DEPARTMENT OF DEFENSE

AUDIT REPORT

ADMINISTRATIVE CONTROL OF FUNDS - HONDURAS

No. 90-048

March 19, 1990

Office of the Inspector General

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

March 19, 1990

MEMORANDUM FOR COMMANDER IN CHIEF, U.S. SOUTHERN COMMAND
COMMANDER, JOINT TASK FORCE-BRAVO

SUBJECT: Report on the Audit of the Administrative Control of Funds - Honduras (Report No. 90-048)

We are providing this final report on the Audit of the Administrative Control of Funds - Honduras for your information and use. Comments on a draft of this report were considered in preparing the final report. The audit was requested by the Commander in Chief, U.S. Southern Command and was conducted from May through July 1989 at the U.S. Southern Command and the U.S. Army South in Panama, and at the Joint Task Force-Bravo (the Task Force) in Honduras. After announcing the audit, we received a DoD Hotline complaint that alleged waste and abuse of resources at the Task Force. The objectives of the audit were to evaluate the administrative control of funds at the Task Force, to evaluate the efficiency and effectiveness of the Security Assistance Program in Honduras, and to assess the internal controls over program and fund assets. This report addresses the results of our audit at the Task Force.

The Task Force was established in 1983 to provide command and control and planning, logistical, and administrative support to U.S. Forces in Honduras. Honduras is the site of an increasing number of DoD training exercises. During FY 1989, the Task Force was programmed to support 87 Service exercises and 5 joint exercises. The Task Force is located at Soto Cano Air Base, a Honduran military facility 50 miles northwest of Tegucigalpa, the capital. The Task Force was programmed to receive $36 million in FY 1989. Approximately 1,200 personnel were assigned to the Task Force. Six of the assigned staff held 1-year permanent change of station assignments, and the remainder were on temporary duty assignments of 4 to 6 months.

The audit showed that the Task Force effectively used its resources to perform its primary mission of supporting an increasing number of training exercises despite its temporary nature, increased work load, and the practice of assigning personnel on temporary duty to management positions. However, internal controls to safeguard assets needed improvement. We made a limited review of the Security Assistance Program in Honduras and found no significant issues to report. The audit results are summarized in the following paragraphs, and details are in Part II of this report.

The audit showed that a central point of contact for vehicle requirements had not been formally established, that vehicles with luxury options were being leased, that vehicle requirements were not fully determined, that contract purchases were divided into smaller segments to avoid compliance with the Federal Acquisition Regulation, that the costs of providing laundry service to individuals may not have been recouped in accordance with regulations, and that assets assigned to the Task Force may have not been fully accounted for. We recommended that the Task Force's request for additional permanent change of station positions be approved. We also recommended that a focal point for the management of the transportation function be designated; that leased vehicles conform to the provisions of the Federal Acquisition Regulation; that vehicle requirements and the optimum mix of Government-owned and leased vehicles be determined; that the FAR's provisions on contract splitting and consolidation of requirements be complied with; that provisions of Army Regulation 210-130 on laundry service be complied with; and that the Task Force fully account for its property. Finally, we recommended that the material weaknesses be reported and monitored as required by DoD Directive 5010.38 (page 5).

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. Controls were neither established nor effective to ensure that expenditures for supplies and services complied with applicable regulations, that contract actions complied with the Federal Acquisition Regulation, and that expenditures were made in accordance with regulations. Recommendation 1 in this report, if implemented, will correct the weakness. We have determined that the monetary benefit that can be realized by implementing the recommendation is $1,063,410. A copy of this report will be provided to the senior Task Force official responsible for internal controls.

A draft of this report was issued to the Commander in Chief, U.S. Southern Command and the Commander, Joint Task Force-Bravo on September 29, 1989, which requested management's position on the findings and recommendations included in Part II of this report. Due to the military action in Panama, the response from U.S. Southern Command was delayed. Therefore, we request that the Commander in Chief, U.S. Southern Command respond to the final report, indicating concurrence or nonconcurrence with the finding, recommendation, potential monetary benefits, and internal control weaknesses described in this report. As required by DoD Directive 7650.3, the comments should indicate concurrence or nonconcurrence with the finding and each recommendation. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, please state your specific reasons. If

appropriate, you may propose alternative methods for accomplishing desired improvements.

In a reply dated November 27, 1989, the Commander, Joint Task Force-Bravo generally agreed with the findings and recommendations, and listed actions that were being taken to resolve the weaknesses identified during the audit. However, the Commander did not provide an estimated completion date for restructuring the vehicle fleet. The Commander is requested to provide this information in response to this final report. On the basis of the response received, we are claiming monetary benefits of $1,063,410, presented in Appendix C. The Commander, Joint Task Force-Bravo is requested to comment on the validity of the estimated savings in response to this final report. The complete text of the response is in Appendix B.

DoD Directive 7650.3 requires that all audit recommendations be resolved within 6 months of the date of the final report. Accordingly, final comments on the unresolved issues in this report should be provided within 60 days of the date of this memorandum.

The courtesies extended to the audit staff are appreciated. If you have any questions about this audit, please contact Mr. David R. Stoker at (202) 694-1692 (AUTOVON 224-1692) or Mr. Lloyd G. O'Daniel at (202) 693-0166 (AUTOVON 223-0166). A list of the audit team members is in Appendix E. Copies of this report are being provided to the activities listed in Appendix F.

Edward R. Jones
Deputy Assistant Inspector General
for Auditing

cc:
Secretary of the Army
Secretary of the Air Force
Director J-1 (Manpower and Personnel),
Joint Chiefs of Staff

REPORT ON THE AUDIT OF THE ADMINISTRATIVE CONTROL OF FUNDS - HONDURAS

TABLE OF CONTENTS

	Page
TRANSMITTAL MEMORANDUM/EXECUTIVE SUMMARY	i
PART I - INTRODUCTION	
Background	1
Objectives and Scope	2
Internal Controls	3
Prior Audit Coverage	3
PART II - FINDING AND RECOMMENDATIONS	
Controls Over Expenditures and Property	5
APPENDIX A - Positions Proposed for Conversion to Permanent Change of Station	13
APPENDIX B - Comments Received from Commander, Joint Task Force-Bravo	15
APPENDIX C - Summary of Potential Monetary and Other Benefits Resulting from the Audit	19
APPENDIX D - Activities Visited and Contacted	21
APPENDIX E - Audit Team Members	23
APPENDIX F - Final Report Distribution	25

Prepared by:
Financial Management Directorate
Project No. 9FA-5016

REPORT ON THE AUDIT OF THE ADMINISTRATIVE CONTROL OF FUNDS - HONDURAS

PART I - INTRODUCTION

Background

The Joint Task Force-Bravo (the Task Force) was established in 1983 to provide command and control and planning, logistical, and administrative support to U.S. Forces in Honduras. The Task Force is located at Soto Cano Air Base, a Honduran military facility 50 miles northwest of the capital, Tegucigalpa, and 5 miles south of the city of Comayagua. Honduras is the site of an increasing number of training exercises conducted by the Services and joint exercises sponsored by the Joint Chiefs of Staff. During FY 1984, the Task Force supported four Service training exercises and two joint exercises. During FY 1989, the Task Force was programmed to support 87 exercises conducted by the Services and 5 joint exercises. In addition, the Task Force provides limited logistical support to the U.S. Military Groups in El Salvador and Guatemala. The Task Force is subordinate to the U.S. Southern Command, Quarry Heights, Panama.

The Task Force's mission is temporary. The Department of Defense defines a task force as a force deployed to conduct a specific mission for a limited time. The U.S. Congress has established a ceiling of just over 1,200 personnel. Of the personnel assigned, six held 1-year permanent change of station assignments, and the remainder were on temporary duty assignments of 6 months or less. The 1-year positions were the Task Force Commander, the Chief of Staff, the Army Forces Element Commander, the Air Force Forces Element Commander, the Base Civil Engineer, and the Task Force Liaison Officer to the U.S. Embassy. Since its formation, the Task Force has greatly expanded its capabilities and mission as a logistical base. Originally, the Task Force depended almost entirely on assistance from the U.S. Army's 193d Infantry Brigade in Panama. At the time of the audit, the Task Force did much of its own requisitioning and contracting for supplies and services. Its Logistics Directorate arranged and controlled the transport of supplies and personnel in and out of the region.

The Task Force is composed of four main elements:

- the Joint Staff, which consists of personnel from the Army and Air Force;

- the Army Forces Element, composed of a headquarters company, a communications unit, an aviation task force, and a joint security force (the aviation task force and the joint security force rotate to and from Honduras as a unit);

- the Medical Element, composed of Army Medical personnel on rotational Temporary Duty tours; and

- the Air Force Forces Element, which operates the airfield.

In addition to these elements, there are two tenant units, the Army and Air Force Exchange System and a Military Intelligence Battalion, which are not considered in the Task Force's personnel ceiling. There were 43 Honduran civilian employees of the U.S. Government at the air base.

The Task Force was programmed to receive $36 million in FY 1989. Through May 1989, the Task Force had been reimbursed $1.4 million for services to other DoD organizations. In addition, the U.S. Air Force had budgeted $500,000 for the Air Force contingent at the Task Force. The Air Force Forces Element Commander has authority to obligate these funds.

Objectives and Scope

The Commander in Chief, U.S. Southern Command requested the audit, because a joint command inspection indicated a lack of documentation to support operation and maintenance expenditures at the Task Force. We also received a DoD Hotline complaint alleging waste and abuse of resources at the Task Force.

Our objectives were to evaluate the administrative control of funds at the Task Force and to assess internal controls over program and fund assets. An additional objective was to evaluate the efficiency and effectiveness of the Security Assistance Program in Honduras.

We reviewed funding to determine sources and amounts provided for FY 1987 to FY 1989, procedures for allocating funds to obligation accounts, and accounting and reporting requirements. We reviewed obligation authority for Task Force accounts during the period FY 1987 to FY 1989 and examined expenditures for leased vehicles and the Task Force's laundry services for FY 1989. In addition, we reviewed the Task Force's procedures for requisitioning supplies and for property accountability.

The audit was performed from May through July 1989, in accordance with auditing standards for economy and efficiency audits issued by the Comptroller General of the United States as implemented by the Inspector General, Department of Defense, and accordingly included such tests of internal controls as were considered necessary.

We found no significant issues to report in our review of the Security Assistance Program in Honduras. Activities visited and contacted during the survey are listed in Appendix D.

Internal Controls

We assessed the internal controls over obligations for Task Force accounts and controls over expenditures for vehicle leasing and for laundry services. We also reviewed internal controls over property accountability. Internal control weaknesses, as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38, were identified. The audit showed that a central point of contact for vehicle requirements had not been established, that contract purchases were divided into smaller segments to avoid compliance with the Federal Acquisition Regulation, that costs incurred in providing laundry service to individuals may not have been recouped in accordance with regulations, and that the responsible office did not fully account for assets assigned to the Task Force.

Prior Audit Coverage

U.S. Army Audit Agency report SW-88-702, "Review of Base Operations Support Contract, Palmerola Air Base, Honduras," February 16, 1988, identified a need for better documentation, procedures, and internal controls over contractors to improve management of the base operations support contract. This report suggested actions but made no recommendations. The U.S. Southern Command Inspector General conducted a joint general inspection of the Task Force in October 1988, and found that the Army Audit Agency's suggested actions had not been implemented.

The U.S. General Accounting Office, in report GAO/NSIAD-89-107BR (OSD Case No. 7839-A), "Honduras-U.S. Military Presence at Soto Cano Air Base," March 1989, reviewed the Task Force's operations. The report contained no recommendations.

PART II - FINDING AND RECOMMENDATIONS

Controls Over Expenditures and Property

FINDING

Controls did not adequately ensure that expenditures were made in compliance with regulations, that transportation requirements were satisfied in the most cost-effective manner, and that property was fully accounted for. Management had not installed control procedures required by the Federal Managers' Financial Integrity Act and pertinent implementing regulations. We attributed these conditions to the temporary nature of the Task Force and the manner in which key personnel were assigned. As a result, various base operations support functions, including vehicle leasing, contracting, laundry services, and property accounting may not be carried out in an efficient, economical manner or were not in accordance with governing regulations.

DISCUSSION OF DETAILS

Background. The Federal Managers' Financial Integrity Act, Public Law 97-255, as implemented by Office of Management and Budget Circular A-123 and DoD Directive 5010.38, "Internal Management Control Program," requires systems of accounting and internal control that effectively control and account for the organization's assets. DoD Directive 5010.38 specifically requires each DoD Component to establish internal management controls to give reasonable assurance that programs are efficiently and effectively carried out, and that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Our survey disclosed that the required management controls were not in place for the following areas.

Transportation Requirements. During the first 9 months of FY 1989, the Task Force leased 28 passenger vehicles at a cost of $212,682 using 28 separate leases. We reviewed the 28 leases to determine the degree of management controls over the leasing process. Our audit disclosed that a central point for transportation requirements had not been formally established, that vehicles with nonessential equipment were being leased, and that the Task Force had not determined the optimum size or composition of a vehicle fleet that would meet its total requirements.

The Army Forces Transportation Office was generally understood to be the approval authority for leased vehicles; however, no local directive explicitly stated this. Task Force units often bypassed the Transportation Office and submitted lease requirements directly to the Task Force's contracting office.

Several leased vehicles were not on the Transportation Office's records, which would complicate any attempt by the Transportation Office to match requirements against available assets.

Leased vehicles were often equipped with deluxe accessories. For example, the Task Force leased a Ford Bronco with power windows, air conditioner, AM/FM radio and cassette player, and magnesium wheels. It was leased for 139 days at a cost of $6,987, or about $50 per day. Leasing such vehicles was not consistent with Federal Acquisition Regulation (FAR), 8.1102(1), which states that leased vehicles should carry the minimum equipment necessary to fulfill operational needs.

Of the 28 leases reviewed, 19 were long-term (over 15 days), 8 were short-term, and 1 was canceled. Two of the long-term leases were originally awarded as short-term contracts. The long-term leases ranged from 31 to 337 days and averaged 147 days. The high proportion of long-term leases could mean that the Task Force's Table of Distribution and Allowances needed adjustment to provide for additional Government-owned vehicles. Documentation maintained by the Transportation Office showed that the Task Force had requested an increase in its allowance of passenger-carrying tactical vehicles and that the request had been disapproved in April 1989. The request for additional vehicles was not available for our review. Personnel assigned to the Transportation Office were not familiar with the request.

We believe the Task Force should determine vehicle requirements and ascertain the most cost-effective mix of Government-owned and leased vehicles. We believe that such a determination is vital to effective management of transportation. In addition, converting the Transportation Officer's position to a permanent change of station position will facilitate continuity and controls over transportation operations.

Contracting. The Task Force's Contracting Office consisted of four military contracting officers on temporary duty assignments, an administrative officer, and several Honduran nationals. It supported the Task Force and units participating in exercises. The number of contracts awarded had grown substantially since FY 1987. Specifically, the office processed 2,116 contract actions during the first 107 days of FY 1989, compared to 2,042 contract actions during FY 1987. This proliferation of small purchase contracts occurred for two primary reasons.

- The Task Force had to make local purchases of supplies that are normally available through the DoD supply system.

- Purchases were split to avoid the provisions of the Federal Acquisition Regulation.

The Task Force procured most supplies and services from the local economy in accordance with Protocol III, an agreement with the Honduran Government. The agreement states that to the maximum extent possible, qualified Honduran contractors should be used when purchases are for the construction, improvement, or use of installations and sites in Honduras. Task Force officials interpreted the agreement as requiring them to use local contractors rather than the supply system.

FAR 13.101 limits small purchases of supplies, services, and construction to $25,000 each. The Task Force was to refer any requirements over $25,000 to U.S. Army South for review and award. Our survey showed that the Task Force did not always observe this threshold. In a number of instances in FY 1987, FY 1988, and FY 1989, purchase requirements of more than $25,000 were split among several contracts. The following table lists examples.

EXAMPLES OF SPLIT REQUIREMENTS

CONTRACTOR	ITEM PROCURED	AMOUNT	NO. OF CONTRACTS
Construction Comayagua	Select Fill	$49,200	2
F. Valladares	Low Boy	$70,700	5
Servicio Multiple	Low Boy	$34,460	2
F. Poner & Construction Comayagua	C-Huts	$36,898	2
CIC, Margus & Maya	1/2-Ton Trucks	$50,247	3

FAR 13.103(b) stipulates that requirements totaling more than $25,000 shall not be broken down into several purchases merely to permit negotiation under small purchase procedures. Furthermore, the DoD Federal Acquisition Regulation, Supplement 8.7003-6 specifies that requirements for like items shall be consolidated into one contract to obtain maximum economy for each competitive purchase.

Based on the results of our audit, we concluded that the provisions of the FAR for small purchase thresholds and consolidation of like items were not being complied with. Internal controls to ensure compliance with the FAR should be established. In addition, converting the Chief of Contracting's position to a permanent change of station position will give the Contracting Office more continuity and improved control.

Laundry Service. Laundry service for the Task Force's organizational equipment and personnel is provided by a contractor-operated facility as part of the base operations support contract. In FY 1989, the estimated cost of providing the laundry service was $280,000.

Individual patrons began paying for laundry service effective February 1, 1989. Prior to this date the service was available free of charge. During the period February through June 1989, collections from individuals totaled $7,459.

Army Regulation (AR) 210-130, "Laundry and Dry Cleaning Operations," states that authorized personnel will pay for laundry service at a rate calculated to recover its cost, and that the use of appropriated funds to subsidize laundry services for individuals is unauthorized. To monitor whether individuals are charged appropriately, AR 210-130 requires each installation offering laundry or dry cleaning services to prepare a quarterly report, "Laundry and Dry Cleaning Operations," DA Form 2689-R. To ensure recovery of laundry costs from individuals, this report separates those costs from the costs of laundry for the organization.

Discussions with responsible Task Force personnel disclosed that the required "Laundry and Dry Cleaning Operations" report had not been prepared. Therefore, we could not determine if collections from individual patrons for laundry services were sufficient to recover related costs as required by AR 210-130.

In accordance with AR 210-130, the Task Force should prepare the required report and determine whether the prices charged to individual patrons are sufficient to recover all related costs.

Property Book. Property Book Office (PBO) accounts did not provide reliable data for on-hand property. The PBO officer was responsible for property and equipment dispersed among units throughout Honduras, El Salvador, and Guatemala. PBO personnel stated that not all property was fully accounted for because the Task Force was responsible for a large amount of equipment kept in various locations, and personnel turnover was high as a result of temporary duty positions. For example, one satellite dish valued at over $1,000 had been on base for more than a year, but the PBO was not aware of the asset and it had not been recorded in the property records.

Task Force officials told us that during the 6-month period ending May 31, 1989, significant progress had been made in accounting for Task Force property. This occurred because the PBO noncommissioned officer (NCO) had extended his tour of duty for an additional 6 months, and the PBO officer at the time of the audit had been stationed in Panama previously and was familiar with the Task Force's operations.

We concluded that the constant deployment of attached units, task forces, and training units made the PBO's task difficult, particularly with PBO personnel assigned on temporary duty. Because the PBO accounts did not include all on-hand assets,

requirements for new assets could be overstated and funds could be spent unnecessarily. Unreported items could also be subject to undetected misappropriation or theft.

We believe the Task Force should intensify its efforts to identify and account for Task Force property. Conversion of the PBO officer and NCO to permanent change of station positions will provide continuity and will aid in establishing controls necessary to fully account for all property book items.

Task Force Staffing. As discussed earlier in the report, the Task Force operates with a staff composed almost entirely of personnel on temporary duty assignments of 4 to 6 months. The use of personnel on temporary assignments reflects the temporary nature of the U.S. presence in Honduras. Command personnel told us that because their TDY tours were short, key personnel rarely became familiar enough with their jobs to perform effectively. In many cases, personnel could not receive briefings or training from their predecessors because they arrived after the previous occupants of their jobs had left. Also, because their assignments were short, personnel had little incentive to develop standardized procedures that the next occupant could use. Planning and executing the joint exercises supported by the Task Force required 6 months for planning and 6 months for execution. Consequently, personnel on temporary duty assignments were involved in only one phase of an exercise. As a result, resources were not identified and procured in the most economical and efficient manner.

As the scope and complexity of the Task Force's mission grew, in-house expertise and continuity of staff became more important. In January 1989, the Task Force requested that 50 temporary duty positions be converted to permanent change of station or 1-year assignments, citing both the increased work load and the gaps in experience and organizational knowledge caused by using temporary duty positions. The U.S. Embassy, Honduras agreed that the full-time positions were required, and also recommended that a budget officer position be approved. A list of the positions requested by the Task Force and the position recommended by the U.S. Embassy is at Appendix A. The Task Force's request included the positions of PBO Officer, NCO, and Transportation Officer. However, it did not include the Chief of Contracting's position, which we believe should also be converted to a permanent change of station position. The request was still under consideration by Southern Command at the time of our audit.

RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend that the Commander, Joint Task Force-Bravo:

a. Designate a focal point for management of the transportation function;

b. Ensure that leased vehicles conform to the provisions of the Federal Acquisition Regulation for minimum equipment standards;

c. Determine the total vehicle requirements and the optimum mix of Government-owned and leased vehicles;

d. Comply with the provisions of the Federal Acquisition Regulation for contract splitting and the consolidation of requirements for like items;

e. Comply with the provisions of Army Regulation 210-130 for laundry service reporting and cost recoupments from individual patrons; and

f. Fully account for Task Force property.

2. We recommend that the Commander in Chief, U.S. Southern Command report and monitor the material weaknesses as required by DoD Directive 5010.38.

3. We recommend that the Commander in Chief, United States Southern Command expedite approval of the additional permanent change of station personnel requested by the Task Force, and convert the Chief of Contracting to a permanent change of station position.

MANAGEMENT COMMENTS

Recommendation 1.a. The Commander, Joint Task Force-Bravo concurred with the recommendation, stating that the Army Forces Transportation Officer had been formally established as the point of contact for Task Force ground transportation requirements and issues.

Recommendation 1.b. The Commander, Joint Task Force-Bravo concurred with the recommendation, stating that the command will closely monitor future vehicle leases to ensure that the provisions of the Federal Acquisition Regulation regarding minimum standard equipment are complied with.

Recommendation 1.c. The Commander, Joint Task Force-Bravo concurred with the recommendation, stating that a program to realign and restructure the vehicle fleet was being accomplished

in three phases. The first and second phases were completed on September 30, 1989, resulting in the cancellation of contracts for 28 passenger vehicles. The cancellation of the 28 leases will result in annual monetary benefits of $212,682. In the third phase, up to 26 leased vehicles will be replaced with Army standard vehicles.

Recommendation 1.d. The Commander, Joint Task Force-Bravo neither concurred nor nonconcurred with the finding, stating that the files for 11 of the contracts cited in the report had been sent to storage and were not available for review. The Commander agreed that the other three contracts cited in the report appeared to have been structured to avoid the provisions of the Federal Acquisition Regulation. The Commander concurred with the recommendation, and stated that a concerted effort was being made to ensure that provisions of the Federal Acquisition Regulation were being complied with. In addition, purchasing agents were attending training courses.

Recommendation 1.e. The Commander, Joint Task Force-Bravo concurred with the recommendation, stating that the report required by Army Regulation 210-130 is being submitted and that prices charged to individual patrons for laundry services are being monitored to ensure that costs of providing the services are recovered.

Recommendation 1.f. The Commander, Joint Task Force-Bravo concurred with the recommendation, stating that inventories had been conducted of all equipment listed on hand-receipts and that a command inspection program had been initiated to identify items not listed on property book records.

Recommendation 2. The Commander in Chief, U.S. Southern Command did not comment on the recommendation.

Recommendation 3. The Commander in Chief, U.S. Southern Command did not comment on the recommendation.

AUDIT RESPONSE TO MANAGEMENT COMMENTS

Recommendation 1.c. We request that the Commander, Joint Task Force-Bravo, in responding to this final report, provide us with the completion date of Phase III of the realignment and restructuring of the vehicle fleet. Based on the comments received, we are claiming annual monetary benefits of $212,682 for fiscal years 1990 through 1994.

Recommendations 2. and 3. We request that the Commander in Chief, U.S. Southern Command comment on the recommendation in response to this final report.

POSITIONS PROPOSED FOR CONVERSION TO PERMANENT CHANGE OF STATION

NUMBER	POSITIONS
1	Deputy Chief of Staff, Engineering
2	Command Sergeant Major
3	Director, Joint Operations
4	Property Book Officer
5	Commander, Medical Element
6	Army Forces Operations Officer
7	Director, Joint Strategic Plans and Policy
8	Deputy Director, Joint Security
9	Director, Joint Logistics
10	Army Forces Logistics Officer
11	Army Forces Executive Officer
12	Air Forces Deputy Commander for Operations
13	Director, Joint Manpower and Personnel
14	Director, Joint Command, Control and Communications
15	Provost Marshal
16	Chief, Public Affairs Office
17	Joint Task Force-Bravo Executive Officer
18	Deputy Director, Joint Operations
19	Commander, 4402 Support Squadron/Headquarters Squadron Section
20	Executive Officer, Medical Element
21	Communications Security Custodian
22	Army Forces Aviation Maintenance Officer
23	Army Forces Logistics Plans Officer
24	Joint Operations Officer
25	Joint Plans Officer
26	Air Force Forces Operations and Plans Officer
27	Deputy Chief of Staff, Engineering Exercise Officer
28	Operations Officer, Deputy Chief of Staff, Engineering Deployed for Training
29	Health Services Material Officer
30	Chief of Protocol
31	Deputy Base Civil Engineer
32	Headquarters/Headquarters Company Supply Sergeant
33	Supply and Services Platoon Leader
34	Joint Logistics Movement Control Officer
35	Operations Officer, Joint Security
36	Joint Strategic Plans and Policy Engineering Officer
37	Assistant Deputy Chief of Staff, Engineering
38	Deputy Provost Marshal
39	Public Affairs Council, Noncommissioned Officer-in-Charge

POSITIONS PROPOSED FOR CONVERSION TO PERMANENT CHANGE OF STATION (Continued)

NUMBER	POSITIONS
40	Communications, Noncommissioned Officer-in-Charge
41	Plans Officer, Deputy Chief of Staff, Engineering Deployed for Training
42	Army Forces Transportation Officer
43	Joint Logistics Petroleum Staff Officer
44	Joint Logistics Plans Officer
45	Commander, Headquarters/Headquarters Company
46	Commander, Medical Element Company
47	Property Book, Noncommissioned Officer-in-Charge
48	Government Property Administrator
49	Army Forces Sergeant Major
50	Air Force Forces Senior Enlisted Advisor
51	Budget Officer

DEPARTMENT OF DEFENSE
HEADQUARTERS JOINT TASK FORCE - BRAVO
APO MIAMI 34042

REPLY TO
ATTENTION OF

JTF-B-CDR 27 November 1989

MEMORANDUM FOR Office of the Inspector General, Department of Defense Attn: Nancy L. Butler, Director
Financial Management Directorate
400 Army Navy Drive
Arlington, VA 22202-2884

SUBJECT: Comments to the Draft Report on the Audit of the Administrative Control of Funds - Honduras (Project No.9FA-5016)

1. The following comments address findings of the subject draft report.

a. Finding: The Task Force had not determined the optimum size or composition of a vehicle fleet that would meet its total needs.

b. Command Reply: Concur. A program to realign and restructure the vehicle fleet is being accomplished in three phases. Phase I, which was completed on 30 September 1989, involved the cancellation of the contract for all 28 JTF-B commercially leased passenger vehicles. This will result in an annual savings of $212,682.00. Phase II of the program was the consolidation and realignment of the JTF-B transportation motor pool fleet. This action occurred simultaneously with Phase I, and resulted in efficiencies which negated the loss of the 28 leased vehicles. Phase III is now underway and will result in the eventual replacement of up to 26 JTF-B Global leased vehicles with Army standard equipment. The maximum potential savings is $460,550.00 per year.

c. Finding: Vehicles with nonessential equipment were being leased.

d. Command Reply: Concur. The nonessential vehicle equipment in question was never requested as part of the contracting process. However, the low bidding vendor delivered vehicles with luxury features that appeared to violate the provisions of the Federal Acquisition Regulation. Efforts will be made in the future to prevent this situation but not at the expense of going with a higher bidder who includes fewer luxury options. This command will closely monitor future vehicle leases.

e. Finding: A central point of contact for transportation requirements had not been formally established.

f. Command Reply: Concur. A central point of contact for transportation requirements has been formally established. The ARFOR Transportation Officer is the point of contact for all JTF-B ground transportation requirements and issues.

g. Finding: Local purchase of supplies that were available through the supply system.

h. Command Reply: Concur. The document used to identify requirements for local purchase is the DD Form 3953, Purchase Request and Commitment (PRC). This document is prepared by the requesting activity and processed through the approval authority and the budget office for funding. While the supply regulations require the authority for local purchase to be indicated on the PRC, the signature of the commander or his designated representative has been considered prima facia evidence that all the approvals for local purchase had been obtained and that the required supply was either not available in the supply system or the order/delivery time was too long to meet the requirement. In conjunction with the Army Forces Commander, all requests for supplies will be routed through the Supply Support Activity (SSA) and Property Book Officer (PBO) to determine availability and order time. Written justification is required for all local purchase of supplies available through the supply system.

i. Finding. Splitting of requirements in order to use small purchase procedures.

j. Command Reply: Neither concur nor nonconcur. The FY 88 contracts that were reviewed for this report have been sent to storage. Therefore, it is impossible to comment on these files, of which there were eleven. The remaining three files were for the long term lease of vehicles during FY 89. These requirements were generated within five days of each other. It appears that these requirements were structured in such a manner that they would stay below the $25,000.00 small purchase limitation. This is further evidenced by the fact that extensions of these requirements were required in order to continue the mission. The contracting office has made a concerted effort in the past five months to look at all requirements to insure that they are not being split in order to use the small purchase procedures. In addition, periodic training classes are being given to the purchasing agents in contracting.

k. Finding: Recovery of laundry costs from individuals was not being monitored via DD Form 2689-R, Laundry and Dry Cleaning Operations.

l. Command Reply: Concur. The required report is now being submitted IAW AR 210-130. JTF-B will continue to monitor this report and review costs to ensure that the current prices charged are adequate to meet contract costs. Procedures are being explored to accurately determine actual contractor costs incurred and to implement changes in pricing as required.

m. Finding: Property Book Officer (PBO) accounts did not provide reliable data for on-hand property.

n. Command Reply: Concur. Property accountability continues to be a priority for this command. 100% inventories of all hand-receipts have been conducted with the objective of accounting for property on the TDA and identifying excess property. Property valued at $300,000.00 was identified as excess and turned in or picked up on the TDA. A thorough scrub of locally available property and equipment is routinely conducted to preclude wasting resources through duplicate requisitions, leases, or procurement actions. A vigorous ARFOR command inspection program is keying on property accountability at company level to include the identification of items not listed on the property book. Finally, a concerted effort has been made to stagger the six month tours of the Property Book Officer, the ARFOR S4, and the ARFOR Executive Officer. This will help maintain the continuity of effort and positive momentum already established in accounting for all property in Joint Task Force-Bravo.

2. The following comments address the recommendation of the subject report:

a. Recommendation: Designate a focal point for management of the transportation function.

b. Command Reply: Concur. See para 1.f. above.

c. Recommendation: Ensure leased vehicles conform to the provisions of the Federal Acquisition regulation for minimum equipment standards.

d. Command Reply: Concur. See 1.d. above.

e. Recommendation: Determine the total vehicle requirements and the optimum mix of government-owned and leased vehicles.

f. Command Reply: Concur. See 1.b. above.

g. Comply with the provisions of the Federal Acquisition Regulation for contract splitting and the consolidation of requirements for like items.

h. Concur. See 1.j. above.

i. Comply with the provisions of Army Regulation 210-130 for laundry service reporting and cost recoupments from individual patrons.

j. Concur. See 1.l. above.

k. Fully account for Task Force property.

l. Concur. See 1.n above.

James D Hallums

JAMES D. HALLUMS
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Commanding

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SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefits	Amount and/or Type of Benefit
1.a.	Internal controls. Designate a focal point for management of transportation.	Nonmonetary.
1.b.	Compliance with regulations. Ensure that leased vehicles conform to the Federal Acquisition Regulation's minimum equipment standards.	Nonmonetary.
1.c.	Economy and efficiency. The optimum mix of Government-owned and leased vehicles will reduce costs.	Recurring Cost Avoidance in FY 90-94: $1,063,410.
1.d.	Compliance with regulations. Ensure that contracts are not being split in order to use small purchase procedures. Reduce contract costs by consolidating similar requirements.	Nonmonetary.
1.e.	Compliance with regulations. Ensure that prices charged for laundry services are adequate to recover contract costs.	Undeterminable monetary benefits.
1.f.	Internal controls. Ensure effective control and accountability of the organization's assets. Reduce the number of items subject to misappropriation and theft.	Nonmonetary.
2.	Internal controls. Compliance with DoD Directive 5010.38 will ensure effective control and accountability of the organization's assets.	Nonmonetary.
3.	Economy and efficiency. Longer tours for key personnel will ensure continuity and standardization of job functions.	Nonmonetary.

ACTIVITIES VISITED AND CONTACTED

Unified Command

Headquarters, U.S. Southern Command, Quarry Heights, Panama
Joint Task Force-Bravo, Soto Cano Air Base, Honduras

Department of the Army

Deputy Chief of Staff, Operations and Plans, Washington, DC
Headquarters, U.S. Army South, Fort Clayton, Panama
U.S. Army Corps of Engineers, Soto Cano Air Base, Honduras
Army Audit Agency, Panama City, Panama

Department of the Air Force

24th Air Composite Wing, Howard Air Force Base, Panama

Defense Agencies

Defense Security Assistance Agency, Washington, DC

Other

U.S. Military Group-Honduras, Tegucigalpa, Honduras

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Commander, Joint Task Force-Bravo
Comptroller, U.S. Southern Command

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)

Non-DoD Activities

Office of Management and Budget

U.S. General Accounting Office,
NSIAD Technical Information Center

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Ranking Minority Member, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations