DEPARTMENT OF DEFENSE

AUDIT REPORT

MANAGEMENT OF THE DEFENSE LOGISTICS AGENCY'S
CENTRAL DESIGN ACTIVITY

No. 90-045 March 7, 1990

Office of the
Inspector General

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

March 7, 1990

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on the Management of Defense Logistics Agency's Central Design Activity (Report No. 90-045)

This is our final audit report on the Management of the Defense Logistics Agency's (the Agency) Central Design Activity (the Activity) for your information and use. Comments on the draft report have been considered in preparing the final report. The audit was initiated by the Office of the Inspector General, DoD, and was made from November 1988 through June 1989. The overall objectives of the audit were to determine whether the Agency's Activity was efficiently and effectively using its programmers and analysts and whether internal control procedures for managing its personnel resources were adequate. Specifically, we reviewed standards, procedures, and practices used to measure programmers' and analysts' productivity; criteria used to determine the number of programmers and analysts needed to accomplish the planned work load, and the number assigned; reassignment and hiring practices; and changes in staff levels and the work load for computer software. We also reviewed software change requests, programmers' and analysts' work assignments, contracting out of programming and analysis work loads, overtime, and computer data on programmers' activities. In FY 1988, the Activity, which maintains 9 major software systems and has 4 field offices, had a staff of about 1,200 personnel and a budget of $58.4 million. The Activity's budget for overtime and training was about $2.5 million.

Management has taken several actions to improve its operations. It is developing a project management support system to identify skills and training of programmers and analysts, which allows projects to be more efficiently and effectively managed. Codes and definitions used to report time are being evaluated for clarity, and employees are being trained on the system. A quality control group is being established to evaluate operations, products, and services. Although established policies and procedures were generally adequate to efficiently and effectively manage operations, they were not followed. Data on software projects were not effectively managed, and the programmers' and analysts' productivity could not be determined because performance data were inaccurate. Internal control procedures for managing personnel performance and time and attendance data were generally in place, but were not followed. Results of the audit are summarized in the following paragraphs, and the details, audit recommendations, and management comments are in Part II of this report.

Project development plans were outdated and did not show reliable estimates of the personnel resources required to meet project milestones. The Activity did not allocate resources in accordance with Agency-approved priorities. Productivity of programmers and analysts could not be determined because performance data were inaccurate. Of the 100 programmers and analysts interviewed, 43 percent stated that they incorrectly reported data into the project management system. Also, internal auditors found that about 25 percent of all overtime was not recorded in the system. Monthly project oversight reports did not provide reliable management information because they contained inaccurate, incomplete, and untimely project performance data. We recommended that the Agency clarify guidance on the elements to be included in documentation to support the project development plan. We also recommended that the Activity comply with Agency regulations for developing the projects and processing monthly management reports; require each directorate to assign staff and perform work on projects based on priorities assigned by Agency managers; direct supervisors to ensure that the employees correctly record their time against tasks worked on and report overtime into the system; compare the time reported for each employee in the project management system to the payroll records; use performance data to forecast project estimates; compare project management data on employees to payroll data; ensure that all hotline data are recorded in the project management system; verify that the project management support system reports meet the needs of each director and discontinue individual systems; and comply with Agency regulations in processing management oversight reports (page 5).

Written guidance for managing and training programmers and analysts was generally adequate; however, it was not being followed. A system for monitoring and evaluating performance existed, but it was not effectively used. Time and attendance records were inaccurate. Seventy (75 percent) of the 94 employees observed during our workday observations understated the amount of time taken for lunch breaks, and 24 recorded extra hours worked on the same day. Paid overtime was authorized in lieu of compensatory time. Overtime was used to meet milestones without regard for cost-effectiveness. In FY 1988, interns did not need 33 percent of the training they received. We recommended that supervisors correctly record their time and attendance and also verify that employees' entries are correct; notify employees that they can be terminated for erroneously recording time and attendance, and that time and attendance records will be closely monitored; authorize the use of overtime only for emergency (hotline) purposes and to meet deadlines that are cost-effective; comply with Agency guidance to maximize the use of compensatory time in lieu of paid overtime, especially for General Manager-level employees; require employees to use their magnetic identification cards for entering and exiting the facilities; and require managers to review data from the

electronic entry system at least monthly and verify all overtime. We also recommended that the Activity give interns only the training they need after considering their prior education, experience, training, and planned assignments (page 15).

A draft of this report was provided to the Agency on November 8, 1989. Comments on the draft report were received from the Agency on January 31, 1990, and are provided in Appendix B. Management concurred with the findings and with all the recommendations except Recommendations A.2.h., B.3., B.4., and B.5. The Agency's Director nonconcurred in Recommendation A.2.h., which recommended that the Activity comply with Defense Supply Agency Regulation 3340.1 to make monthly management oversight reports complete, accurate, and timely, because management stated that the procedures outlined in the Regulation are outdated, and the Agency is in the process of either revising or deleting the Regulation. Our intent was to improve the oversight reports, not to enforce outdated procedures. Accordingly, we have revised Recommendation A.2.h. to clarify it, and we request that management provide comments on the Recommendation in response to the final report. Regarding Recommendation B.3., the Director disagreed that overtime should be used only to satisfy emergency requirements and in situations where it is cost-effective. The Director believed that our recommendations were too restrictive and would remove the flexibility his Commanders need to best manage their resources. In Recommendation B.4., even though management disagreed, its comment to maximize the use of compensatory time in lieu of overtime is in line with the intent of the Recommendation. Lastly, the Director nonconcurred with Recommendation B.5., which suggested the full use of the electronic entry/exit system, because of union concerns and extensive report preparation and time involved to verify working hours of employees. We believe Recommendations B.3. and B.5. are still warranted for the reasons discussed in Part II of this report; therefore, we ask that management reevaluate its position on the Recommendations and provide comments on the final report within 60 days of the date of this memorandum. DoD Directive 7650.3 requires that all audit recommendations be resolved within 6 months of the date of the final report. This report quantifies no potential monetary benefits; however, other benefits are identified in Appendix C.

The audit identified internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. The Agency needed to clarify its instructions for developing information (i.e., months of work remaining on project estimates) used to support project development plans. Also, the Activity needed to improve controls to ensure the accuracy of data in its project management system and for monitoring time and attendance. Recommendations A.1., A.2.c., A.2.e., and B.5., if implemented, will correct the

weaknesses. A copy of this report will be provided to the senior official responsible for internal controls within your Agency.

The courtesies extended to the audit staff (Appendix E) are appreciated. Please contact Mr. Terry L. McKinney at 693-0430 (AUTOVON 223-0430) or Mr. Carl F. Zielke at 693-0453 (AUTOVON 223-0453) if you have any questions about the audit. Copies of the final report will be distributed to the activities shown in Appendix F.

Stephen A. Trodden
Assistant Inspector General
for Auditing

Enclosure

cc:
Comptroller of the Department of Defense

MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S
CENTRAL DESIGN ACTIVITY

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Prepared by:
Readiness and Operational
Support Directorate
Project No. 9ID-0019

MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY

PART I - INTRODUCTION

Background

In February 1964, the Defense Logistics Agency (the Agency) established a central design activity (the Activity), the Data Systems Automation Office, at Columbus, Ohio, to centrally develop and maintain its computer software. This Activity was assigned responsibility for making flow charts of data systems and for programming computer systems applications in the Agency's uniform automated data processing systems program. These applications were related to materiel management in distribution, control of requirements and supplies, financial management, procurement, and cataloging.

After 1964, the Activity received more responsibilities, and in 1977 it became the Defense Logistics Agency Systems Automation Center (DSAC). Additional responsibilities included financial management, administrative control, data cataloging, contract administration services, detailed data systems design, developing, implementing and maintaining software systems, developing and implementing advanced techniques and standards, network management, and managing the Regional Telecommunications Offices.

The Activity and its four field offices provide systems support to nine Defense Contract Administration Services Regions, six supply centers, four depots, and three non-Agency sites that use nine major software systems (Appendix A). In FY 1973, the Activity established a field office at Ogden, Utah, and had a combined staff of 431 personnel. Between FY 1978 and FY 1983, the Activity established field offices at Philadelphia, Pennsylvania; Battle Creek, Michigan; and Memphis, Tennessee, and had a combined staff of 951. During the last 10 years, the Activity has primarily maintained and upgraded the Agency's current software systems instead of developing new systems. During the last 4 years (FY 1986 through FY 1989) the number of software projects increased from 336 to 788, while the Activity's staff remained about the same. In addition, the Agency has issued two contracts for software development, the Program Management Support System (PMSS), valued at $3,870,000 (issued in September 1986), and the Standard Automated Materiel Management system Immediate Improvement Initiative (SAMMS I^3), valued at $95,300,000 (issued in October 1988).

Objectives and Scope

The overall objectives of this audit were to determine whether the Agency's central design activity was efficiently and effectively using its programmers and analysts, and whether internal control procedures for managing personnel resources were adequate. Specifically, we reviewed standards, procedures, and practices for measuring programmers' and analysts' productivity; criteria for determining the number of programmers and analysts needed to accomplish the work load, and the number assigned; reassignment and hiring practices; and changes in staff levels and computer software work load. We also reviewed software change requests, programmers' and analysts' work assignments, contracting out of programming and analysis work loads, overtime, and computer data on programmers' activities.

To accomplish the audit, we evaluated policies, procedures, and practices for managing software projects and the training and use of the Activity's staff. We also obtained data on software projects from the Agency's headquarters, and from the Activity and its four field activities listed in Appendix D. During the audit, we visited the Activity in Columbus, Ohio, and its field office at Philadelphia, Pennsylvania. We reviewed 96 software projects for variances; interviewed 100 programmers and analysts about tasks, performance, and records used to measure productivity; evaluated more than 10,000 overtime requests made in FY 1988; observed and evaluated time and attendance practices for 94 employees; and interviewed 24 of the 77 programmers who completed the Activity's training program for interns between November 1986 and August 1988.

This self-initiated economy and efficiency audit was made from November 1988 through June 1989 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly, included such tests of the internal controls as were considered necessary.

Internal Controls

We reviewed the implementation of the Federal Managers' Financial Integrity Act at the Activity as it related to our audit scope. With minor exceptions, internal control procedures were adequate to effectively manage the Activity's work load and personnel resources. The internal control procedures are to ensure that:

- the work load is approved by the Agency,

- the work load status is periodically reported to the Agency,

- personnel work performance and time and attendance is properly recorded, and

- overtime is properly documented and managed.

The Activity did not comply with the internal control procedures. As a result, resources were not applied to the work load as directed by the Agency's managers, work performance and time and attendance were not properly recorded, and the use of overtime was not properly justified. Details are provided in Part II of this report.

Prior Audit Coverage

There have been no audits of the management of the Defense Logistics Agency's central design activity at Columbus, Ohio, in the last 5 years.

PART II - FINDINGS AND RECOMMENDATIONS

A. Project Management

FINDING

Project development plans were outdated and did not show reliable estimates of the personnel resources required to meet project milestones. The Defense Logisitics Agency's (the Agency) Central Design Activity (the Activity) did not allocate resources in accordance with Agency approved priorities. Performance data were not used to forecast project estimates. The Agency's headquarters made frequent informal changes to the priorities and requirements of projects. Productivity of programmers and analysts could not be determined because performance data were inaccurate. Monthly reports allowing project oversight did not provide reliable management information because they contained inaccurate, incomplete, and untimely performance data. All of these factors contributed to ineffectiveness in project management.

DISCUSSION OF DETAILS

Background. The Activity prepares and implements the project development plan. The plan shows how resources are allocated to a list of projects prioritized by Agency managers and may be an integrated list of priorities or several lists of priorities arranged by function. The integrated list consolidates automated software projects that have been prioritized Agency-wide. Each project is identified with the appropriate software system and is assigned to the directorate responsible for maintaining that system. The functional list is a ranking of projects for each system prioritized within the responsible directorate. Agency Regulation 4730.7, "Development and Maintenance of the DLA Integrated Priority List (IPL)," May 7, 1986, states that the Automated Information Systems Control Board (made up of managers at the Agency's headquarters) is responsible for developing the integrated priority list. The list is to be formally updated every 6 months. Using either the integrated priority list or the functional lists, the Activity develops the draft project development plan. After approval by headquarters, the Activity executes the final plan.

Agency Regulation 4730.6, "Management of Central Design Activity (CDA) Project Development Plans (PDP)," September 15, 1986, identifies the initial method of allocating available resources to the Activity's functions in each directorate. Resources are allocated in the following order: administrative/support functions (indirect labor); mission, maintenance, and operations functions (baseline functions); and software application projects. Resources are further allocated to each project based

on the project's assigned priority and the date needed. Allocations are based on preliminary estimates that the Activity provided when the projects were initially submitted for approval. If a project covers more than one planning cycle, preliminary estimates should be revised. Agency guidance also requires that the Activity keep current estimates of resources and schedules and report the status of each project, monthly or as required, to the system administrator at headquarters.

The Activity tracks project performances in its project management system. Project information is recorded by project identifier, the task number associated with each project, and the functions or subtasks performed to accomplish those tasks. Project management data are accumulated for the following elements: employees, organizations, projects, tasks, subtasks, and operations. Managers establish the estimated time for each task, while employees charge their time against the tasks and elements. Reports to project managers show the work in terms of the number of hours estimated, hours expended, and hours remaining. Programmer and analyst resources needed to accomplish the planned work load are determined by the best guess. Data accumulated on past performance are not used. Programmers and analysts are assigned under a matrix system concept, where each programmer and analyst is assigned to multiple projects and tasks.

Project Development Plan. Project development plans were outdated. Resource allocations and total project estimates did not show whether the Activity would be able to meet its FY 1988 operating objectives. The Activity was still using the February 1987 plan through the second quarter of FY 1988. Because of changes in priorities, requirements, and resources, the plan did not accurately show the work load planned for FY 1988. In addition, the documentation supporting the April 1988 plan was not properly updated to reflect allocations and revisions of resources. Accordingly, Agency managers did not have a current plan for use in managing the Activity's projects and work load.

Each plan contained worksheets and supporting documentation for the allocation of resources. The worksheets show the resources that will be available for each of the 24 months and the monthly allocation of those resources to the work load. Supporting documentation for each project should include the associated task numbers, planned and completed milestone dates, cost data, total estimated months of work, remaining months of work, and estimated completion dates. The February 1987 project development plan remained in effect for 16 months, until the April 1988 plan was issued in June 1988. Agency headquarters should have provided a priority list in August 1987, so the Activity could prepare the October 1987 plan. However, the priority list was delayed because headquarters was undergoing organizational changes.

Preparation of the integrated priority list and the project development plan was delayed, while the Agency considered using the functional priority lists in place of the integrated list. In addition, allocation of direct and indirect resources to projects was still being considered. The Automated Information Systems Control Board determined that functional lists instead of the integrated list would be used for the April 1988 plan, and that Agency Regulations 4730.6 and 4730.7 would be revised or replaced. Initial steps to revise Agency Regulation 4730.7 began in January 1988.

The plan for FY 1988 was not revised, although priorities had shifted and projects were behind schedule. At a minimum, a revised plan should have been prepared to show the allocation of resources to the top 10 projects in each automated information system directorate for the first 6 months of FY 1988. Supporting documentation should have provided the status of the projects and indicated the reason for the changed allocations.

Documentation supporting the April 1988 plan was not updated to show the total and remaining project resources for April 1988 through March 1990. The documentation did not show the same amounts of resources or projected completion dates as the allocation worksheets. The directorates did not provide comparable data. For example, the allocation worksheet showed project completion dates beyond March 1990, while documentation supporting the plan showed that the projects had been completed. Only one of three directorates included cost/benefits data or remaining months of work in its documentation. Furthermore, total estimated months of work did not have the same meaning in each directorate. Two directorates showed total estimated months of work as the number of months needed to complete the entire project from start to finish, while the other directorate showed total estimated months of work in the current plan rather than those needed to complete the project. Agency Regulation 4730.6 does not clearly state the elements that are to be included in the documentation or define those elements. As a result, the Activity's project development plan and data for individual directorates were subject to misinterpretation.

Resource Estimates. Estimates in the Activity's FY 1988 and FY 1989 plans did not correctly show the allocation of resources required to meet established priorities. The estimates did not show the total resources each project needed to meet its deadline. Estimates were either too low or too high compared to past or planned performance. Overestimates and underestimates resulted from changes in priorities and available personnel. Resource estimates were unreliable because of insufficient data. Project managers explained that project proposals or requirements data were not detailed enough to permit realistic estimates to be derived. Project managers received one-paragraph generic functional requirements from which they had to perform a

preliminary analysis and develop an estimate. Later, more detailed requirements indicated that the project required more work than had been anticipated. Activity managers also stated that their estimates were sometimes based on the project's ranking and the number of personnel a project with that priority would require, rather than an independent determination of the actual work required for the specific project. For example, when 1 project was assigned a priority of 10, the manager reviewed the resources remaining after resources had been allocated to projects ranked 1 through 9. The manager determined that the project required one to two programmers for 5 months, without considering the complexity of the project and the capabilities of the programmers available to perform the work. The project was staffed from the remaining programmers after the higher priority projects were staffed.

To determine the reliability of estimates made, we reviewed planning and performance data for 96 projects for the 15-month period of October 1987 through December 1988 for the 3 automated information systems directorates. To determine monthly variances for the 96 projects, we used the performance data from the management review reports and projections from the February 1987, April 1988, and October 1988 project development plans. Estimates for the 96 planned projects totaled 2,633.7 months while actual work totaled 2,928.4 months, creating a net variance of 294.7 months (an 11-percent underestimate). Of the 96 projects, 54 were overestimated and 42 were underestimated. In one directorate, of 53 projects reviewed, the estimate was 1,392.4 months, and actual work totaled 1,620.2 months, a net variance of 227.8 months (an underestimate of 16 percent). Thirty-one projects were overestimated (estimates exceeded actual performance) by 366.8 months (65 percent), including five projects in which work was planned but not performed. Twenty-two projects were underestimated (actual performance exceeded estimates) by 594.6 workmonths (72 percent) and included one project in which work was performed but not planned. Although estimates are not expected to be exact, variances should be within a predetermined range.

Estimates were also affected by other factors. Projects were not worked on in accordance with priorities formally approved by headquarters. In one directorate, the project ranked as the fourth priority was worked as the first priority. This project was the directorate's primary effort, and it was expected to be completed as soon as possible. Estimates were not based on revised project requirements, which called for more work and more resources than had been anticipated. In another directorate, a project that was the top priority was overestimated because planned resources were later shifted to another project, which became the new top priority. These changes were made without being incorporated into the project development plan and resulted in the plan being invalid. Agency Regulation 4730.6 requires

that the Agency approve in advance any deviations from the project development plan that affect the scheduled implementation date or resource requirements of a project.

Activity managers did not quantitatively evaluate personnel factors such as actual experience, training, skills, or performance levels or match personnel factors to the needs of each project. In September 1988, the Activity developed a data base to improve management of resources by identifying each programmer's and analyst's skills, training, and experience.

Project Management System. Productivity of programmers and analysts could not be determined because data were inaccurate. Of the 100 programmers and analysts interviewed, 43 percent stated that data were incorrectly reported. Accordingly, the system did not yield complete or accurate information for evaluating programmers' and analysts' performance and for estimating resources. Also, system users and operators did not fully understand the system and its capabilities. The project management system is designed as a tool for management to use in forecasting the impact of its planned work load. Although the intent of the project management system was to track project performance and make estimates, it was not used for the latter. The Activity has augmented the project management system with a project management support system. The support system will provide forecasting and evaluation tools that use data from the project management system. However, the data input into the project management support system must be accurate and timely to improve forecasts and evaluations. Changes are being made to the project management system to make it more useful. Codes and definitions used to report time are being evaluated for clarity, and employees are being trained to make the data more accurate and timely.

Employees record their time spent on each task and element in the project management system on a workweek basis. Full-time personnel must account for a minimum of 40 hours each week plus any overtime, compensatory time, or alternate work schedule hours. The system produces an exception report that identifies personnel who have not reported at least 40 hours during the period and the data that are missing or incorrect. The system cannot detect unreported time over the 40 hour weekly minimum; managers and employees must review the weekly reports or match the reported time to the payroll records.

During FY 1988, data input to the system were not complete, timely, and accurate. The system showed personnel who had reported fewer than 40 hours for 1 to 12 weekly reporting periods. The Activity and its field offices use about $1 million in paid overtime annually. Also, the Activity's internal auditors found that 25 percent of paid overtime for FY 1987 (shown in the payroll system) was not recorded in the project

management system. We verified that overtime hours are not checked against payroll records to ensure that overtime is recorded in the project management system. Employees incorrectly reported their time worked on tasks and operations. However, they could not accurately state how much time had been incorrectly reported. Employees charged time to other tasks when the appropriate tasks had not been input into the system or when they were instructed by their supervisors to do so. Employees who did not understand the operations' codes or placed little value on the system's integrity, arbitrarily applied their time to the operations' codes, which were used to identify the operations performed. Employees stated that they did not understand some of the reporting codes, that the codes overlapped and were too numerous, and that they were not adequately trained on the system.

Data in the project management system did not match data on other records. The Activity's Operations Center (the Center) records all automated information system hotline requests for emergency actions to make nonfunctioning systems operational. Both the Center and the project management system identify the number of hours spent solving system problems. We compared the hotline requests listed in the project management system to those recorded by the Center. The project management system did not include 165 (46 percent) of the 359 hotline actions recorded by the Center. In addition, for 78 hotline requests, the Center showed 331 hours worked, while the project management system showed 209 hours, a difference of 122 hours (37 percent).

Reports from the project management system had limited usefulness. Reports were cumbersome, contained redundant information, and did not present information in the most usable form. Managers did not use the reports available to them or had to use multiple reports to get the information they needed. Managers needed data that showed the progress of their projects towards meeting deadlines. Directors used their own systems to produce more useful reports than were available from the project management system. The monthly reports used for project oversight should show the hours charged for the current weekly period, the hours to date for the month, the hours for the past 4 months, and the accumulated hours. However, some of these fields showed the same number of hours. The reports showed the total estimated hours and remaining hours for each task, but the remaining hours did not equal estimated hours less expended hours. For example, one task showed 6,005 estimated hours; 265 hours for the week, month, and accumulated hours to date; and 0 hours for the 120-day period and hours remaining. If expended hours exceeded estimated hours, the field for remaining hours was either blank or zero, but it did not show overexpended hours. As a result, the usefulness of the reports was limited.

Monthly Oversight Reports. Monthly oversight reports did not provide reliable management information because they contained inaccurate, incomplete, and untimely performance data. These reports were developed from the project management system that contained inaccurate data. Employees' total hours worked during the month either were not reported to the project management system or were improperly stated. Defense Supply Agency Regulation 3340.1, "The DSA Management Review Process," gives guidance for the monthly oversight report. These monthly reports evaluate the allocation of resources, note changes in program goals, identify causes, draw conclusions, and identify actions to be taken. Monthly oversight reports were often prepared 2 to 3 months after the reporting period, which made them less useful to managers. Guidance required that project managers comment on the causes of project variances if they exceeded plus or minus 10 percent and state their effects on project completion dates, but project managers did not provide these comments.

Weekly data for the project management system are accumulated in 4-week (160-hour) or 5-week (200-hour) periods and summarized in a monthly report that is used to develop oversight data for each project and other elements worked on during that month. Monthly management oversight reports are prepared by the Activity's planning office, and directorate personnel are asked to review them, note corrected hours, and submit adjustments and comments on variances.

In the final monthly report, adjustments were arbitrarily applied to projects and other reporting categories. For example, in January 1989, there were 2,541 unreported hours for that period, 568 unreported hours to prior periods, 1,623 unmatched hours in the project management system, and 3,936 hours shown as possible overtime. The planning office changed figures in the draft reports without ensuring that the corrections were made in the system. Reports for the months of the first and second quarters of FY 1988 showed variances of more than 50 percent (5 times greater than the established 10-percent level), but they did not show analyses for project variances. The reports stated only that the information was based on old projections from February 1987 or made no comments. Since work load accomplishment had been adjusted as compared to the planned work load, the revised performance should have been noted. Personnel in the Activity's planning office accepted the data that managers provided without questioning the omission of analysis data. As a result, the data used in the monthly oversight reports were unreliable and misleading.

RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend that the Director, Defense Logistics Agency, include in the revised Defense Logistics Agency Regulation 4730.6, "Management of Central Design Activity (CDA) Project Development Plans (PDP)," specific guidance on and definitions of the elements that are to be included in documentation to support the project development plan.

2. We recommend that the Commander, Defense Logistics Agency Systems Automation Center:

a. Comply with Defense Logistics Agency Regulation 4730.6 in preparing the project development plan.

b. Require each directorate to assign staff and work on projects based on the priority assigned by the Defense Logistics Agency headquarters managers.

c. Direct supervisors to ensure that their employees correctly report their time against tasks worked on and that all overtime is reported.

d. Use performance data in the project management system to forecast project estimates.

e. Compare the time reported in the project management system for each employee to that recorded in the payroll records.

f. Verify that all hotline data recorded in the Operations Center are input into the project management system.

g. Review the project management support system to ensure that it meets the needs of each director, and discontinue individual systems.

h. Institute procedures to make the monthly management oversight reports complete, accurate, and timely.

MANAGEMENT COMMENTS

Management concurred with the finding and all recommendations except Recommendation A.2.h. Regarding the finding, management stated that the Activity did not update its project development plans as required by Regulation 4730.6, but the Activity did apply resources to projects as identified by the Agency's principal staff elements and kept the staff elements informed via decision briefings. Deviations from the planned program development plans were usually because of unforeseen losses of resources, extended sick leave, or requirements to keep the

systems operational, which are instances that the Activity cannot predict. Management also stated that the Activity has been extremely proactive within the last year to ensure that workhours are reported correctly in the project management system. Extensive training is being provided to all Activity employees on the various management systems. Regarding the recommendations, the Agency stated that it is in the process of revising Agency Regulation 4730.6 and will include guidance and definitions of the elements to be in the documentation supporting the project development plan and will follow the revised guidance when preparing the plan. Resources will be assigned against the functional priority list projects according to availability and skill requirements by project priority sequence, which is ultimately approved by the Agency's headquarters managers. On November 6, 1989, a memorandum was sent to all Activity directors requesting that they ensure that employees accurately report hours into the project management system. Future forecasting of project estimates will be accomplished using the P-3 system, which contains modules for: scheduling, skills, cost, analysis, and forecasting. The redesign of the project management system will facilitate comparisons of payroll records to the time reported into the system. Also, the Activity will ensure that all hotline data is input into the system. The project management support system has been briefed to all Activity directors and will be used Activity-wide. Regarding Recommendation A.2.h., management disagreed that the Activity should comply with Defense Supply Agency Regulation (DSAR) 3340.1 to make monthly management reports complete, accurate, and timely. Management stated that the procedures outlined in the Regulation are outdated, and the Agency is in the process of either revising or deleting the Regulation.

AUDIT RESPONSE TO MANAGEMENT'S COMMENTS

The intent of Recommendation A.2.h. was to improve the oversight reports, not to suggest the enforcement of outdated procedures. Accordingly, we have revised our Recommendation to delete reference to DSAR 3340.1. We, therefore, ask management to reevaluate its position on the Recommendation in its comments on the final report.

B. Staff Management and Training

FINDING

Management and training of programmers and analysts needed improvement. A system for monitoring and evaluating performance existed, but it was not effectively used. Supervisors did not ensure that employees were accurately recording their time and performance. Employees understated the amount of time taken for lunch breaks while recording extra hours worked during the same day. Paid overtime was authorized in lieu of compensatory time. Overtime was used to meet milestone dates without regard for cost-effectiveness. Also, programmer interns did not need about 33 percent of the training they received. As a result, overtime and training costs of about $2.5 million could have been reduced in FY 1988.

DISCUSSION OF DETAILS

Background. The Activity had internal control procedures, records, and reports to monitor and manage the productivity of programmers and analysts. The project management system (discussed in Finding A) was designed to account for each employee's time. The system shows time charged by each employee to each task performed on each project, as well as nonproductive time for training, leave, etc. Reports are created for management to use in monitoring time charged to each project.

The Activity is currently improving its project management system and evaluating other systems to better monitor the status of each project and the assignments of programmers and analysts. Data in the project management system can be consolidated and manipulated for review and evaluation, to make adjustments to current projects, and to make estimates for future projects. To verify these data, supervisors review them and note corrections. Each employee must maintain time and attendance records. The employee is required to sign in at the start of each day, sign out and in for lunch, and sign out at the end of the day. All time charged is to be shown, including leave, overtime, and alternate work schedule hours earned and used. Employees are responsible for the accuracy and timeliness of the records, and supervisors monitor the records for compliance. The building's doors are electronically controlled, and each employee has a magnetic card for entry and exit. The electronic system can record the employee's name and identification number, the door entered or exited, and the date and time. In addition, the computer that is used to develop software accumulates information on programmers' activities.

The Activity has an in-house program to train its programmers and analysts; the program's training budget for FY 1988 was about $1.5 million. The program includes an intern training course

that is 696 hours (17 weeks and 2 days) long. Other individual courses are also available. Commercial contractors and other Government agencies provide additional training.

The Activity has a planning committee to evaluate its resources, work load, and direction. At the time of our audit, the Activity planned to establish a quality control group to evaluate the quality of its operations, products, and services.

Attendance Records. Employee time and attendance were not effectively monitored. Defense Logistics Agency Systems Automation Center (DSAC) Regulation 1422.1, Change 1, "DSAC Duty Hours," January 30, 1987, establishes policies and procedures for flexible work schedules. The regulation requires employees to maintain accurate records of their daily time and attendance, using Defense Construction Supply Center (DCSC) Form 340 (R3), "Individual Time and Attendance Record." The Regulation states, "Lunch periods will begin between 1100 and 1230, end no later than 1300, and will be a minimum of 30 minutes in duration," and "Employees must account for a total of 8 hours exclusive of the lunch period." The Regulation also states, "Entries will be made at the start and completion of each workday; however, they will not be made in advance of their occurrence." It further requires employees to complete time and attendance records daily with time in, time out, and leave taken. Supervisors are to ensure that their employees' entries represent actual starting and stopping times.

To test conformity to the requirements, we examined 199 Individual Time and Attendance Records prepared by employees during the pay period June 11, 1989, through June 24, 1989. Our examination showed that 82 (41 percent) were in compliance, 110 (55 percent) were incomplete (not in compliance), and 7 (4 percent) had been completed in advance (not in compliance). We also evaluated lunchtime practices for 94 employees. On June 9, 1989, and June 14, 1989, we observed departure and return times during lunch periods of 94 employees. Our analysis of the records for the 94 employees showed the following.

Attendance Practices on
June 9, 1989, and June 14, 1989

Time Out for Lunch (Minutes)	Number of Employees	Employees Claiming							
		Overtime		@C-Time		Credit Hours		Totals	
		No.	*Time	No.	*Time	No.	*Time	No.	*Time
0 - 30	19					4	6	4	6
31 - 35	3	1	1			1	2.25	2	3.25
36 - 45	11			2	5.5	2	3.75	4	9.25
46 - 60	22	1	2	2	2	5	7.5	8	11.5
61 - 90	27	1	2	1	1	6	6.75	8	9.75
91 - 120	10					3	3.5	3	3.5
121 - 131	2					1	2	1	2
Totals	94	3	5	5	8.5	22	31.75	30	45.25

Legend: @C-Time is Compensatory Time.
*Time is stated in hours.

We compared actual departure and return times to the times the individuals recorded on their time and attendance records and found that only 19 (20 percent) of the 94 employees departed and returned within 30 minutes. An additional 11 (12 percent) who were away for more than 30 minutes charged more than 30 minutes for lunch; however, 6 of these 11 employees charged less time than they were actually away from work. The remaining 64 employees (68 percent) took more than 30 minutes for lunch, but showed only 30 minutes on their time and attendance records. Two employees showed 30 minutes for lunch, but actually took 131 minutes (2 hours and 11 minutes). One of these employees also claimed 2 hours earned as alternate work schedule time, for a total of 10 hours worked during the day.

Based on our observations, those employees who claimed the most overtime, compensatory time, and extra hours under the alternate work schedule were also the employees that tended to under-report their lunch breaks. Of the 94 employees, 30 showed 45.25 extra hours worked. For the 30 employees, 4 took 30 minutes or less for lunch and accounted for 6 (13 percent) of the 45.25 extra hours shown as worked. Two employees who took more than 30 minutes for lunch showed the proper amount of time on their time and attendance records and worked 5.5 hours of compensatory and extra alternate work schedule time. The other 33.75 hours (75 percent) of the 45.25 hours in extra hours were claimed by 24 employees who took more time for lunch than their time and attendance records showed.

We further determined that 70 employees (94 employees, less 19 who took 30 minutes or less and 5 who took more than 30 minutes and charged the correct amount of time) who took more time for lunch than they recorded, took 41.35 hours more time for lunch than they recorded (78.35 hours taken versus 37 hours recorded). As a result, the Government received less than 4 hours of additional production time for the 45.25 hours of extra time charged to overtime, compensatory time, and extra alternate work schedule time. This condition existed because supervisors did not effectively monitor employees' lunchtime practices. Furthermore, our review of the records showed that some supervisors also took longer lunches than they showed on their own time and attendance records. Operational procedures (internal controls) should require that all individuals use their magnetic identification cards for entries and exits, that entries and exits be electronically recorded, and that supervisors verify overtime charges and review other data at least monthly, comparing them to time and attendance records.

Overtime. Overtime practices did not comply with regulations. Agency Regulation 1422.2, "Civilian Personnel Overtime and Holiday Premium Pay," April 3, 1989, states that managers should use overtime to adjust personnel requirements to fluctuations in work load and that maximum use should be made of compensatory time in lieu of paid overtime.

In FY 1988, employees at the Activity worked 28,108 hours of paid overtime costing $483,623 (including the four field offices' overtime, which totaled 52,626 hours and cost $920,370). Overtime from October 1, 1988, through June 1989 totaled 37,947 hours and cost the Activity $675,160 (including the four field offices' overtime, which totaled 55,971 hours and cost $1,006,682). Overtime was used to meet milestone dates without regard for cost-effectiveness. Contrary to the Agency's guidance, employees (including the General Manager 13 and 14 levels) collected overtime pay in lieu of compensatory time.

To evaluate overtime requests, practices, and justifications, we reviewed 10,000 requests for overtime made in FY 1988. The 10,000 requests were for 31,400 hours of overtime, of which about 20,520 hours were for paid overtime; 9,100 hours were for compensatory time; and 1,780 hours were requested, but not worked. Employees and supervisors said that either of them could initiate the request for overtime. Two common justifications were, "Overtime is needed to meet milestones for this project," and "Overtime is needed to work on this project." We could not verify that employees worked the overtime they claimed. For example, one employee claimed overtime from noon to 6:30 p.m. on Saturday, December 10, 1988. The electronic entry/exit system

showed the employee as entering at 2:24 p.m. and signing on the computer at 2:32 p.m. The employee signed off the computer at 5:21 p.m., but the entry/exit system did not record the employee's exit time from the building. Two other employees who worked overtime on the same date showed electronic entry times within 2 minutes of their claimed overtime.

We were told that the primary reason for overtime was hotline calls, which require problems to be solved within 24 hours. We randomly selected and evaluated 200 of 451 total hotline calls, which showed that 90 (13.7 percent) of the 658 hours needed to solve the problems were charged to overtime. Projecting this percentage to the total hours worked on hotline calls and comparing it to the total overtime worked, we found that hotline calls represented less than one percent (0.8) of total overtime. We interviewed four supervisors who were responsible for the areas with high amounts of overtime. Three of the four supervisors stated that much of the overtime was due to project scheduling, which is done at Agency headquarters. Many projects are considered equally important and are due at the same time. New projects are added, and due dates are moved ahead without consideration of staffing levels and milestones of other projects. The use of overtime to meet deadlines should be supported with a cost analysis.

Training. Programming interns did not need 33 percent of the training they received. The total training costs for FY 1988 were $1.5 million. The training course for interns was 696 hours (17 weeks and 2 days) long; the curriculum was established before classes were filled, without considering interns' prior education, training, experience, and future work assignments. An inter-office memorandum, July 25, 1988, stated that for FY 1989 classes, interns could not separately register for individual classes in the 696-hour course. To evaluate the effectiveness of this policy and of the training program, we reviewed the assignments of the 77 employees who had completed the intern training program between November 7, 1986, and August 19, 1988.

Of the 77 employees, 28 (36 percent) were assigned to automated information system branches, 44 (57 percent) were assigned to technical branches, and 5 (7 percent) were assigned to other branches. We interviewed 24 of the 77 employees, of which 21 (87 percent of those interviewed) identified 5,528 hours (33 percent of the 16,704 total hours of training received) that they had not used in their jobs or that they had considered unnecessary based on their prior education and experience. Of the 24, all stated that they had needed additional training after they were assigned to a directorate. We also interviewed eight employees in the telecommunications directorate; four stated that telecommunications courses were not taught in

the 696-hour intern program. When they arrived for work in the telecommunications directorate, the employees had to obtain the necessary knowledge through on-the-job training.

The training program for entry-level interns was established in-house in 1972 to meet the Activity's continuous needs for entry-level programmers who could perform batch processing on IBM computers and knew the COBOL language. A team of 6 instructors taught a curriculum of 10 courses. This curriculum was designed to satisfy the needs of the Activity's customers. Courses included basic computer concepts, programming logic, COBOL, job control language, assembler language, etc. In 1980, structured concepts were integrated into the existing COBOL course. In 1984, materials and products were added to the logic and COBOL courses to ensure that instruction was consistent and included training in COBOL. Other than modifications to materials, the program has changed very little. The Activity needs to consider programming interns' education, previous training, experience, and planned assignments before training them.

RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Defense Logistics Agency Systems Automation Center:

1. Direct all supervisors to comply with the provisions of Defense Logistics Agency Systems Automation Center Regulation 1422.1, Change 1, "DSAC Duty Hours," January 30, 1987, concerning the accurate recording and monitoring of time and attendance data.

2. Notify all employees that falsifying time and attendance reporting is a potential fraudulent act that is grounds for job termination, and that time and attendance records will be closely monitored.

3. Authorize the use of overtime only to work on hotline requests and to meet deadlines that are cost-effective.

4. Use compensatory time in lieu of paid overtime as directed in Defense Logistics Agency Regulation 1422.2.

5. Make full use of the electronic entry/exit system by:

a. Requiring all employees to use their magnetic cards for all entries and exits.

b. Electronically recording all entries and exits.

c. Directing supervisors to compare time and attendance records to entry/exit records at least monthly, and to verify all overtime against entry/exit records.

6. Amend the intern training program to consider interns' education, experience, previous training, and planned assignments, before training them.

MANAGEMENT COMMENTS

Management concurred with the finding and Recommendations B.1., B.2., and B.6., but disagreed with Recommendations B.3. through B.5. Regarding the finding, management provided general comments concerning intern training and overtime policies. Management stated its headquarters is responsible for the intern program and that the Activity manages its local program within the framework established by headquarters. Also, management pointed out that training is not an exact science and that training has a long-term benefit that may be realized in the future. In addressing overtime, management stated that its policy is to encourage the use of overtime as one of the tools available to ensure that managers can live with their budgets. The exclusive use of compensatory time during extended peak work loads is not feasible. The statistics for the Activity for FY 1988 show an average overtime summary of 2.04 percent for all Activity directorates. Management does not agree that overtime was used to meet milestone dates without regard for cost-effectiveness.

Regarding Recommendations B.3. and B.4., management nonconcurred and stated that use of overtime only for hotlines and to meet cost-effective deadlines would be too restrictive. Limiting overtime would remove the flexibility management needs to best manage its work load and resources. Maximum use of compensatory time should be used in lieu of paid overtime. Management also disagreed with Recommendation B.5. which suggested that full use be made of the electronic entry/exit system. Management stated that the employees' union raised the concern that the system was being installed as a time clock system when it was initially installed. The union was assured that the system was for security control and not for time management. Management also stated that using the system to verify overtime would require extensive report preparation and time.

Actions taken by management regarding the recommendations include the preparing of a letter to all personnel, stressing the importance of accurate recording of time and attendance. Also, the internal review staff is going to review the time and attendance issue for compliance with Regulation 1422.1, Change 1 (Recommendation B.1.); reminding employees that they are

certifying the accuracy of their time and attendance records under the penalty of fraud (Recommendation B.2.); and changing the intern program to consider previous training, experience, and job applicability (Recommendation B.6.).

AUDIT RESPONSE TO MANAGEMENT'S COMMENTS

Recommendation B.3. is in line with the Agency's policy. Agency Regulation 1422.2, "Civilian Personnel Overtime and Holiday Premium Pay," April 3, 1989, states, "Properly managed overtime can be a more efficient and lower cost way to accomplish work load than the hiring of additional full-time personnel." This policy does not restrict the use of overtime, provided it is cost-effective. Furthermore, the Federal Managers' Financial Integrity Act, Public Law 97-255, was enacted to safeguard against inefficient expenditure of Government funds. Accordingly, we believe expenditures for overtime should be cost-effective.

In Recommendation B.4., we did not recommend exclusive use of compensatory time. We recommended the use of compensatory time in lieu of paid overtime as directed in Agency Regulation 1422.2, which states, "Overtime is a tool managers should use to adjust personnel requirements to fluctuations in work load. Within this context, maximum use should be made of compensatory time in lieu of paid overtime." Although management disagreed with our Recommendation, management's comment to use compensatory time to the maximum extent satisfies our intent.

For Recommendation B.5., we continue to believe that the finding supports the need to use the electronic entry/exit record for accurate time and attendance reporting. The audit showed that 70 of 94 employees inaccurately recorded their time and attendance, and the Government got less than 4 hours of additional productive time for 45.25 hours of extra work time charged. We believe the union's interest is the same as ours, in that trust is based on honesty and that an employee be fairly paid for work performed. The monthly comparison of time and attendance records to the entry/exit record can be done on a sample basis requiring minimal administrative work.

We believe that our recommendations are still valid. Therefore, we ask management to reevaluate its position on Recommendations B.3. and B.5. in its comments on the final report.

MAJOR SOFTWARE SYSTEMS IN THE DEFENSE LOGISTICS AGENCY

APCAPS: Automated Payroll, Cost and Personnel System

BOSS: Base Operations Support System

DAISY: Defense Reutilization and Marketing Automated Information System

DIPEC: Defense Industrial Plant Equipment Center

DISMS: Defense Integrated Subsistence Management System

DWASP: Defense Logistics Agency Standard Warehousing and Shipping Process

EMACS: Equipment Mangement and Control System

MOCAS: Mechanization of Contract Administration Systems

SAMMS: Standard Automated Materiel Management System

ACTIVITIES VISITED OR CONTACTED

Defense Activities

Headquarters, Defense Logistics Agency, Alexandria, VA
Defense Logistics Agency Systems Automation Center, Columbus, OH

Field Activities

Defense Logistics Agency Systems Automation Center, Battle Creek, MI
Defense Logistics Agency Systems Automation Center, Memphis, TN
Defense Logistics Agency Systems Automation Center, Philadelphia, PA
Defense Logistics Agency Systems Automation Center, Ogden, UT

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DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100

31 JAN 1990

IN REPLY REFER TO DLA-CI

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD
ATTN: DIRECTOR, READINESS AND OPERATIONAL SUPPORT

SUBJECT: Draft Audit Report on the Management of Defense Logistics Agency's Central Design Activity (Project No. 9ID-0019)

This is in response to your 8 Nov 89 memorandum requesting information on the findings and recommendations in this report. The enclosed positions have been approved by Mr. Richard J. Connelly, Comptroller, Defense Logistics Agency.

FOR THE DIRECTOR:

Reathea E. Holmes

1 Encl

REATHEA E. HOLMES
Chief, Internal Review Division
Office of Comptroller

TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

FINDING A: Project Management - Project development plans were outdated and did not show reliable estimates of the personnel resources required to meet project milestones. The Activity did not allocate resources in accordance with Agency-approved priorities. Performance data were not used to forecast project estimates. The Agency's Headquarters made frequent informal changes to the priorities and requirements of projects. Productivity of programmers and analysts could not be determined because performance data were inaccurate. Monthly reports allowing project oversight did not provide reliable management information because they contained inaccurate, incomplete, and untimely performance data. All of these factors contributed to ineffectiveness in project management.

DLA COMMENTS: Concur with comments.

1. Project Development Plan (PDP). DSAC did not receive a priority list in August 1987 to update the February 87 PDPs as required by DLAR 4730.6, Management of Central Design Activity (CDA) Project Development Plans (PDPs), dated 15 Sep 86. This regulation does state the PDPs will cover a 24-month period and will be updated twice per year. Even though the February 87 PDPs were not updated officially as required by regulation, DSAC applied resources to projects as identified by Headquarters Principal Staff Elements (PSEs). Also, during this timeframe DSAC reported monthly status reports to the PSEs. DSAC prepared and coordinated PDPs which covered the following periods: 1 Apr 88 thru 31 Mar 90; 1 Nov 88 thru Oct 90; 1 Apr 89 thru 31 Mar 91; and 1 Oct 89 thru 31 Mar 91. The lack of publication does not negate the fact that all of these PDPs were negotiated with our Headquarters Principal Staff Elements (PSEs) and approved via decision briefings given to the DLA council.

2. Resource Estimates. The resource estimating is done by DSAC managers using history plus assessing required skills necessary for the project workload. Not all skills are interchangeable and, therefore, one could assume that projects were not being accomplished in accordance with Agency-approved priorities if specialized skills are not available for higher priority projects. All PDP inversions (reprioritizations) are clearly identified on the PDPs and these are always approved by the appropriate Headquarters PSE. The deviations from the planned PDP to the actual expenditures are usually because of unforeseen loss of resources, resources on extended sick leave, or resources that are required for the baseline categories to keep the AIS operational. In all these instances, DSAC cannot predict these occurrences when preparing PDPs. DSAC reviewed all seven AIS Directorates and found that for all seven AIS Directorates there was only a +2% deviation

Encl 1

for FY 89 and a -4% deviation for FY 88. However, resource deviations do not necessarily mean projects will be finished ahead of schedule or behind schedule when other factors must be considered such as acquisitions required for deployments.

3. Project Management System. Within the last year, DSAC has been extremely proactive to assure correct number of expended workhours are reported accurately. Previous to this time, DSAC had problems with the correct number of hours being input into the system. They are currently redesigning PMS to make the system more user friendly; redesigning PMS reports and providing Ad-Hoc report capabilities; providing an interface to APCAPS to ensure all regular, overtime, and compensatory time is entered into PMS for validation purposes; changing PMS cycles to correspond to the APCAPS monthly cycle; and providing DSAC managers with a single multi-user workload system. This system known as P-3 integrates the Project Development Plans (PDPs), Project Management System (PMS), and Program Management Support System (PMSS). Extensive training is currently being provided and will continue to be provided for all DSAC employees for not only P-3, but PMS, the PDP process, and PMSS. The current format of the Monthly Management Review compares payroll data (APCAPS) to actual hours reported in PMS. Hours incorrectly reported in PMS are identified at the Directorate level. The Directorate focal point can identify these hours on an individual level by monitoring the "B-1 Detail" report.

Concur with the internal control weakness cited; however the weakness is not considered material.

MONETARY BENEFITS: None
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

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RECOMMENDATION NO. A.1.: We recommend that the Director, DLA, include in the revised DLAR 4730.6, "Management of Central Design Activity (CDA) Project Development Plans (PDP)," specific guidance on and definitions of the elements that are to be included in documentation to support the project development plan.

DLA COMMENTS: Concur. DLA is in the process of revising policy for DLAR 4730.6 and this recommendation will be incorporated into the revision.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 30 Jun 90
( ) Action is considered complete.

MONETARY BENEFITS: None
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

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RECOMMENDATION NO. A.2.a.: We recommend that the Commander, DSAC, comply with DLAR 4730.6 in preparing the project development plan.

DLA COMMENTS: Concur. We feel that DSAC is complying with DLAR 4730.6 as written in preparing the project development plan.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 30 Jun 90
( ) Action is considered complete.

MONETARY BENEFITS: NONE
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

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RECOMMENDATION NO. A.2.b.: We recommend that the Commander, DSAC, require each directorate to assign staff and work on projects based on the priority assigned by Agency Headquarter's managers.

DLA COMMENTS: Concur. DSAC assigns resources against the Functional Priority List projects according to resource availability and skill requirements by project priority sequence. Any changes in priorities are negotiated and approved by the HQ PSE responsible for the FPL. The final PDP is approved by the DLA Council.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
( ) Action is ongoing; Final Estimated Completion Date:
(X) Action is considered complete.

MONETARY BENEFITS: None
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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RECOMMENDATION NO. A.2.c.: We recommend that the Commander, DSAC, direct supervisors to ensure that their employees correctly report their time against tasks worked on and that all overtime is reported.

DLA COMMENTS: Concur. An IOM dated 6 Nov 89 was sent to all DSAC directors requesting that they personally ensure all PMS hours are reported accurately.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
( ) Action is ongoing; Final Estimated Completion Date:
(X) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

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RECOMMENDATION NO. A.2.d.: We recommend that the Commander, DSAC, use performance data in the project management system to forecast project estimates.

DLA COMMENTS: Concur. Future forecasting will be accomplished utilizing the P-3 system. The P-3 system will contain the following modules: "scheduling, skills, cost, what-if and forecasting."

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 1 Sep 90
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

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RECOMMENDATION NO. A.2.e.: We recommend that the Commander, DSAC, compare the time reported in the project management system for each employee to that recorded in the payroll records.

DLA COMMENTS: Concur. This is being accomplished. It will be facilitated in the redesign of PMS.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 1 Apr 90
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

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AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. A.2.f.: We recommend that the Commander, DSAC, ensure that all hotline data recorded in the Operations Center are input into the project management system.

DLA COMMENTS: Concur. DSAC will ensure all hotline data recorded in the Operations Center is input into PMS. This is currently being manually input, but will be automated in the revised PMS.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 1 Apr 90
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. A.2.g.: We recommend that the Commander, DSAC, review the project management support system to ensure that it meets the needs of each director and discontinue individual systems.

DLA COMMENTS: Concur. PMSS has been briefed to all DSAC directors and will be utilized DSAC wide.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 1 Sep 90
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. A.2.h.: We recommend that the Commander, DSAC, comply with DSAR 3340.1, "The DSA Management Review Process," to make the monthly management oversight reports complete, accurate, and timely.

DLA COMMENTS: Nonconcur. At this time DSAR 3340.1 is 14 years old. The procedures outlined by this regulation are outdated in comparison with current procedures. We are in the process of either revising or deleting DSAR 3340.1.

Nonconcur with the internal control weakness cited for the reasons above.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 1 Feb 90
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

FINDING B: Staff Management and Training - Management and training of programmers and analysts needed improvement. A system for monitoring and evaluating performance existed, but it was not effectively used. Supervisors did not ensure that employees were accurately recording their time and performance. Employees understated the amount of time taken for lunch breaks while recording extra hours worked during the same day. Paid overtime was authorized in lieu of compensatory time. Overtime was used to meet milestone dates without regard for cost-effectiveness. Also, programmer interns did not need about 33 percent of the training they received. As a result, overtime and training costs of about $2.5 million could have been reduced in FY 1988.

DLA COMMENTS: Concur with comments on Intern Training. It should be understood that DCPSO is the central administrative focal point for DLA for Intern Training programs. Agency-wide function manager responsibility rests with DLA Headquarters PSEs. DSAC, as a Primary Level Field Activity manages their local programs for their employees that are interns within the above context. All training inevitably contains some material that the individual students may not specifically require for their jobs. Intern graduates hold various jobs and each individual has different jobs during his career. It is possible, but not valid, to make short term judgements (avg 33%) about training which has a long term impact. However, DLA is making changes to the Intern Program that will increase the action of job applicability of intern training. The rules for waiving courses by interns have been revised to account for previous training and experience. Course changes are being made (by January 91) that will provide new course tracks for data base, telecommunications, UNIX, security and acquisition. These changes will resolve the problem noted in the finding.

Last sentence of Finding B states that ... "overtime and training costs of about $2.5 million could have been reduced in FY 88." This is misleading and should be split out as two separate costs. The report states that 33 percent of the training received was not needed. Since the FY 88 training budget was $1.5 million, that represents a savings of approximately $500,000. To include training and overtime costs in the 2.5 million, obviously distorts the facts.

DLA's overtime policy is to encourage the use of overtime as one of the tools available to assure managers can live with their budgets. The exclusive use of compensatory time during extended peak workloads is not feasible.

DLA-CB's letter dated 4 March 1988, subject: Overtime Management Control Policy, specifically states that: "Activities are no longer

required to perform a review when overtime for an employee totlas more thant 60 hours and where an organizational unit exceeds 7 percent of basic pay." The statistics for DSAC for FY 88 show an average of overtime summary of 2.04 percent for all of the DSAC directorates.

We do not agree with the statement "Overtime was used to meet milestone dates without regard for cost-effectiveness." Unless an indepth analysis was made by the DoD IG, we feel confident that these figures are well below the guidelines set by HQ DLA for cost-effectiveness.

Concur with the internal control weakness cited, however, this weakness is not considered material.

MONETARY BENEFITS: None
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

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TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. B.1: We recommend that the Commander, DSAC, direct all supervisors to comply with the provisions of DSACR 1422.1, Change 1, "DSAC Duty Hours," January 30, 1987, concerning the accurate recording and monitoring of time and attendance data.

DLA COMMENTS: Concur. DSAC is preparing a letter to all personnel, stressing the importance of accurate recording of time and attendance. The DSAC internal review staff has just opened an audit assignment on DSAC's compliance with the appropriate time and attendance regulation at DSAC in Columbus. This review is scheduled for completion in Feb 90.

Concur with the internal control weakness cited, however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 1 Feb 90
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. B.2.: We recommend that the Commander, DSAC, notify all employees that falsifying time and attendance reporting is a potential fraudulent act that is grounds for job termination, and that time and attendance records will be closely monitored.

DLA COMMENTS: Concur. DSAC is preparing a letter for distribution to all employees, restating their responsibilities on ensuring the accuracy of their time and attendance records and reminding each employee that they are certifying the accuracy of their T&A records under the penalty of fraud.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 30 Jan 90
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. B.3.: We recommend that the Commander, DSAC, authorize the use of overtime only to work on hotline requests and to meet deadlines that are cost-effective.

DLA COMMENTS: Nonconcur. The use of overtime only for hotlines and to meet cost effective deadlines would be too restrictive. Limiting overtime would remove the flexibility our Commanders need to best manage their workload and resources. Overtime is considered to be an inherent part of the workyear management plan and, as such, has been incorporated in the DSAC overtime regulation. The use of overtime in other instances is permitted by the policy in DLAR 1422.2, Civilian Personnel Overtime and Holiday Premium Pay. DSAC's use of overtime is also in accordance with policy stated in DLA-CB letter, 4 March 1988, subject: Overtime Management Control Policy.

Nonconcur with the internal control weakness cited for the reasons above.

DISPOSITION:
( ) Action is ongoing; Final Estimated Completion Date:
(X) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. B.4.: We recommend that the Commander, DSAC, use compensatory time in lieu of paid overtime as directed in DLAR 1422.2.

DLA COMMENTS: Nonconcur. Some of the comments provided in B.3. apply here. Maximum use of compensatory time should be used in lieu of paid overtime. The exclusive use of compensatory time is not feasible during extended workload peaks.

Nonconcur with the internal control weakness cited for the reasons above.

DISPOSITION:
( ) Action is ongoing; Final Estimated Completion Date:
(X) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. B.5.: We recommend that the Commander, DSAC, make full use of the electronic entry/exit system by:

a. requiring all employees to use their magnetic cards for all entries and exits;

b. electronically recording all entries and exits; and

c. directing supervisors to compare time and attendance records to entry/exit records at least monthly and to verify all overtime against entry/exit records.

DLA COMMENTS: Nonconcur. Reasons for this position are as follows:

a. When the CARDKEY system was initially installed, adequate numbers of readers were installed to control all entrances and exits from the DSAC Bldg. 27 facility. This included programing the system to account for the status of every employee, whether they were in or out of the building. In that case, the system refused to permit passage in or out if the recorded status was not compatible with the status currently in the system. DSAC command was contacted by the union and concern was raised concerning the appearance of installing a time clock system. DSAC command ensured the union that the system was for security control and not for time management. As a result of the discussion with the union, the DSAC Commander directed the security office to reprogram the system and to institute controls that simplify controlled access, ensure physical security to the facility and to document these issues in the DSAC Physical Security Control Program, DSACR 5700.1.

b. The requirement for supervisors to make reference to the CARDKEY system record of entry/exits from the facility would require extensive report preparation, hard copy reports, and extensive time involvement would be required to manage the reports to ensure they were available and complete.

Nonconcur with the internal control weakness cited for the reasons above.

DISPOSITION:
( ) Action is ongoing; Final Estimated Completion Date:
(X) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:

ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

TYPE OF REPORT: AUDIT DATE OF POSITION: 31 Jan 90

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO.: DRAFT AUDIT REPORT ON THE MANAGEMENT OF DEFENSE LOGISTICS AGENCY'S CENTRAL DESIGN ACTIVITY (PROJECT NO. 9ID-0019)

RECOMMENDATION NO. B.6.: We recommend that the Commander, DSAC, amend the intern training program to consider interns' education, experience, previous training, and planned assignments, before training them.

DLA COMMENTS: Concur with comments.
It should be understood that DCPSO is the central administrative focal point for DLA for Intern Training programs. Agency-wide function manager responsibility rests with DLA Headquarters PSEs. DSAC, as a primary level field activity, manages their local programs for their employees that are interns within the above context. All training inevitably contains some material that the individual students may not specifically require for their jobs. Intern graduates hold various jobs and each individual has different jobs during his career. It is possible, but not valid, to make short term judgements (avg 33%) about training which have a long term impact. However, DLA is making changes to the Intern Program that will increase the action of job applicability of intern training. The rules for waiving courses by interns have been revised to account for previous training and experience. Course changes are being made (by January 91) that will provide new course tracks for data base, telecommunications, UNIX, security and acquisition. These changes will resolve the problem noted in the finding.

Concur with the internal control weakness cited; however, this weakness is not considered material.

DISPOSITION:
(X) Action is ongoing; Final Estimated Completion Date: 31 Jan 91
( ) Action is considered complete.

MONETARY BENEFITS: None.
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
ACTUAL AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: J. Herwig, DLA-ZRM, x46281, 1/12/90

DLA APPROVAL: Richard J. Connelly

SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
A.1.	Improve internal controls	Nonmonetary
A.2.	Compliance with regulations	Nonmonetary
B.1., B.2., B.3., B.4.	Compliance with regulations	Nonmonetary
B.5., B.6.	Improve internal controls	Nonmonetary

ACTIVITIES VISITED OR CONTACTED

Defense Activities

Headquarters, Defense Logistics Agency, Alexandria, VA
Defense Logistics Agency Systems Automation Center, Columbus, OH

Field Activities

Defense Logistics Agency Systems Automation Center, Battle Creek, MI
Defense Logistics Agency Systems Automation Center, Memphis, TN
Defense Logistics Agency Systems Automation Center, Philadelphia, PA
Defense Logistics Agency Systems Automation Center, Ogden, UT

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