DEPARTMENT OF DEFENSE

AUDIT REPORT

INTELLIGENCE CENTER, PACIFIC

No. 90-054

March 30, 1990

Office of the Inspector General

INSPECTOR GENERAL
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MEMORANDUM FOR COMMANDER, INTELLIGENCE CENTER, PACIFIC

SUBJECT: Audit Report on the Intelligence Center, Pacific (Report No. 90-054)

This is our final report on the Audit of the Intelligence Center, Pacific, for your information and use. The audit was made from January to August 1989 at the request of the Commander, Intelligence Center, Pacific (IPAC). The objectives of the audit were to determine whether the resources provided for mission and support functions at IPAC had been efficiently and effectively managed; to evaluate compliance with applicable laws and regulations; to evaluate requirements satisfaction and support functions necessary to accomplish the mission; and to evaluate the adequacy of existing internal controls. IPAC is a joint subordinate command of the U.S. Pacific Command (USPACOM) and provides all-source intelligence support to the USPACOM and its subunified commands.

IPAC management and staff made considerable efforts to assist our audit team in identifying problem areas and appropriate corrective actions. During the audit, there was a scheduled change of command at IPAC. The former and present Commanders, IPAC, and the Director for Intelligence, USPACOM, closely monitored the progress of the audit and began corrective actions when we found problems and made recommendations. IPAC also initiated an aggressive tracking program to ensure that our recommended actions were completed. Overall, IPAC was fulfilling its mission responsibilities, but needed to manage operations more efficiently and economically. In addition, IPAC's implementation of an internal management control program was incomplete, and oversight of the program was inadequate. The 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.

Financial records were inaccurate and incomplete and could not be relied on for management information. About $2.7 million of FY 1988 unliquidated obligations were invalid, about $1.5 million of liabilities were unfunded, and administrative controls over appropriations were inadequate. The Commander, IPAC, did not have reliable financial information and lost opportunities to obligate funds to meet valid requirements. Further, obligations were made that violated DoD policies on the administrative control of appropriations. We recommended that

administrative control of appropriations and access to official accounting records be centralized in the IPAC Comptroller's Office, and that written procedures be established for all phases of financial transactions, including monitoring fund status on reimbursable work orders. We also made recommendations for adjustments totaling about $8 million to FY 1986, 1987, and 1988 financial records and for the command to review and validate or deobligate unliquidated obligations (page 3).

Project management and the related acquisition process did not comply with internal instructions or Navy regulations. Projects and acquisitions were initiated without adequate preparation, and project oversight needed to be improved. IPAC management also did not receive sufficient information on projects to make informed decisions regarding requirements, contracts, or scheduled milestones. We recommended that IPAC implement existing regulations; screen and validate project starts and decision milestones independent of the Executive Planning Board; establish procedures for monitoring and reporting on project status; and establish written acquisition policies and procedures, including control procedures for classified contracts (page 9).

Staffing was not based on work load and was not monitored to ensure effective acquisition and use of available Government and contract personnel. The position management program did not provide reasonable assurance that IPAC was appropriately staffed or that personnel resources were used effectively. We recommended that IPAC establish workload measurement and productivity criteria, establish a management information system to monitor staffing and work load, and validate its present staffing (page 15).

Scheduled intelligence production was not adequately managed. About 40 percent of IPAC's scheduled printed products were not produced on schedule. As a result, information in IPAC products was not as current as it could have been. We recommended that IPAC establish a planned production schedule, establish internal standards for production and product distribution, adjust production schedules to reflect completed milestones and slippages, and periodically compare actual versus planned production (page 19).

IPAC did not have a mobilization plan for war or a continuity of operations plan for a national emergency. Plans were not made to provide for administrative procedures and support requirements for wartime or national emergencies, and procedures had not been established to ensure that essential intelligence support and services could be maintained. Personnel and support requirements for war or national emergency could not be

determined, and the lack of preparedness could delay early responsiveness. Additionally, surviving resources may be unprepared to provide essential support and services. We recommended assigning responsibility for mobilization and continuity of operations planning to specific organizations within IPAC and establishing written mobilization and continuity of operations plans (page 23).

The internal management control program needed to be improved to meet the objectives of the USPACOM's Internal Management Control Program. IPAC's program did not provide reasonable assurance that internal management controls were adequate. Control deficiencies that could have been corrected were not disclosed to the Commander, IPAC; as a result, the annual statement of assurance on the adequacy of management control to Headquarters, USPACOM, was inaccurate. We recommended establishing procedures for segmenting and assessing the organization; establishing control objectives; and scheduling, performing, and documenting risk assessments and internal control reviews (page 27).

Facility maintenance and improvement projects were initiated without adequate planning and control. Documentation was incomplete to support work that had been requested, work that had been done, and work that had been paid for. Costs charged to IPAC were not reviewed for accuracy. Prior year unliquidated obligations could not be validated or deobligated. IPAC may have been overcharged for maintenance and improvement services. Additionally, IPAC's maintenance and improvement projects were vulnerable to fraud, waste, and abuse. We recommended that the Commander, IPAC, develop a facility maintenance improvement plan and budget and establish procedures for management of maintenance and improvement, to include documentation standards and cost controls (page 31).

Management control over the local equipment maintenance program and the process for selecting efficient and cost-effective maintenance plans needed to be improved. IPAC was paying at least 10 percent more than necessary for maintenance. We recommended establishing maintenance records, establishing internal maintenance policies and procedures for selection of maintenance plans, and validation of the cost-effectiveness of maintenance plans chosen. We also recommended that contracts that specify maintenance during other than normal duty hours require additional justification (page 35).

IPAC's supply operation could be improved to be more efficient and cost-effective. Inventory records were not maintained and supplies were not ordered at the lowest cost. The supply operation was also vulnerable to fraud, waste, and abuse. In

addition, the supply activity allowed excess stocks to deteriorate in storage. We recommended establishing and implementing procedures to include maintaining stock records and identifying supply requirements that can be satisfied through Government sources (page 39).

Control over in-transit classified documents and verification procedures for the destruction of sensitive compartmented information needed to be improved. Classified information was vulnerable to undetected loss and possible compromise. We recommended establishing procedures for the maintenance and reconciliation of suspense and receipt documents for in-transit confidential and secret material, establishing procedures to be followed when receipts are not received within 30 days after mailing, reconciling suspenses to receipts, and initiating action to verify delivery on past-due suspenses. We also recommended revising procedures for the destruction of sensitive compartmented information (page 43).

Accountable property records did not include all accountable property and did not provide reliable information. Custodial property records were also inaccurate. Government property was also difficult to locate and vulnerable to misappropriation. We recommended that the Commander, IPAC, establish and implement detailed procedures to account for and control property (page 47).

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. Weaknesses were identified in the areas of financial management, project management and acquisition, staffing, production, planning, facilities management, the internal management control program, local maintenance, supply operations, classified document control, and property accountability. The recommendations in this report, if implemented, will correct the weaknesses. The senior official responsible for internal controls within the USPACOM will be provided a copy of this final report.

This report identifies no monetary benefits; however, other benefits associated with implementing the recommendations are listed in Appendix B.

A draft of this report was provided to management on November 28, 1989, for review and comments. Comments on the draft were received from the Acting Commander, IPAC, on February 26, 1990. A complete text of management comments is provided as Appendix A. Management responses to the draft report generally conformed to the provisions of DoD Directive 7650.3. Except for Recommendation C., there were no unresolved issues on

the audit recommendations and internal control deficiencies. The Acting Commander concurred in Recommendation C. and described planned, corrective actions, but did not provide an estimated date for completion. Therefore, we request that the Commander provide an estimated completion date for Recommendation C. within 60 days of the date of this memorandum. No other comments on the final report are required.

The courtesies extended to the audit staff are appreciated. If you have any questions concerning this audit, please contact Mr. Charles M. Santoni at (301) 859-6995 (AUTOVON 235-0111, extension 6995, GRAY 968-8927). A list of the audit team members is in Appendix C. Copies of this report are being provided to the activities listed in Appendix D.

Edward R. Jones
Deputy Assistant Inspector General
for Auditing

cc:
Commander in Chief, U.S. Pacific Command
Director, Defense Intelligence Agency

INTELLIGENCE CENTER, PACIFIC

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Prepared by:
Readiness and Operational
Support Directorate
Project No. 9IK-5006

INTELLIGENCE CENTER, PACIFIC

INTRODUCTION

Background

The Intelligence Center, Pacific (IPAC), is a joint intelligence command established by the Joint Staff and operated under the control of the Director for Intelligence, Headquarters, U.S. Pacific Command (USPACOM). IPAC's mission is to provide all-source intelligence support to USPACOM, including its Service Components and subunified commands. IPAC maintains an all-source intelligence data base from which estimates and studies can be produced for distribution to the U.S. intelligence community. IPAC also produces and maintains national automated orders of battle as delegated by the Defense Intelligence Agency (DIA). Operationally, IPAC maintains a 24-hour, 7-days-a-week indications and warning watch for the USPACOM and can be tasked to augment USPACOM forces during crises.

In FY 1989, IPAC was authorized a staff of 414 personnel (324 military and 90 civilian). As a separate, subordinate operating command, IPAC provided its own administrative support. IPAC's budget, excluding military personnel salaries, was about $16 million in FY 1988 and $15.7 million in FY 1989. At the time of the audit, IPAC had four major directorates (Analysis, Production, Data Systems, and Command Resources) and four offices (Security, Reserve Affairs, Command Support, and Command Coordinating). During the audit, IPAC reorganized. As part of the reorganization, a new entity, the Plans and Programs Management Division, was created to do comptroller and planning functions that were previously performed by the Command Resources Directorate. The Plans and Programs Management Division reports directly to the Commander, IPAC.

Objectives and Scope

The audit was done at the request of the Commander, IPAC. The objectives of the audit were to determine whether the resources provided for mission and support functions at IPAC had been efficiently and effectively managed; to evaluate compliance with applicable laws and regulations; to evaluate requirements satisfaction and support functions necessary to accomplish the mission; and to evaluate the adequacy of existing internal controls. We reviewed selected financial, production, logistics, and contractual records from FY's 1986 through 1989, and internal instructions, operating plans, and correspondence. Activities visited or contacted during the audit were the Intelligence Center, Pacific, Camp H.M. Smith, Hawaii; Headquarters, USPACOM, Camp H.M. Smith, Hawaii; the Offices of the Joint Staff,

Washington, DC; the DIA, Washington, DC; and the National Security Agency, Fort Meade, Maryland.

This audit, which examined both economy and efficiency and program results, was made 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 internal controls as were considered necessary. The audit was conducted from January to August 1989.

Internal Controls

We reviewed internal controls related to resource management, requirements satisfaction, and support functions; evaluated compliance with DIA production management manuals, the Navy Comptroller Manual, and USCINCPAC instructions; and tested the adequacy of IPAC's implementation of the Internal Management Control Program. The internal control objectives were to ensure that resources were efficiently and effectively managed, that support to intelligence users was timely, and that an adequate state of preparedness was maintained. Our assessment of controls covered the functional areas of financial management, production management, position management, project management and the related acquisition process, facility management, mobilization and continuity of operations planning, local equipment maintenance, supply operations, document control, property accountability, and the implementation of the Internal Management Control Program.

IPAC's implementation of the Internal Management Control Program was incomplete and oversight was inadequate (see Finding F, Internal Management Control Program). Internal control weaknesses as defined by Public Law 97-255 existed in each of the eleven finding areas included in this report. The recommendations made in those areas, if implemented, will correct the weaknesses. We do not, however, consider the weaknesses to be material for reporting purposes under Public Law 97-255 based on the guidance in Enclosure 4 of DoD Directive 5010.38, "Internal Management Control Program."

Prior Audit Coverage

There has been no prior audit coverage of the Intelligence Center, Pacific, in the last 5 years.

PART II - FINDINGS AND RECOMMENDATIONS

A. Financial Management

FINDING

The official accounting records at the Intelligence Center, Pacific (IPAC), were inaccurate and incomplete. Duplicate obligations were posted, obligations were not recorded, operating expenses and procurements of equipment were charged to incorrect appropriations, and obligations were created at the end of FY 1988 to extend fund availability. IPAC had decentralized financial management without establishing an adequate financial management plan, writing procedures, or implementing internal controls. Controls that had been established before decentralization were not enforced, and unliquidated obligations were not validated. Consequently, the Commander, IPAC, did not have valid financial management information and lost opportunities to obligate funds to meet requirements. In addition, financial obligations resulted that violated DoD policies on the administrative control of appropriations.

DISCUSSION OF DETAILS

Background. IPAC's official accounting records for the Operation and Maintenance appropriation were maintained by the Fleet Accounting and Disbursing Center, Pacific (the Center). The Center used the Navy's Integrated Disbursing and Accounting Financial Management Systems (IDAFMS) for financial accounting. Data entry clerks sent transactions to the Center using remote terminals and maintained the "hard copy" files at IPAC. The Center used IPAC's data to establish commitments and obligations, to authorize disbursements, to make adjustments, and to prepare periodic financial statements.

Internally, IPAC's financial management was decentralized. Although IPAC had a Comptroller Office responsible for financial management, two other IPAC organizations also had direct access to the official accounting records. The Facilities Office and the Logistics Division could access the IDAFMS and enter transactions. Additionally, the Logistics Division was given the responsibility of managing the Procurement appropriations that IPAC received through the Naval Intelligence Command.

IPAC did not plan for the decentralization of its financial management. Consequently, controls and written procedures were not established to ensure that the three organizations responsible for financial management properly recorded transactions and

complied with applicable laws. In our opinion, written procedures would have eliminated some of the problems that occurred because of the decentralization.

Recordkeeping and Accuracy. IPAC records were inaccurate and incomplete. Duplicate obligations were posted to the official records and not all obligations were recorded. Expenses were charged against incorrect appropriations and fiscal years, and Navy financial management regulations were not enforced. We concentrated our audit on FY 1988 records because our limited test of FY 1987 records showed that those records generally were not in condition to be audited. We gave the IPAC Comptroller a list of our recommended adjustments totaling about $8 million dollars, and the Comptroller initiated corrective actions and adjustments during the audit.

Documentation. Although financial management was decentralized, one office should have had financial control and should have maintained centralized financial records other than the official financial statements provided by the IDAFMS. The Comptroller Office had the "official" files for work requests, project orders, and military interdepartmental purchase requests (MIPR's). However, most of the files either did not contain a copy of a valid obligation document or were incomplete. For example, in FY 1988, there were 18 file folders for IPAC MIPR's. Only 1 file was accurately documented, and 10 files were completely undocumented. The IDAFMS did not show any obligations for the undocumented MIPR files. If the MIPR was canceled and deobligated or completed and paid, the IDAFMS would close out the record. If the transaction had not been entered into the IDAFMS and the accepting activity had not sent a bill, IDAFMS would not show any record. We located one of the undocumented MIPR's that should have been the basis for establishing an obligation of $882,000 for contract services. No obligation had been established, and no bills had been received. IPAC may not have sufficient unobligated FY 1988 funds if bills are received on other undocumented MIPR's. If that situation occurs, IPAC could be in violation of the Anti-Deficiency Act (i.e., making an obligation in excess of available appropriations). We found 16 FY 1988 transactions, including the MIPR discussed above, for which obligations were not fully recorded. The liability associated with those 16 transactions was about $1.5 million more than the recorded obligations.

IPAC did not document project orders and work requests as required by Navy Comptroller regulations. A project order is a specific order issued from one Federal Government activity to another. Project orders can be issued for the production of material; for the repair, maintenance, or overhaul of equipment; or for other work or services. When a project order is placed

with a separately managed and financed Government-owned-and-operated establishment, the project order obligates appropriations in the same manner as a contract being placed with a commercial enterprise. A work request is issued as a reimbursable Economy Act order to request work or services involving day-to-day operations of the ordering component that do not meet the conditions for issuing a project order. Neither project orders nor work requests are to be used to request local purchases or contract procurement, or to prolong the availability of appropriations. However, IPAC had used project orders and work requests for requesting commercial procurement and for prolonging appropriation availability. Expenses incurred by the receiving activities were charged against IPAC project orders and work requests without controls to ensure the charges were valid. In addition, documentation of IPAC project orders and work requests did not disclose the material or services to be provided by the receiving activity. In summary, IPAC had no control over how IPAC money was spent.

Unliquidated Obligations. As of December 31, 1988, there were 901 FY 1988 unliquidated obligations (ULO's), valued at about $4.3 million. The ULO's were for undelivered orders against local contracts and supply requisitions, travel and training, work requests, project orders, and MIPR's. We reviewed 536 ULO's, valued at about $3.9 million and found 290 invalid ULO's, valued at about $2.7 million. These invalid ULO's could have been identified and deobligated before the end of FY 1988 and used to satisfy IPAC's unfunded, but bona fide, needs. A variety of actions caused the invalid ULO's. Primarily, offices entered duplicate obligations (two or more offices with access to the accountable records had made entries for the same obligation), made recording errors, did not remove funds from expired work requests, and did not remove excess funds when final bills were paid. Because IPAC did not periodically validate the ULO's, the situation continued undetected.

In addition to our analysis of FY 1988 ULO's, we reviewed selected ULO balances for FY 1987. As of December 31, 1988, there were a total of 473 ULO's, valued at $2.7 million, from FY 1987. FY 1987 records were generally not in condition for audit, because many of the records were missing. We limited our review of FY 1987 ULO's to supply requisitions with ULO balances of $1,000 or more. There were 224 supply requisition ULO's valued at $477,658. We reviewed 12 supply requisitions valued at $388,191. Eleven of the obligations were invalid, and the other had funds in excess of the amount required. In total, $385,191 could have been deobligated.

IPAC had not reviewed the ULO's from either FY 1987 or FY 1988. Review and validation of ULO's would allow IPAC to manage

resources more efficiently. Validation of overage transactions would also alert IPAC to the management control deficiencies that caused the problems.

Appropriation Mischarges. Certain IPAC obligations resulted in violations of DoD policies on the administrative control of appropriations. IPAC charged expenses associated with service contracts to the wrong fiscal year appropriations. IPAC also purchased investment items with the wrong appropriation and obligated funds at year's end to extend the appropriation beyond its legal availability.

Bona Fide Need. Contract services were funded by IPAC when the contract or project order was initiated before it considered whether the effort represented a bona fide need of the fiscal year appropriation that was charged. For example, in FY 1986, IPAC fell behind schedule on the award of a services contract to develop software for electronic warfare. Although the award was made in September 1986, significant work did not begin on the contract until FY 1987. The contract was funded entirely from the FY 1986 Operation and Maintenance, Navy (O&MN) appropriation. Options to the contract were subsequently exercised in September 1987 and September 1988 and were funded with the O&MN appropriation that was current at that time. The total value of the contract was about $2.75 million. The appropriation that was current when the services were performed should have been charged. In addition, IPAC issued work request N6838988WR00047 for $169,382 of FY 1988 O&MN funds to contract with a commercial vendor for undefined services in FY 1989. The work request was not a bona fide need for FY 1988 and should not have been charged to the FY 1988 O&MN appropriation. The services should have been funded from the FY 1989 appropriation.

Fund Availability. IPAC ordered four equipment items costing about $67,000 each using FY 1987 O&MN funds on requisitions N68389-7272-0219 and N68389-7258-6302. O&MN funds are not legally available to purchase equipment costing more than $15,000 per unit. IPAC must fund equipment of that dollar value from the Other Procurement, Navy, appropriation. On another occasion, IPAC obligated $250,000 of FY 1988 O&MN funds on project order N6838988P000011 to prevent the funds from expiring. Funds may not be obligated solely to extend legal availability. As of January 1989, the funds had not been obligated by the receiving activity.

RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific:

1. Centralize administrative control of appropriations and the authority to access official accounting records in the Comptroller's Office.

2. Establish written procedures for initiating, recording, documenting, and validating obligations and other financial transactions.

3. Establish written procedures for monitoring the status of funds on reimbursable work requests, and withdraw all unobligated funds on expired work requests.

4. Review and validate or deobligate all Fiscal Year 1987 and Fiscal Year 1988 unliquidated obligations.

5. Replace funds from the Fiscal Year 1988 appropriation on work request N6838988WR00047 with funds from the Fiscal Year 1989 appropriation.

6. Deobligate $350,000 of Fiscal Year 1988 Operation and Maintenance, Navy, funds from Project Order N6838988P000011.

7. Determine by fiscal year the services and costs associated with the Electronic Warfare Reprogrammable Libraries contract, and revise the contract funding accordingly.

8. Replace Operation and Maintenance, Navy, funds obligated for equipment purchased on requisitions N68389-7272-0219 and N68389-7258-6302 with Other Procurement, Navy, funds.

MANAGEMENT COMMENTS

The Acting Commander, Intelligence Center, Pacific, concurred in each recommendation and stated that IPAC had already completed corrective actions to centralize administrative control of appropriations in the Comptroller's Office (Recommendation A.1.); withdrawn all unobligated funds on expired work requests (Recommendation A.3.); reviewed and validated or deobligated all FY 1987 and FY 1988 unliquidated obligations (Recommendation A.4.); and replaced, deobligated, or realigned appropriate appropriations and funding documents (Recommendations A.5. through A.8.). In addition, a complete rewrite of IPAC Instruction 7300.1E, "Authorization to Certify Fund Availability," was in process. This Instruction will incorporate recommended procedures and encompass all facets of financial management (Recommendations A.2. and A.3.).

B. Project Management and the Related Acquisition Process

FINDING

The Intelligence Center, Pacific (IPAC), project management and the related acquisition process did not conform to internal instructions or Navy regulations. Projects and acquisitions were initiated without adequate preparation or definition, and management oversight of projects was ineffective. IPAC policies for project initiation, management, and oversight were not enforced, and procedures for controlling projects needed to be improved. IPAC management also lacked sufficient information on projects to make informed decisions. Consequently, IPAC experienced problems defining contract requirements, meeting scheduled milestones, and managing project finances.

DISCUSSION OF DETAILS

Background. IPAC Instruction 5420.1, "IPAC Executive Planning Board (EPB) Responsibilities," February 3, 1986, establishes policies governing the management of IPAC projects. The EPB oversees developmental efforts and acquisitions. EPB membership consists of IPAC's Deputy Commander, the heads of the four major operating directorates, and the Chairman of the IPAC Users Group. The EPB was responsible for reviewing and ranking development and acquisition projects, confirming the IPAC Users Group validation of users' requirements, ranking resource allocations, and making appropriate recommendations for approval to the Commander, IPAC. The Users Group represents the functional users and analysts of IPAC and is responsible for ensuring that new requirements identify a valid functional need.

The IPAC Project Management Procedures and Documents Manual (the Manual) established project management procedures. IPAC divided projects into two categories: development efforts with life-cycle costs of more than $100,000 (major projects), and development efforts with life-cycle costs of $100,000 or less (minor projects). The project category determined the type and amount of formal documentation required. IPAC had 34 active projects estimated to cost about $13 million. Ten of the projects were categorized as major and 24 as minor. A major project requires nine documents to move from the Project Initiation phase into the Functional Design phase. The Abbreviated Milestone Decision Paper (the Decision Paper) was the consolidated management document required for minor projects. The Manual did not require Project Managers to rigidly follow the Decision Paper format. However, documentation was required for every project (Automatic Data Processing related and non-Automatic Data Processing related) to support the need for the project, the objective, resource requirements, a plan of action, and a milestone schedule.

Project Initiation and Management. IPAC did not enforce documentation standards for project initiation and management. The EPB did not maintain project files containing required documents for each EPB project. We attempted to assemble selected project management documents from the project managers on all 34 IPAC projects. For each major EPB project, we requested four documents that would be used to initiate and monitor a major project: the Mission Element Need Statement (MENS), the Project Management Charter (the Charter), the Plan of Actions and Milestones (the Plan) and the Economic Analysis. The MENS is the basic project initiation document, which describes major IPAC mission deficiencies and justifies the exploration of alternative solutions. The Charter assigns the project manager and provides guidance for project administration through all phases of development. The EPB was to review the Charter at each milestone and update it if necessary. The Plan identifies responsibilities for management and support of the project during each phase of the project's life cycle. The Economic Analysis identifies and compares costs, benefits, and uncertainties of alternative solutions to IPAC's project objectives. Project managers for the 24 minor projects were requested to provide the Decision Paper or equivalent information.

We reviewed the information provided on the 10 major and 24 minor projects, compared it to the procedures in the Manual, and determined if the information met the established criteria. Our results are shown in the table below.

Major and Minor Projects

Documents Required	Number Adequate	Number Inadequate	No Documentation
Major Systems (10)			
MENS	4	1	5
The Charter	3	1	6
The Plan	1	1	8
Economic Analysis	0	0	10
Minor Systems (24)			
Decision Paper or Equivalent	8	4	12

None of the major projects had submitted all four required documents, and two major projects had not submitted any of the required documents. One Project Manager submitted a memorandum for seven of the projects, one major and six minor, stating that

the previous Director of Data Systems, with approval from the Commander, IPAC, had decided not to require project documentation. That decision was not documented in the EPB minutes.

The documentation that was available was inadequate. We determined that major project documentation was inadequate when significant information required by the Manual was not presented. The MENS described the desired solution to a deficiency rather than describing the functional deficiency. In addition, the MENS did not address how IPAC operations would be affected if the desired solution were not implemented. The Charter did not identify the source of funds nor did it clearly define the project goal. The Plan did not provide the project objective, financial data, or project management organization. In addition, the Plan did not identify assumptions or issues critical to the success of the project. The documentation submitted for the four minor projects did not establish a need, present alternatives and cost comparisons, or identify resource requirements.

Project Oversight. Overall, sufficient information on IPAC projects was not presented to the EPB, and the EPB did not actively monitor project management. The IPAC Users Group did not validate major or minor project requirements. There was no long-term IPAC plan or strategy that could be used to validate or evaluate projects. EPB decisions on projects were not documented by formal approval of project documents or by EPB minutes. There were no records to show that the EPB required identification of alternatives or consideration of competing projects. Project documentation needed to effectively monitor project status was not available to the EPB. Although Project Managers reported project status each month, IPAC did not have specific measures of project progress.

Acquisition Management. IPAC did not comply with policies and procedures for the acquisition of equipment and services. Project Managers did not prepare adequate functional or technical product descriptions required by the EPB in the Manual for IPAC projects. The EPB did not review and approve acquisition strategy or the functional or technical product descriptions. IPAC had no internal acquisition procedures or controls other than EPB oversight.

The IPAC did not use its authorized procurement office at Pearl Harbor to acquire equipment and services for EPB projects. Citing security reasons, IPAC transferred funds for commercial procurements on project orders and work requests to other Federal Government activities, a process not normally allowed by DoD regulations. According to the Navy Comptroller Manual, project

orders are "specific, definite, and certain orders" issued between Federal Government activities. A work request is an intragovernmental order that does not qualify as a project order. Normally, neither is to be used for commercial procurements. IPAC used project orders and work requests to "piggyback" its requirements on existing contracts at other activities. IPAC used both methods to accomplish commercial procurements that did not have adequate functional or technical descriptions.

Contract Surveillance. The Naval Regional Contracting Center (NRCC) administered IPAC's contracts. The Contracting Officer at one of NRCC's branches appointed IPAC personnel to act as the Contracting Officer's Technical Representative (COTR) on two multimillion dollar cost-type service contracts. We determined that IPAC's surveillance of the contractors for these contracts was not performed in accordance with procedures established by the Contracting Officer. The COTR's were responsible for performing inspections and certifying acceptance or rejection of services performed by the contractors. The COTR's were also responsible for providing information to the Contracting Officer, and for ensuring that the contractors' time and attendance records were accurate.

We found two extremes of contract surveillance. On one contract, the COTR was not reviewing the contractor's time and attendance records for accuracy and was not accepting delivery of services and products for the Government as required by the contract. On the other contract, the Government control over contractor personnel was indistinguishable from direct supervision. The Federal Acquisition Regulation, sections 37.101 and 37.104, state that if, during contract performance, contractor personnel are subject to the relatively continuous supervision and control of a Government officer or employee, then the contract is a "personal services contract." Federal agencies are prohibited from awarding personal services contracts unless specifically authorized by statute to do so. In both cases, we notified the Command of the problems in the surveillance areas, and it took immediate corrective actions.

RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific:

1. Implement existing Intelligence Center, Pacific Instruction 5420.1, "IPAC Executive Planning Board Responsibilities," and the Intelligence Center, Pacific Project Management Procedures and Documents Manual.

2. Revise Intelligence Center, Pacific, project management policies and procedures to require screening and validation of project starts and decision milestones before submitting documentation to the Executive Planning Board for approval.

3. Establish procedures that require the Plans and Programs Management Division to monitor progress toward milestones approved by the Executive Planning Board and to apprise top level management of schedule slippage or other problems, causes, and potential alternative courses of action.

4. Implement Navy Comptroller Manual, Chapter 3, which prescribes the standards for commercial procurements, project orders, and work requests.

5. Establish internal control procedures to be followed when commercial procurement is made under a work request or a project order.

6. Establish written acquisition policies and procedures for commercial procurements, work requests, and project orders.

MANAGEMENT COMMENTS

Management concurred in the finding and recommendations. Regarding Recommendations B.1., B.2., and B.3., management stated that corrective actions have been completed and that the Executive Planning Board would monitor compliance on a continuing basis. Regarding Recommendations B.4., B.5., and B.6., management indicated that IPAC Instruction 7300.1E., "Authorization to Certify Fund Availability," was being rewritten to reflect the standards prescribed in the Navy Comptroller Manual, Volume 3.

C. Position Management

FINDING

Staffing at the Intelligence Center, Pacific (IPAC), was not proportionate to work load required for mission accomplishment. IPAC did not monitor work load versus staffing to ensure effective acquisition and use of available Government and contract personnel. Internal controls specified in IPAC instructions had not been implemented, and IPAC had not established standards, measures, or reports to allow management to assess the use and productivity of personnel. There was no assurance that the 412 Government and 43 contractor personnel were appropriately or effectively used to meet mission and support needs. Additionally, if a reduction in IPAC staffing were required, management would not have an objective basis to assess the effect the reduction would have on mission accomplishment.

DISCUSSION OF DETAILS

Background. U.S. Commander in Chief, Pacific Instruction 5311.1M, "Manpower Management in the United States Pacific Command (USPACOM)," requires the development of comprehensive, consistent, and realistically attainable position management plans. The basic means of ensuring that staff resources are effectively managed is the Position Management Program (the Program). Instruction 5311.1M also requires that position management plans consider all staffing sources (i.e., civilian, military, contract, and temporary hires), and ensure that available staffing and work load are compatible.

IPAC Instruction 5310.1, "Position Management," April 27, 1984, establishes staffing as one of the key objectives of the Program. IPAC's position management policy is to ensure that work, organization, and staffing arrangements form a sound and economical basis for the most effective accomplishment of its mission. Instruction 5310.1 also established a Position Management Advisory Committee to provide oversight of the Program and a Position Management Officer to ensure that the Program receives continuous attention. The Instruction further requires the IPAC Civilian Personnel Coordinator to collect position management data for management review, evaluation, and action. The Civilian Personnel Coordinator is also required to analyze position management data and submit interpretations and recommendations to the Position Management Officer.

Program Implementation. IPAC did not implement the Program prescribed by IPAC Instruction 5310.1. We interviewed the Civilian Personnel Coordinator and other knowledgeable IPAC officials and found that the Position Management Advisory Committee had

never met, a Position Management Officer had not been appointed, and the Civilian Personnel Coordinator had not collected position management data for management review and evaluation.

Productivity. IPAC senior managers did not have information available to assess the productivity or effectiveness of IPAC's 412 Government and 43 contractor personnel. Staffing and work load were not proportionate. For example, IPAC had five permanent billets assigned to the Logistics Division; however, there was no methodology used to determine that five people were needed. IPAC did not have procedures to measure and record work load and related staffing. IPAC also had no staffing plan and no standards or other methodology to determine the appropriate number of staff required to accomplish support or mission functions.

Contract Staffing. IPAC had no controls to ensure that its Government staff was fully utilized before using contract personnel, or that the contractor personnel were being used efficiently and economically. IPAC's monitoring of contractor labor hours was limited to ensuring that leave and attendance records were accurate. The amount of time charged for the work was not monitored. There were 43 employees from 6 contractors in residence at IPAC. Contractor personnel provided technical assistance, performed preventive and remedial maintenance on Automated Data Processing (ADP) equipment, and updated or developed ADP software. IPAC did not identify and measure work load associated with each contract, or assess contractor productivity. For example, the largest contractor supplemented the IPAC ADP support staff. The contractor employed 19 people who performed diversified ADP support and integration tasks on a cost-reimbursable basis. Intelligence analysts and other ADP system users would request support services through an administrative process known as an action request. Once the action requests were validated and approved, the requests were assigned for performance to either Government or contractor personnel. The decision to assign a request to contractor or Government personnel was made based on which staff was available and which staff had enough technical knowledge to fulfill the request. The contractor was able to keep 19 people fully employed, but there was no assurance that all 19 people were necessary, or that Government staff had not also been available, but not used. Time standards were not established to indicate the amount of time that contractor or Government personnel were expected to use to complete each request.

RECOMMENDATION FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific, establish workload measurement and productivity criteria for all functions performed by in-house personnel and functions performed

under its service contracts, establish a management information system to record staffing and workload data, and validate current staffing.

MANAGEMENT COMMENTS

Management concurred in the finding and recommendation and stated that USCINCPAC had agreed to conduct a workforce survey of all IPAC functions. Although USCINCPAC had not yet established a completion date, it was expected that the survey would be completed within the current fiscal year. Management indicated that the establishment of the management information system and the validation of staffing would be initiated after the workforce survey was completed. Management also indicated that IPAC Instruction 5310.1 was being revised to fully implement the Position Management Program.

AUDIT RESPONSE

In accordance with DoD Directive 7650.3, management needs to provide completion dates for each of the actions to be taken in response to the audit recommendations.

D. Production Management

FINDING

The Intelligence Center, Pacific (IPAC), was not efficiently managing its scheduled intelligence production. Only about 60 percent of IPAC's scheduled printed products were produced at their scheduled times. IPAC had not complied with the requirements of regulatory guidance and had not prepared production plans and schedules. In addition, standards or goals for measuring the effectiveness of the scheduled production effort had not been established. As a result, users of IPAC products were not receiving intelligence products on schedule, thereby decreasing the usefulness of the intelligence information.

DISCUSSION OF DETAILS

Background. The Defense Intelligence Agency (DIA) exercises overall management and coordination of the DoD General Military Intelligence Production System. DIA delegates certain intelligence production responsibilities to other DoD Components. Each DoD Component manages its internal intelligence production program within the framework of DIA policy. The Component production manager is responsible for developing and implementing intelligence production guidance for the producing organization.

DIA Manual 57-1, "General Intelligence Production," March 24, 1978, requires DoD Components to coordinate intelligence production to achieve maximum economy of effort and to avoid duplication. DIA coordinates, validates, and documents production requirements and negotiates the delegation of specific functional or geographical production to the DoD Components. The Component production manager must coordinate the establishment and implementation of production priorities and the production schedule.

U.S. Pacific Command (USPACOM) established guidance for the management of intelligence production in U.S. Commander in Chief, Pacific Instruction (USCINCPACINST) 3890.1G, "General Military Intelligence Production," November 12, 1985. The guidance states that intelligence producers are responsible for providing accurate, timely, and reliable intelligence for use by commands. The production planning, scheduling, and requirements submission processes are to be used by management to ensure that production capabilities are adequate and that priority work is accomplished. Individual intelligence producers are to schedule planned production for the next fiscal year during April and May. Production schedules are approved by USPACOM and submitted to the DIA for inclusion in the Defense Intelligence Production Schedule (DIPS). The DIPS provides DoD production managers and intelligence

consumers an inventory of scheduled DoD general military intelligence production. The General Military Intelligence Production Plan is primarily used to eliminate duplicate production within the intelligence community.

The IPAC Directorate of Production (DP) is responsible for the direction and management of scheduled intelligence production. IPAC is the delegated producer for air defense, missile, ground, and electronic orders of battle, and lines of communication for selected USPACOM countries bordering the Pacific Ocean. The DP also managed the installation and targeting support data bases and provided all-source electronic intelligence and electronic warfare technical data. IPAC Instruction 3895.1A, "Intelligence Center Pacific Management of Scheduled Intelligence Production," November 3, 1986, requires that the status of products be monitored and recorded and that monthly intelligence production management reports be prepared for the Commander, IPAC. The monthly intelligence production management reports are to include a production schedule.

Production Planning and Scheduling. Intelligence production at IPAC was not planned and scheduled in accordance with DIA, USCINCPAC, and IPAC guidance. Although production plans and schedules were required to be established before the start of the fiscal year, IPAC had not prepared an annual production plan or a production schedule. IPAC maintained a list of 349 products that it either had produced or could produce and annually submitted the list to the DIPS as a production schedule. We accepted the DIPS list as a validated requirement for intelligence production. However, IPAC did not plan to produce the products on the list at the times and frequencies shown. For example, one annual product was produced in FY 1988 which had not been previously produced since FY 1984, even though it was scheduled for production every year. We selected 43 printed products from the DIPS that were due to be produced quarterly, semiannually, or annually during FY 1988 and the first 2 quarters of FY 1989. We found that the products had not been produced as often as required. The table below displays our results.

	Required Number	Actual Number Produced
Quarterly	58	25 (43 percent)
Semiannually	10	8 (80 percent)
Annually	25	21 (84 percent)
Totals	93	54 (58 percent)

Production Monitoring. IPAC did not monitor the effectiveness of its production program. Product status reports focused on work in process, but only on an individual product basis. Actual production was not compared to planned production, and the effect of individual product slippages on overall production was not assessed. There was no assessment of overall production efficiency and no feedback to improve future performance. In addition, IPAC had not established any standards or goals for performance measurement. For example, intelligence products have an information cutoff date (ICOD), which tells a user the last date new information was added to a product. Users of intelligence products use the ICOD to determine the age of the information and its usefulness. Some of IPAC's quarterly products we reviewed had ICOD's that were 4 to 7 months before the products were distributed. IPAC did not have a standard or goal for the time allowed after the ICOD to prepare and distribute a product. The longer the time between the ICOD and distribution, the older the information delivered to the users. The age of intelligence information is often critical to users.

RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific:

1. Develop and maintain a production schedule with milestones and due dates.

2. Establish internal standards for the amount of time to finish and distribute a product after the information cutoff date.

3. Adjust the production schedule based on actual milestone accomplishments and slippages.

4. Conduct periodic comparisons of planned versus actual performance for scheduled production, and evaluate significant deviations to determine causes.

MANAGEMENT COMMENTS

Management concurred in the finding and recommendations and stated that an internal production schedule had been established. The production schedule includes deadlines for individual products and is updated monthly with accomplishments and schedule adjustments. Monthly status and comparison graphics are reported to the Commander, IPAC, and the Executive Planning Board.

E. Mobilization and Continuity of Operations Planning

FINDING

The Intelligence Center, Pacific (IPAC), did not have a mobilization plan for war or a continuity of operations plan for a national emergency. Peacetime procedures, controls, and processes to be suppressed or superseded to improve timeliness during wartime or a national emergency were not identified. Wartime administrative procedures and support requirements were not planned. Essential operations had not been identified, and procedures had not been established to ensure that essential support and services could be maintained in the event of war or national emergency. IPAC had not organizationally assigned these planning functions. As a result, IPAC's wartime personnel and support requirements could not be determined, and the lack of preparedness may waste time and resources in the early days of mobilization or war. Additionally, in a national emergency, IPAC may not be able to effectively use surviving resources and may not be able to provide essential support and services to Headquarters, U.S. Pacific Command, or the Services' Component commands.

DISCUSSION OF DETAILS

Background. IPAC's mission is to prepare and maintain all-source intelligence support for the U.S. Commander in Chief, Pacific, theater Service Components, subunified commands, and national intelligence agencies. IPAC provides scheduled intelligence production and direct intelligence support in target and weapon intelligence, electronic intelligence analysis, daily operational intelligence, imagery interpretation, and indications and warnings support. The loss of IPAC would not disable the entire intelligence network in the Pacific theater; however, the loss would have a detrimental effect on intelligence support.

IPAC Instruction 1001.1, "IPAC Reserve Management Board," November 12, 1982, requires IPAC to prepare a coherent and viable mobilization plan. The plan must address wartime, crisis contingencies, and peacetime training. The plan must also provide for wartime integration of reserve units and individual reservists to augment or replace active duty IPAC staff. DoD Directive 3020.26, "Continuity of Operations Policies and Planning," October 24, 1985, requires DoD Components to plan for continuity of operations during a national emergency. The Directive states that continuity of operations planning does not obviate the need for phased mobilization planning for crises that may not involve enemy attack or otherwise pose a threat to the continuity of DoD operations. The purpose of the plan is to ensure that essential DoD functions and operations can continue

with minimal impairment. The Directive establishes program guidance for DoD Components to follow in preparing a continuity of operations plan. Each DoD Component is required to determine essential functions and personnel to carry out the functions, designate successors to key officials and alternative headquarters or command posts and centers, establish emergency relocation sites, provide for the safekeeping of essential records, and develop procedures for reconstitution and emergency regional reporting.

Mobilization Planning. IPAC did not have a mobilization plan or procedures that would assist its transition from routine operations to war. During a mobilization, IPAC planned to expand operations with reserve units and individual reservists while deploying active duty staff to augment commands in theater. The IPAC Reserve Affairs Office had identified requirements for 342 reservists to replace deployed active duty personnel and to expand authorized staffing for a 24-hour operation. However, IPAC had no written or approved mobilization plan that would justify an expanded staff or that would identify the processes and procedures to be followed in the transition to wartime operations. In wartime, at least a portion of IPAC's routine work load would be suspended, as would other collateral duties and projects. Work load in wartime mission and support areas would increase. Peacetime procedures, controls, and processes that would be altered or superseded during wartime were not identified. Wartime administrative procedures and support requirements were not planned. IPAC had not designated an organization or person to be responsible for planning and coordinating the transition to a wartime operation. As a result, reserve augmentation requirements may be overstated, which could potentially misallocate personnel resources. The lack of planning may also result in wasted time and inadequate support personnel or supplies.

Continuity of Operations. IPAC did not have a plan to reconstitute or provide intelligence support if the existing IPAC facility or automated data processing equipment were attacked or destroyed. No organization or person at IPAC was tasked to plan for continuity of operations. IPAC management assumed that continuity of operations planning was unnecessary because IPAC, and most of Ohau, Hawaii, could be totally destroyed by a direct nuclear strike. IPAC believed that the size and geographical isolation of Hawaii limits the number of surviving alternative sites. Although they are oriented primarily toward a strategic nuclear attack on the United States, many of the policies and procedures in DoD Directive 3020.26 are equally applicable to any national emergency. An emergency of less than total destruction, such as a catastrophic natural disaster, could leave IPAC completely unprepared to fulfill its essential missions.

RECOMMENDATION FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific, assign responsibility for mobilization and continuity of operations planning, establish a written mobilization and transition to war plan, and establish a written continuity of operations plan in accordance with DoD Directive 3020.26.

MANAGEMENT COMMENTS

Management concurred in the finding and provided a completion date. Management indicated, however, that IPAC actions in response to the Recommendation would require guidance from the Commander in Chief, U.S. Pacific Command.

F. Internal Management Control Program

FINDING

The Intelligence Center, Pacific (IPAC), internal management control program did not meet the objectives of U.S. Commander in Chief, Pacific Instruction (USCINCPACINST) 7510.2B, "Internal Management Control Program," June 3, 1988. IPAC implementation of the internal management control program was incomplete and oversight was inadequate. The program did not provide the Commander, IPAC, reasonable assurance that obligations and costs complied with applicable law; that assets were safeguarded; that expenditures were recorded and properly accounted for; and that resources were efficiently and effectively managed. As a result, control deficiencies that could have been corrected were not disclosed to the Commander, IPAC. In addition, the Commander's annual statement of positive assurances on the adequacy of management control to Headquarters, U.S. Pacific Command, under the Federal Managers' Financial Integrity Act was unsupported.

DISCUSSION OF DETAILS

Background. The Federal Managers' Financial Integrity Act of 1982 requires renewed focus on the need to strengthen management controls. The Act requires that management control systems be periodically evaluated and that the heads of executive agencies report annually on their systems' status. The evaluations are to be made in accordance with guidelines issued by the Office of Management and Budget. The annual reports are to indicate whether systems met the objectives of management control and conformed to standards established by the General Accounting Office. DoD implemented the requirements of the Act in DoD Directive 5010.38, "Internal Management Control (IMC) Program." The Directive was implemented by the U.S. Pacific Command in USCINCPACINST 7510.2B, which was revised June 3, 1988.

The USCINCPACINST assigns responsibilities and provides step-by-step procedures for organizing and implementing an IMC Program. IPAC did not have a separate implementing instruction. The USCINCPACINST requires that an inventory of assessable units be established, that risk assessments and internal management control reviews be performed, and that the results of the assessments and reviews be reported. It also requires that a quality control program be established.

Before May 1989, the IMC Program was the responsibility of the Comptroller Division of the Command Resources Directorate. After May 1989, an IPAC internal reorganization transferred the function to the newly established Command Support Division. The Command Support Division reports directly to the Commander, IPAC.

Inventory of Assessable Units. The USCINCPACINST requires Components to segment their programs and functions and to develop organization-wide inventories of "assessable units," which could be subjected to a risk assessment. The programs and functions should represent a significant level of effort within the organization. The USCINCPACINST provides a list of assessable units, which include the mission and administrative functions that fell within the purview of the IMC Program. IPAC limited its inventory of assessable units to relatively minor administrative functions. For example, one unit listed on the USCINCPACINST list was intelligence. IPAC did not include intelligence as an assessable unit. Likewise, IPAC did not assess financial management. We concluded that the IPAC inventory of assessable units was incomplete.

Risk Assessments. USCINCPACINST defines a risk assessment as management's preliminary evaluation of an assessable unit's susceptibility to loss due to fraud, waste, abuse, or mismanagement. Risk assessments were to identify those programs and functions most in need of an in-depth IMC review. The USCINCPACINST states that a primary step in the risk assessment process is documentation. The USCINCPACINST requires written descriptions of control objectives and techniques, operational procedures, and other important control activities, as well as permanent records of the procedures used in the evaluations. This documentation is required to be of sufficient detail to permit review by external auditors. IPAC had no documentation to support its risk assessments. In addition, the accuracy of IPAC's assessments was questionable. For example, the Facility Office of the Command Resources Directorate rated its construction program as "low risk." The assessment was subsequently raised to "medium risk," but there was no documentation to show who raised the assessment or why. We found that the Facility Office lacked even the most basic internal management controls. Similar circumstances surrounded all the IPAC risk assessments.

Internal Management Control Reviews. USCINCPACINST 7510.2B requires the same type of documentation to support an IMC review as required to support a risk assessment. The IMC Program focal point, the IPAC Comptroller's Office, had no documentation to show that IMC reviews scheduled for FY 1988 or FY 1989 had taken place.

Results Reporting. We could find no documentation of corrective actions or follow-up processes based on the IPAC IMC Program. External reports to the USPACOM on the status of the IPAC IMC Program and annual statements of assurance were provided as required; however, the basis for the reports and assurance statements could not be supported with documentation.

Quality Assurance. The USCINCPACINST also requires that a quality assurance program be established to ensure compliance with all applicable guidelines and directives. IPAC did not establish a quality assurance program. A quality assurance program would have alerted the Commander, IPAC, that the organization was not properly segmented, that assessments were overstating the adequacy of the management controls, and that documentation was inadequate.

RECOMMENDATION FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific, implement U.S. Commander in Chief, Pacific Instruction 7510.2B, "Internal Management Control Program," dated June 3, 1988. Specifically, the Intelligence Center, Pacific, should:

- segment the entire organization, and specifically identify the assessable units;

- establish control objectives for assessable units;

- perform and document risk assessments; and

- schedule, perform, and document applicable internal management control reviews.

MANAGEMENT COMMENTS

Management concurred in the finding and recommendation and stated that actions had been completed to segment the organization, to identify assessable units, to establish control objectives, to perform and document risk assessments, and to schedule internal management control reviews.

G. Facility Management

FINDING

The Intelligence Center, Pacific (IPAC), requested facility maintenance and improvement projects without adequate planning and without controls over project costs. The IPAC Facility Office, Command Resources Directorate, did not keep records on work that had been requested from the Navy Public Works Office, estimated cost of the work, and work that had been billed. The cost of maintenance and improvements charged to IPAC by Public Works was not reviewed for accuracy and project cost growth was not validated. IPAC had not established adequate procedures for managing or controlling facility maintenance and improvement projects. As a result, prior year unliquidated obligations could not be validated or deobligated, and IPAC may have been overcharged for maintenance and improvement services. In addition, IPAC maintenance and improvement projects were vulnerable to fraud, waste, or abuse.

DISCUSSION OF DETAILS

Background. The Facility Office was responsible for managing facility maintenance and improvement projects at IPAC. Facility maintenance is the work necessary to keep buildings and grounds in habitable condition. Maintenance consists of services such as cleaning, replacing worn or damaged fixtures, and grounds keeping. Facility improvements consist of alterations to IPAC buildings. Improvements can be made to better utilize space by building or removing walls, or by upgrading existing utility systems to support additional or more modern equipment.

IPAC maintenance and improvement projects were done by the Naval Public Works Center (PWC) at Pearl Harbor. PWC either performed the work using its own personnel or arranged for the work to be done by contractors and billed IPAC for the cost of work performed. Recurring maintenance, such as grounds keeping, is generally requested and funded using a work request. PWC established a quarterly charge, and IPAC issued a work request in that amount each quarter. Funds obligated on work requests expire at the end of each fiscal year at which time, unused funds are to be deobligated. Other work, such as alterations to buildings, was requested and funded on project orders. Project orders are specific contracts between Government activities and serve to obligate funds similar to a commercial contract. PWC provided IPAC an estimate of the labor and material needed. IPAC then issued a project order fully funding the cost of each project.

Facility Maintenance and Improvement Management. IPAC spent about $1 million annually on facility maintenance and improvement, but did not manage effectively. IPAC emphasized results rather than the process by which the results were achieved. Facility improvements were not planned or identified in the budget process and were not reviewed by management as an organized program. In addition, alteration requirements for Executive Planning Board projects were not identified or planned in advance. Although it had written statements of work for recurring maintenance requirements, IPAC did not have statements of work for project orders or work requests. The actual funding document from IPAC was the only available documentation to show that work had been requested from PWC. The funding documents did not include a statement of work or a description of the service to be performed. Projects were combined on one funding document, eliminating the ability to monitor fund status by project. PWC cost estimates were not documented, and billings were not reviewed for accuracy. We found about $241,000 of prior year unliquidated obligations that could not be validated because IPAC did not know if the billings were completed. In addition, the documentation available at IPAC was not sufficient to identify the work performed or the work that had been accepted as complete.

Facility Maintenance and Improvement Controls. IPAC had not established adequate management controls over facility maintenance and improvement, and existing controls were either not enforced or circumvented. IPAC did not have procedures for preparing and documenting statements of work and cost estimates, justifying cost increases, or verifying billings for accuracy. For example, PWC employees working in the secure areas of IPAC are required to sign a security log each time they enter or leave the facility and to be escorted at all times. We selected 10 billings for minor repairs in secure areas of IPAC and identified the labor hours charged daily to each minor repair order. We reviewed the security logs and determined the number of hours that PWC personnel had spent in the secure areas on the dates for which work was billed. Using these hours and the hourly rates billed, we determined that only $11,653 (45 percent) of the $25,897 charged on the 10 billings could be substantiated. The remaining charges of $14,244 should have been questioned by IPAC, especially on repair orders where the labor costs billed by the PWC exceeded the original labor estimates.

Although facility projects of $50,000 or more met Executive Planning Board criteria for oversight, they had not been included in the oversight process. For example, in FY 1988, IPAC installed a new telephone system at a cost of $325,000. This cost included about $224,000 for 450 telephone desk sets (unsecure). This project was initiated and funded without an

Abbreviated Milestone Decision Paper, the minimum documentation required for an Executive Planning Board project. An Abbreviated Milestone Decision Paper provides documentation to support the need for the project, the objective, resource requirements, a plan of action, and a milestone schedule. At the time of the audit, IPAC was planning to replace unsecure desk sets with secure desk sets. At an average cost of $2,300 per set, it will cost $1,035,000 to replace all 450 desk sets. An adequate Abbreviated Milestone Decision Paper would have addressed alternatives, such as secure telecommunications requirements, when the telephone project was initiated. IPAC could then have planned the telephone system upgrade and secured all desk sets more cost-effectively. In addition, IPAC regulations required all obligations of more than $5,000 to be approved by the Commander, IPAC. The Facility Office circumvented this control by issuing modifications to existing funding documents in increments of less than $5,000. For example, one work request for minor repairs totaling about $159,000 was modified 22 times between May and September 1988, usually in increments less than $5,000.

RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific:

1. Establish a facility maintenance improvement plan and budget.

2. Establish procedures for the management of facilities maintenance and improvement, including documentation standards and cost controls.

MANAGEMENT COMMENTS

Management concurred in the finding and each recommendation. Regarding Recommendation G.1., IPAC now prepares an annual Maintenance and Construction Improvement Plan with a projected budget. This plan is submitted to the Executive Planning Board by the Director of Resources for approval prior to the expenditure of any funds. Beginning with FY 1990, a 3-year maintenance plan with projections of projects and budget requests will be produced as an appendix to the annual maintenance plan in an effort to forecast future requirements. Regarding Recommendation G.2., procedures for the management of facilities maintenance and improvement are being detailed in a comprehensive rewrite of the Facilities Office Desk Guide.

H. Local Equipment Maintenance

FINDING

The Intelligence Center, Pacific (IPAC), had not established management control over its local equipment maintenance program and consequently, lacked the information needed for management to select efficient and cost-effective maintenance plans. This condition occurred because policies or procedures to determine maintenance requirements did not exist. In addition, maintenance records were incomplete and were not used to evaluate maintenance needs. As a result, annual maintenance costs were at least 10 percent higher than necessary.

DISCUSSION OF DETAILS

Background. IPAC relies on the use of automatic data processing equipment (ADPE) to process and manipulate the vast amounts of intelligence information it accumulates. Maintenance maximizes the time equipment is available to the user and helps ensure that the equipment achieves its useful life. There are two general types of equipment maintenance: preventive maintenance, which is performed at scheduled intervals to reduce the probability of failure; and remedial maintenance, which is performed on an unscheduled basis to restore poorly performing or inoperable equipment to working condition.

Federal Management Circular 74-5, "Management, Acquisition, and Utilization of Automatic Data Processing," July 15, 1974, establishes Government policy for the management, acquisition, and use of ADPE, software, related services, and supplies. The Circular states that the method for maintaining Government-owned equipment shall be periodically reviewed, preferably annually, to ensure that maintenance is accomplished at the lowest overall cost to the Government.

Commercial contractors perform maintenance at IPAC. Contracting for maintenance support includes two basic strategies: on-call service and per call service. A customer pays a fixed monthly fee for on-call service. It is expensive, but easy to manage. For per call service, the customer is charged only for the actual services performed. Two factors have a major impact on cost under either strategy. The first factor is the period of performance for maintenance services, which may run from specified days and hours to continuous service, which is available at any hour--weekdays, weekends, and holidays. Continuous service is the most expensive option. The second factor is the amount of time contractors take to respond to a service call. The shorter the response time, the more expensive the coverage.

The IPAC Mission and Function Statement assigns the Logistics Division the responsibility for requesting and monitoring maintenance or repair service. During FY 1988, IPAC spent about $432,000 on locally acquired equipment maintenance. As of February 8, 1989, IPAC had obligated about $350,000 for FY 1989 maintenance services.

Maintenance Records. IPAC did not have records of the maintenance and repairs done by local contractors on IPAC equipment. The Logistics Division kept a log of telephone calls to contractors requesting repairs. The log included the date and time of the call, the equipment's serial number, and the reported problem; however, the repair log was inaccurate. Users called directly to contractors without notifying the Logistics Division. No records were kept on actual maintenance performed. The Logistics Division did not receive documentation from the equipment user or from the maintenance contractor identifying maintenance or repair accomplished. IPAC did not collect maintenance data to analyze the reliability of the equipment and to determine the most cost-effective maintenance alternative. Adequate maintenance records can identify equipment that tends to break down or equipment that is reliable. This allows management to assess the risks associated with each type of maintenance plan. Complete maintenance histories are also needed to evaluate contractor performance and to ensure that contract requirements are performed.

Maintenance Alternatives. Although the Logistics Division was responsible for monitoring maintenance, it was not analyzing or evaluating maintenance performance or cost-effectiveness. There were no criteria for selecting the most cost-effective maintenance plan, and Logistics Division personnel claimed they did not have the technical expertise to make maintenance decisions for ADPE. Consequently, maintenance contracts were for continuous, on-call service with a minimal response time. The rationale for buying this type of service was to ensure immediate maintenance service to meet mission needs. Although IPAC had 24-hour operations, the mission did not require continuous on-call maintenance with minimal response time for all ADPE. For example, ADPE used for administrative purposes in the Facility Office was not mission related and could be repaired during normal weekday duty hours. Payment of premium prices for continuous on-call maintenance on all equipment was unnecessary.

Maintenance Management. Through better management, contract maintenance and repair service could be acquired at a lower cost. Analysis of maintenance records for equipment items can establish the number of breakdowns by type of equipment and manufacturer. That historical data can be used to project the frequency of future repair. Then, after identifying maintenance coverage

periods and response times, the estimated frequency of repair can be used to determine if paying for on-call service is more cost-effective than paying for per call service. The Assistant Inspector General for Auditing Report No. 89-085, "Maintenance Support to General Purpose Computers in the DoD," June 30, 1989, concluded that where maintenance records were maintained, cost benefits of 10 to 78 percent could be achieved by managing ADPE maintenance support.

RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific:

1. Establish maintenance records that include:

   - Date and time a malfunction was reported.
   - Date and time a contractor was notified.
   - Date and time a contractor arrived.
   - Contractor response time.
   - Problem.
   - Solution.
   - Cost and identification of parts used.
   - Labor hours.
   - Labor cost.

2. Establish internal maintenance policies and procedures to determine maintenance needs and alternatives by type of equipment and mission requirements.

3. Require periodic analyses to validate the cost-effectiveness of maintenance plans chosen.

4. Require mission-related justifications for contracts that specify periods of maintenance performed during other than working hours of 6 a.m. to 6 p.m., Monday through Friday.

MANAGEMENT COMMENTS

Management concurred in the finding and stated that all four recommendations were addressed in the publication of IPAC Instruction 5296.1, dated July 19, 1989. An annual review to assess the effectiveness of the maintenance plan will be conducted. Procedures have been established for the Executive Planning Board to approve non-prime-time equipment maintenance.

I. Supply Operations

FINDING

Supply operations at the Intelligence Center, Pacific (IPAC), were not efficient or in compliance with basic supply management guidance. The supply activity did not maintain inventory records or order supplies at the lowest cost. These conditions existed because IPAC had not established procedures and internal controls for supply operations. As a result, supply operations were vulnerable to fraud, waste, or abuse; higher than necessary prices were paid; and excess stocks deteriorated in storage.

DISCUSSION OF DETAILS

Background. DoD Directive 4140.1, "Inventory Management Policies," states that each activity shall maintain records for each item of supply so that its inventory can be verified by quantity and value. According to IPAC's operating policy, supply support should be timely, effective, and well-managed. The Logistics Division is to closely monitor inventory level and composition to ensure that only essential inventories are maintained.

The Chief, Logistics Division, is responsible for implementing these policies. Specific assigned responsibilities include the preparation and maintenance of documents relating to purchase, receipt, storage, inventory control, issue, shipment, disposition reporting, identification, and the inventorying of supplies and supply items. However, there were no written procedures for supply operations to accomplish these policy objectives and responsibilities.

Controls Over Supply Operations. The Logistics Division did not maintain inventory records. We were informed that records were previously maintained on a minicomputer, but they were lost in July 1988. Alternative records or steps were not taken to institute accounting or procedural controls over purchases, receipts, issues, or inventory since that time. Without records or procedures, IPAC determinations could not be readily made concerning the items and quantities of supplies that were on hand or needed. As a result, unnecessary stock was purchased, and stock on hand was wasted. For example, during FY 1988 and FY 1989, 470 boxes of copier paper was ordered at a cost of about $11,465. Older copier paper was retained in storage while the new stock was immediately used. We found that 240 boxes, purchased at a cost of $6,000, had been in storage for about 2 years. Some of the copier paper had deteriorated in storage and was unusable. Similarly, there were 377 boxes of blue bond paper that had been in storage for more than 2 years. We

determined that at least 150 of the 377 boxes, purchased at a cost of about $2,730, had also deteriorated in storage and were unusable. A stock record that identifies a national or local stock number, source of supply, description, receipts, issues, and on-hand balances is the basic means of providing adequate documentation and control to manage a supply operation.

Commercial Purchases. About 90 percent of supply purchases was from commercial sources and about 10 percent was from Government sources. Items were purchased from commercial sources without considering whether the items could be obtained from Government sources at a lower cost. The Naval Supply Center performed a Procurement Management Review at IPAC in October 1988. The review concluded that the Logistics Division was purchasing items commercially that were available through Government sources. Although IPAC agreed to take steps to remedy the situation, at the time of our audit in early 1989, we found that the Logistics Division's written procedures had not been established and the corrective actions had not been implemented. Supported customers used a standard form to request supplies, which listed the national stock number if there was one. If the customer did not list a national stock number, the Logistics Division would not attempt to identify a stock number. Rather, the item would be purchased commercially. Admittedly, without supply records, the supply technicians would have to research the same stock numbers continuously for those items that had highly repetitive usage. While microfiche could be used to identify stock numbers, the supply technicians considered their use too time-consuming and cumbersome. Instead, supplies were purchased through commercial sources, regardless of the differential in cost from Government sources. Logistics Division personnel estimated that if items were requisitioned from Government sources, the commercial purchase rate could be lowered from 90 percent to about 70 percent, saving IPAC from $14,000 to $18,000 annually.

RECOMMENDATION FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific, formally establish and implement procedures for supply operations to include maintaining stock records and identifying supply requirements that can be satisfied through Government sources.

MANAGEMENT COMMENTS

Management concurred in the finding and recommendation and stated that an Automated Supply System, which includes a Supply Inventory Module, had been developed. This module provides an inventory record for every line item carried in IPAC stock. Standard operating procedures have also been developed for each function performed in the supply office. The procedures require that

before material is acquired commercially, each requisition for supplies is to be screened against available stock in the supply system.

J. Document Control

FINDING

The Intelligence Center, Pacific (IPAC), could not readily verify that documents classified confidential and secret had reached the designated addressee or that the destruction of documents containing sensitive compartmented information (SCI) actually took place. Procedures for controlling in-transit documents classified as secret and for destroying documents containing SCI were inadequate. As a result, information related to the national security was vulnerable to undetected losses and possible compromises.

DISCUSSION OF DETAILS

Background. The Collateral Document Office is responsible for controlling incoming and outgoing official documents classified confidential and secret and for packaging, mailing, and collecting receipts for documents with those classifications. Specific guidance for the control of documents classified confidential and secret was established by IPAC Instruction 5222.1, "Operating Procedures for the Collateral Document Office," June 24, 1986. The Collateral Document Office distributed 11,255 registered mailings during calendar year 1988, an average of 938 registered packages per month. Documents classified as top secret and as containing SCI were controlled by the Special Security Office.

Control of In-transit Collateral Documents. The Collateral Document Office did not verify that documents classified confidential and secret had been received. For document control, IPAC used Air Force (AF) Form 310, Document Receipt and Destruction Certificate. A copy of AF Form 310 was kept as a suspense for each classified shipment. When the recipient returned the signed AF Form 310, certifying that the document had arrived at its destination, the Collateral Document Office was to match it to the suspense copy. The suspense copy was to be thrown away, and the receipted copy was to be filed in an inactive file for 2 years. If no receipt copy was returned within 30 days, the Collateral Document Office was to initiate tracer action.

The document control process was not used. The suspense files and the inactive files were disorganized and not designed to facilitate reconciliation. We randomly sampled 24 AF Form's 310 in the suspense files with past-due suspense dates to determine if the receipts were on hand. There were no receipts on file for any of the 24 AF Form's 310 sampled, and tracer action had not been initiated. Once alerted to this condition, the Commander, IPAC, directed the Collateral Document Office to identify

past-due receipts and initiate tracer actions. Collateral Document Office personnel estimated it would take about 30 days to reconcile the suspense files with the receipt files. The lack of reconciliation and subsequent follow up left IPAC vulnerable to undetected loss or compromise of classified information.

Destruction of SCI Documents. IPAC's destruction procedures for SCI documents needed to be improved. The Special Security Office maintained the official inventory of SCI documents. When SCI material was received, the personnel assigned to the Special Security Office would sign the receipt and return it to the sender. The document's serial number would be recorded for accounting purposes. The individuals actually using the documents signed a receipt for the material when the Special Security Office delivered it to them. When documents were to be destroyed, the user of the document would send the document's top page to the Special Security Office. The Special Security Office personnel noted the serial number in the SCI inventory, and the date the document would be destroyed. Personnel at the Special Security Office destroyed the top page. The user of the document was responsible for destroying the rest of the document. Personnel at the Special Security Office assumed the entire document was destroyed when they destroyed the top page, so they did not compare individual office destruction records against records at the Special Security Office. These procedures did not provide adequate accounting control over the destruction of SCI documents.

RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific:

1. Revise Intelligence Center, Pacific Instruction 5222.1, "Operating Procedures for the Collateral Document Office," to implement:

a. Specific procedures for the maintenance and reconciliation of Air Force Form 310 suspenses and Air Force Form 310 receipted copies for documents classified confidential and secret.

b. Procedures to be followed when a receipted copy of the Air Force Form 310 is not received within 30 days after distribution.

2. Reconcile the Air Force Form 310 suspenses to the Air Force Form 310 receipt copies and initiate action to verify delivery on all suspenses more than 30 days old.

3. Revise procedures for destruction of sensitive compartmented information to require that the Special Security Office destroy the entire document.

MANAGEMENT COMMENTS

Management concurred in the finding and each recommendation. Regarding Recommendation J.1., IPAC Instruction 5222.1 has been revised as IPAC Instruction 5222.1A, "Operating Procedures for the Command Distribution Branch." The Instruction will be revised again to reflect procedures for the maintenance and tracking of document control receipts. Regarding Recommendation J.2., the effort to reconcile on-hand suspense copies of document receipts for 1988 and 1989 was ongoing. Regarding Recommendation J.3., destruction procedures had been corrected. The entire document is now turned in for destruction, and the data base is annotated accordingly. This procedure will be incorporated into IPAC Instruction 5510.8C.

K. Property Accountability

FINDING

Property records at the Intelligence Center, Pacific (IPAC), were inaccurate. Further, custodial records were not updated to reflect transfers or replacement of property and changes in custodians. Procedures were not established for accounting for and controlling property at IPAC. As a result, property was lost, difficult to locate, and vulnerable to misappropriation. Property records also did not list all accountable property and did not provide reliable information on property locations and responsible custodians.

DISCUSSION OF DETAILS

Background. The property records at IPAC contained approximately 2,600 items, valued at about $12 million. IPAC Instruction 4400.1C, "Logistics Procedures," July 10, 1984, provides general policy for property accountability, but does not establish procedures for implementing the policy. The Instruction states that the IPAC Logistics Officer, as the Accountable Property Officer, is responsible for maintaining records and accounting for all property. Individual property custodians are required to record and maintain an inventory for their assigned accountable area and to maintain continuous accountability over the property. Each transfer of custody requires a joint inventory between the old and new property custodian. Property assigned to a custodian is not to be transferred or loaned without prior approval of the IPAC Logistics Officer. However, IPAC did not have written property accounting procedures and property custodians did not have written guidance or procedures for accounting for property assigned to them.

Record Accuracy. Accountable property was not accurately recorded in the property record. We randomly sampled 26 items from the property records to test their accuracy. We found that the records did not accurately reflect the current property custodian or location. One item, a color monitor, listed in the property record could not be located. Seven other items were not in the custodial areas on record. We randomly sampled 21 items of property in use to determine whether they were accurately recorded in the property record. Five sampled items were in locations different from the recorded locations. Two other items, both keyboards, were not on the property records, although the items had individual serial numbers and IPAC property tags.

The record inaccuracies were caused by property custodians who were transferring property and were not recording the transaction on custodial records, notifying the Logistics Officer, or

updating the property record. Additionally, Property Custodians had been changed without the knowledge of the Accountable Property Officer or a proper inventory.

RECOMMENDATION FOR CORRECTIVE ACTION

We recommend that the Commander, Intelligence Center, Pacific, establish and implement detailed procedures for accounting for and controlling property.

MANAGEMENT COMMENTS

Management concurred in the finding and recommendation and stated that two instructions, IPAC Instruction 4740 and 4790 had been issued to implement the recommendation.

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CO
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26 January 1990

To: DoD Inspector General, 400 Army Navy Drive, Arlington, Virginia 22202-2884

Subj: RESPONSE TO DRAFT AUDIT REPORT ON THE INTELLIGENCE CENTER PACIFIC (PROJECT NO. 91K-5006)

Ref: (a) Draft Audit Report on IPAC (Project No. 91K-5006)

1. This comprehensive DOD IG audit was requested by the Commander, Intelligence Center Pacific (IPAC) and was conducted in a thoroughly professional manner. The audit leader (Mr. Wade Najjum) and his team worked very closely with management and staff of IPAC, not only to identify discrepancies, but to assist in solutions as well. We at IPAC believe it is significant that most discrepancies were resolved prior to the conclusion of the audit. IPAC is committed to go beyond the audit recommendations to a program of even greater efficiency and fiscal streamlining. Those few areas that continue to be outstanding are being aggressively tracked, personally reviewed by Commander IPAC or his Deputy and will be completed NLT 31 Dec 90.

2. Following are comments on findings, recommendations, and corrective actions taken on DoD audit report.

a. <u>FINANCIAL MANAGEMENT</u>

- <u>FINDINGS</u>: Pages 5-12. Concur with findings with the following changes. Correction required to Recommendation 6; amount to de-obligate should read $350,000 vice $250,000. The amount remaining after the $350,000 reduction would then be $250,000. A correction is also required to the Introduction page, Background paragraph 2. IPAC staff authorized 90 civilian personnel vice 88 in FY89; therefore, total authorized staff would be 414 vice 412. 3-6

- <u>RECOMMENDATIONS</u>: Pages 13, and 14. 7

(1) "Centralize administrative control of appropriations and the authority to access official accounting records in the Comptroller's office."

- <u>ACTION COMPLETE</u>: The Comptroller Office reorganized under special staff (PM), reporting directly to the Commanding Officer on financial management matters and to PM for administrative matters. The Integrated Accounting and Disbursing input clerk was made a full-time permanent position reporting to the Comptroller. Action completed 01 May 89.

- RECOMMENDATION

(2) "Establish written procedures for initiating, recording, documenting, and validating obligations and other financial transactions."

- ACTION TAKEN: A complete rewrite of IPACINST 7300.1E, Authorization to Certify Fund Availability, to encompass all facets of command's financial management. Estimated completion date: 28 Feb 90.

- RECOMMENDATION

(3) "Establish written procedures for monitoring the status of funds on reimbursable work requests and withdraw all unobligated funds on expired work requests."

- ACTION TAKEN: Complete review of outstanding unobligated funds for prior year work requests. Completed 30 Apr 89. Written instructions will be contained in IPACINST 7300.1E, Authorization to Certify Fund Availability. Estimated completion date: 28 Feb 90.

- RECOMMENDATION

(4) "Review and validate or de-obligate all Fiscal Year 1987 and Fiscal Year 1988 unliquidated obligations."

- ACTION COMPLETE: Reviewed, validated, and de-obligation completed 26 May 89.

- RECOMMENDATION

(5) "Replace funds from the Fiscal Year 1988 appropriation on work requests N6838988WR00047 with funds from the Fiscal Year 1989 appropriation."

- ACTION COMPLETE: FY89 WR 00039 issued to replace FY88 WR 00047. Completed 15 Sep 89.

- RECOMMENDATION

(6) "De-obligate $250,000 of Fiscal Year 1988 Operation and Maintenance, Navy, funds from Project Order N6838988P000011."

- ACTION COMPLETE: $350,000 de-obligated on 88 P000011 to bring the correct total authorized amount to $250,000. Completed 22 Aug 89 (see para 2a above).

- RECOMMENDATION

(7) "Determine by Fiscal Year the services and costs associated with the Electric Warfare Reprogrammable Libraries contract and revise the contract funding accordingly."

- ACTION COMPLETE: All funding documents realigned in concert with contracting officer and forwarded to appropriate funding office. Completed 22 Aug 89.

- RECOMMENDATION

(8) "Replace Operation and Maintenance, Navy, funds obligated for equipment purchased on requisitions N68389-7272-0219 and N68389-7258-6302 with Other Procurement, Navy funds."

- ACTIONS COMPLETE: Both requisitions cancelled and proper Other Procurement, Navy funds applied to acquisition. Completed 22 May 89.

b. PROJECT MANAGEMENT AND THE RELATED ACQUISITION PROCESS

- FINDINGS: Pages 15-22. Concur with all findings. 9-12

- RECOMMENDATIONS: Pages 22-23. 12-13

(1) "Implement existing Intelligence Center Pacific Instruction 5420.1, "IPAC Executive Planning Board Responsibilities," and the Intelligence Center Pacific Project Management Procedures and Documents Manual."

(2) "Revise Intelligence Center Pacific project management policies and procedures to require screening and validation of project starts and decision milestones before submitting documentation to the Executive Planning Board for approval."

(3) "Establish procedures that require the Plans and Programs Management Division to monitor progress toward milestones approved by the Executive Planning Board and to apprise top level management of schedule slippage or other problems, causes, and potential alternative courses of action."

- ACTION COMPLETE: We are complying with all three recommendations on a continuing basis through IPAC's Executive Planning Board. Project documentation was received for all existing projects. Action completed 15 Dec 89.

- RECOMMENDATION

(4) "Implement Navy Comptroller Manual, Chapter 3, which prescribes the standards for commercial procurements, project orders, and work requests."

- ACTION TAKEN: IPACINST 7300.1E, Authorization to Certify Fund Availability, is being rewritten and will be strengthened to reflect standards as prescribed in NAVCOMPT Manual, Volume 3. Estimated completion date: 28 Feb 90.

- RECOMMENDATION

(5) "Establish internal control procedures to be followed when commercial procurement is made under a work request or a project order."

- ACTION TAKEN: IPACINST 7300.1E, Authorization to Certify Fund Availability, is being rewritten and will be strengthened to reflect standards as prescribed in NAVCOMPT Manual, Volume 3. Estimated completion date: 28 Feb 90.

- RECOMMENDATION

(6) "Establish written acquisition policies and procedures for commercial procurement, work requests, and project orders."

- ACTION TAKEN: IPACINST 7300.1E, Authorization to Certify Fund Availability, is being rewritten and will be strengthened to reflect standards as prescribed in NAVCOMPT Manual, Volume 3. Estimated completion date: 28 Feb 90.

c. POSITION MANAGEMENT

- FINDINGS: Pages 25-28. Concur with all findings with the following discussions. 15-16

(1) FINDINGS a, b, d, and e.

- DISCUSSION: A thorough manpower review and workload measurement are needed to support these findings. There may very well be areas in IPAC where manning is insufficient for the workload and other areas in IPAC where work expands to fill eight hours. The majority of supervisors informally adjust the flow of workload to and among their people in response to changing requirements. Appropriate and efficient use of personnel is an inherent responsibility of all supervisors and managers. The IPAC reorganization effort last year is an example of management's attempt to better align the organization for improved efficiency.

(2) FINDING c.

- DISCUSSION: IPACINST 5310.1 was not and is not being adhered to. A revised instruction has been written and is now being coordinated by the directors. Upon publication, the Position Management Program will be fully implemented under the CIPMS guidelines. A committee will be required to review position requirements, hirings, promotions, etc., as they affect IPAC's mission accomplishment. Estimated completion date: 28 Feb 90.

- RECOMMENDATION: Pages 28 and 29. 17

(1) "We recommend that the Commander, Intelligence Center Pacific, establish workload measurement and productivity criteria for all functions performed by in-house personnel and functions performed under its service contracts, establish a management information system to record staffing and workload data, and validate current staffing."

- ACTIONS TAKEN: Concur with recommendation with the following comments: To satisfy recommendation that staffing at IPAC was not proportionate to workload required for mission accomplishment, a request was made of USCINCPAC/J1 to conduct a manpower survey and they agreed to do so and are currently working this action. The completion date has not yet been established by USCINCPAC but is expected to be within the current fiscal year. The management information system and staffing validation will follow the survey when it is completed.

d. PRODUCTION MANAGEMENT

- FINDINGS: Pages 31-35. Concur with the findings with the following comments for clarification. 19-21

- IG COMMENT

(1) Page 31. "Only about 60 percent of IPAC's scheduled printed products were produced." 19

- DISCUSSION: That figure is accurate only if the wording "at their scheduled time" is added. Almost all IPAC products were produced, although due to changing threats and reprioritized operational requirements, not all products were produced in the time frame planned three months prior to the start of the fiscal year. DIA has since implemented the ability to update the Defense Intelligence Production Schedule on a quarterly basis, and IPAC is able to update its production schedule to better reflect production requirements.

- IG COMMENT

(2) Page 31. The statement "users of IPAC products were not receiving intelligence products on schedule, thereby decreasing the usefulness of the intelligence information." 19

- DISCUSSION: Both the criterion for usefulness implied in this sentence and the all-inclusiveness of the statement are questionable. The utility of each individual IPAC product is validated by USCINCPAC/J2 prior to its publication. The utility of each product was ranked by operational users in November 1988, and these results were incorporated into FY89 plans. In addition, the usefulness of intelligence information is dependent upon its accuracy and its timeliness, not upon the product's schedule. A more important criterion is the time lapse between intelligence-cut-off-date and dissemination. Several initiatives are underway to reduce this interval: desk-top publishing is being evaluated to determine if printing production time can be decreased, mail room improvements have been implemented to ease dissemination problems.

- IG COMMENT

(3) Page 33. Production Planning and Scheduling. "...IPAC had not prepared an annual production plan or a production schedule." Cf P.32, "Production schedules are approved by USPACOM and submitted to the DIA for inclusion in the Defense Intelligence Production Schedule." 20

- DISCUSSION: Since IPAC had, in fact, submitted its "production schedule" to DIA in accordance with regulations, a fact that the auditors acknowledged, there is a disconnect with the previously quoted sentence. The words "production schedule" are undefined leading to conflicting statements within the report. Schedule standards have been established and actual dates have been promulgated for each product. The status of production accomplishments/slippages is briefed to the Director of Production, COMIPAC and the Executive Planning Board monthly and to the J2 as needed.

- IG COMMENT

(4) Page 34. Production Planning and Scheduling (continued). "...one annual product was produced in FY 1988 but had not been produced since FY 1984, even though it was scheduled for production every year." 20

- DISCUSSION: The planned frequency of a product may change as often as circumstances require. While the DIPS for the current year indicated this was an annual product, DIPS entries for previous years were not examined; thus there was no indication that this product was scheduled annually from 1985

through 1987. In addition, the DIA established frequency code of "AR" is defined "as required." IPAC requires that documents so coded be reviewed annually to determine if updating is necessary but does not require annual production if it is unwarranted.

- IG COMMENT

(5) Page 34. Table of Production Results. 20

- DISCUSSION: While originator would not quarrel with the numbers themselves, the methodology by which they were derived should be explained. The table reflects six quarters. Therefore, quarterly products that ran into trouble during the first of these quarters (e.g., a crashed computer database), and then required time to assess the trouble and determine whether or not the products should be continued, would count for six non-produced documents. Similarly, a semiannual product that was not produced accounts for three non-produced documents. Counting products vice documents would result in substantially different percentages.

- IG COMMENT

(6) Page 35. Production Planning and Scheduling (continued). "IPAC did not have a standard or goal for the time allowed after the ICOD to prepare and distribute a product." 21

- DISCUSSION: IPAC does not have a universal standard for ICOD to dissemination time; each product is negotiated separately due to the differing requirements of the individual product. A base-line trend and capability analytic assessment with multiple maps and other graphics are not nearly as time-sensitive as a highly perishable computer order-of-battle database printout for example.

- RECOMMENDATIONS: Pages 35 and 36. 21

(1) "Develop and maintain a production schedule with milestones and due dates."

- ACTION COMPLETE: An internal-to-IPAC schedule has been documented and implementation status is reported monthly to COMIPAC and the Executive Planning Board. Completed 15 Aug 89.

- RECOMMENDATION

(2) "Establish internal standards for the amount of time to finish and distribute a product after the information cutoff date."

- ACTION COMPLETE: Deadlines for individual products are contained in the internal schedule referred to in #1 above. Completed 15 Aug 89.

- RECOMMENDATION

(3) "Adjust the production schedule based on actual milestone accomplishments and slippages."

- ACTION COMPLETE: The internal schedule is updated monthly with actual accomplishments; schedule adjustments are made accordingly. Completed 15 Sep 89.

- RECOMMENDATION

(4) "Conduct periodic comparisons of planned versus actual performance for scheduled production, and evaluate significant deviations to determine causes."

- ACTION COMPLETE: As stated, comparison graphics are presented to decision makers on a monthly bases. Completed 01 Sep 89.

e. MOBILIZATION AND CONTINUITY OF OPERATIONS PLANNING

- FINDINGS: Pages 37-41. Concur with findings. 23-24

- RECOMMENDATION: Page 41. 25

(1) "We recommend that the Commander, Intelligence Center Pacific, assign responsibility for mobilization and continuity of operations planning, establish a written mobilization and transition to war plan, and establish a written continuity of operations plan in accordance with DoD Directive 3020.26."

- ACTIONS TAKEN: IPAC actions are dependent upon guidance from CINCPAC. Corrective action on this area is not complete. Estimated completion date: 31 Dec 90.

f. INTERNAL MANAGEMENT CONTROL (IMC) PROGRAM

- FINDINGS: Pages 43-47. Concur with all findings and have complied with all recommendations. Corrective actions taken to date are as follows: 27-29

- RECOMMENDATIONS: Page 47. 29

(1) "Segment the entire organization and specifically identify the assessable units."

- ACTION COMPLETE: IPAC has been segmented into eleven assessable units. These units have been reviewed by USCINCPAC/ JO5 Comptroller. Action completed 20 Jun 89.

- RECOMMENDATION

(2) "Establish control objectives for IPAC assessable units."

- ACTION COMPLETE: Control objectives for IPAC assessable units have been established. Action completed 20 Jun 89.

- RECOMMENDATION

(3) "Perform and document risk assessments."

- ACTION COMPLETE: After complying with Recommendations 1 and 2, we performed and documented risk assessments. The assessments were reviewed by USCINCPAC/JO5 and found to be in compliance with established policies, procedures, and guidance. Action completed 28 Sep 89.

- RECOMMENDATION

(4) "Schedule, perform, and document applicable internal management control reviews."

- ACTION COMPLETE: After performing and documenting our risk assessments, we updated our vulnerability assessment ratings and issued a revised IMC review schedule. This schedule has been submitted to the USCINCPAC/JO5 and approved; reviews will begin in Fourth Quarter, FY90. Action completed 04 Oct 89.

g. FACILITY MANAGEMENT

- FINDINGS: Pages 49-53. Concur with all findings. 31-33

- RECOMMENDATIONS: Page 54. 33

(1) "Establish a facility maintenance improvement plan and budget."

- ACTION COMPLETE: An annual Maintenance and Construction Improvement Plan with a projected budget is now prepared and submitted to the Executive Planning Board by the Director of Resources for approval prior to the expenditure of any funds. Beginning with FY90 a multi-year (three years) maintenance plan with projections of projects and budget requests will be produced as an appendix to the annual maintenance plan in an effort to forecast future requirements. Action completed 01 Jul 89.

- RECOMMENDATION

(2) "Establish procedures for the management of facilities maintenance and improvement, including documentation standards and cost controls."

- ACTIONS TAKEN: Procedures for the management of facilities maintenance and improvement are detailed in a comprehensive rewrite of the Facilities Office Desk Guide as governed by applicable IPAC instructions and service regulations. Documentation standards as outlined in the desk guide consist of a complete, hard copy, audit trail with detailed entries depicting all aspects of each project from conception with justification through the approval process to the implementation of procedures to accomplish the project, with detailed data recording estimated and actual labor and materials costs. Cost controls are now based on the simple precept that no project will be undertaken without approval, from the appropriate level, and that no project will exceed the approved funding level without justification and re-examination by the approving authority. Furthermore, constant surveillance of funded projects will be undertaken to certify the appropriateness of all billings to project accounts. Estimated completion date: 28 Feb 90.

h. LOCAL EQUIPMENT MAINTENANCE

- FINDINGS: Pages 55-59. Concur with all findings. 35-37

- RECOMMENDATIONS: Pages 59-60. 37

(1) "Establish maintenance records that include:

- Date and time a malfunction was reported
- Date and time a contractor was notified,
- Date and time a contractor arrived.
- Contractor response time.
- Problem.
- Solution.
- Cost and identification of parts used.
- Labor hours.
- Labor costs."

- ACTION COMPLETE: All four recommendations for corrective action were addressed in the publication of IPACINST 5296.1, dated 19 Jul 89. Branch and division equipment custodians are responsible for equipment maintenance logs.

- RECOMMENDATION

(2) "Establish internal maintenance policies and procedures to determine maintenance needs and alternatives by type of equipment and mission requirements."

- ACTION COMPLETE: Policy statements as to IPAC norms for maintenance coverage, and procedures for justification for variance are addressed in the "Policy" section of the 19 Jul 89 instruction.

- RECOMMENDATION

(3) "Require periodic analyses to validate the cost-effectiveness of maintenance plans chosen."

- ACTIONS TAKEN: An annual review is required to assess the effectiveness of the program. In accordance with IPACINST 5296.1, the annual review will be conducted NLT 30 June 90.

- RECOMMENDATION

(4) "Require mission-related justifications for contracts that specify periods of maintenance performed during other than working hours of 6 a.m. to 6 p.m., Monday through Friday."

- ACTION COMPLETE: An approval process, through the Executive Planning Board, for non prime time equipment maintenance is established and documented in EPB minutes. Procedures established 19 Jul 89.

i. SUPPLY OPERATIONS

- FINDINGS: Pages 61-64. Concur with all findings. 39-40

- RECOMMENDATIONS: Page 64. 40

(1) "We recommend that the Commander, Intelligence Center Pacific, formally establish and implement procedures for supply operations to include maintaining stock records and identifying supply requirements that can be satisfied through Government sources."

- ACTION COMPLETE

(1) We have developed the Automated Supply System which includes a Supply Inventory module. This module provides an inventory record for every line item carried in IPAC Stores Stock. We now have a record of the quantity on-hand. All receipts and issues are posted to these records. Action completed 02 Oct 89.

(2) We have developed Standard Operating Procedures for each function performed in the Supply office. These procedures require each IPAC requisition for material to be screened against available stock in the supply system. Material requirements that can be satisfied from supply system stock are requisitioned from the system in lieu of acquiring the material from commercial sources. Action completed 15 Sep 89.

j. DOCUMENT CONTROL

- FINDINGS: Pages 65-68. Concur with all findings. 43-44

- RECOMMENDATIONS: Pages 68-69. 44-45

(1) "Revise Intelligence Center Pacific Instruction 5222.1, "Operating Procedures for the Collateral Document Office," to implement:

(a) Specific procedures for the maintenance and reconciliation of Air Force Form 310 suspense copies and Air Force Form 310 receipted copies for documents classified Confidential and Secret.

(b) Procedures to be followed when a receipted copy of the Air Force Form 310 is not received within thirty days after distribution."

- ACTIONS TAKEN: IPACINST 5222.1 was revised on 28 Aug 89 as 5222.1A, Operating Procedures for the Command Distribution Branch. A second revision will be written to reflect established procedures for maintenance and tracking of document control receipts. Estimated completion date: 15 Feb 90.

- RECOMMENDATION

(2) "Reconcile the Air Force Form 310 (Document Receipt and Destruction Certificate) suspense copies to Air Force Form 310 receipt copies and initiate action to verify delivery on all suspenses more than forty-five days old." (AFR 205-1, Chapter VIII, para 8-202.1 pertains because IPAC is outside CONUS.)

- ACTIONS TAKEN: The effort to eliminate on-hand suspense copies of document receipts for 1988 and 1989 is ongoing. All 1989 tracers (426) have been processed; 245 have been validated for a percentage of 57 percent. All 1988 document receipts (773) are on file awaiting initiation of tracer action. Including initial tracer action and subsequent follow-on U.S. postal tracer actions, efforts will be expended until the problem is resolved or all avenues exhausted. We anticipate resolution of over 700 document receipts by December 1990.

- RECOMMENDATION

(3) "Revise procedures for destruction of sensitive compartmented information to require that the Special Security Office destroy the entire document."

- ACTIONS TAKEN: Destruction procedures have been corrected. The entire document is turned in to the SSO for destruction and the database is annotated accordingly. This procedure will be incorporated into IPACINST 5510.8C. Estimated revision date: 28 Feb 90.

k. PROPERTY ACCOUNTABILITY

- FINDINGS: Pages 71-73. Concur with findings. 47-48

- RECOMMENDATIONS: Page 73. 48

(1) "We recommend that the Commander, Intelligence Center Pacific, establish and implement detailed procedures for accounting for, and controlling, property."

- ACTION COMPLETE: Two IPAC instructions were issued 27 Oct 89. IPACINST 4790 provides policy and guidance on the procedures for the IPAC Property Management System. IPACINST 4440 provides policy and guidance on the procedures for the loan and temporary removal of accountable property.

ROBERT W. B. STODDERT
Captain, USN
Commanding

SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1.	Internal Control - Centralized control over financial records.	Nonmonetary
A.2.	Internal Control - Establishes procedures for initiating, recording, documenting, and validating financial transactions.	Nonmonetary
A.3.	Internal Control - Establishes procedures for monitoring the status of funds on reimbursable work requests.	Nonmonetary
A.4.	Economy and Efficiency - Improving financial management.	Nonmonetary
A.5.	Compliance - Correct appropriation accounting error.	Nonmonetary
A.6.	Compliance - Correct appropriation accounting error.	Nonmonetary
A.7.	Compliance - Correct appropriation accounting error.	Nonmonetary
A.8.	Compliance - Correct appropriation accounting error.	Nonmonetary
B.1.	Internal Control - Establishes procedures for the initiation, documentation, and oversight of development projects and acquisitions.	Nonmonetary
B.2.	Economy and Efficiency - Improving project and acquisition management.	Nonmonetary
B.3.	Program Results - Improves oversight of development and acquisition projects.	Nonmonetary
B.4.	Internal Control - Establishes policy for acquisition management.	Nonmonetary
B.5.	Internal Control - Establishes procedures to manage commercial procurements using project orders or work requests.	Nonmonetary

SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM AUDIT
(Continued)

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
B.6.	Internal Control - Establishes written acquisition policies and procedures for commercial procurement, work requests, and project orders to include standards for supporting documentation and approval.	Nonmonetary
C.	Economy and Efficiency - Provides a basis for the management of Government and contract staff resources.	Undeterminable (No records)
D.1.	Program Results - Improves scheduled intelligence planning.	Nonmonetary
D.2.	Program Results - Improves timeliness of intelligence products.	Nonmonetary
D.3.	Economy and Efficiency - Improves the ability to monitor production status and effectiveness.	Nonmonetary
D.4.	Economy and Efficiency - Improves the ability to monitor production effectiveness.	Nonmonetary
E.	Program Results - Improves the ability of the Intelligence Center to react to war or national emergency.	Nonmonetary
F.	Program Results - Improves the quality and amount of information available to management to assess control over internal operations.	Nonmonetary
G.1.	Internal Control - Incorporates facilities funding into an existing internal control.	Nonmonetary
G.2.	Internal Control - Establishes procedures for the management of facilities maintenance and improvement, including documentation standards and cost controls.	Nonmonetary

SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM AUDIT
(Continued)

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
H.1.	Internal Control - Establishes documentation needed to assess maintenance program.	Nonmonetary
H.2.	Internal Control - Establishes internal maintenance policies and procedures.	Nonmonetary
H.3.	Program Results - Validates the cost-effectiveness of maintenance plans chosen.	Undeterminable (Inadequate Records)
H.4.	Economy and Efficiency - Reduces continuous on-call service to mission-critical equipment.	Nonmonetary
I.	Economy and Efficiency - Improves management and control in supply operations.	Undeterminable (Inadequate Records)
J.1.	Internal Control - Establishes procedural controls over in-transit classified material.	Nonmonetary
J.2.	Program Results - Verifies that overdue receipts for in-transit material do not represent compromised information.	Nonmonetary
J.3.	Internal Control - Establishes basis for certification that material was destroyed.	Nonmonetary
K.	Internal Control - Establishes procedures for the control of accountable property.	Nonmonetary

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