CDC, we were able to match the Army data to personnel records by position description and number and concluded that four of the 78 NAF childcare providers included in the Army database were no longer employees of the CDC.

DODIG Recommendation: The DoDIG recommended that the Assistant Secretary of the Army (Manpower and Reserve Affairs); the Assistant Secretary of the Navy (Manpower and Reserve Affairs); the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Logistics); and the Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps:

Recommendation: Establish controls to ensure that the data on nonappropriated fund childcare providers transmitted to the Defense Manpower Data Center is current and accurate.

Army Response: Concur. The Army has implemented the Defense Civilian Personnel Data System, referred to as the modern system. This modern system will be used to provide data to DMDC. However, if DMDC requires the information to be provided on a monthly basis the data will only be as accurate as of the date the data is pulled into the HQ database from field databases. The

extract sent to DMDC if it is used, as part of the audit mechanism should be compared with the data in the field as of the date the information was pulled from the field. DoD is installing a Corporate Management Information System (CMIS) which when fully operational will provide DoD with Army data as often as their CMIS is updated.

Recommendation: Establish policies and procedures to perform reconciliation, at least on a quarterly basis, of Service Nonappropriated fund childcare provider databases with the database maintained by the Defense Manpower Data Center to ensure the integrity and accuracy of the databases.

Army Response: Partially concur. The NAF Payroll Interface, a part of the modern system mentioned above, has the capability to perform a quarterly reconciliation with NAF Financial Services (NFS) payroll records. Data from NFS will be matched with personnel records to ensure employee records are accurate and the pay is correct. This system when fully operational will compare payroll and personnel records rejecting any mismatches. Mismatches will be corrected ensuring the quality of the database is maintained. We anticipate this system being operational by 30 September 2002. NFS has a control edit in place to assure the Child and Youth Development Program Assistants are paid correctly in accordance with the DoD CPPP guidance. The combination of the implementation of both the NAF Payroll Interface and DoD CMIS systems should correct the problems identified during the audit.

Department of the Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(MANPOWER AND RESERVE AFFAIRS)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

MAY 20 2002

MEMORANDUM FOR DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR
GENERAL FOR AUDITING

SUBJECT: OAIG (A) Draft Audit Report on Compensation Policies
and Procedures for Selected Nonappropriated Fund
Child Care Providers, dated March 8, 2002 (Project
No. D2001LH-0169)

The subject Audit Report, at attachment 1, has been reviewed. Both the Navy and Marine Corps concur with the IG recommendations in the draft audit report. The Navy is implementing a new Human Resources Information System that will allow pay information to be entered directly into the centralized payroll system, eliminating manual inputs. The Marine Corps is also implementing a new payroll system that will ensure the Defense Manpower Data Center and the Marine Corps databases are accurate. The Navy and Marine Corps responses are provided at attachments 2 and 3, respectively.

My point of contact is Susan Roberts at 703-693-0481 or roberts.susan@hq.navy.mil.

A handwritten signature in black ink, appearing to read "Anita K. Blair".

Anita K. Blair
Deputy Assistant Secretary of
the Navy (Personnel Programs)

Attachments:

- 1) Draft Audit Report
- 2) Navy response on Subject Draft Audit Report
- 3) Marine Corps response on Subject Draft Audit Report

Copy to:
NAVINSGEN (N4)
NAVPERSCOM (PERS-00K, 6)

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (MANPOWER AND RESERVE AFFAIRS)

FROM: Matthew G. Henry *Matthew G Henry 5/17/02*
Assistant Deputy Chief of Naval Operations (Manpower and Personnel)

Prepared by: Mr. Greg Young, PERS-659D, (901) 874-6695

SUBJECT: OAIG(A) Draft Audit Report on Compensation Policies and Procedures for Selected Nonappropriated Fund Childcare Providers (Project No. D2001LH-0169)
- ACTION MEMORANDUM

PURPOSE: To provide proposed ASN(M&RA) response to OAIG(A) on recommendations B.1. and B.2. of subject draft report.

DISCUSSION: Attachment 1 is a draft memorandum submitting the Proposed Navy responses to recommendations B.1. and B.2. of subject report

RECOMMENDATION: ASN(M&RA) sign Attachment 1 and forward to OAIG(A).

Attachment:

1. Draft Memorandum
2. Navy Response to OAIG(A) draft report

CHOP					
DATE					

Navy Response
to
OAIG(A) Draft Report of March 8, 2002
on
Compensation Policies and Procedures for Selected
Nonappropriated Fund (NAF) Childcare Providers
Project No. D2001LH-0169

Summary of OAIG(A) Findings, Conclusions and Recommendations

Under Finding B, DoD AIG(A) found that the NAF childcare provider database maintained by the Defense Manpower Data Center (DMDC) and the databases transmitted to DMDC by the Services were inaccurate and unreliable as of July 2001. Specifically, for the 12 sites visited (3 were Navy), 15 childcare providers in the database were no longer employed at the Child Development Centers (CDC) (0 were Navy). Further, 232 of the 857 NAF childcare providers were not included in the DMDC database at that time (199 of Navy's 199 childcare providers were not included). The inaccuracy occurred in part because of errors in data provided by the Services and an unexplained exclusion of Navy data at the three Navy bases visited. Navy Personnel stated they had transmitted the data to DMDC and could not explain why the data were missing from the DMDC database. Service databases were inaccurate because of inadequate management controls. Additionally, there were no policies and procedures in place for the Services to reconcile their databases with the DMDC database to ensure integrity and accuracy of the databases. As a result, the DMDC database could not be relied on to provide DoD decision makers with current, accurate, and reliable information.

DOD AIG (A) recommended that the Assistant Secretary of the Army (Manpower and Reserve Affairs); **the Assistant Secretary of the Navy (Manpower and Reserve Affairs)**; the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Logistics); and the Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps:

- Establish controls to ensure that data on NAF childcare providers transmitted to DMDC are current and accurate.
- Establish policies and procedures to perform reconciliation, at least on a quarterly basis, of Service NAF childcare provided databases with the database maintained by the DMDC to ensure the integrity and accuracy of the databases.

Statement of the DON Position

Finding B: Databases of NAF Childcare Providers.

Navy Management Position: CONCUR.

Recommendation B.1.: Establish controls to ensure that data on NAF childcare providers transmitted to DMDC are current and accurate.

Navy Management Position: CONCUR.

Currently NAF child care employee data is derived from payroll records input locally by individual installation NAF payroll offices. Local payroll personnel manually input personnel and pay data into a centralized payroll system. This information is then consolidated centrally at Navy Personnel Command (NPC), Millington, TN and forwarded to DMDC. There are few personnel edits in this centralized payroll system to ensure correctness of information. If changes to payroll records are not updated locally, then central data is incorrect.

NPC is implementing a new Human Resources Information System (HRIS). All personnel data will be gathered and entered into this system. Pay information will be fed directly into the centralized payroll system from this HRIS; thus, eliminating manual inputs and ensuring updated information on a regular basis. The information will be sent to DMDC centrally from this HRIS.

The system will be operational at 75% of the Navy's installations by the end of CY2003 and 100% by the end of CY2005. In the interim we will continue facilitating training which emphasizes the importance of complying with procedures currently in place to keep information updated.

Recommendation B.2.: Establish policies and procedures to perform reconciliation, at least on a quarterly basis, of Service NAF childcare provided databases with the database maintained by the DMDC to ensure the integrity and accuracy of the databases.

Navy Management Position: CONCUR.

Navy will implement a quarterly validation process of the personnel information sent to DMDC. NPC will require field activities to validate information and will cross check during Child Development Program annual inspections to ensure accuracy of the data. The quarterly validation process will begin the 3rd quarter of FY2002.



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
2 NAVY ANNEX
WASHINGTON, DC 20380-1775

IN REPLY REFER TO:
7500/1LH-0169
RFR-50
23 April 2002

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (MANPOWER &
RESERVE AFFAIRS)

Subj: DODIG DRAFT AUDIT REPORT: COMPENSATION POLICIES AND
PROCEDURES FOR SELECTED NONAPPROPRIATED FUND CHILDCARE
PROVIDERS (PROJECT NO. D2001LH-0169)

Ref: (a) NAVIG r/s 2002U165000181 of 8Mar02

Encl: (1) Marine Corps comments.

1. The reference requested the Marine Corps review the subject draft audit report and provide comments to ASN(M&RA). The enclosed comments are forwarded for consideration in formulating the Department of the Navy response.

R.F. Kassel
By Direction of the
Commandant of the Marine Corps

Marine Corps Comments
on
DODIG Draft Audit Report
on
Compensation Policies and Procedures for Selected
Nonappropriated Fund Childcare Providers

1. The Marine Corps has reviewed the draft report and the following comments are provided:

a. Recommendation A. "We recommend that the Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps, establish controls to ensure that nonappropriated fund childcare providers receive the required compensation upon advancement from one child development program level to another."

(1) The Marine Corps concurs in the recommendation.

(2) Controls to ensure childcare providers receive the required compensation upon advancement will be discussed at the Human Resources Directors conference scheduled for August 2002. Additionally, the Headquarters Marine Corps Children and Youth Program Specialist will review this issue during regularly scheduled onsite visits.

b. Recommendation B. "We recommend that the Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps, (1) establish controls to ensure that data on nonappropriated fund childcare providers transmitted to the Defense Manpower Data Center are current and accurate, and (2) establish policies and procedures to perform reconciliation, at least on a quarterly basis, of Service nonappropriated fund childcare provider databases with the database maintained by the Defense Manpower Data Center to ensure the integrity and accuracy of the databases."

(1) The Marine Corps concurs in the recommendation.

(2) The Marine Corps is currently implementing a new Human Resources / Payroll system. Once this system is in place, the Marine Corps will work with DoD to develop procedures to ensure the Defense Manpower Data Center and the Marine Corps databases are accurate.

Air Force Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON DC

09 MAY 2002

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL DoD

FROM: AF/IL

SUBJECT: D2001LH-0169, DoDIG Draft Report, Compensation Policies and Procedures for
Selected Nonappropriated Fund Childcare Providers

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force
(Financial Management and Comptroller) to Air Force comments on subject report.

AF/IL comments on the subject report are attached. Please contact Ms. Susan Atwater,
AF/ILVR, DSN 664-6426, or Capt Mel Grills, AF/ILVF, DSN 664-4938 if you have any
questions or concerns.


MICHAEL E. ZETTLER
Lieutenant General, USAF
DCS/Installations & Logistics

Attachment:
Management Comments

cc:
HQ AF/ILV
AFSVA/CC

DoDIG Draft Report
Compensation Policies and Procedures for Selected Nonappropriated Fund Childcare Providers,
D2001LH-0169

Recommendation A: We recommend that the Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps, establish control to ensure that nonappropriated fund childcare providers receive the required compensation upon advancement from one child development program level to another.

AF/IL Comments: Not applicable to the United States Air Force. (Recommend Closure)

Recommendation B.1: Establish controls to ensure that data on nonappropriated fund childcare providers transmitted to the Defense Manpower Data Center are current and accurate.

AF/IL Comments: Concur. Controls to ensure data accuracy have been established. The findings, which were limited to one installation, were corrected during the audit. (Recommend Closure)

Recommendation B.2: Establish policies and procedures to perform reconciliation, at least on a quarterly basis, of Services nonappropriated fund childcare provider databases with the database maintained by the Defense Manpower Data Center to ensure the integrity and accuracy of the database.

AF/IL Comments: Concur with intent. Current Air Force controls should be sufficient to ensure both databases are accurate. Establishing additional administrative processes for quarterly reconciliations will consume substantial funds and manpower. Considering the limited number of findings, this is not considered cost effective. (Recommend Closure)

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