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

REPORT
NO. 92-051 February 19, 1992

MEMORANDUM FOR DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: Audit Report on the Administration of the Joint Civilian Orientation Conference Fund (Project No. 1FG-5022)

Introduction

This is our final report on the audit of the Administration of the Joint Civilian Orientation Conference (JCOC) Fund (the Fund). We performed the audit from September to October 1991. The Director for Budget and Finance, Washington Headquarters Services (WHS), requested the audit because a new Treasurer had been appointed. The primary audit objective was to determine if the JCOC Fund had been administered in accordance with OSD Administrative Instruction No. 48, "Joint Civilian Orientation Conference Fund," May 31, 1983, and DoD policy and guidelines. In addition, the audit evaluated internal controls over the Fund and management's implementation of its internal management control program required by the Federal Managers' Financial Integrity Act (FMFIA).

Discussion

In our opinion, the Status of Funds Report of JCOC No. 55, with the exception of credits due for outstanding checks (see Enclosure 1), presents fairly the financial position of the Fund as of August 21, 1991. Credits due for checks that had not been cashed for longer than 2 years agreed with the bank's balance when added to the Fund's book balance. The Fund's draft policy statement provides that checks outstanding for more than 1 year will be returned to the Fund. In compliance with the draft statement, the amounts of outstanding checks as of August 12, 1991, have been returned to the Fund.

The controls over the Fund were generally adequate, with one minor deficiency. We found no evidence of any fraud, nor has any been reported to the Inspector General, DoD. The minor deficiency was the payment of $31 from the Fund for telephone charges incurred by JCOC members. According to OSD Administrative Instruction No. 48, telephone charges are not valid Fund expenses. We discussed the telephone charges with the

Deputy Director for Budget and Finance, WHS, and with the Treasurer of the Fund. They agreed with the audit results and planned to comply with OSD Administrative Instruction No. 48.

For JCOC No. 55, we found a substantial reduction in the number of administrative deficiencies compared to prior audited JCOCs. The JCOC Director signed receipts for member contributions; checks issued for payment contained two signatures; supporting documentation was provided for all disbursements; and preparation of the Status of Funds Report was timely. No rebates had been made to conferees, and there were no unsupported or unexpended cash advances and no reimbursements for amounts paid with personal checks. The Treasurer had reconciled each month's bank statement.

The Fund's managers had reviewed internal controls as required by the Office of Management and Budget Circular A-123, "Internal Control Systems." In the future, the Director, WHS, will request audits at least once every 3 years and whenever a new Treasurer is appointed.

Scope of Audit

This audit included elements of a financial-related audit. We reviewed OSD Administrative Instruction No. 48 and applicable changes, the system of internal controls, and the Fund's policies and procedures. We also reviewed all financial transactions (dated from April 1990 through August 1991) for JCOC No. 55.

We verified total Fund income by reviewing deposits, bank statements, and receipts for member contributions. We also verified bank statement reconcilations. We received confirmation of the Fund's bank balance as of August 30, 1991, directly from the bank. We also reviewed disbursements, bank records, canceled and returned checks, endorsements on the checks, signature authorizations on file with the bank, vouchers for payments, bills from vendors, financial reports, and other supporting documentation.

The audit 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. We visited or contacted personnel in the Office of the Assistant Secretary of Defense (Public Affairs) and the Office of the Director, Washington Headquarters Services (Enclosure 2).

Internal Controls

The audit showed that WHS implemented the internal control requirements of the FMFIA by designating the JCOC Fund as an assessable unit and by preparing vulnerability assessments. The vulnerability assessments met FMFIA standards. We reviewed a draft statement of standard operating procedures prepared by the Fund's Treasurer. The procedures will further strengthen internal controls. We found no significant internal control weaknesses.

Background

The first JCOC was held in 1948 to give the Secretary of Defense a means of exchanging information on DoD policies and programs with a diverse group of Americans.

The JCOC's objective, as stated in OSD Administrative Instruction No. 48, was to foster community relations by acquainting the public with the problems, workings, and accomplishments of the Department of Defense.

The JCOC consists of an annual visit to various DoD installations by about 60 representatives of the civic, business, professional, industrial, and educational communities of the United States. The conferees observe demonstrations and shows arranged by the Services. Military air carriers transport the conferees to the installations. Expenses, such as meals, refreshments, receptions, lodging, and mementos, are assessed to the attendees on a pro rata basis. The Director for Community Relations, Office of the Assistant Secretary of Defense (Public Affairs), plans the JCOC and designates the JCOC Director. The Director for Budget and Finance, WHS, appoints the Treasurer, who maintains the financial records of the Fund.

Prior Audit Coverage

Office of the Assistant Inspector General for Auditing Report No. 83-047, "Joint Civilian Orientation Conference Fund," December 3, 1982, reported on the audit of JCOC No. 47 (FY 1982). The audit found that the Fund was not operated in accordance with OSD Administrative Instruction No. 48. The Fund's checking account had not been reconciled during the previous 5 years, financial statements had not been prepared, the Registrar and the Treasurer were the same person, and disbursements had been made without supporting documentation. Also, $8,800 had been rebated to the conferees in violation of OSD Administrative Instruction No. 48, and funds had been advanced to persons other than the JCOC Director. The report recommended that the Assistant Secretary of Defense (Public

Affairs) direct the Director, Community Relations, and the Treasurer of the JCOC Fund to comply with OSD Administrative Instruction No. 48. We found no recurrence of these deficiencies in our audit.

Office of the Assistant Inspector General for Auditing Report No. 91-040, "Joint Civilian Orientation Conference Fund," January 31, 1991, reported on the audit of JCOC Nos. 49 through 54 (FYs 1984 through 1989). The report identified the following internal control weaknesses:

- o receipts for member contributions were not signed;
- o checks signed by the Fund's treasurer were not countersigned as required by OSD Administrative Instruction No. 48;
- o unexpended cash advances to the JCOC Director were not returned to the Fund in a timely manner;
- o the financial report for JCOC No. 53 was not prepared within 30 days of the last transaction;
- o supporting documentation was not maintained for cash advances;
- o JCOC Directors paid expenses with personal checks and were subsequently reimbursed by the Fund;
- o bank statements were not reconciled; and
- o no risk assessment or internal control reviews were performed for the Fund, as required by the internal management control program.

During our current audit, we determined that Fund managers had corrected all of the deficiencies listed above.

Management Comments

We provided a draft of this report to the Director for Budget and Finance, WHS, on January 21, 1992. Because there were no recommendations, comments were not required of management. However, on February 3, 1992, we received a statement confirming the Director for Budget and Finance, WHS, had no comments on the draft report.

The courtesies extended to the audit staff are appreciated. Should you have any questions on this report, please contact Mr. F. Jay Lane on (703) 693-0430 or Mr. Richard A. Levine on (703) 693-0461. Distribution of this report is shown in Enclosure 3.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

cc:
Assistant Secretary of Defense (Public Affairs)

JOINT CIVILIAN ORIENTATION CONFERENCE FUND
STATUS OF FUNDS REPORT AND
INCOME AND EXPENSES OF JCOC NO. 55

Deposit Date (1990)	Receipts: Source of Funds	Receipts: Member Contributions	Receipts: Other Income	Disbursements: Check No.	Disbursements: Meals and Lodging	Disbursements: Other Expenses Nature	Disbursements: Other Expenses Amount	Fund Balance
Apr. 19 1989	Balance of JCOC No. 54							$5,394.97
May 7	Conferees	$33,750.00						
May 7	Conferees	25,000.00						
May 14	Conferees	2,500.00						
May 15	Conferees	1,250.20						
	Total Receipts	$62,500.20						
Invoice Date (1990)								
Apr. 20				1481		Mailings (54)	$ 226.69	
May 2				1482		Ballcaps	308.75	
May 2				1483		Check voided		
May 2				1484		Mementos	487.50	
May 2				1485		Ballcaps	536.25	
May 7				1486	$ 611.89			
May 8				1487	14,000.00			
May 8				1488	127.74			
May 9				1489	5,395.00			
May 9				1490	273.60			
May 9				1491	10,286.58			
May 9				1492	256.70			
May 10				1493	79.40			
May 10				1494	114.00			
May 10				1495	1,350.00			
May 11				1496		Check voided		
May 11				1497	1,979.50			
May 11				1498	1,290.60			
May 11				1499	1,088.12			
May 12				1500	5,127.16			
May 12				1501	258.00			
May 30				1502		Plaques	1,813.08	

JOINT CIVILIAN ORIENTATION CONFERENCE FUND
STATUS OF FUNDS REPORT AND
INCOME AND EXPENSES OF JCOC NO. 55 (continued)

Deposit Date (1990)	Receipts: Source of Funds	Receipts: Member Contributions	Receipts: Other Income	Disbursements: Check No.	Disbursements: Meals and Lodging	Disbursements: Other Expenses Nature	Disbursements: Other Expenses Amount	Fund Balance
May 30				1503		Flight bags	1,490.70	
May 30				1504		Windbreakers	1,570.09	
May 30				1505		Ball Point pens	202.48	
May 30				1506		Luggage tags	391.28	
May 30				1507		Rain capes	149.27	
May 30				1508		Photo Albums	2,740.64	
May 30				1509		Coffee mugs	393.25	
May 30				1510		Album assembly	275.96	
May 30				1511		Notebooks	702.49	
May 30				1512		Nametags	98.90	
May 30				1513		Personal Tags	351.60	
June 1				1514	2,716.86			
June 1				1515	30.81			
July 3				1516		Photos (slides)	1,130.27	
July 5				1517	1,875.39			
Aug. 3				1518		Photos (prints)	3,160.08	
Total Expenses					$46,861.35		$16,029.28	

Ending book balance reported, August 12, 1991 $5,004.54

Credits due from outstanding checks:

Check No. 1326 issued May 4, 1987	$ 77.00
Check No. 1430 issued May 23, 1988	511.78
Check No. 1450 issued May 16, 1989	99.00
Total credits due	$687.78

Ending book balance per audit, August 12, 1991 $5,692.32

Financial Summary of JCOC No. 55

Beginning Balance	$ 5,394.97
Plus Total Deposits	62,500.20
Subtotal	67,895.17
Less Expenditures	(62,890.63)
Ending Balance	$ 5,004.54

ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Assistant Secretary of Defense (Public Affairs), Washington, DC
Director, Washington Headquarters Services, Washington, DC

REPORT DISTRIBUTION

Office of the Secretary of Defense

Assistant Secretary of Defense (Public Affairs)
Comptroller of the Department of Defense
Director, Washington Headquarters Services

Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office,
NSIAD Technical Information Center

Congressional Committees:

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