

DEPARTMENT OF DEFENSE



**ANNUAL
STATEMENT
OF ASSURANCE**

VOLUME II

FOR FISCAL YEAR 1998

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EXECUTIVE SUMMARY

Volume II

The Federal Managers' Financial Integrity Act (FMFIA) requires that the Head of each Executive Agency provide an annual statement of assurance to the President and the Congress stating whether the goals of the Act are being achieved. As indicated, Volumes I, II, and the Department of Defense (DoD) Biennial Financial Management Improvement Plan provide the basis for the Department's position on reasonable assurance.

-- Enclosure A provides a statistical summary of DoD FMFIA performance. It summarizes all DoD Component weaknesses noted in both Volume I and Volume II. DoD systemic weaknesses are not included in this count. Of the 951 problems identified from FY 1983 through FY 1998, 821 (86 percent) have been resolved. It also shows the number of nonconforming finance, accounting, and feeder systems: 189.

-- Enclosure B-1 contains two lists: 33 DoD Component material weaknesses not related to the DoD systemic weaknesses that require corrective action (Enclosure B-2) and weaknesses corrected in this period (Enclosure B-3).

-- Enclosure B-2 describes the 24 pending material weaknesses contained in the volume and action plans to correct them. Other unresolved DoD Component material weaknesses are itemized as related initiatives to the DoD systemic weaknesses in Volume I.

-- Enclosure B-3 contains information about the 9 material weaknesses contained in this volume which were corrected during FY 1998. Other resolved DoD Component material weaknesses are itemized as related initiatives to the DoD systemic weaknesses in Volume I.

-- This year, for the first time, the requirements of Section 4 of the FMFIA, are satisfied in the Department of Defense Biennial Financial Management Improvement Plan, dated September 1998. The National Defense Authorization Act of 1998 directed DoD to create the Plan. The Concept of Operations contained in the plan will be used to guide the evolution of DoD's financial management policies, systems, functions, and improvement initiatives. The Plan is required to address financial management within DoD, including feeder systems not owned or controlled by the financial community that provide data to the Department's finance and accounting systems. Since the Plan addresses almost all aspects of DoD's financial management operations, it covers many of the financial reporting requirements specified in other regulatory legislation. The Plan is structured as a single integrated plan that incorporates these other regulatory reporting requirements. As a result, the information contained in the Plan also satisfies the requirements of Section IV of the Federal Managers' Financial Integrity Act of 1982. The Plan is available at www.dtic.mil/comptroller on the world wide web.

ENCLOSURE A

STATISTICAL SUMMARY OF PERFORMANCE

Section 2. Internal Control Number of Material Weaknesses

<u>Period Reported</u>	<u>Number Reported In</u>	<u>For Each Year, Number Corrected</u>	<u>Number Pending at Year End</u>
Prior Years	825	774	51
1996 Report	55	34	21
1997 Report	29	6	23
1998 Report	<u>42</u>	<u>7</u>	<u>35</u>
Total	<u>951</u>	<u>821</u>	<u>130</u>

Of the total number corrected, how many were corrected in FY 1998? 35

Section 4. Financial Management Systems Number of Material Nonconforming Systems

<u>Period Reported (Reflects Current Status)</u>	<u>(1) Quantity All Financial Management Systems (Opening #)</u>	<u>(2) Nonconforming Financial Management Systems (Opening #)</u>	<u>(3) Net changes (Corrections, Consolidations, Eliminations, Additions)</u>	<u>(4) Quantity All Financial Management Systems (Closing #)</u>	<u>(5) Nonconforming Financial Management Systems (Closing #)</u>
Prior Years	281	276	-32	249	244
1996 Report	249	244	-32	217	211
1997 Report	217	211	-61	156	149
1998 Report	156	149	+36	192*	189*

Note: Column 2 is a subset of column 1, and Column 5 is a subset of column 4. Column 3 reflects all systems modifications. Because of the nature of some modifications, conforming and nonconforming systems may be affected by an action which is common to both (i.e., consolidation). As the number of financial management systems is reduced, some system consolidations and revisions affect the number of systems, but may or may not affect the number of nonconforming systems.

*For the first time, the 1998 Report figures include 83 critical feeder systems, in accordance with guidance from the Office of Management and Budget (OMB).

ENCLOSURE B-1

DEPARTMENT OF DEFENSE FISCAL YEAR 1998 LISTS OF UNCORRECTED AND CORRECTED MATERIAL WEAKNESSES

This enclosure contains two lists. The first list, starting on page B1-2, enumerates those topical areas identified as having uncorrected material weaknesses. However, weaknesses which are subsets of a DoD systemic weakness are not reported in Enclosure B of Volume II, but are identified in an itemized listing at the conclusion of each applicable systemic weakness in Volume I. DoD Component uncorrected weaknesses not covered by the systemic weaknesses, but material enough to be reported by Components, are disclosed in Enclosure B-2. The first list includes the title of the weakness, fiscal year in which it was first reported, target year for correction reported in the FY 1997 FMFIA report, current target year for correction, and the page number within Enclosure B-2 where the material weakness and corrective action plan are described in greater detail.

The second list, starting on page B1-5, is a compilation of Enclosure B-3 material weaknesses corrected during FY 1998 which are not itemized in Volume I as a subset of a systemic weakness. The fiscal year in which the weaknesses were first reported and a corresponding page number in Enclosure B-3 are provided.

Weaknesses, both uncorrected and corrected, are listed by the Department of Defense category designations displayed below. Within each category, weaknesses are listed chronologically, starting with the most current year, FY 1998.

- Communications/Intelligence/Security
- Comptroller and/or Resource Management
- Force Readiness
- Information Technology
- Manufacturing, Maintenance, and Repair
- Personnel and/or Organizational Management
- Procurement
- Property Management
- Security Assistance
- Supply Operations
- Support Services
- Other

LIST OF UNCORRECTED MATERIAL
WEAKNESSES
(DESCRIPTIONS FOUND AT ENCLOSURE B-2)

<u>Title</u>	<u>Year First</u> <u>Report</u>	<u>Correction</u> <u>Last</u> <u>Statement</u>	<u>FY Date</u> <u>This</u> <u>Statement</u>	<u>Page</u> <u>Number</u>
<u>Communications/Intelligence/Security</u>				
Intelligence Oversight	1997	1998	1999	B2-1
Foreign Liaison Officer Program	1997	1998	1999	B2-4
<u>Comptroller/Resource Management</u>				
Processing of Reported Potential Violations of the Antideficiency Act	1998	N/A	1999	B2-7
National Guard United States Property and Fiscal Officer Rating Chain	1998	N/A	1999	B2-9
Improper Utilization of Administrative Vehicles	1998	N/A	2000	B2-13
Overstatements of Accounts Payable	1998	N/A	1999	B2-15
Deficiencies in Management Control Program	1996	1998	1999	B2-17
Disbursements in Excess of Obligations	1994	1999	1999	B2-20
Civilian Retirement Claims Processing	1991	1998	1999	B2-23
<u>Force Readiness</u>				
Automated Mobilization System	1988	2002	2002	B2-26
Computer-Based Training in the Navy	1997	1999	2000	B2-31
Host Nation Support	1995	1999	2000	B2-33

LIST OF UNCORRECTED MATERIAL
WEAKNESSES
(DESCRIPTIONS FOUND AT ENCLOSURE B-2)

<u>Title</u>	<u>Year First</u> <u>Report</u>	<u>Correction</u> <u>Last</u> <u>Statement</u>	<u>FY Date</u> <u>This</u> <u>Statement</u>	<u>Page</u> <u>Number</u>
<u>Information Technology</u>				
Defense Communications Systems/Management Information Systems	1990	1998	1999	B2-36
<u>Personnel/Organizational Management</u>				
Hearing Conservation Program	1998	N/A	1999	B2-39
Manpower Requirements Determination System	1997	2000	2002	B2-41
Air National Guard Training	1997	1998	1999	B2-48
Lessons Learned Information From Major Training Exercises	1996	1998	1999	B2-51
Navy Enlisted Classification Code Training	1993	1998	1999	B2-54
Naval Selected Reserve Force Mobilization Requirements	1992	1999	1999	B2-57
Records Management	1993	1998	1999	B2-61
<u>Property Management</u>				
Navy Management of Missile Storage, Handling, and Inspections	1996	1998	1999	B2-64

LIST OF UNCORRECTED MATERIAL
WEAKNESSES
 (DESCRIPTIONS FOUND AT ENCLOSURE B-2)

<u>Title</u>	<u>Year First Report</u>	<u>Correction Last Statement</u>	<u>FY Date This Statement</u>	<u>Page Number</u>
<u>Security Assistance</u>				
Financial Management of Foreign Military Sales	1997	1999	1999	B2-66
<u>Support Services</u>				
Management of Historical Property in the Air Force Museum System	1996	1999	1999	B2-68
<u>Other</u>				
Pollution Prevention	1998	N/A	2000	B2-70
Management and Administration of International Agreements in the U.S. Central Command	1998	N/A	1999	B2-73

LIST OF MATERIAL
WEAKNESSES CORRECTED IN FY 1998
 (DESCRIPTIONS FOUND AT ENCLOSRE B-3)

<u>Title</u>	<u>Year First Reported</u>	<u>Page Number</u>
<u>Communications/Intelligence/Security</u>		
Cover Support Plan Staffing Format and Process, Staffing Timeline, and Office of Primary Responsibility	1997	B3-1
<u>Comptroller and/or Resource Management</u>		
Internal Controls Over Accuracy of Product Inventory	1996	B3-3
<u>Information Technology</u>		
Computer Equipment Control and Accountability	1993	B3-5
<u>Manufacturing, Maintenance and Repair</u>		
Aircraft Corrosion Prevention and Control	1997	B3-8
<u>Procurement</u>		
Procurement Management	1995	B3-10

LIST OF MATERIAL
WEAKNESSES CORRECTED IN FY 1998
(DESCRIPTIONS FOUND AT ENCLOSRE B-3)

<u>Title</u>	<u>Year First Reported</u>	<u>Page Number</u>
<u>Property Management</u>		
Unaccompanied Enlisted Personnel Housing	1998	B3-12
Military Construction Value Engineering Program	1996	B3-14
<u>Supply Operations</u>		
Price Challenges on Selected Spare Parts	1996	B3-16
Inventory Accuracy Rates	1993	B3-18

ENCLOSURE B-2

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Intelligence Oversight. During FY 1997, the Army's Office of the Deputy Chief of Staff for Intelligence (ODCSINT) conducted a review of Intelligence Oversight (IO). As a result, ODCSINT found that management controls were in place but not always being followed. IO responsibilities and duties across the Army are not fully understood by commanders, confusion exists on Military Intelligence (MI) limitations in supporting force protection in the Continental United States, and reporting federal crimes by non-military intelligence personnel in MI units. These conditions occurred because the Army didn't have an adequate plan to fully integrate IO education/training into the Army psyche and there remains confusion in the field over who has primacy over IO, e.g., many commanders equate IO to the Inspector General (IG) because of IG inspections.

Functional Category: Communications/Intelligence/Security

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason for Change in Date(s): Corrective actions were delayed while funding for interactive training software was secured. ODCSINT awarded a contract on September 10, 1998 for the development of web-based Intelligence Oversight training. A prototype is scheduled for delivery October 22, 1998, with a final product due December 22, 1998.

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army

Validation Process: Publication of Army Regulation (AR) 381-10, US Army Intelligence Activities and AR 525-13, The Army Force Protection Program. Dissemination of interactive training materials, inspections by Department of the Army Inspector General (DAIG), and follow-up validation by US Army Audit Agency (USAAA).

Results Indicators: Better understanding by commanders of their IO responsibilities, reduced incidents of information being collected on non-Department of Defense affiliated U. S. persons, and integration of IO into Army training materials.

Source(s) Identifying Weakness: ODCSINT management review.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	ODCSINT began review of AR 381-10.
C	ODCSINT requested DAIG focus IO inspections on systemic weaknesses.
C	ODCSINT conducted comprehensive review of IO to include trend analysis of IO violations and presented review results to DCSINT.
C	DCSINT hosted Army-wide IO conference.
C	DCSINT requested Defense Intelligence Agency provide a copy of their IO film to the Joint Visual Information Center for inclusion into the Department of Defense training catalog.
C	Submitted requirements to US Army Intelligence and Security Command Information Management staff for interactive IO training materials.
C	Provided the Deputy Chief of Staff for Operations and Plans input into revision of AR 525-13, "The Army Combating Terrorism Program," to clarify Military Intelligence (MI) role in force protection and MI limitations on collecting U. S. person information.
C	Initiated requirements analysis of IO training requirements for interactive IO training materials.
C	Began ODCSINT IO staff assistance visits to the field.
C	Reviewed interactive IO training material proposals.
C	Negotiated a contract with Software Developer for interactive IO training materials.

- C Prepared DCSINT memorandum to the U. S. Army Training and Doctrine Command emphasizing the need for IO training at the Army schools and courses.
- C Prototype delivered to ODCSINT and reviewed by ODCSINT staff.

Planned Milestones (FY 1999):

Date:	Milestone:
03/99	Final product will be delivered to ODCSINT.
03/99	Develop and approve interactive IO training materials prototype.
03/99	Conduct interactive IO training materials prototype acceptance testing.
09/99	Distribute interactive IO training materials to the field.
09/99	USAAA will validate corrective actions.

C. Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Foreign Liaison Officer (LNO) Program. During FY 1997, the Army's Office of the Deputy Chief of Staff for Intelligence (ODCSINT) conducted a review of the LNO program. As a result, ODCSINT found that the Army didn't adequately manage the LNO program. Controls and safeguards over LNO access to United States Army facilities, classified military information (CMI), and controlled unclassified information (CUI) were not performed. Many LNOs were allowed access to Army activities/facilities without bi-lateral agreements between the Army and the participating foreign government. These conditions occurred because the Army didn't have adequate oversight over the management of the LNO program. This lack of oversight allowed foreign governments access to CMI/CUI. As a result, the Army has no assurance that CMI/CUI has not been compromised.

Functional Category: Communications/Intelligence/Security

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason for Change in Date(s): Corrective actions were delayed due to the under-estimation of time necessary to make corrective actions.

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army

Validation Process: US Army Audit Agency (USAAA) will conduct validation.

Results Indicators: Publication of revised Army Regulation (AR) 380-10, Technology Transfer/Disclosure of Information and Contacts with Foreign Representatives and approved bi-lateral agreements between the US Army and participating foreign government. These actions will bring discipline to the LNO program and reduced the risk of CMI/CUI compromise.

Source(s) Identifying Weakness: Headquarters, Department of Army (HQDA), ODCSINT management review.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Coordinated foreign disclosure associated with LNOs with Army Inspector General's Office for inclusion into their inspection program.
C	DCSINT requested Department of the Army, Inspector General to include the LNO program into their inspection program.
C	Received final assignment of responsibility for the Foreign Liaison Officer (LNO) Program.
C	Published electronic message to the Army announcing the ODCSINT had assumed LNO program responsibility.
C	DCSINT signed memorandum to all foreign military attaches' whose government's have LNOs assigned to the Army, that a complete program review was in progress and all positions will have to be covered by an international agreement.
C	Prepared proposed contractor support for program management.
C	Completed program review and assisted Major Commands in preparing for surge requirements associated with the LNO program.

Planned Milestones (FY 1999):

Date:	Milestone:
03/99	ODCSINT will issue interim guidance to AR 380-10 concerning the LNO.
09/99	Initiate LNO program oversight procedures.
09/99	Review field comments to draft AR 380-10.
09/99	Submit final draft AR 380-10 for Army Staff approval.
09/99	Revision of AR 380-10.
09/99	USAAA validation of final corrective actions.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Processing of reported potential violations of the Antideficiency Act (ADA). A material weakness exists in the Army National Guard's (ARNG) processing of potential ADA violations. Reports are being submitted significantly late to Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)) and are not within required regulatory guidelines. Submission of reports of ADA violations are required by law to be submitted to Congress, Office of Management and Budget (OMB), and the President within a specified time. The ARNG's late submission of reports could cause the Army and the Office of the Secretary of Defense to miss their required submission dates and gives the appearance of a lack of concern for proper stewardship of funds.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 1998

Original Target Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 1999

Reason for Change in Date(s): N/A

Component/Appropriation/Account: Army/Operations and Maintenance, National Guard

Validation Process: ADA actions will be tracked in a log to determine the length of time for each step of processing from initial Flash Report to submission of Final Report of Investigation. Review of this log will allow the ARNG to determine if each action is being processed within allowed regulatory timeframes. US Army Audit Agency (USAAA) will validate final correction.

Results Indicators: Correcting this material weakness should allow the ARNG to submit our ADA investigation reports within the timeframes allowed by the ASA(FM&C) and Under Secretary of Defense (Comptroller).

Source Identifying Weakness: Army National Guard Comptroller.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Obtained delegation of authority from the Chief, National Guard Bureau (CNGB) to ARNG Comptroller to assign Investigating Officers (IO) and approve/sign reports of investigation of violations occurring at State level.
C	Logged ADA actions and timeframes for processing.
C	Published Standing Operating Procedures (SOP) outlining responsibilities of all NGB offices to ensure all actions involving ADAs are given high priority and detailing limited timeframes for responses and new guidelines for IOs.
C	Increased management emphasis on processing ADA violations. Emphasized in training, meetings and newsletters the need to process ADA actions expeditiously.

Planned Milestones (FY 1999):

Date:	Milestone:
03/99	Publish National Guard Bureau OM 37-1, providing the information in the SOP outlined above as regulatory guidance.
09/99	Publish National Guard Pamphlet 37-1 providing guidance to the States concerning processing ADA violations.
09/99	USAAA completes validation of final corrective actions.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: National Guard (NG) United States Property and Fiscal Officer (USPFO) Rating Chain. Adequate management controls are not in place to guarantee NG USPFOs the requisite independence to carry out their federal statutory responsibilities. In June 1995, the Army General Counsel issued a legal opinion concluding “that the current rating scheme for USPFOs, under which these officers are rated by the respective State Adjutants General, undermines the ability of USPFOs to perform their federal property management responsibilities objectively and independently, and is thereby inconsistent with the Federal Managers’ Financial Integrity Act of 1982, as implemented by the Office of Management and Budget (OMB), the General Accounting Office (GAO), and Department of Defense (DOD).” Both legislative and judicial history supported this opinion, as does the Army regulation governing Officer Evaluation Reports.

In their opinion, the Army General Counsel provided a rating scheme (Vice Chief of the National Guard Bureau (NGB), rater; and Chief, NGB, senior rater) that would significantly improve the NGB’s ability to administer its management controls. National Guard leadership has failed to take action to remedy this weakness.

Functional Category: Comptroller/Resource Management

Pace of Corrective Action:

Year Identified: FY 1998

Original Targeted Correction Date: FY 1999

Targeted Correction Date In Last Year’s Report: N/A

Current Target Date: FY 1999

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army National Guard

Validation Process: US Army Audit Agency (USAAA) will validate the final corrective actions.

Results Indicators: National Guard USPFO rating chain revised to ensure independence to carry out their federal statutory responsibilities.

Source(s) Identifying Weakness: Department of Defense Inspector General (DoDIG) Report Number APO 93-008, "Quality Assurance (QA) Review of the National Guard Bureau (NGB) Internal Review (IR) Organization," March 10, 1993.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	DoDIG QA Review of the NGB IR Organization identified that NG IR auditors' lacked independence and qualifications. It also identified corrective actions, which were agreed to by the NGB.
C	Senator Roth requested the DoDIG review and assess the actions taken on the above issue.
C	DoDIG responded to Senator Roth providing him documentation on corrective actions agreed to by the NGB and a status of their follow-up.
C	Army General Counsel issued a legal opinion concluding "that the current rating scheme for USPFOS, under which these officers are rated by the respective State Adjutants General, undermines the ability of USPFOS to perform their federal property management responsibilities. They also provided a rating scheme, which would improve the NGB's ability to administer its management controls.
C	Memorandum of Understanding between Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)), Deputy DoDIG, and Chief, NGB on converting IR positions to Title 32 Competitive Service.
C	ASA(FM&C) memorandum to Chief, NGB stating her concern that current USPFO rating chain involved significant deficiencies in management controls which merited reporting in the Army's FY 1996 annual assurance statement of management controls.
C	Chief, NGB memorandum to ASA(FM&C) stating that he would not change the current USPFO rating chain because it worked well and he had instituted procedures (e.g., change USPFO tenure from successive four year tours to an indefinite status after an initial three years) to mitigate state Adjutants General influence over USPFO ratings.

- C ASA(FM&C) memorandum to the Chief, NGB, reiterated the Army General Counsel's opinion and requested his plan to remove the impairment to USPFO independence.
- C ASA(FM&C) memorandum to Chief, NGB to ascertain status of his response to her June 1996 memorandum and reiterate her position on the independence of the USPFOs as it relates to the control environment of the NG.
- C ASA(FM&C) memorandum to Chief, NGB expressing her concern regarding the state of management controls over federal oversight within the National Guard at the state level. Specifically, she addressed establishing a new USPFO rating chain and the continued viability and independence of the USPFO's internal review activities. This memorandum requested the Chief, NGB provide a plan, by February 14, 1997, on how he would address these issues.
- C Deputy Army General Counsel (Ethics and Fiscal) memorandum to ASA(FM&C) stated that the June 26, 1995, NGB policy on USPFO tour length does not resolve the rating chain issue.
- C The Army Senior Level Steering Group (SLSG) conducted a review of this issue. The SLSG voted to recommend to the Secretary of the Army (SA) that it be reported as an Army material weakness in his FY 1997 annual statement of assurance on management controls.
- C ASA(FM&C) recommends this issue be included as a material weakness in the SA's FY 1997 Annual Statement of Assurance. The SLSG concurs.
- C The Secretary of the Army directs ASA(FM&C) to forward proposal for final resolution.
- C The Under Secretary of the Army directs the Assistant Secretary of the Army (Manpower and Reserve Affairs) (ASA(M&RA)) to take lead in exploring resolution of this issue.
- C ASA(FM&C) memorandum nonconcur with draft National Guard Regulation (NGR)) 130-6/Air National Guard Instruction (ANGI)-11-02, USPFO appointment duties and responsibilities because it omitted any reference of a USPFO rating scheme.

- C Acting ASA(M&RA) memorandum voices concern over ASA(FM&C) nonconcurrency and recommends that the Under Secretary of the Army, General Counsel (GC) and the Chief, National Guard Bureau address concerns.
- C ASA(FM&C) memorandum reaffirms that Army GC opinion must be followed and accepts offer of ASA(M&RA) to resolve issue.
- C Chief, NGB memorandum to SA solicits his support to resolve ASA(FM&C) nonconcurrency on NGR 130-6/ANGI 11-02.
- C ASA(FM&C) memorandum to SA reaffirms position.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Under Secretary of the Army directs that the USPFO rating chain be revised to comply with the Army General Counsel's opinion.
3/99	ASA(M&RA) develops policy and procedures to implement the Under Secretary of the Army's decision.
3/99	Chief, NGB revise the NGR 130-6/ANGI-11-2 to include the USPFO rating chain by designating an appropriate NGB official as the rater and the Chief, NGB as the senior rater. The NGB should also allow the State Adjutants General to provide "letter input" into the evaluation of the USPFOs with whom they work.
9/99	USAAA will complete validation of corrective action.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Improper Utilization of Administrative Vehicles. Naval installations did not ensure that only the minimum necessary amount of administrative vehicles was used to satisfy mission requirements. Statistical sampling indicated that about 27 percent of administrative vehicles were underutilized and not needed.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 1998

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2000

Reason For Change in Date(s): N/A

Component/Appropriations/Account Number: Various

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: With the implementation of Installation Management Regionalization, transportation management will be consolidated and centralized under regional commanders, who will issue regional guidelines that will set a clear process for allocation of vehicles.

Source(s) Identifying Weakness: Naval Audit Service Report No. 30-98, "Management of Non-Tactical Administrative Transportation Vehicles," March 24, 1998.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Guidance issued reminding contracting organizations of their responsibilities under provisions of the Defense Federal Acquisition Regulation Supplement (DFARS).

Planned Milestones (FY 1999):

Date:	Milestone:
9/99	Additional guidance will be developed by the Office of the Supervisor of Shipbuilding, Conversion and Repair, U. S. Navy (SUPSHIPS) to ensure compliance with DFARS requirements.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
3/00	Verification: On-site verifications, subsequent audits, inspections, quality assurance reviews, and management control reviews verify all actions are completed.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Overstatement of Accounts Payable. The Office of the Secretary of Defense (OSD) review of the working capital fund accounts payable balances identified that the Defense Working Capital Fund, Communications and Information Services Activity (DWCF-CISA) accounts payable balance is overstated due to the six-year retention of all unliquidated payables. Based on contract closeout history, as much as 30 percent of these unliquidated payables are actually not owed to the vendor, and should not be reported as current payables.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 1998

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 1999

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Defense Working Capital Fund (DWCF), 97X4930.5F20

Validation Process: The Defense Information Technology Contracting Organization (DITCO) will reclassify all accounts payable balances dated in FY 1996 or earlier to a contingent liability account; this will be reflected in the year-end financial statements for FY 1998. In accordance with the Financial Management Regulation (FMR), DITCO has developed a process to write off accounts payable balances at the 24-month point when they are not invoiced or disputed. This process also provides for re-establishing the liability and paying the claim if a valid invoice is presented within the 6-year limitation and for establishing a contingent liability to fund potential claims under the Barring Act. DITCO is conducting statistical sampling on the accounts payable items to determine what percentage of balances represent current, valid, accounts payable. Based on the sampling results, DITCO will determine the extent to which the account balance has been overstated. A process to conduct periodic sampling is being developed to provide a means of determining a percentage of balances written off that could be expected to be invoiced during the 6-year period.

Results Indicators: Statistical sampling will be used to determine the level of valid accounts payable transactions in the general ledger account.

Source(s) Identifying Weakness: Defense Information Systems Agency management review of high balances on accounts payable accounts.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Reclassify balances from FY 1996 and prior to a contingent liability account, to be reflected in September 30, 1998 financial statements.
C	Conduct preliminary accounts payable sampling.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Conduct full sampling, determine conclusions on validity of accounts payable balances, and adjust balances if necessary.
3/99	Implement process for periodic sampling to ensure current, accurate accounts payable balances.
9/99	Verify correction of material weakness by conducting periodic sampling and monitoring balances.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Deficiencies in Management Control Program. A joint Department of Defense/Central Intelligence Agency Inspectors General (DoD/CIA IG) Inspection found that the Management Control Program was not fully implemented throughout the National Reconnaissance Office (NRO). There was a lack of standardization, incomplete training, and inadequate documentation. Managers were not aware of the full range of descriptive documentation required. There was a lack of standardized materials for implementation of the program.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason for Change in Date(s): The DoD/IG is currently evaluating the NRO ability to comply with the Chief Financial Officers Act. As part of that evaluation, the DoD/IG is also reviewing the NRO management control program. The correction date has been extended to allow use of the DoD/IG review as part of the validation of corrective action.

Component/Appropriation/Account Number: NRO

Validation Process: Effectiveness of the actions to correct this deficiency will be assessed by review of component programs and results of internal and external reviews addressing management control weaknesses.

Results Indicators: The Management Control Program has already seen increased standardization through greater interface and direction. Additional indicators will be the identification of management control weaknesses through management control program actions vice outside identification.

Source(s) Identifying Weakness: Joint DoD/CIA IG Inspection, "Joint Inspection of the National Reconnaissance Office," Inspection Report Number 96-014, July 23, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish a Policy & Compliance office within the Resource Oversight and Management office to coordinate Management Control Program activities.
C	Increase interface with Management Control Program assessable unit coordinators through bi-monthly meetings and periodic visits/calls.
C	Draft revised NRO Management Control Program directive that incorporates greater standardization, individual responsibilities for all NRO managers and staff, and specific items to be addressed by assessable units in their management control program.
C	Develop a management control program training concept which addresses training requirements for all managers and staff.
C	Develop a training briefing outlining the basic management control program requirements and associated responsibilities.
C	Develop standardized tools for use in preparing management control program documentation.
C	Begin development of the NRO Management Control Program web site to provide a central source for program materials and direction. This web site will replace the NRO Internal Management Control Program Implementation Guide.
C	Establish Management Control Program section of the NRO Business Forum web page.
C	Publish the revised NRO Management Control Program directive. The directive will comply with the requirements of Office of Management and Budget Circular Number A-123, DoD Directive 5010.38, and DoD Instruction 5010.40.
C	Review the Management Control Program web site for sufficiency for program implementation material and guidance.
C	Perform an internal review of the management control program.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Review results of DoD/IG review of the management control program being done as part of audit of NRO ability to comply with the Chief Financial Officers Act.
3/99	Validate that the management control program is fully implemented and includes adequate standardization, training, and documentation.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Disbursements in Excess of Obligations. As of December 31, 1993, the Defense Finance and Accounting Service (DFAS) reported a number of appropriations in which disbursements exceeded obligations or account balances were negative. As of September 30, 1998, there were seven appropriations in which disbursements exceeded obligations or account balances were negative.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 1994

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 1999

Reason for Change in Date(s): To allow adequate time to continue the ongoing process to research, establish, record and report all necessary transactions to match disbursements to appropriate obligations. Also, to evaluate monthly problem disbursement reports provided by the DFAS, and to perform a comprehensive review of the status of all problem disbursements, by appropriation and by Department of Defense (DoD) Component.

Component/Appropriation/Account Number:

Current List (as of September 30, 1998):

0100 Operations and Maintenance, Defense	X
0130 Defense Health Program	94
0300 Procurement, Defense	8/0
0350 National Guard and Reserve Equipment	3/5
0390 Chemical Agents and Munitions, Defense	4/5
0400 Research, Development, Test and Evaluation, Defense Agencies	M
0819 Humanitarian Assistance	7/8

Validation Process: Accounts with negative balances are researched to determine the cause(s) of the negative conditions, and required corrections are identified by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), the DFAS, or the DoD Components, as appropriate. When necessary, additional funding is provided. These actions have resolved all but seven appropriations with negative balances. Additionally,

the DoD Inspector General was asked to investigate a number of accounts to determine if potential violations of the Antideficiency Act had occurred. To the extent that other accounts incur similar problems, comparable corrective actions are taken.

Results Indicator: The number of appropriation accounts in a negative condition has been reduced. A process has been put in place to ensure that appropriation managers will be notified promptly of adverse account conditions, and that actions are taken quickly to correct such conditions.

Source(s) Identifying Weakness: This weakness was identified by the Office of the Under Secretary of Defense (Comptroller).

Major Milestones in Corrective Actions: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Identified Appropriation Manager Responsibilities.
C	Issued stop payment policy for account balances with disbursements in excess of obligations until the correction is made.
C	Identified DFAS responsibilities – notify appropriation manager of adverse negative condition, stop payment if applicable, research and correct negative condition, notify appropriation manager of need for additional funding, and notify appropriation manager that a potential violation of the Antideficiency Act should be reported and investigated.
C	Reduce the number of appropriation accounts with negative cash balances.
C	Policies and procedures put in place by the Defense Finance and Accounting Service (DFAS) Indianapolis Center, as the single point of contact, for researching and correcting disbursements in excess of obligations in the Defense - Wide “97” Accounts.

Planned Milestones (FY 1999):

Date:	Milestone:
Ongoing	Review status of Treasury Index 97 problem disbursements by evaluating monthly problem disbursements reports provided by the DFAS.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
Yearly	Perform a comprehensive review of the status of all Treasury Index 97 problem disbursements, by appropriation and by DoD Component, in order to assess the success of prior fiscal year efforts and determine the current materiality of this management control weakness.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Civilian Retirement Claims Processing. Army is not meeting the Office of Personnel Management (OPM) goal for agencies to submit 80% of all retirement, refund and death claims to OPM within 30 days from the date of separation. Some known factors are delays by employees in applying for separation and delays of finance and personnel offices in forwarding retirement/separation records to OPM.

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 1991

Original Targeted Correction Date: FY 1992

Targeted Correction Date In Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason for Change in Date(s): The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)) attempted to validate this material weakness in FY 1998. The Office of the Assistant Secretary of the Army (Manpower and Reserve Affairs) (OASA(M&RA)) will accept proponency for this weakness. US Army Audit Agency (USAAA) will conduct final validation.

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army

Validation Process: US Army Audit Agency (USAAA) will conduct the final validation of this weakness.

Results Indicators: Meeting OPM processing goals ensures that payments and claims are processed in timely manner. This reduces hardship to the claimants.

Source(s) Identifying Weakness: Management Review and Congressional Inquiry.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Mandated use of OPM optional checklists to eliminate errors which cause delays.
C	Emphasized Army and OPM performance goals and educated workforce on responsibility to submit claims in timely manner.
C	Provided feedback to installations on quality and quantity of submissions.
C	Devised and installed automated monitoring system to identify source and cause of late submissions.
C	Finance network quality personnel reviewed the retirement processing as part of routine visits to Army finance and accounting offices.
C	Produced and provided regular performance reports to major commands and responsible headquarters Department of the Army activities and agencies.
C	Initiated a joint payroll/personnel Total Quality Management (TQM) task force to identify and correct problems.
C	Developed and distributed to the payroll and personnel offices, comprehensive guidance, e.g., Desk References pertinent to retirement, death and refund claims, as part of the TQM Program.
C	Ensured that the TQM Process Action Team, organized to address this weakness, used the various “tools” and reports provided by the Army Civilian Personnel Reporting System (ACPERS) to specifically pinpoint the delays at each step in the process, identified the reasons for the delays and provided detailed performance data to appropriate Headquarters, Department of the Army and Major Command functional activities.
C	The Army developed a timeliness tracking system in ACPERS. All Army personnel and payroll offices were notified of its establishment and the mandatory requirement to input special data elements into the systems.

- C The Office of the Assistant Secretary of the Army (Manpower and Reserve Affairs) refined the ACPERS report to reflect who is not meeting the processing standards and which side of the house, payroll or personnel, is at fault when the 80% timeliness standard is not met.

- C DFAS completed deployment of Defense Civilian Pay System (DCPS) throughout the Army.

- C ASA(M&RA) accepts proponency for this weakness.

Planned Milestones (FY 1999):

Date:	Milestone:
On-Going	Continue to emphasize through messages and memoranda the importance of meeting the 30-day standard for processing claims.
9/99	USAAA will conduct final validation.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Automated Mobilization System. Army mobilization exercises in 1976, 1978, and 1980 highlighted that the capability did not exist within the Reserve Component structure (Army National Guard and Army Reserve) for maintaining mobilization essential data, and the ability to rapidly respond to mobilization requirements was lacking. Managers at mobilization stations and transportation agencies did not have access to timely and accurate information necessary for the mobilization decision-making process. These mobilization needs were to be satisfied originally through the Continental Army Management Information System initiated in 1979. In August 1986 the Army restructured its Reserve Component Automation System (RCAS) and in February 1988, the RCAS project effort was assigned to the Chief, National Guard Bureau (NGB). When completed the RCAS will satisfy the automation requirements of the reserve component for day-to-day operations and will significantly enhance their mobilization preparedness and mobilization execution capability. It will provide timely and accurate data which can be accessed by Army systems and activities involved in the decision-making process for the mobilization of the Reserve Component.

Functional Category: Force Readiness

Pace of Corrective Action:

Year Identified: FY 1988

Original Targeted Correction Date: FY 1990

Targeted Correction Date in Last Year's Report: FY 2002

Current Target Date: FY 2002

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Army/Operations and Maintenance, Army Reserve; Operations and Maintenance, Army National Guard; Other Procurement, Army

Validation Process: This will be a thorough process that will involve field and functional proponents' input; benefits analysis; independent verification and validation; technical test and evaluation; operational testing; field participation in the evaluation process; RCAS has an established and approved Acquisition Program Baseline which details the Department of the Army and Office of the Secretary of Defense (OSD) Major Automated Information Systems Review Council (MAISRC) review cycle for each incremental release. Defense Acquisition Executive Summary (DAES) Quarterly Reports are

submitted to the Milestone Decision Authority providing updated status. In addition, periodic General Officer Steering Committee meetings are held to monitor the progress of RCAS implementation.

Results Indicators: The Army will be able to more effectively plan and execute mobilization of the Army Reserve and Army National Guard contingency forces.

Source(s) Identifying Weakness: GAO Report, “General Management Review of the Reserve Components,” November 1988.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Effected interim actions and controls to resolve the immediate deficiencies. a. Place management control of RCAS program with the Chief, NGB. b. New Program Manager (PM) charter approved by the Secretary of the Army and forwarded to Congress. c. Army Reserve General Officer assigned as RCAS PM.
C	Developed an automated information system to satisfy the long-range permanent needs for mobilization and the administration and management requirements of the Army National Guard and Army Reserve for day-to-day operations. a. Complete Functional Description. b. Issue draft Request for Proposal (RFP).
C	Completed Department of the Army (DA) MAISRC Milestone I.
C	Completed OSD MAISRC Milestone I.
C	Released the final RFP for a fully competitive Office of Management and Budget Circular A-109, acquisition approach.

- C Contracted for Competitive Demonstration.
- C Conducted and evaluated Competitive Demonstration.
- C Contracted for fielding of critical elements.
- C Completed DA MAISRC Milestone II.
- C Completed OSD MAISRC Milestone II.
- C Completed System Design Review.
- C Contracted for fielding of critical elements.
- C Established Technical Test Bed.
- C Completed Preliminary Design Review (PDR) for Block 1 software.
- C Completed Critical Design Review (CDR) for Block 1 software.
- C Installed RCAS at Limited User Test sites.
- C Conducted Limited User Test at 21 sites.
- C Completed technical testing of improved Block X software.
- C Delivered Block X hardware and software to approximately 2500 units. Concluded preliminary design review for Block 1 software containing human resource and force authorization functionality.
- C Formed a Red Team of experts from the Active Army, Guard and Reserve Components to Review the RCAS program, at the request of the Chief NGB. The team recommended changes to the direction of the overall program. Changes include moving from an x-terminal to a personal computer base, removing multilevel security requirements, providing a separate system for classified data, and centralizing data at State Area Commands and Major United States Army Reserve Commands.

- C Formed a Validation Assessment Team consisting of members with functional, technical, budget and contracting experience to validate the Red Team recommendations and perform necessary contracting actions to effect program restructure. The direction of the revised program was briefed and approved by the General Officer Steering Committee (GOSC) and the OSD MAISRC.
- C Conducted Beta Demonstrations of revised architecture which is based on extensive use of Commercial Off-The-Shelf (COTS) and Government Off-The-Shelf (GOTS) software.
- C Completed Contract Modification/Proposal reparation.
- C Awarded renegotiated Contract.
- C Completed Integrated Baseline Review.
- C Completed Independent Operational Test conducted by US Army Operational Test and Evaluation Command.
- C Completed a System Level Design Review (SLDR).
- C Received Overarching Integrated Process Team (OIPT) MAISRC approval to field Increment 1 COTS hardware and software and Wide Area Network telecommunications.
- C Completed data and applications software pilot project in December 1996.
- C Completed the RCAS Year 2000 Action Plan in December 1996.
- C Completed the Army Technical Architecture (ATA) Migration Plan - Part II Implementation Detail and submitted it to the Army Digitization Office.
- C Conduct Operational Testing of Increment 2.
- C Completed OSD MAISRC IPR (IIPT) in March 1997.
- C Completed Operational Testing of Increment 2 in October 1997.
- C Completed fielding pilot project in October 1997.

- C Received OIPT MAISRC fielding approval (Milestone IIIb) in January 1998. (Database servers, Software Pilot project, some Logistics functionality and Government off the shelf (GOTS) software.
- C Began Increment 2 fielding in January 1998.
- C Completed integrated Baseline Review in March 1998.
- C Completed OSD IIPT in July 1998.

Planned Milestones (FY 1999):

Date:	Milestone:
03/99	Contract Renewal in Oct 1998 with a option year of 3.
09/99	Begin Increment 3 Evaluation (DT/OT) in May 1999.
*09/99	Projected Milestone Decision point for Increment 3 (user prioritized requirements and GOTS).

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
*09/02	Full functionality with completion of Increment 7.
	*RCAS GOSC and DoD/DA IIPT have approved reprioritization of functionality in Increment 3 which will affect interim approval points but not the overall completion date.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Computer-Based Training (CBT). CBT offers a means of increasing training effectiveness and efficiency. The Department of the Navy's (DON) front-end analysis, configuration management, and funding justification controls are weak, increasing the probability that benefits of CBT will not be achieved. About one-third of the activities reviewed did not implement CBT to take advantage of new technology, to keep pace with modern training techniques, and to enhance existing training methods. Expected monetary benefits may not be achieved. The process used to determine whether CBT is the correct method of training and ensure that CBT is kept current needs strengthening. Governing regulations contribute to activities failing to perform front-end analysis and configuration management planning, CBT and visual information regulations overlap, instructions provide no distinction in requirements for CBT development efforts differing in complexity, cost, or distribution, and regulations do not provide for CBT development efforts that encompass multiple media.

Functional Category: Force Readiness

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 2000

Reason For Change in Date(s): All milestone dates have slipped one year.

Component/Appropriation/Account Number: Operations and Maintenance, Navy (17X1804)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Training time will be reduced by effective use of CBT. As a result, training costs also will be reduced.

Source(s) Identifying Weakness: Naval Audit Service Report 034-97, "Implementation of Computer-Based Training in the Navy," April 29, 1997.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	The problem of overlap between CBT and visual information regulations is resolved.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Provide guidance for funding CBT projects.
3/99	Establish a method to identify, document, track and reprogram projected benefits.
3/99	Clarify governing policy for development of courseware using advanced training technology.
3/99	Establish thresholds for documentation requirements for CBT development.
3/99	Correct Navy data base errors.
9/99	Publish CBT development regulatory requirements.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
9/00	Verification: On-site verifications, subsequent audits, inspections, quality assurance reviews, and management control reviews verify to ensure appropriate use of CBT.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Host Nation Support (HNS): The Department of Defense Inspector General (DoDIG) Audit Report on HNS in Southwest Asia, Project Number 4RA-0061, identified United States Central Command's (USCENTCOM's) HNS program as a material weakness. Specifically, USCENTCOM and component commands have not fully identified their wartime HNS logistical requirements, validated quantities of wartime HNS presumed to be available for use by U.S. forces, or established reporting procedures for logistical HNS received by U.S. forces. Accordingly, USCENTCOM has few assurances that HNS will be available when or where needed. The vast deployment distances and the Area of Responsibility's (AOR) current threat/presence imbalance dictate that prior HNS arrangements for the immediate use of U.S. forces is vital.

Functional Category: Force Readiness

Pace of Corrective Action:

Year Identified: FY 1995

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: Indefinite

Reason for Change in Date(s): HNS changes with each Operations Plan (OPLAN), exercise and contingency mission. HNS is firmly embedded into the USCENTCOM Theater Engagement Plan.

Component/Appropriation/Account Number: All Components: Cost avoidance in all Operation and Maintenance budget authorities.

Validation Process: As milestones are achieved, an ongoing management control review will be performed to verify the effectiveness of the corrective action. The USCENTCOM Inspector General (IG) will play an active, independent role in the internal review to verify the validity of corrective actions. Joint Staff and the Office of the Secretary of Defense are provided periodic status updates for review of program's legality and sufficiency.

Results Indicators: Production of a component-validated list of HNS commodities and services required from the host nation, organized by location and OPLAN phase, and

agreed to by the host nation's political and military leadership. Furthermore, the country specific HNS requirements and procedures will be exercised periodically and tailored continuously.

Source(s) Identifying Weakness: DoDIG Audit Report on HNS in Southwest Asia (SWA), (U), Report No. 96-045, 14 Dec 95. DoDIG provided notification that case was closed for follow-up purposes in their Automated Report Tracking System on September 9, 1997.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Assemble threat assessment and 14-, 45-, and 90-day combat unit beddown and associated HNS requirements.
C	Brief American Embassy Country Teams on access, beddown, diplomatic clearance and HNS requirements.
C	Validate component HNS requirements.
C	USCENTCOM General Officer present to the senior political/military leadership in each nation executive briefing highlighting the need for detailed HNS Mil-to-Mil planning to preclude deployment delays and to assure sustainment of U.S. forces.
C	Begin inserting HNS into USCENTCOM exercise scenarios.
C	Verification of corrective actions by the USCENTCOM IG as a Special Interest Item during the annual command MC inspection.
C	Publish revised CCR 700-2, Logistics Host Nation Support.
C	HNS requirements determined for Bahrain, Oman, Qatar, Saudi Arabia, UAE, and Egypt.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Determine HNS requirements for Kuwait.

9/99 Coordinate components detailed HNS logistical requirements with host nations. (Note: Completion date dependent on availability of senior U.S. and host nation political/military leadership.)

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
3/00	Work to obtain Acquisition and Cross Servicing Agreements with Horn of Africa countries and South & Central Asia countries.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Defense Communications Systems Management Information Systems (DCS/MIS). Our management information systems that support decision making in the acquisition and management of the DCS (now a component of the Defense Information System Network (DISN)) were fragmented, contained duplicate data in multiple locations and had been proven to be outright wrong in DoDIG audit analyses. These systems constitute the controls for managing a significant portion of DISA's mission. DISA lacked the mechanisms for performing periodic review and revalidation of circuits and also lacked the mechanisms to adequately control communications network resources.

Functional Category: Information Technology

Pace of Corrective Action:

Year Identified: 1990

Original Targeted Correction Date: 1996

Targeted Correction Date in Last Year's Report: 1998

Current Target Date: 1999

Reason For Change in Date(s): The verification of completion disclosed that this material weakness was only partially corrected. Therefore, in FY 1994 the effort was refocused to replace both the aging World Wide On-Line System (WWOLS) and multiple DISA telecommunications network provisioning and configuration management systems. The former effort is designated as the WWOLS Replacement (WWOLS-R); the latter as the Defense Information System Network-Integrated configuration control system (DISN-I). WWOLS-R was implemented in January 1997. The original plan called for DISA to continue to improve this area by consolidating the WWOLS-R and the DISN-I databases and expanding the resulting database, designated the Integrated DISN Data Base (IDDB). When that development fell behind schedule and it was clear that the IDDB would not be available for the DISN transition, a decision was made to search for a commercial-off-the-shelf (COTS) product to satisfy and/or support the majority of DISA's requirements in areas such as provisioning, configuration management, performance assessment, modeling and simulation, network management, requirements validation, status reporting, and engineering. As a result of a full-and-open competition among commercial vendors, MONIES from Stonehouse Technologies was selected. MONIES and applications that would be migrated to it were to effectively replace the original, planned Telecommunications Management System (TMS). The milestones for

correcting the second part of this material weakness have been updated including target dates for MONIES. However, it has become apparent that a single COTS product (MONIES) could not meet the needs of consolidating all the various legacy systems and perform all the functions that were required. As a result, a new approach was required which would consolidate all the legacy systems into an “Integrated Relational Data Base Management System (IRDBMS) and provide for a single relational database which would support the provisioning of end-to-end functions; i.e., provisioning, inventory, and financial management. Although the selected COTS product, MONIES, is not capable of providing end-to-end functions for the DISA circuit and telecommunications acquisition process, it has identified the need to develop IRDBMS. This initiative will permit turning off WWOLS-R, DISN-I and other legacy systems no later than September 30, 1999. Although the target date has been extended, the evolved solution will enable the consolidation of several stovepiped systems and ultimately prove most beneficial to the management and acquisition of DISA telecommunication products and services.

Component/Appropriation/Account Number: Operations and Maintenance, Defense Agencies, 970100 and Defense Working Capital Fund (DWCF) (formerly Defense Business Operating Fund), 97X4930

Validation Process: The correction of the material weakness will include testing by individual users and oversight by the DISA Management Control program office and the DISA Inspector General. The Department of Defense Inspector General could help DISA perform elements of the testing as an integral part of their audits.

Results Indicators: The DCS (now a component of DISN) represents the common user long-haul communications trunks, circuits, and equipment of DoD. These trunks, circuits, and equipment cost DoD approximately \$600 million annually. The system is complex and involves both leased and purchased assets. Even small actions often represent significant expenditures. An example of this occurred when an American Telephone and Telegraph proposal on a minuscule segment of the DCS resulted in potential savings of approximately \$300 thousand per month. DISA uses established processes, procedures, information systems, and databases to make use of these assets. Decisions concerning procurement of new assets, use of alternative communications services to support users, long- and short-range planning, and evaluation of proposals are also dependent upon these processes and information systems. Without adequate data or proper procedures, the decision making process is subject to unfounded suppositions, erroneous assumptions, and delays.

Source(s) Identifying Weakness: Telecommunications Management within DCA as a result of an alternative Management Control review.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Conducted a 100-percent physical inventory of the DISA's telecommunications assets for inclusion in the Defense Information System Database (DISD) by September 30, 1992.
C	Developed inventory procedures to keep the asset inventory perpetually up-to-date by September 30, 1992.
C	Reconciled the WWOLS and DITCO databases.
C	Began periodic review and revalidation of Service and Agency telecommunication services and requirements.
C	DISN-I Installed.
C	WWOLS Replacement Installed.

Planned Milestones (Fiscal Year 1999):

Date:	Milestone:
3/99	Implement IRDBMS (vice MONIES) to support DISN Transition.
9/99	Replace legacy systems with an architecturally integrated solution.
9/99	Objectives of IRDBMS/integrated solution have been accomplished.
9/99	Verify that material weakness has been corrected.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Hearing Conservation Program. The Air Force Reserve Command (AFRC) Hearing Conservation Program (HCP) is a component of the Air Force Occupational Safety and Health Program specifically designed to protect workers from the harmful effects of hazardous noise. During FY 1998 it was revealed that although workers were provided and fitted with hearing protection equipment, internal controls were not in place to ensure all workers received hearing tests or were trained on hearing protection measures. Also, workplace surveys were not always performed, and hearing test equipment was not always checked prior to use. Furthermore, internal controls were not in place to ensure all segments of the population who were exposed to hazardous noise fully participated in the Hearing Conservation Program.

Functional Category: Personnel/Organizational Management

Pace of Corrective Action:

Year Identified: FY 1998

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 1999

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Air Force Reserve, 57*3740

Validation Process: The Air Force Audit Agency will conduct a follow-up audit on the Hearing Conservation Program.

Results Indicators: Once all corrective actions have been accomplished, the AFRC should see an increased trend in the number of people participating in the HCP, which will aid in protecting workers from the harmful effects of hazardous noise.

Source(s) Identifying Weaknesses: Air Force Audit Agency Report of Audit: Air Force Reserve Command Hearing Conservation Program, Project 97051037, September 3, 1998.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	The AFRC Vice Commander directed wing commanders to report bi-monthly performance standards which reflect participation in the HCP.
C	Re-emphasize functional area responsibilities to all medical units.
C	Request that the Air Force Inspection Agency include the HCP as a Special Emphasis Item for inspection.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Publish revised Air Force Occupational Safety and Health Standard 48-20 to reflect functional area responsibilities in the HCP. This will include the specific metrics designed to provide oversight of the HCP.
3/99	Appoint an aerospace medicine physician as Hearing Conservation Program consultant to provide HCP program manager with guidance and management oversight from a public health perspective.
3/99	Direct each medical unit to develop a procedure to track those people who do not keep their audiogram appointments.
3/99	Re-evaluate policy restricting participation in the HCP to those reservists exposed to hazardous noise over 25 days per year.
9/99	The AFAA will perform a follow-up audit.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTIONS ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Manpower Requirements Determination System. The Army has not established effective manpower programs for managing and controlling Tables of Distribution and Allowances (TDAs) workload, organizations and manpower staffing, including reductions in force. The current system for manpower requirements determination lacks the ability to link workload, manpower requirements and dollars. Thus, the Army is not capable of rationally predicting future manpower requirements based on workload. As a result, managers at all levels do not have the information needed to improve work performance, improve organizational efficiency, and determine and support staffing needs, manpower budgets, and personnel reductions.

Functional Category: Personnel/Organizational Management

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: FY 2000

Current Target Date: FY 2002

Reason for Change in Date(s): The General Accounting Office (GAO) is conducting a follow-up to the audit that initiated the material weakness. Both US Army Audit Agency (USAAA) and GAO acknowledge that they have seen evidence of progress in our implementation of the material weakness plan but are both concerned that our milestone schedule may be overly ambitious for the tasks identified. This has resulted in the extension of the plan.

Component/Appropriation/Account Number: Army/All Appropriations that contain dollars for the pay of personnel.

Validation Process: Office of the Assistant Secretary of the Army (Manpower and Reserve Affairs) (OASA(M&RA)) and USAAA will validate corrective actions.

Results Indicators: Staffing levels of Army organizations will be workload based. Manpower requests contained in Army budget submissions and the dollars required to support the requested level of manpower will be logically developed from specific workload requirements which directly derive from missions directed or approved by

higher headquarters and validated by a Headquarters, Department of the Army (HQDA) approved manpower requirements determination process.

Sources Identifying Weakness: USAAA Report HQ 92-T2, "Management of Army Workload of Tables of Distribution and Allowances Organizations", January 21, 1992; USAAA Report SR 94-702, "Civilian Workforce Reductions - US Army Materiel Command", February 15, 1994; USAAA Report HQ 94-751, "Managing Workload, Organizations and Staffing", June 24, 1994; USAAA Report AA 96-768, "Workload-Based Manpower Requirements Program - US Army Materiel Command", August 30, 1996; USAAA Report AA 97-113, "Workload-Based Manpower Requirements Program - US Army Forces Command", February 7, 1997; GAO/National Security and International Affairs Division (NSIAD) Report 97-66, "Force Structure - Army Support Forces Can Meet Two-Conflict Strategy With Some Risks", February 28, 1997; USAAA Report AA 97-202, "Workload-Based Manpower Requirements Program - US Army Training and Doctrine Command," May 30, 1997.

Major Milestones in Corrective Action: (C = Completed)

(NOTE: Army was cognizant of short comings in implementing its requirements determination processes prior to the declaration of this as a materiel weakness. Thus, some corrective actions are already in-progress or completed.)

Completed Milestones:

Date:	Milestone:
C	OASA(M&RA) contracted for a study to perform a nation-wide search for determining best practices in the area of human resource management. This effort resulted in the identification of a workload planning system that had potential application to Army industrial type work environments. Based on the information obtained, a prototype system is being developed to be used as an Army management tool to measure performance, forecast workloads and forecast workforce requirements. It is referred to as the Army Workload and Performance System (AWPS).
C	Completed development and implemented a prototype of a revised manpower survey methodology, referred to as the 12 Step Methodology, used to determine manpower requirements. This methodology has become the doctrinal basis for manpower requirements determination policy.
C	Establishment of a command-wide manpower baseline begun in US Army Materiel Command.

- C Military essentiality coding of military positions within TDAs was initiated.
- C Army Workload and Planning System (AWPS) field testing initiated at Corpus Christi Army Depot.
- C A contract study effort was initiated to examine the feasibility of linking the impacts of Institutional Army (TDAs) workforce changes to military unit Modified Tables of Organization and Equipment (MTOE) readiness.
- C Coding of military essentiality of military positions within TDAs completed. This process enhanced the understanding of and the defense of military requirements in Institutional Army organizations.
- C Initiated prototype testing of the Civilian Manpower Integrated Costing System (CMICS) during the development of the Mini POM. This system provides an automated tool with which manpower, program, and budget managers can immediately assess the impact of funding changes on the manpower program or the impact of shifting funding to other resources of the civilian manpower plan.
- C Initiated an in-house study to assess the feasibility of being able to identify and document the shadow work force.
- C Completed a three day conference of senior manpower analysts representing a broad cross section of the Army. The primary focus of the conference was on manpower requirements determination processes. The concept for a doctrinal framework for manpower requirements determination in the Institutional Army was agreed upon.
- C Initiated a contract study to conduct an assessment of the essentiality of military manpower in the Institutional Army (TDA) which will help to define and clarify the requirement for military manning in the Institutional Army.
- C OASA(M&RA) provided representatives to participate in Department of Defense (DoD) work group to clarify policy criteria used to determine the non-contractible or contractible nature of positions within DoD organizations.

- C Command-wide manpower baseline for U. S. Army Materiel Command completed using the 12 Step Method as the basic methodology. This baseline will serve as a reference point for future manpower changes (plus or minus) affecting the command.
- C Contract study to assess of the coding of military essentiality of military manpower in TDA organizations completed. Study determined linkages between Army core processes, universal joint task lists and military essential codes. It also provided recommendations for improving the accuracy of coding which will help to define and clarify the requirement for military manning in the Institutional Army.
- C Initiated Army-wide staffing of UPDATE version of Army Regulation (AR) 570-4, "Manpower Management." This draft contains revised manpower requirements determination policy.
- C Completed revision of Workload and Manpower Determination Analyst's Handbook.
- C Initiated coding of Commercial Activities (CA) functions and the contractability of positions within TDAs.
- C Completed procedures to be used for certifying manpower requirements determination processes and administered the quality assurance program.
- C Used contract manpower equivalents (CMEs) data to validate/audit CA inventory data
- C Used available requirements determination products to review manpower issues and provided recommendations for the FY 00-05 POM development.
- C Provided for full use of CMICS during the Program Objective Memorandum (POM) FY 00-05 development for all users.
- C Initiated formal certification/approval action of requirements determination processes conducted by manpower requirements determination authorities.
- C Began HQDA certification of procedures used by manpower requirements determination authorities.

- C Major Army commands (MACOMs) and independent reporting activities (IRAs) increased use of workload-based requirements determination in management decisions, such as workload forecasting, realignment initiatives, and budget development and execution.
- C Completed installation of AWPS and training of personnel on AWPS at Corpus Christi, Red River, Tobyhanna, Anniston, and Letterkenny Army Depots for direct labor maintenance mission only.
- C Began quality assurance of manpower studies conducted under Headquarters, Department of Army (HQDA) approved processes.
- C Manpower Requirements Determination Authorities submitted annual survey schedule to HQDA.
- C UPDATE of AR 570-4 forwarded to US Army Printing and Publication Command (USAPPC) for administrative review, editing, and necessary legal coordination.
- C Established, through the use of web technology, a repository of approved manpower staffing standards and guides.
- C Completed initial coding of CA functions and the contractability of positions within TDAs.
- C Developed Army-level capability for allocating manpower (military and civilian) that considers the level of support provided by the contractor workforce.
- C Initiated the development of workload-based allocation rules for the integration of military, civilian, and contractor manpower requirements for the infrastructure (TDA) into the Total Army Analysis (TAA) model.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Develop functional data requirements for MACOM Manpower Integrated Costing System (MMICS).
3/99	Initiate HQDA Depot Maintenance Board of Directors (DMBOD).

- 3/99 Develop MMICS prototype.
- 3/99 Recommend systems change in Status of Resources and Training System (SORTS) for adding data elements for borrowed military manpower and troop diversion.
- 3/99 Fully implement CMICS at HQDA, creating a distributed, integrated database linking civilian manpower and dollars.
- 3/99 MACOMs and IRAs management decisions, such as workload forecasting, realignment initiatives, and budget development and execution, are fully based on use of workload-based requirements determination processes.
- 3/99 Document contractor manpower equivalents in The Army Authorization and Documents System (TAADS).
- 9/99 Complete development of CMICS at HQDA.
- 9/99 Extend AWPS to arsenals and ammunition depots of the US Army Materiel Command.
- 9/99 Develop decision tools for HQDA Depot Maintenance Board of Directors.
- 9/99 AR 570-4 UPDATE approved for publication.

Planned Milestones (Beyond FY 1999):

- | Date: | Milestone: |
|-------|--|
| 3/00 | Track execution of 50/50 law. |
| 3/00 | Develop a plan to fully use requirements determination product in the manpower allocation process. |
| 3/00 | Complete development and implementation of CMICS at MACOMs. |
| 3/00 | Document inter-service and intra-service support in TAADS. |
| 3/00 | Development and implementation of MMICS completed. |

- 3/00 Fully implement CMICS between HQDA and the MACOMs, creating a distributed, integrated database linking civilian manpower and dollars.
- 3/00 Full integration of workload based military, civilian, and contractor manpower requirements into TAA model has occurred.
- 3/00 Reengineer manpower estimate report (MER) and basis of issue plans so that CMEs are documented in modified tables of organization and equipment (MTOE). (NOTE: Contingent on Assistant Secretary of the Army (Research, Development and Acquisition), Deputy Chief of Staff (Operations and Plans) and Training and Doctrine Command approval).
- 3/02 Finalize performance measure for use in TAA.
- 3/02 OASA(M&RA) and USAAA jointly complete validation of corrective actions.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Air National Guard (ANG) Training (formerly known as Aircraft Maintenance Training Within the Air National Guard). Controls did not ensure that Air National Guard members were properly trained and that training was properly documented. The documentation of training did not support certification of required training for ANG members' current status of qualification and skill level in the duty position in which the member is assigned.

Functional Category: Personnel/Organizational Management

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason for Change in Date(s): Reviews of aircraft maintenance training records show problems continue to exist. Further discrepancies and inconsistencies regarding completion of training and proper documentation have been revealed in other functional areas.

Component/Appropriation/Account Number: Air Force, ANG Operation and Maintenance, 57*3840 and ANG Military Personnel, 57*3850

Validation Process: The effectiveness of corrective actions will be determined by audit review of training and certification records.

Results Indicators: The Air National Guard will analyze all results of upcoming audits, both internal and external, for trends. Any negative trends will be identified and proper corrective actions taken at all levels. We will also use the results of the compliance review guides for proper monitoring. Implementation of additional controls will better ensure proper training/certification for ANG personnel.

Source(s) Identifying Weaknesses: Air Force Audit Agency Reports of Audit, "Aircraft Maintenance Training within the Air National Guard," Project 96062024, September 19, 1996, "ANG Medical Training Program", Project 97051025, August 13, 1997 and various internal reviews.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	ANG Manual 36-2201, Maintenance Training Policy was created. It outlines specific duties of the Unit Maintenance Training Manager. One chapter deals with formal training. It advertises formal training as being advantageous to maintenance personnel in that it delivers standardized training by professional instructors and reduces the on job training time at home-station.
C	ANG Instruction 21-010, Aircraft Maintenance now includes a statement referring to a new ANG Manual 36-2201, Maintenance Training Policy.
C	A second position was created and filled in the ANG Reserve Center Logistics Training Management section.
C	An ANG Special Interest Item (SII 97-001) was issued for active duty Inspector Generals regarding the 100% internal audit.
C	ANG has initiated procedures to centrally fund Field Training Detachment (FTD) classes provided they fall within certain criteria. Anyone attending a FTD for an egress course or in lieu of a technical school will be funded. The latter includes waivers of the technical school and accessions falling within criteria set forth in ANG retraining policy.
C	ANG worked with the Air Force Major Commands (MAJCOMs) to redefine the process of obtaining seats in FTD courses. An All-MAJCOM meeting was held at Sheppard AFB to streamline the process and provided relief for scheduling difficulties previously encountered by everyone. The following were outcomes of that meeting: 1) The “using” maintenance training managers would no longer schedule seats through the Air Force Training Management System (This is only applicable to units sending their personnel TDY to the FTD site).

2) Personnel utilizing FTDs for skill-level awards (such as ANG and Air Force Reserve Component) would be raised to a priority 3 (MAJCOM priority courses are a priority 5) instead of the priority 7 they normally are limited to.

3) Students with a confirmed seat in a class will no longer be bumped by the host unit except for a higher priority situation.

- C ANG Unit training managers performed 100% audit of ANG maintenance personnel training records. This was ordered by ANG/LG. All state headquarters' were required to submit an audit summary identifying that there was no maintenance being performed on equipment for which personnel were not properly trained, and that controls are in place to ensure that training documentation discrepancies are resolved.
- C Develop a Compliance Review Guide for ANG aircraft maintenance training that will be implemented by each ANG unit.
- C Develop a Compliance Review Guide for all on-the-job training requirements and documentation and require completion by each ANG unit.
- C Reemphasized the importance of training and documentation compliance at the ANG Personnel and Training Conference.
- C Request all National Guard United States Property and Fiscal Officers to have their Internal Review auditors perform a statistical sampling of on-the-job training records at all ANG units, and to provide results to ANG headquarters.

Planned Milestones (FY 1999):

Date:	Milestone:
9/99	Analyze the results of the various reviews on all ANG training.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Lessons Learned Information from Major Training Exercises. Despite lessons learned programs, many of the same mistakes are repeated during subsequent major training exercises and operations. Some of these mistakes could result in serious consequences, including friendly fire incidents and ineffective delivery of bombs and missiles on target. As a result, the Department of the Navy (DON) cannot be assured that significant problems are being addressed or that resources are being devoted to solve the most serious problems already identified.

Functional Category: Personnel/Organizational Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason for Change in Date(s): Disestablishment of Navy Doctrine Command and lack of full staffing for this effort at the Naval Warfare Development Command delays verification.

Component/Appropriation/Account Number: Military Personnel, Navy, Military Personnel, Marine Corps

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Lessons learned information is used to identify and make known recurring problems, and is used to develop and put into practice corrective measures so problems are not repeated.

Source(s) Identifying Weakness: General Accounting Office, National Security and International Affairs Division (NSIAD)-95-152, "Military Training: Potential to Use Lessons Learned to Avoid Past Mistakes Is Largely Untapped," August 9, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Incorporate a validation process into the DON's lessons learned programs.
C	Provide training to key personnel in the use of lessons learned information and the technology for accessing and reviewing that information.
C	Modify DON lessons learned program to capture and retain all significant lessons learned from operations and exercises.
C	Analyze lessons learned information so that trend data can be developed to identify recurring problems, and prioritize these recurring problems so that limited resources can be concentrated on the most pressing areas. Present funding does not support the long term addition of Remedial Action Program analysts at the Fleet Management Sites (FMS). In the interim, emphasis within the FMS on reviewing and categorizing lessons learned databases has reduced the number of active lessons and eased the burden of tracking and analyzing. Other options to provide manpower using Naval reservists are being considered. Status: Revised. After additional resources identified, identify and analyze lessons learned information so that trend data can be developed. Trend analysis requirements and procedures to be provided by DoD. Program would identify recurring problems, and prioritize these recurring problems so that limited resources can be concentrated on the most pressing areas. In the interim, emphasis within the FMS on reviewing and categorizing lessons learned databases has reduced the number of active lessons and eased the burden of tracking and analyzing. The audit report findings and recommendations for this material weakness has been closed for further followup.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Verification: Subsequent on-site verification, audit, inspection, quality assurance review, and management control reviews verify that an active lesson learned program has reduced incidence of problems recurring.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Navy Enlisted Classification (NEC) Code Training. The control system for NEC training records and assignments is not adequate to prevent or promptly detect all material errors and irregularities in operations. Data transmission errors have occurred, reducing the accuracy of the system; unqualified enlisted personnel were allowed to enroll in and complete NEC producing courses; all NEC codes earned by enlisted personnel through formal school training were not recorded in official personnel records; and valid NEC code transactions were lost each year during automated electronic data transmissions between the training and personnel systems.

Functional Category: Personnel/Organizational Management

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1996

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason For Change in Date(s): Issuing new/revised guidance is taking longer than originally expected.

Component/Appropriation/Account Number: Operation and Maintenance, Navy (17X1804), Military Pay, Navy (17X1453)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: The inventory of NEC codes held by enlisted personnel will be accurately stated in official records. As a result, the Navy will train only the number of personnel needed to satisfy requirements, saving a portion of scarce training funds.

Source(s) Identifying Weakness: Naval Audit Service Reports 049-S-93, "Enlisted Classification Code Training," June 30, 1993 and 016-95, "Utilization of Navy Enlisted Classification Code Training," January 6, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish separation of duties and accountability for NEC removals.
C	Research and, as appropriate, award the 121 identified NECs recorded in Navy Integrated Training Resources Administration System (NITRAS) but not listed in the personnel system.
C	Establish internal controls to ensure accuracy of all NEC data transmitted.
C	Require detailers to use the NEC Manual to determine qualifications for assignments to NEC producing courses.
C	Reemphasize to activities, including detaching commands and training activities, their responsibility for screening service members for proper qualifications before sending them to training.
C	Investigate interface problems between NITRAS and the personnel system, including transmission errors not appearing on reject listings.
C	Establish internal controls (such as detailers' supervisors review of detailer course assignments) so that questionable assignments can be identified, investigated, and corrected.
C	Require enlisted community managers to review and document approval of requests for waiver of qualifications for NEC producing courses prior to detailer assignment.
C	Document reason for and approval of training assignments that deviate from NEC requirements stipulated in requisitions. Require supervisory approval of detailer training assignments that do not meet documented job vacancies.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Revise guidance to require Quota Control Authority approval for all assignments to NEC-producing courses. Chief of Naval Operations will issue a new Instruction, 1500.47A early in 1999, which will be the governing authority.
9/99	Verification: Conduct/utilize a management control review or alternative management control review to certify the effectiveness of all corrective actions.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Naval Selected Reserve Force Mobilization Requirements. Department of the Navy (DON) field activities and manpower claimants did not always use effective procedures or policy guidance to develop and justify selected reserve (SELRES) manpower requirements. Field activities did not always review their mobilization requirements annually. Resource sponsors did not always consider those active duty personnel that are filling peacetime-only billets as a source for filling ship and squadron mobilization requirements. Finally, 20 of the 22 manpower claimants interviewed did not include the function of determining SELRES manpower requirements as an assessable unit under the DON Management Control Program.

An independent validation of mobilization requirements was not performed and, as a result, SELRES mobilization requirements were overstated. Naval Reserve full-time support billets had not been civilianized to the maximum extent possible, requiring the unnecessary use of costlier military assets. DoD and DON guidelines state that civilians shall be used unless military incumbents are required to successfully perform the duties involved. Personnel supporting the Naval Air Reserve function were not being used in an effective and efficient manner. More Full-Time Support (FTS) personnel than needed were maintained to perform peacetime missions. SELRES personnel assigned to augment mobile facilities during mobilization were not needed as their duties could be performed by Active Duty personnel.

Functional Category: Personnel/Organizational Management

Pace of Corrective Action:

Year Identified: FY 1992

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 1999

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Reserve Personnel, Navy (17X1405)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Valid mobilization manpower requirements will ensure, and result in DON activities having an enhanced ability to accomplish mission and functions during a mobilization. Adequate SELRES manpower authorizations result in appropriate RPN programming and funding.

Source(s) Identifying Weakness: Naval Audit Service Report 049-S-91, "Naval Surface Reserve Force Personnel and Training Readiness," June 25, 1991. Naval Audit Service Report 069-S-92, "Naval Selected Reserve Force Mobilization Requirements," June 30, 1992. Department of Defense Inspector General Report (DoDIG) 92-116, "Naval Reserve Reinforcing and Sustaining Units," June 30, 1992. DoDIG Report 96-173, "Requirements for Naval Reserve Component Units Not Assigned to Support Regional Contingencies," June 21, 1996. Naval Audit Service Report 013-97, "Military Essentiality of Naval Surface Reserve Force Full-Time Support Billets," January 13, 1997. Naval Audit Service Report 023-97, "Organization and Staffing of Selected Naval Air Reserve Functions," March 17, 1997.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Ensure that SELRES manpower requirements is reported as an assessable unit.
C	Revalidate the responsible functional sponsor for each functional category. Revalidate all Navy Manpower Mobilization System (NAMMOS) functional categories for applicability under the new planning guidance. Revise the NAMMOS users manual.
C	Issue revised guidance on Navy total force manpower policies and procedures.
C	Provide guidance to manpower claimants on the procedures to be used to conduct a zero-based review of all mobilization manpower requirements.
C	Write and issue a Secretary of the Navy Instruction on Naval reserve policy.
C	Perform functional category reviews/update the Concept of Operations for each functional category based on the new planning guidance.

- C Add the determination/validation/ programming procedures for mobilization manpower requirements to the PERS-51 Total Force Manpower Management course.
- C Revalidate all mobilization manpower requirements, and submit necessary manpower change requests.
- C Identify any cost savings/increases resulting from the revalidation/identification of alternate resourcing of SELRES requirements that results from the new guidance. Since 1992, the DON has eliminated a substantial number of sea-based SELRES requirements, and a small number of shore-based requirements. End-strength was reduced from 127,269 in FY 1991 to 81,118 for FY 1996.
- C Establish guidelines for major claimants to require that independent personnel properly trained in the manpower functional area validate mobilization requirements. Guidance should specify that the independent manpower teams will report to the senior official of the major claimant being validated.
- C Justify mobilization requirements for Reserve Unit 106.
- C Review all zero-based documentation to ensure the correct productivity adjustment factor has been used, and make any necessary changes to mobilization manpower requirements.
- C Establish a requirement for annual reviews of manpower claimants' mobilization requirements to ensure that they follow the policies and procedures in Chief of Naval Operations (CNO) Instruction 1000.16H, "Manual of Navy Total Force Manpower Policies and Procedures," March 25, 1994.
- C Include the requirement to screen civilian employees as a specific step in the assessment of mobilization workload in CNO Instruction 1000.16H.
- C Reduce Mobile Maintenance Facility mobilization SELRES personnel support, and reprogram billets.
- C Initiate action to convert Naval Reserve FTS billets to civilian status, including appropriate funding transfers.
- C Discontinue using military essentiality codes to justify military positions, unless positions are required to upgrade incumbents' combat essential military skills.

Planned Milestones (FY 1999):

Date:	Milestone:
9/99	Verification: Conduct management reviews to certify the effectiveness of all corrective actions.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Records Management. A material weakness exists within the records management area because the records retention schedule has not been approved by the National Archives and Records Administration (NARA). NARA approval would allow destruction of official records. Due to a FY 1996 reorganization in the Defense Commissary Agency (DeCA), several additional file numbers, descriptions and dispositions had to be included in the planned records schedule before NARA could take action to approve.

Functional Category: Personnel/Organizational Management

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1994

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason For Change in Date(s): A minor change in the system deployment effort left the Agency in a position where a thorough verification and validation process could not be completed this fiscal year.

Component/Appropriation/Account Number: Defense Commissary Agency/Defense Working Capital Fund-Commissary Operations/97X4930

Validation Process: Effectiveness of corrective actions will be determined by management visits, feedback from training sessions, results of inspector general process reviews, management control reviews, and feedback from records staging and holding areas.

Results Indicators: Benefits derived from the corrective action and overall impact:

- 100 percent of units have properly established records management systems.
- Current FY records are properly controlled using DeCA records procedures.
- DeCA activities demonstrate compliance with annual records retention, destruction, or carrying forward requirements.

- Effective and efficient storage retrieval practices are in place to provide managers and action officers timely access to required records.

Source(s) Identifying Weakness: Managerial assessment, management assistance visits and functional information management program feedback.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Region management visits scheduled for FY 1992.
C	Draft directive containing policies and operating procedures distributed.
C	Records retention schedule submitted to NARA.
C	Functional training scheduled for FY 1993.
C	Complete functional training.
C	Review records program implementation/spot remedial training.
C	Review FY 1992 year-end records close out and first year records disposition.
C	Complete records management visits to regions, service centers and agency staff.
C	Review design for electronic records system.
C	Published draft records retention schedule.
C	Store records management concept development plan.
C	Store records management requirements analysis.
C	Store records management market survey.
C	Store records management analysis of alternatives.
C	Design electronic records system.
C	Procure and install hardware at selected pilot test region.

- C Install Commercial Off The Shelf (COTS) software. Upload store records and retention schedule into the system.
- C Commence pilot testing.
- C End pilot testing/evaluate results.
- C Procure hardware/software for full deployment.
- C Commence full deployment.
- C Train users on electronic system.

Planned Milestones (FY 1999):

Date:	Milestone:
09/99	Verification/Validation-Close material weakness.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Navy Management of Missile Storage, Handling, and Inspections. The Department of Navy (DON) planned to construct explosive ordnance structures that it did not need. Department of Defense (DoD) Instruction 7040.4 specifies military construction (MILCON) funds are not to be used until full consideration is given to converting or altering existing structures to satisfy new requirements.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1999

Reason For Change in Date(s): The responsibility for publication of the DON instruction for reporting use of ordnance structures was transferred, resulting in a delay.

Component/Appropriation/Account Number: MILCON, 17Y1205; various years

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: The DON will put MILCON funds to better use for needed explosive ordnance structures, disposal of excess ordnance, increasing available space in ordnance structures, and consolidating the management of ordnance structures.

Source(s) Identifying Weakness: DoD Inspector General Report No. 96-025, "Navy Management of Missile Storage, Handling, and Inspections," November 27, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish a policy requiring the timely disposition of excess ordnance.
C	Cancel \$56.0 million of constructions projects, including 11 of the 15 planned explosive ordnance storage structures.
C	Establish a specific DON activity as the worldwide manager of shore-based ordnance, and validate requirements for all future ordnance construction projects.

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Revise procedures in DON Instruction for reporting use of ordnance structures to include clarification for reporting small arms ammunition space.
9/99	Verification: On-site verifications, subsequent audits, inspections, quality assurance reviews, and management control reviews verify elimination of unneeded and unjustified missile storage facilities.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Financial Management of Foreign Military Sales (FMS). Internal controls necessary for proper financial management of FMS line execution were inadequate. Weaknesses existed in the areas of recording of payments, proper reimbursement of expenses, and delivery reporting which especially impacted the collection of nonrecurring costs for major defense equipment (MDE).

Functional Category: Security Assistance

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 1999

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: FMS Trust Fund, 9711 X8242, and Treasury Miscellaneous Receipt Account, 57*3041

Validation Process: The effectiveness of new procedures will be verified by a self-inspection.

Results Indicators: Countries will be appropriately charged for FMS services. Nonrecurring cost collections will be made within 30 days of MDE delivery and deposited to the U.S. Treasury.

Source(s) Identifying Weaknesses: General Accounting Office report, "Foreign Military Sales: Millions of Dollars of Nonrecurring Research and Development Costs Have Not Been Recovered," October 1998, and Management Control Review, June 1997.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Review existing Air Force procedural guidance.
C	Meet with DFAS representatives from Security Assistance Accounting to discuss appropriate procedures and determine training needs.
C	Establish new procedures for case implementation that ensures accounting records are established and obligation authority is available prior to issuing TDY orders.
C	Initiate collections for outstanding nonrecurring cost charges from FMS customers.

Planned Milestones (FY 1999):

9/99	A contractor will complete a review of all security assistance financial management procedures and identify standard processes that include adequate internal control features.
9/99	A contractor will develop a financial handbook and identify training needs.
9/99	Perform necessary training and implement the revised procedures for financial management of FMS case lines.
9/99	Complete review of open MDE cases to ensure nonrecurring costs have been collected or properly identified for collection when the MDE is delivered.
9/99	Perform self-inspections.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Management of Historical Property in the Air Force Museum System. Existing internal controls were not sufficient to properly manage and control historical property at Air Force museums and other locations.

Functional Category: Support Services

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 1999

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: The effectiveness of corrective actions will be verified by major command history offices in cooperation with the U. S. Air Force (USAF) Museum and selected local audits by Air Force Audit Agency (AFAA) detachments.

Results Indicators: Corrective actions will result in fewer missing, improperly documented, or inadequately protected artifacts.

Source(s) Identifying Weakness: AFAA Report of Audit, "USAF Museum System," Project 96051028, September 4, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	USAF Museum conducted the first class of new basic curator course to provide training in the requirements and procedures of the USAF Museum System.

- C Air Force (AF) Manpower Standards for Field Museums submitted to Headquarters, USAF Manpower Requirements Division for review. This new AF Manpower Standard will require a minimum of three positions to operate a field museum, or the museum will have to be closed or reduced to a heritage center.
- C Special teams began conducting inventories of all historical property accounts against USAF Museum records.
- C AF Manpower Standard for Field Museums published.
- C Complete additional basic curator course training.
- C Began implementation of Army Museum Information Management System, which will provide a standard automated database for historical property.
- C Special teams completed inventory of 383 historical property accounts.
- C Perform staff assistance visits.
- C Publish revised AFI-84-103, Museum System, which provides more detailed guidance for property disposal.
- C New museum information management system software distributed for inventorying and reporting historical property.

Planned Milestones (FY 1999):

Date:	Milestone:
9/99	Identify unreported historical property for possible accessioning as artifacts.
9/99	Major command history offices will review field implementation.

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Pollution Prevention. Initial Army policies, plans, and programs have been established at all management levels; however, there remains widespread recognition that the Army's pollution prevention program is not fully effective. Budget decrements have placed pressure to divert funding toward immediate needs rather than long-term cost avoidance via a sound pollution prevention program. Policy setting and funding execution is divorced, creating an Army accountability issue within the environmental program. This management deficiency has resulted in a failure to identify up-front, and to implement early, various pollution prevention requirements and opportunities that could reduce "total ownership costs" for the Army – that is, costs in operations, training, logistics, acquisition, weapons system and materiel management, research and development, health, safety, and other environmental program areas. For example, the Department of Defense Inspector General (DoDIG) found that the compliance audit process does not include procedures for oversight and follow-up of pollution prevention program deficiencies. They also found that opportunities for potential operational cost savings, reduced health risks, and reduced liabilities may have been missed. This could result in the Army not meeting the requirements of goals of Federal, State, and local regulations, DoD policies, and key Executive Orders on pollution prevention. Future costs and potential liabilities associated with environmental compliance and restoration are likely to increase.

Action will focus on a total Army integration of pollution prevention and how environmental issues effect the entire Army; and, more importantly, how all Army communities can improve long-term cost avoidance in their environmental management areas to improve availability of Army funds to meet mission needs. Assistant Secretary of the Army (Installation, Logistics and Environment) (ASA(IL&E)) will show leadership in pulling together pollution prevention efforts and resources into its overall "Total Ownership Cost Reduction" programs, involving installations, logistics and environmental management programs. ASA(IL&E) will set policies, program directions, guidance, obtain and allocate funds to address management processes and to clearly fix responsibility and provide tools for reducing/eliminating pollution. ASA(IL&E) and Assistant Secretary of the Army (Research, Development and Acquisition) (ASA(RDA)) will use existing relationships and see new ones to initiate innovative methods to improve pollution prevention integration into up-front planning and development to reduce total ownership (including life cycle) and restoration costs for the Army.

Functional Category: Other

Pace of Corrective Action:

Year Identified: FY 1998

Original Targeted Correction Date: FY 2000

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriate/Account Number: Army/Other Procurement, Army; Research, Development, Test and Evaluation, Army; Operations and Maintenance, Army Reserve and Army National Guard; Aircraft, and Wheeled and Tracked Vehicle

Validation Process: US Army Audit Agency (USAAA) will validate final corrective actions

Results Indicators: Improved accounting for environmental costs and liabilities across all mission areas. Alignment of resource levels with policy and guidance. Development and execution of strategic plans to identify and provide methodology to achieve a Total Ownership Cost reduction. Documented compliance with pollution prevention aspects of Federal, State, and local regulations; DoD policies; and key Executive Orders.

Source(s) Identifying Weakness: DoDIG Report 98-001, "Evaluation of the Department of Defense Pollution Prevention Program," October 30, 1997. DoDIG Report 98-185, "Financial Management of the RAH-66 Comanche Helicopter Program," August 6, 1998. Director of Environmental Programs, Office of the Assistant Chief of Staff for Installation Management review.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Established Environmental Technology Technical Council (ETTC) and Army Investment Strategy Policy addressing environmental quality technology Research, Development, Test and Evaluation (RDT&E) critical needs.
C	Initiated "Pollution Prevention (P2) in Acquisition Process" Study.B2-4B.

Planned Milestones (FY 1999):

Date:	Milestone:
03/99	Re-evaluate the role of the Environmental Quality Control Committee (EQCC) and determine most effective application within current ASA(IL&E) and ASA(RDA) Headquarters, Department of the Army (HQDA) level partnerships.
03/99	Review funding policies for environmental management. Revise as needed to ensure “must fund” policies can be complied with and are consistent with overarching guidance (e.g., The Army Plan (TAP)).
09/99	Review compliance and pollution prevention funding streams and revise funding strategy.
09/99	Execute Activity Based Costing analyses on pilot installations and acquisition programs to assess true “environmental costs of doing business.”
09/99	Review and revise as necessary compliance audit processes to better address pollution prevention requirements, and also to ensure systemic, quality based approach to environmental management.

Planned Milestones (Beyond FY 1999):

Date:	Milestones:
09/00	Ensure all pollution prevention plans and strategies are updated adequate and appropriately implemented.
09/00	Fully integrate environmental considerations in acquisition program system engineering processes.
09/00	Adjust Program Objective Memorandum FY 1902 – 1907 to meet pollution prevention and environmental goals, across all Program Execution Guidance (PEGs).
09/00	USAAA validates the final corrective action.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
STATUS OF CORRECTIVE ACTION ON MATERIAL WEAKNESSES

Title and Description of Material Weakness: Management and Administration of International Agreements in the U.S. Central Command (USCENTCOM). Identified in Office of the Inspector General, Department of Defense (DoDIG), Audit Report Number 98-094, March 23, 1998. This report indicated that a material weakness existed in identifying the total number of international agreements that have been negotiated and concluded in the USCENTCOM. Specifically, the component commands within USCENTCOM, as well as other DoD organizations, were negotiating and concluding international agreements without notifying USCENTCOM during negotiations or providing the command a copy of the agreement when concluded. As a result, USCENTCOM was not cognizant of the international agreements concluded within its area of operations and whether duplicate agreements were being negotiated and concluded.

Functional Category: Other

Pace of Corrective Action:

Year Identified: FY 1998

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 1999

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: N/A

Validation Process: The method to be used to certify effectiveness of the corrective action is the identification of the final inputs to the database created in May, 1998.

Results Indicators: The key results that will be achieved do not include monetary benefits. Rather, they are the qualitative performance measures found in fulfilling DoD direction to maintain files on international agreements and facilitating research on international agreements that currently exist, have expired or are under negotiation.

Source(s) Identifying Weakness: DoDIG Audit Report Number 98-094, "Management and Administration of International Agreements in the U.S. Central Command," March 23, 1998.

Major Milestones in Corrective Action: (C = Completed)

Corrective action will involve the creation of the following described database on international agreements: Relational database designed, using Microsoft Access software, that correlates multiple data fields to include country, subject, dates of entry and expiration, citations to publications, if available and signatories. These fields are further organized and accessible according to whether the agreements are current, expired or under negotiation. The database allows for individual reports to be printed to include the index of current agreements (provided annually to the DoD General Counsel) or individual agreement break-out by country, which will also assist individuals engaged in negotiation of pending agreements in particular countries.

Completed Milestones:

Date:	Milestone:
C	Completed database initial construction and inputs

Planned Milestones (FY 1999):

Date:	Milestone:
3/99	Complete database inputs to remaining fields and including pending agreements

Planned Milestones (Beyond FY 1999):

Date:	Milestone:
	None.

ENCLOSURE B-3

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Cover Support Plan (CSP) Staffing Format and Process, Staffing Timeline, and Office of Primary Responsibility (OPR). Effective management controls are not fully in place nor are they adequate. The format and general staffing process for Army CSPs are outlined in Army Regulation (AR) 381-102, US Army Cover Support Program. With the stand-up of the Defense Human Intelligence (HUMINT) Service and their primacy in Department of Defense (DoD) cover issues, the Defense Intelligence Agency has issued, through the Defense Central Cover Division, a revised format for CSPs and a different staffing process. This process has not been formalized through DoD-directed implementing instructions to the components for a regulatory revision. As a result, two conflicting CSP format instructions exist, with both the Army and DoD proponent claiming primacy. The process for staffing CSPs is inadequately detailed. Offices responsible for drafting CSPs require clear, coordinated guidance on addresses and paper flow to forward and administratively track the CSPs. No management entity has been assigned OPR to ensure timely CSP preparation, timely staffing, and effective arbitration of component and DoD issues. DoD must establish a clear CSP policy.

Functional Category: Communications/Intelligence/Security

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: TBD

Targeted Correction Date in Last Year's Report: TBD

Current Target Date: FY 1998

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Army/National Foreign Intelligence Program/Security and Intelligence Activities Program

Validation Process: US Army Audit Agency (USAAA) validated the Office of the Deputy Chief of Staff for Intelligence (ODCSINT) corrective actions.

Results Indicators: Quality of CSPs will improve as a result of a single format. Approval timelines will shorten, given a known, formalized staffing process. An identified OPR will ensure adequate preparation, staffing, and resolution of differences identified during staffing.

Source(s) Identifying Weakness: US Army Intelligence & Security Command Management Control Evaluation, DA Inspector General Finding, FY 1996, DoD Inspector General Report Number PO 97-010, "Impact of DoD Automation Activities on the DoD Covered Community."

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASDC ³ I) published a message interim guidance detailing CSP process/timeline/OPR. ASDC ³ I developed draft implementing instructions for incorporation into AR 381-102.
C	ASDC ³ I submitted draft implementing instructions to the Services for comment.
C	ODCSINT began revising AR 381-102 based on ASDC ³ I implementing instructions.
C	ODCSINT provided ASDC ³ I comments to draft implementing instructions.
C	ODCSINT submitted draft AR 381-102 to the field for comment.
C	ODCSINT reviewed field comments to draft AR 381-102.
C	USAAA validated the corrective actions for this material weakness.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Internal controls over accuracy of product inventory were not sufficient to ensure the fair presentation of National Imagery and Mapping Agency (NIMA), formerly the Defense Mapping Agency (DMA), inventory in the financial statements required by the Chief Financial Officers Act of 1990. Specifically, the former DMA did not perform required inventories, and accounting records were inaccurate. Also, the former DMA performed only limited research on major inventory discrepancies. DMA as an organization no longer exists as of September 30, 1996. All DMA functions were transferred into a new agency, the National Imagery and Mapping Agency (NIMA) which stood up October 1, 1996. On April 1, 1998, NIMA's hardcopy inventory and distribution responsibilities were transferred to the Defense Logistics Agency (DLA).

Functional Category: Comptroller and/or Resource Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 1998

Reason For Change In Date: Milestones complete.

Component/Appropriation/Account Number: 9760100 4802 663200

Validation Process: Cross-check results of random sample inventory with what is included in the Depot Standard System Database. Verify that the cost accounting system operations are in compliance with the Federal Managers' Financial Integrity Act of 1982.

Results Indicators: Physical inventory count matches with the inventory count in the database; associated cost reported in the annual financial statement represents a valid cost of the inventory.

Source(s) Identifying Weakness: Department of Defense Inspector General (DoDIG) Audit Report, "Inventory at Defense Mapping Agency," March 26, 1996 - Report Number 96-088.

Major Milestones in Corrective Action: (C = Complete)

Completed Milestones:

Date:	Milestone:
C	Establish controls to ensure requests for products submitted outside the former DMA Automated Distribution Management System (DADMS) are properly recorded in accountable records.
C	Establish controls that will ensure that the former DMA Philadelphia personnel enter all bulk storage locations into the bulk locator system.
C	Establish controls to assure that former DMA Bethesda personnel enter the correct computed costs in the DADMS.
C	Review and adjust overhead rate calculations to ensure that NIMA cost analysts include all costs and properly classify them as direct, indirect, or not applicable.
C	Include footnote to future financial statements to identify the estimated inventory in excess of expected requirements and required war reserves.
C	Perform an inventory of products at the NIMA, Philadelphia Depot and report results to DLA.
C	Transfer stocks from NIMA Depot Philadelphia, PA, to the Defense Supply Center, Richmond, VA, in April 1998 where DLA will provide continued distribution functions.
C	Capture reproduction cost for products in the Job Order Cost Accounting System (JOCAS II).
C	Base inventory valuation on historical costs as information becomes available and appropriately footnote financial statement to indicate the lack of historical cost data, until the cost of each product is available. The Defense Logistics Agency is responsible for performing the validation of any future product inventories. Inventories will be compared to database reports to determine accuracy.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Computer Equipment Control and Accountability. Internal controls were not effective to ensure that computer equipment inventory is accurately maintained.

Functional Category: Information Technology

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1998

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Operation and Maintenance, 57*3400

Validation Process: Major Commands (MAJCOMS) are required to annually certify accuracy of the computer equipment database with physical inventory records.

Results Indicators: Corrective actions should ensure financial reports will accurately reflect computer equipment valuation and be able to identify and locate specific equipment.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit, "Review of General Fund Equipment and Vehicle Accountability, FY 1992 Air Force Consolidated Financial Statements," Project 92053018, January 24, 1994 and "Review of the Equipment and Vehicle Inventory, FY 1993 Air Force Consolidated Financial Statements," Project 93053007, July 22, 1994.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Assign additional manpower at each base for computer equipment management.
C	Direct MAJCOMs to implement oversight procedures to regularly review computer inventory status to ensure it is accurate and complete.
C	Direct MAJCOMs to instruct base communications personnel to use the Information Processing Management System (IPMS) to notify personnel at receiving bases and document equipment transfers between bases.
C	Send message to all MAJCOMs implementing procedures and provisions to annually certify that equipment custodians have conducted required inventories and notify applicable base equipment control officers when equipment is purchased for their bases.
C	Develop and issue procedural guidance to MAJCOMs requiring computer equipment custodian training and, precluded personnel with access to the IPMS from also being equipment custodians.
C	Implement an upgrade to the IPMS.
C	Publish Air Force Instruction (AFI) 33-112, Computer Systems Management. This AFI places more automated data processing equipment (ADPE) accountability and management responsibilities on commanders, instead of communications control officers, at all levels.
C	Issue a memorandum establishing a \$500 accountability threshold for ADPE. This memorandum affects lower management control costs by allowing low-cost ADPE items, excluding central processing units (CPUs), to be removed from the Air Force inventory. This action removes a significant portion of the Air Force ADPE inventory from IPMS and places the burden/costs of management control more in line with the resources available to oversee computer equipment inventory requirements.

- C Issue a message to all field activities that highlights the mandatory requirement for annual certification of inventories for all accountable computer systems.
- C Issue a message to all field activities that highlights the requirement for an annual inventory of all ADPE assets under Air Force control. The message also emphasized the requirement to provide certification to the DoD Chief Information Officer that the Air Force inventory is complete and accurate as of the end of each fiscal year.
- C Certify the inventory data is complete and accurate.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Aircraft Corrosion Prevention and Control. Marine Corps Aircraft Corrosion Prevention and Control needs to be improved for prevention of aircraft damage. One quarter (21 of 83) of the active duty squadrons audited had incomplete inspection records, and 64 of 292 (22 percent) of the required corrosion inspections were not performed within the required inspection frequency intervals. Organizational corrosion maintenance procedures were inadequate for prevention of aircraft damage. These conditions existed because commands did not provide the emphasis needed to implement effective programs and lacked sufficient trained personnel to meet minimum requirements.

Functional Category: Manufacturing, Maintenance and Repair

Pace of Corrective Action:

Year Identified: FY 1997

Original Targeted Correction Date: FY 1999

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 1998

Reason For Change in Date(s): Verification of the effectiveness of the corrective measures occurred several months earlier than originally planned.

Component/Appropriation/Account Number: Operation and Maintenance, Marine Corps, (17X1106)

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: The Marine Corps could have funds available for a better use.

Source(s) Identifying Weakness: Department of Defense Inspector General Report 97-015, "U.S. Marine Corps Aircraft Corrosion Prevention and Control," October 31, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Develop a Marine Corps Aviation Campaign Plan that makes functional changes in methods of training and operating while sustaining combat readiness.
C	Supplement with contracting support where manpower shortage and/or training while considering the long term solutions of increasing manpower, allocating more time for corrosion prevention/treatment and more training.
C	Verification: On-site verification has validated the effective implementation of the necessary corrective measures.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Procurement Management. Recent management reviews and audit reports indicate weaknesses in management controls over the Defense Information Systems Agency (DISA) procurement process. This condition has been attributed, in part, to inadequate/ineffective controls over the procedures that ensure accountability and adherence to established Federal procurement policy.

Functional Category: Procurement

Pace of Corrective Action:

Year Identified: 1995

Original Targeted Correction Date: 1996

Targeted Correction Date in Last Year's Report: 1998

Current Target Date: 1998

Reason For Change in Date(s): N/A

Component/Appropriation/Account Number: Operations and Maintenance, Defense Agencies, 970100, Defense Working Capital Fund (DWCF) (formerly Defense Business Operation Fund), 97X4962, Research and Development, Defense Agencies, and Procurement, Defense Agencies

Validation Process: The Deputy Direct for Acquisition, Logistics, and Facilities (D4) coordinated an independent Procurement Management Review (PMR) by the Defense Logistics Agency. The PMR's purpose was evaluate the overall performance of DISA's procurement system. It began in the first quarter of FY 1997 with the Defense Logistics Agency (DLA) PMR of Defense Information Technology Contracting Organization (DITCO)-Scott AFB, Illinois. It ended with the second quarter FY 1998 PMR of DITCO-National Capital Region and D4. Upon completion of the PMR, DLA issued a report with its findings and recommendations.

Results Indicators: The DLA PMR report concluded that improvement in policy dissemination, communications, and controls have returned DISA procurement to functionality that is in the best interest of the Government and is in full compliance with laws and regulations. The report commended D4 for its outreach efforts to acquisition liaisons to help them stay current and for using the Internet for disseminating new regulations and policy. DITCO was commended for its new requirement for legal and compliance reviews and for its well-organized files and documentation. D4 was

commended for the work of the Acquisition Strategy Committee in reviewing the soundness of acquisition plans and for involving the DISA Chief Information Officer (CIO). The report therefore provides verification that the material weakness has been corrected.

Source(s) Identifying Weakness: Department of Defense Inspector General and DISA-Inspector General (multiple audits and investigations).

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Established a procurement working group to take appropriate actions to close outstanding recommendations contained in previous audit reports.
C	Issued Contract Information Letters (CILs) on improper business practices, conflict of interest, and areas of prior abuse.
C	Initiated mandatory training for Contracting Officer's Representatives.
C	Developed and promulgated a guide on the Federal Acquisition Streamlining Act (FASA) and the Federal Acquisition Regulations (FAR) rules.
C	Developed quality control "check lists" for contracting officers and technical assistance efforts.
C	Began pre- and post-award contract review and quality control analysis.
C	Began legal sufficiency analysis of procurement and contract administration.
C	Published Agency-level protest and contract approval business clearance review processes.
C	Updated DISA Acquisition Policy and Procedures (DAPP).
C	PMR Verified that material weakness has been corrected.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Unaccompanied Enlisted Personnel Housing. Auditors identified that Marine Corps guidance on estimating housing requirements needs clarification and improvement. The Marine Corps overestimated the number of permanent party unaccompanied enlisted personnel requiring housing by 3,870 barracks spaces. The overestimate occurred because guidance did not specify removing ineligible Marines from personnel loading data used to compute permanent party barracks requirements. Transient personnel, deployed personnel, and enlisted personnel in grades E-6 and above residing in the local community should not be included in the personnel data used to calculate housing needs.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1998

Original Targeted Correction Date: FY 1998

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 1998

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Military Construction, Navy (MILCON), 17Y1205, various years

Validation Process: All corrective action(s) are certified by the responsible command upon completion and reviewed through on-site verifications, subsequent audits, inspections, quality assurance reviews, and or management control evaluations.

Results Indicators: The Marine Corps would not overestimate the number of Marines requiring housing and cause excess construction of facilities.

Source(s) Identifying Weakness: Department of Defense Inspector General (DoDIG) Report 97-142, "Unaccompanied Enlisted Personnel Housing Requirements for Marine Corps Base Camp Pendleton, California," May 9, 1993, and DoDIG Report 98-003, "Unaccompanied Enlisted Personnel Housing Requirements for Marine Corps Base Camp Lejuene," October 3, 1997.

Major Milestones in Corrective Actions: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	The Marine Corps will issue written guidance that provides explicit instructions for preparing requirements for unaccompanied enlisted housing.
C	Verification: The current budget submission has verified that the guidance change has been effective in correcting this weakness.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Military Construction Value Engineering (VE) Program. Management controls were not sufficient to ensure that all required VE studies were accomplished and that all annual plans were submitted for military construction.

Functional Category: Property Management

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

Targeted Correction Date in Last Year's Report: 1998

Current Target Date: N/A

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Air Force, Military Construction, 57*3300

Validation Process: Headquarters performs an annual review of Value Engineering plans and reports submitted by each major command.

Results Indicators: All VE studies will be accomplished which will promote quality and remove nonessential costs from projects, programs and acquisitions.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit, "Military Construction Value Engineering Program," Project 96052027, August 29, 1996.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Reemphasize to field activities the importance of supporting the Value Engineering Program.

- C Issue updated guidance on identifying projects for which VE should be performed, on methods to obtain training, and a new approach to requiring VE as part of the design process.
- C Publish an annual call letter for value engineering plans.
- C Conduct VE workshops for military construction project managers.
- C Perform annual headquarters review of VE plans and reports submitted by each major command.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Price Challenges on Selected Spare Parts. The Navy provided inadequate responses to 24 of 45 selected price challenges submitted under the Buy Our Spares Smart (BOSS) challenge program. As a result, unreasonable pricing of spare parts was not detected, and the undetected unreasonable prices may be used as a basis to justify prices for future procurements.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1996

Original Targeted Correction Date: FY 1997

Targeted Correction Date in Last Year's Report: FY 1998

Current Target Date: FY 1998

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: Various

Validation Process: All corrective action(s) are certified by the responsible components upon completion and reviewed through on-site verification, subsequent audit, inspection, quality assurance review, and management control review.

Results Indicators: Determination as to whether or not contractor prices were fair and reasonable will result in refunds from contractors and prevent unreasonable prices on subsequent procurements.

Source(s) Identifying Weakness: Department of Defense Inspector General Report Number 96-035, "Price Challenges on Selected Spare Parts," December 12, 1995.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Issue guidance to reemphasize price challenge program policy and ensure that Navy inventory control point personnel respond promptly and accurately to price challenge hotline requests for information.
C	Reemphasize process requiring the Navy price fighter activity to forward all pricing issues not evaluated by the price fighters to the appropriate activity on behalf of the price challenger.
C	Issue guidance emphasizing the responsibility of the Navy buying activity contracting officer to determine price fairness and reasonableness.
C	Amend the Navy memorandum of agreement with the Defense Logistics Agency (DLA) to incorporate the requirement for processing Navy pricing inquiries received by DLA inventory control points.
C	Verification: An on-site verification of fair and reasonable contractor prices was conducted during the Procurement Performance Management Assessment Program review at the Naval Inventory Control Point (NAVICP), January 12-30, 1998.

DEPARTMENT OF DEFENSE
FISCAL YEAR 1998
CORRECTED MATERIAL WEAKNESS

Title and Description of Material Weakness: Inventory Accuracy Rates. Prescribed Department of Defense (DoD) guidance does not provide adequate procedures to achieve DoD required inventory accuracy rates.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 1993

Original Targeted Correction Date: FY 1995

Targeted Correction Date in Last Year's Report: FY 1999

Current Target Date: FY 1998

Reason for Change in Date(s): Inventory accountability responsibility transferred to the Defense Logistics Agency (DLA).

Component/Appropriation/Account Number: Air Force, Working Capital Fund, 97*4930

Validation Process: The DLA has inherited the responsibility for inventory of assets in the warehouse and also has inventory accountability responsibility. Their systems have not been found to have weaknesses.

Results Indicators: The Air Force no longer has responsibilities that would impact on inventory accuracy rates.

Source(s) Identifying Weakness: Air Force Audit Agency Report of Audit, "Internal Control and Management Issues Related to Air Force Supply Management, Systems Support Division, Fiscal Year 1992 Financial Statements," Project 92068040, November 16, 1993.

Major Milestones in Corrective Action: (C = Completed)

Completed Milestones:

Date:	Milestone:
C	Establish a DoD Multi-Service group to develop a proposed inventory sampling technique to enhance the inventory accuracy rates.
C	Conduct a joint Air Force/Army test of procedures.
C	Implement interim DoD procedures.
C	DoD developed revised procedures.
C	DoD tested revised procedures.
C	Inventory accountability responsibility inherited by DLA.