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Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DOD SUPPORT FOR THE 1996 PARALYMPICS
AND CENTENNIAL OLYMPIC GAMES**

Report No. 97-156

June 9, 1997

Department of Defense

AI00-01 0222

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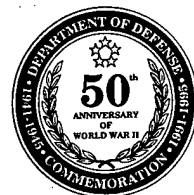
Acronyms

ACOG
APOC
OSE

Atlanta Committee for Olympic Games
Atlanta Paralympic Organizing Committee
Office of Special Events



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
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June 9, 1997

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
UNDER SECRETARY OF DEFENSE FOR PERSONNEL
AND READINESS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
DIRECTOR, OFFICE OF SPECIAL EVENTS
DIRECTOR, WASHINGTON HEADQUARTERS
SERVICES**

SUBJECT: Audit Report on DoD Support for the 1996 Paralympics and Centennial Olympic Games (Report No. 97-156)

We are providing this audit report for review and comment. We considered management comments on a draft of this report when preparing the final report. This is the second in a series of reports prepared in response to a request by the Director, Office of Special Events, on the DoD support of the 1996 Paralympics and Centennial Olympic Games.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Although the management comments did not conform to the requirements of DoD Directive 7650.3, the transfer of the function of the Office of Special Events to the Secretary of the Army has resulted in the recommendations in this report being redirected to the Army. Accordingly, we request that the Assistant Secretary of the Army (Installations, Logistics, and Environment) provide comments on Recommendations A.1. through A.3. and B. by August 10, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. David F. Vincent, Audit Program Director, at (703) 604-9110 (DSN 664-9110), or Mr. John A. Richards, Audit Project Manager, at (703) 604-9133 (DSN 664-9133). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-156
(Project No. 6FH-5020.01)

June 9, 1997

DoD Support for the 1996 Paralympics and Centennial Olympic Games

Executive Summary

Introduction. This is the second in a series of reports prepared in response to a request by the Director, Office of Special Events, on the DoD support of the 1996 Paralympics and Centennial Olympic Games. A report was issued on financial issues previously identified during this audit. Specifically, the report established that the Olympic appropriation was not authorized to receive reimbursement for the DoD support provided during special events. However, since the report was published in June 1996, Congress approved the 1997 Appropriations Act, which gives DoD the authority to receive reimbursements into the Special Events appropriation.

On January 31, 1997, the Deputy Secretary of Defense realigned the operational responsibilities, functions, and resources associated with the DoD support to international and national special events from the Office of Special Events and Office of the Under Secretary of Defense (Personnel and Readiness) to the Secretary of the Army. The transfer is ongoing; no completion date has been established. We were requested by the Director, Administration and Management, to oversee the transfer of resources to the Secretary of the Army and that audit is also in progress.

Audit Objectives. The primary audit objective was to evaluate whether funds appropriated to support the Olympics were properly controlled, recorded, and accounted for. We also evaluated whether management controls over inventory and equipment provided to Olympic security details were accurate. This report focuses on the management controls over inventory maintained by the Office of Special Events to support the 1996 Paralympics and Centennial Olympic Games.

Audit Results. In general, the Office of Special Events accurately recorded and effectively maintained and safeguarded the \$32 million of equipment used to support the 1996 Paralympics and Centennial Olympic Games. However, certain issues merit management's attention. The Office of Special Events did not aggressively pursue prompt return or reimbursement for about \$500,000 worth of items (as of March 1, 1997). As a result, additional resources could be expended to replace the unrecovered items or unreimbursed losses (Finding A). In addition, when issuing inventory equipment, the Office of Special Events did not fully comply with the criteria for "supplier of last resort," and as a result, provided support that exceeded DoD policy for providing such support (Finding B). The management controls we reviewed were effective in that no material management control weaknesses were identified.

Summary of Recommendations. We recommend that the Assistant Secretary of the Army (Installations, Logistics, and Environment) attempt to recover any equipment for which the losses have not been reimbursed and refer the liabilities for the remaining lost items to the Washington Headquarters Services for appropriate collection effort.

We also recommend that the Assistant Secretary of the Army (Installations, Logistics, and Environment) limit future support to security issues and only when support is not available from other sources.

Management Comments. The Under Secretary of Defense for Personnel and Readiness and the Director, Office of Special Events, provided comments on the report. In general, the comments neither concurred nor nonconcurred with the recommendations. We interpreted comments from the Under Secretary of Defense (Personnel and Readiness) as concurring with the recommendation to refer the liabilities for any outstanding items lost to the Washington Headquarters Service for appropriate collection efforts. The Director, Office of Special Events, stated that 99.6 percent of the equipment was returned and 88 percent of all debts were paid as of April 28, 1997. The Director, Operations and Personnel Directorate, Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller), submitted additional comments that agree with the recommendations and with the other management comments. See Part I for a discussion of audit results and Part III for complete text of management comments.

Audit Response. The comments received in response to the draft report were not responsive. However, the transfer of the function of the Office of Special Events to the Secretary of the Army has resulted in the recommendations in this report being redirected to the Army. Accordingly, we request that the Assistant Secretary of the Army (Installations, Logistics, and Environment) provide comments on this report by August 10, 1997.

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Part I - Audit Results

Audit Background

This is the second in a series of reports prepared in response to a request by the Director, Office of Special Events, on DoD support of the 1996 Paralympics and Centennial Olympic Games (the Games). A prior report pointed out that the Olympic appropriation was not authorized to receive nearly \$1.7 million in reimbursements for the DoD support provided during special events. Subsequent to the report, Congress approved in the 1997 Appropriations Act, which gave DoD the authority to receive reimbursements into the Special Events appropriation.

The Office of Special Events (OSE) provides substantial security and logistical support to special events, as authorized by DoD Directive 2000.15, "Support of Special Events," November 21, 1994. The OSE provides security and law enforcement support through the establishment of communications, intelligence, and physical barriers and through the coordination of local, state, and Federal efforts. DoD Directive 2000.15 states that the OSE support may include equipment, personnel, and technical or managerial advice; however, such support shall be provided as a last resort. In support of the Games, OSE established inventory loan agreements to provide equipment on a temporary basis to state and local law enforcement agencies, Paralympic and Olympic organizing committees, and other Federal agencies.

The 1996 Centennial Olympic Games took place from July 19 through August 4, 1996, and the 1996 Paralympics took place from August 15 through August 25, 1996. Before the 1996 Paralympics and Centennial Olympic Games, the OSE procured, leased, and borrowed equipment to build up the OSE inventory. At the time of the Games, OSE had a \$32 million inventory of supplies and equipment dedicated to supporting the Games. OSE maintained various types of equipment in its inventory, such as physical security equipment, office equipment, furniture, computer equipment, and communications equipment. The inventory was warehoused in Atlanta, Georgia, and Washington, D.C., and recorded in the OSE ledger.

At the end of the Games, the OSE was responsible for disassembling its security system in the Olympic Village, recovering loaned equipment, and assessing charges for unreturned or damaged inventory.

On January 31, 1997, the Deputy Secretary of Defense realigned the operational responsibilities, functions, and resources associated with the DoD support to international and national special events from the Office of Special Events and Office of the Under Secretary of Defense (Personnel and Readiness) to the Secretary of the Army. Therefore, responsibility for implementing the

recommendations in this report should similarly transfer to the office designated by the Secretary of the Army as having primary responsibility for future special events.

Audit Objectives

The primary audit objective was to evaluate whether funds appropriated to support the Olympics were properly controlled, recorded, and accounted for. We also evaluated whether management controls over inventory and equipment provided to Olympic security details were accurate. This report focuses on the inventory maintained by OSE to support the 1996 Paralympic and Centennial Olympic Games. See Appendix A, Audit Process, for discussions on the audit scope and methodology, review of management controls, and prior audit coverage.

Finding A. Olympic Inventory Recovery

In general, OSE accurately recorded and effectively maintained and safeguarded the equipment used to support the 1996 Paralympics and Centennial Olympic Games. However, although the OSE inventory database maintained adequate accountability of unreturned equipment, OSE personnel did not actively pursue the recovery of equipment or seek reimbursement for lost items. For example, 17 items were outstanding as of November 1, 1996, including equipment issued as early as March 1991. Loan agreements between OSE and local law enforcement agencies and organizing committees called for reimbursement by borrowers for unreturned or damaged equipment. However, no written procedures addressed when and how OSE would follow up on outstanding equipment. In addition, although OSE management stated they issued periodic collection letters to borrowers, there were no standard deadlines for sending letters, such as at 30 and 60 days, and letters were arbitrarily sent to borrowers. Long delays in following up on overdue equipment increases the potential for lost equipment, which could result in additional resources being expended to replace the unrecovered items or unreimbursed losses.

Applicable Regulation

DoD 7000.14-R, "DoD Financial Management Regulation," volume 12, "Special Accounts Funds and Programs," chapter 7, "Financial Liability for Government Property Lost, Damaged or Destroyed," September 5, 1996, requires all DoD Components to establish debts for the replacement value of lost, damaged, or destroyed Federal Government property. This responsibility includes: investigating to ascertain the cause of the loss, damage, or destruction; adjusting the accountable records; preparing a Financial Liability Investigation of Property Loss Report (DD Form 200); and referring those liabilities to the appropriate offices. Although this regulation was not in effect at the time of the Games, it superseded DoD Directive 7200.11, "Liability for Government Property Lost, Damaged, or Destroyed," October 26, 1993, which contains analogous guidance.

Inventory Loan and Recovery Procedures

OSE developed inventory loan agreements to provide equipment and support for the Games to the organizing committees and local law enforcement agencies. The majority of the agreements expired on September 30, 1996. In the agreements, the borrowers acknowledged that OSE would be reimbursed for any unreturned or damaged equipment.

Finding A. Olympic Inventory Recovery

OSE management stated that for previous events law enforcement agencies had either returned their entire outstanding inventory or reimbursed OSE for lost equipment. If there were reimbursement problems, they generally involved the organizing committees, which normally dissolved soon after the special event.

The loan agreements did not provide a cut-off date for remitting payments, indicate whether interest or penalties would accrue, or specify the consequences of not reimbursing for the value of lost or damaged equipment. While overdue notices were sent to borrowers regarding the equipment, they were not sent regularly and consistently. OSE sent overdue notice letters in December 1996 to 11 borrowers of equipment totaling \$295,000. These were the only overdue notice letters provided to the audit team. Notices were not sent to the Atlanta and Conyers police departments and the Georgia State Patrol. In addition, aside from the language acknowledging reimbursement for lost equipment in the loan agreements, no operating instructions explained procedures for the recovery of equipment and for seeking reimbursements.

Results of Inventory After the Games

During our post-Games inventory of OSE equipment, we found 17 items (valued at \$32,653) had not been returned by November 1, 1996. Five of these 17 items were outstanding from previous special events, as follows:

- o a cellular phone charger loaned to the Defense Information Systems Agency in August 1994,
- o a hand-held microphone loaned to Defense Information Systems Agency in July 1995 in support of the Defense Ministries Summit,
- o a 27-inch color television and a personal computer loaned to the Washington Metropolitan Police Department in March 1994 in support of the 1994 World Cup Soccer Championship, and
- o a computer software package loaned to a contractor in March 1994.

After the equipment return due dates, the OSE purchased items similar to two of the items mentioned above, the color television and the computer.

As of November 1, 1996, the OSE inventory data base showed that \$1.3 million (4 percent) of the total Olympic inventory of \$32 million had not been returned. Of the \$1.3 million of outstanding loaned equipment, 61 percent was on loan with the organizing committees: the Atlanta Committee for Olympic Games (ACOG) (\$146,000) and the Atlanta Paralympic Organizing Committee (APOC) (\$647,000). As of December 16, 1996, the unreturned inventory had been reduced to \$295,000, with ACOG still responsible for \$96,000 and APOC still responsible for \$71,000.

Finding A. Olympic Inventory Recovery

As of March 1, 1997, OSE records showed \$507,000 of unreturned equipment that was loaned before and during the Games. Included was outstanding equipment to the Atlanta Police Department for \$267,000, the District of Columbia Metropolitan Police Department for \$97,000, the Georgia State Law Enforcement Agency for \$94,000, and the Chicago Police Department for \$9,000. Equipment loaned to the Chicago and Dallas Police Departments has been outstanding since the World Cup in 1994. The majority of the outstanding items consisted of color televisions, fax machines, and computer hardware and software used to support the 1994 World Cup Games and the 1996 Games.

We recognize that some of the unreturned inventory may be replaced through the Defense Reutilization and Marketing Service or other excess channels. However, past experience has shown that OSE would replace the majority of the communications and computer equipment through purchases.

Conclusion

OSE personnel have done a commendable job of providing security and law enforcement support for the Games. OSE accurately recorded and effectively maintained and safeguarded the equipment used to support the 1996 Paralympics and Centennial Olympic Games. The OSE maintained an inventory database that adequately showed the accountability of unreturned equipment. However, management did not aggressively pursue prompt return or reimbursement for the unreturned equipment. We believe establishing standard procedures for following up on loaned equipment could decrease the number of items being lost that subsequently requires the purchase of replacement items.

Recommendation, Management Comments, and Audit Response

Redirected Recommendation. The transfer of the function of the Office of Special Events has resulted in the recommendations in this report being redirected to the Army.

A. We recommend that the Assistant Secretary of the Army (Installations, Logistics, and Environment):

1. Attempt to recover outstanding equipment or seek reimbursement for losses that have not been reimbursed.

2. Refer the liabilities for any outstanding items lost to the Washington Headquarters Service for appropriate collection efforts in accordance with DoD 7000.14-R, "DoD Financial Management Regulation,"

Finding A. Olympic Inventory Recovery

volume 12, "Special Accounts Funds and Programs," chapter 7, "Financial Liability for Government Property Lost, Damaged, or Destroyed," September 5, 1996.

3. Develop written procedures for periodic followup on the return of equipment and reimbursement for losses.

Management Comments. The former Director, OSE, and the Under Secretary of Defense for Personnel and Readiness neither concurred nor nonconcurred with the recommendations. For Recommendation A.2., we consider the comments from the Under Secretary of Defense Personnel and Readiness as a concurrence. The Director, OSE, stated that 99.6 percent of the loaned equipment was returned and 88 percent of the debts were paid as of April 28, 1997. Also, items on loan to the District of Columbia, Atlanta, and Chicago police departments were for purposes other than the Olympics and were not scheduled to be returned. The District of Columbia police department requested an extension for assets on loan from the Inaugural. The Director, Operations and Personnel Directorate, Deputy Comptroller (Program/Budget), Under Secretary of Defense (Comptroller), agreed with the recommendations and with the other management comments.

Audit Response. The comments did not address the recommendations and were therefore not responsive. Although the Office of Special Events functions have transferred to the Department of the Army, corrective actions are still necessary to recover equipment and reimbursement for losses. As a result, we are requesting that the Assistant Secretary of the Army (Installations, Logistics, and Environment) provide comments by August 10, 1997.

Finding B. Source of Last Resort

OSE spent funds to provide items and support to organizing committees and law enforcement agencies that exceeded DoD policy for providing such support. OSE fulfilled requests as the source of last resort for equipment and support that were available from commercial sources. DoD Directive 2000.15, "Support to Special Events," November 21, 1994, established DoD as a "source of last resort" for special events such as the Olympic Games. OSE did not establish procedures requiring borrowers to provide justification that the borrowers had attempted to obtain equipment from other sources and the items were not available. In fact, OSE provided some requesters forms that already had the "source of last resort" statement although other sources were available. As a result, requests for DoD support could go unfulfilled if funds were spent unnecessarily to provide support that could be obtained elsewhere.

OSE Procedures

OSE provided ACOG and law enforcement agencies with a blank request form to be filled out by the requesting activity (ACOG or law enforcement agency) and sent to OSE for approval and processing. These forms were often submitted in draft form to OSE to be edited, usually by the Director, OSE, and returned to the requester to be changed and submitted. The changed requests were then approved, given control numbers, and the request was filled. The final paragraph in these forms always stated, "These resources are not available from other sources. Therefore, this request for DoD support is made as a last resort to fulfill this need."

OSE-Provided Support

To support the 1996 Games, OSE processed 971 requests for equipment or support through June 3, 1996. These requests covered a variety of support, some of which resulted in OSE buying or leasing items for ACOG and the law enforcement agencies to use before, during, and after the Games. Anything (excluding office supplies and other consumables) that was purchased by OSE for use during the Games was added to the OSE inventory and accounted for. The automated inventory records were updated to show where the item was physically located and what organization was responsible for it.

DoD Directive 2000.15 states that "the Department of Defense shall be considered the supplier of last resort." Examples of support provided, that clearly did not meet this criteria include when OSE:

Finding B. Source of Last Resort

o purchased 12,000 1-inch binders for \$18,240. These three-ring binders were readily available from office supply stores and manufacturers within the Atlanta area,

o paid for airtime for cellular telephones and pagers provided to various Olympic officials. While providing the cellular telephones and pagers was justified, the cost of airtime does not appear to meet the criteria for supplier of last resort,

o installed a modem/fax line in 1993 for the Chicago Police Department to provide bulletin board news support during the World Cup Games. We do not question that decision. However, paying for the line charges from 1993 through February 1997 does not meet the last-resort criteria,

o provided 85 tents for behind-the-scenes ACOG activities, and 50 small, general-purpose tents for ACOG equipment protection, and

o spent over \$120,000 to refurbish the Joint Command Center in the City Hall East building in Atlanta. This included replacing ceiling tiles, carpeting, desk modules, and wallpaper. While some of the improvements may have been necessary for security during the Games, OSE should have sought reimbursement from the organizing committee or building owners for other improvements that added to the long-term value of the building.

ACOG and Atlanta Paralympic Organizing Committee made other requests for refrigerators, cots, sofas, lounge chairs, coffee tables, and end tables that appeared to be for personnel comfort and not directly related to security or public safety.

OSE Solicitation of Requests for Support

OSE may have actively solicited requests for assistance and informed the various Olympic support groups of available equipment and support. This approach did not encourage organizations to look elsewhere for support. We identified a limited number of request forms with evidence that the requester tried to find other sources. In addition, we saw no evidence that OSE had determined whether other sources were available before approving its support.

Conclusion

In addition to establishing DoD as the "supplier of last resort," DoD Directive 2000.15 states, "The DoD Components shall neither offer nor provide direct support to public and private organizations involved in sponsoring events covered by this directive." This statement was added so that other Government agencies could not provide the support without going through the OSE. This

Finding B. Source of Last Resort

requirement made it even more important that OSE require borrowers to justify their need for DoD equipment not only to protect OSE equipment but other DoD equipment, as well. Being the supplier of last resort should have required OSE to provide only essential support that could not be obtained elsewhere.

While ACOG did reimburse OSE for some of the support provided to them, the support was generally available from other sources and should have been obtained directly without DoD involvement. We believe that OSE went beyond providing the security and logistical support for the Games required of DoD.

Recommendation, Management Comments, and Audit Response

Redirected Recommendation. The transfer of the function of the Office of Special Events has resulted in the recommendations in this report being redirected to the Army.

B. We recommend that the Assistant Secretary of the Army (Installations, Logistics, and Environment) establish procedures to implement the requirements of DoD Directive 2000.15, "Support to Special Events," November 21, 1994, and limit support to issues directly related to security and the related support that is not available from other sources.

Management Comments. The former Director, OSE, and the Under Secretary of Defense for Personnel and Readiness, did not specifically comment on the recommendation. However, the former Director commented on report examples regarding binders, cellular telephone airtime, tents, and the Joint Coordination Center. The former Director said that binders were provided for the Paralympics where such non-reimbursable support was provided in exception to the general policy, and that the United States Forces Command, Department of the Army, had approved this request. The former Director also said that over half of \$60,000 spent for airtime was for DoD personnel, that the police were provided limited airtime, and that the United States Forces Command had approved the support. The former Director said that 64 of 85 tents requested were provided through surplus and that OSE was reimbursed for shipping. The former Director commented further that a later request for 50 tents was satisfied from Army stocks and was approved by the United States Forces Command. Regarding the Joint Coordination Center, the former Director commented that over \$86,000 in costs were for items permanently retained for DoD use, and the remaining \$52,000 in costs were for items that could not be recovered (carpet, glass, etc.), and included material for both the center and the adjoining OSE office space. The former Director also stated that the City of Atlanta provided 315,000 square feet of rent-free office and warehouse space to DoD/OSE, which, if valued at \$52,000, was equivalent to 5.5 cents per square foot per year.

Finding B. Source of Last Resort

The Director, Operations and Personnel Directorate, Deputy Comptroller (Program/Budget), Under Secretary of Defense (Comptroller), agreed with the recommendations and with the other management comments.

Audit Response. The comments did not address the recommendation. As a result of the recent transfer of the Office of Special Events function to the Department of the Army, we are requesting that the Assistant Secretary of the Army (Installations, Logistics, and Environment) provide management comments by August 10, 1997.

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Part II - Additional Information

Appendix A. Audit Process

Scope

Work Performed. The Assistant Inspector General for Auditing, Office of the Inspector General, DoD, evaluated the activities at the Office of Secretary of Defense level, while the Army Audit Agency evaluated those activities of the Army, which was designated the DoD Executive Agency for the Paralympics and Olympic Games. Since the OSE was accountable for the inventory of equipment designated to support the Games, we performed an evaluation to ensure that the assets were reasonably safeguarded and recorded properly and that loaned equipment was returned in a timely manner. We reviewed records and supporting documentation in order to verify the inventory and its maintenance controls at the OSE warehouses in Atlanta, Georgia, and Washington, D.C. We also verified the inventory items that were on loan to local law enforcement agencies located at Olympic venues.

Additional Audit Work. On January 31, 1997, responsibility for operations, functions, and resources currently associated with the DoD support to international and national special events was transferred from the Under Secretary of Defense (Personnel and Readiness) to the Secretary of the Army. Because of the transfer, we were requested by the Administrative Assistant, Office of the Secretary of Defense, to perform an audit on the transfer of the inventory and other resources. This audit is in progress.

Methodology

Use of Computer-Processed Data. We relied on OSE-provided computer-processed data from the OSE inventory database. We assessed the reliability of the data by comparing sample items to the data from the system and by tracing physically observed items to the system. We considered these tests sufficient to conclude that the computer-processed data were sufficiently reliable to be used in meeting the audit objectives.

Sampling Methodology and Technical Assistance. The OSE provided a universe of inventory line items as of March 1, 1996, from its stand alone software package. The Quantitative Methods Division, Inspector General, DoD, used the population containing 16,503 line items valued at \$24 million to select two statistical random samples. One sample was utilized in verifying the OSE inventory before the Games, and the other was selected to verify the inventory items after the Games were completed and loaned equipment was supposed to have been returned. We verified the sample items to the on-hand inventory and traced the on-hand inventory to the OSE records. Some of our

sample inventory items were used to support previous special events; therefore, the supporting documentation was also examined for those items. The samples taken statistically produced a trivial amount of missing items; therefore, projection was not necessary. Based on the sample results, we determined the OSE inventory was accurately recorded and sufficiently safeguarded from theft

Audit Type, Dates, and Standards. We performed this financial related audit from November 1995 through January 1997 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

Contacts During the Audit. We visited or contacted individuals within the DoD and at ACOG, APOC, and law enforcement agencies located at various Olympic venues.

Management Control Program

DoD Directive 5010.38,* "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of OSE management controls over assets, specifically the controls that affected the organization's inventory management process. We also reviewed management's self-evaluation of those controls. Management controls were adequate in that we identified no material management control weaknesses.

Adequacy of Management Controls. The OSE management controls over inventory were adequate in that no material management control weaknesses were identified.

Summary of Prior Coverage

The quick-reaction report issued as part of this audit was the only report issued within the last 5 years relevant to this topic.

*DoD Directive 5010.38 has been revised as "Management Control Program," August 26, 1996. The audit was performed under the April 1987 version of the directive.

Appendix A. Audit Process

Inspector General, DoD, Report No. 96-186, "Quick-Reaction Report on DoD Support for the 1996 Paralympics and Centennial Olympic Games," June 28, 1996. The OSE was not authorized to deposit reimbursement funds into their Olympic appropriation because when the appropriation was established, reimbursable authority was not provided in the appropriation's language. As a result, the OSE augmented their appropriated funding. We recommended that the Under Secretary of Defense (Comptroller) transfer approximately \$1.7 million dollars to the U.S. Treasury for reimbursements received as a result of support provided during the 1993 World University Games, the 1994 World Cup, and the 1996 Paralympics and Centennial Olympic Games. The DoD Comptroller concurred with the recommendation and the Director, Washington Headquarters Services, added that from now on reimbursements for supporting special events will be deposited to the U.S. Treasury as miscellaneous receipts.

The report also states that certain special event appropriations reported negative cash balances to the U.S. Treasury. Therefore, the report recommended the Director, Washington Headquarters Services, initiate a preliminary review of potential Antideficiency Act violations with respect to those appropriations. The Director, Washington Headquarters Services, did not concur with the recommendation, but the report states that Washington Headquarters Services researched the issue and would attempt to resolve the problem by requesting a "no year" appropriation in fiscal year 1997 to fund the Department's support of special events.

Appendix B. Report Distribution

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Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER
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APR 30 1997

MEMORANDUM FOR DIRECTOR OF FINANCE AND ACCOUNTING, OFFICE OF THE
INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit Report on the DoD Support for the 1996 Paralympics and Centennial Olympic
Games (Project 6FH-5020.01)

I concur with the recommendations and management comments contained in the
subject audit.

Charles T. Harris
Director for Operations & Personnel

Under Secretary of Defense for Personnel and Readiness Comments



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000



MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING, OFFICE OF
THE INSPECTOR GENERAL.

SUBJECT: 1996 Olympic and Paralympic Games, Project No. 6FH-5020.01

I appreciate the efforts of the Inspector General's Office in conducting an audit as requested by the Director of the Office of Special Events (OSE), regarding OUSD(P&R) activities in support of the 1996 Olympic and Paralympic Games. The following comments are provided in response to the 28 March 1997 draft audit report.

OLYMPIC INVENTORY RECOVERY

DoD support to the 1996 Olympics and Paralympic Games was substantial and critical to security for an event of international prestige. The Office of Special Events was responsible for all DoD logistical operations for the Games, to include accountability for over \$32M in DoD property. Many of the assets were for complex systems such as village security, information technology, and communications. By December 1996, 99.6 percent of these assets had been returned to DoD, an outstanding return rate given the enormous quantity of items and number of agencies involved. Regarding the issue of reimbursements for the remaining 0.4 percent, I am pleased to report that OSE has already collected \$126,458.52 of the \$143,618.33 in accounts payable (88 percent). Reimbursements are still pending from the Atlanta Committee for the Olympic Games and the Army (FORSCOM and 24 CSG). If these funds are not received prior to the final transfer of the function to the Department of Army, the remaining debits will be referred to WHS for collection, per the draft report recommendations.

SOURCE OF LAST RESORT

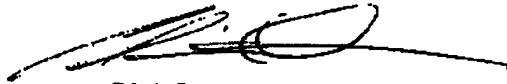
Congress authorized the Department to begin planning support for the 1996 Centennial Olympics in the Fiscal Year 1991 Authorization Act (P.L. 101-510). The Office of Special Events established working relationships with law enforcement and the event organizers for the traditional areas of security support. Given OSE's experience with event security, planning successfully saved the Department many millions of dollars, and the scope of support was reduced as compared to prior events, without jeopardizing the federal security mission.

For example, it cost \$10.7M during the 1984 Los Angeles Olympics for three athlete village security systems. In 1996, OSE was able to secure eleven villages at \$8.3M, a dramatic savings. Aviation support cost the Department approximately \$875K in 1996 for 16 aircraft, as a result of planning and operations by OSE, versus \$4.6M spent in 1984 for 81 aircraft. These



Under Secretary of Defense for Personnel and Readiness Comments

remarkable cost savings to the taxpayer were the result of knowledgeable planning, reduced equipment requirements, and productive interagency relationships. The determination of 'last resort' is a difficult task and involves many factors of objective and subjective judgment. However, I remain confident that the Office of Special Events maximized the value of the DoD dollar for the taxpayer, while ensuring that appropriate DoD security measures were in place for the Games. These measures were more critical in 1996 than in 1984, given the ever increasing risks of disruptive criminal activity in this country.



Edwin Dorn

Director, Office of Special Events, Comments



PERSONNEL AND
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28 April 97

MEMORANDUM FOR FINANCE AND ACCOUNTING DIRECTORATE,
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Audit Report on DoD Support to the 1996 Paralympic and Olympic Games

This is in response to the draft audit report of 28 March 97 (Project No. 6FH-5020.01). We appreciate the efforts of the audit team over the last two years, and the willingness of the Inspector General's Office to conduct this audit. The following are comments provided as additional information in response to the draft report.

OLYMPIC INVENTORY RECOVERY

The draft report comments regarding the establishment of improved operating instructions for acquiring reimbursements were valuable. Were this function to remain in DoD Office of Special Events (OSE), this recommendation would be adopted, and future loan agreements would stipulate a payment timeline.

Typically, the process for recovery, notice of losses, request for payment, and receipt of reimbursements for events has been as follows, using the Olympics as an example:

- OSE works closely with agencies immediately following the event to facilitate rapid turn-ins (thus, a high initial recovery rate for the Olympics of 96%);
- Loan agreements expire (30 September for Olympic agreements);
- Written warning notices of losses/damages are provided to each agency in October, followed by verbal communication to facilitate additional turn-ins. This process helps the accountable agency representatives track any items still outstanding (Olympic recovery rate increased to 99.6% at this point);
- Final written notice and request for payment are provided by OSE between November and December for items not returned or damaged;
- Payments are processed by local governments between January and March.

Several agencies returned all equipment without loss or damage. Columbus PD and the Atlanta Paralympic Organizing Committee (APOC) returned all outstanding items after notification. The FBI and the DeKalb, Hall and Chatham County Police Departments paid for lost or damaged equipment prior to the draft audit report. Since that time, additional reimbursements have been received from the State of Georgia; Birmingham PD; BATE; Fulton County Sheriffs and Savannah PD. Therefore, 88% of all debits have been paid to date. Reimbursements still pending include: \$12,476.66 from the Atlanta Committee for the Olympic Games (ACOG); \$4,324.90 from Army Forces Command; and \$358.25 from Army 24 CSG. As correctly stated in the draft



report, police agencies traditionally reimburse DoD fully; however, payment from ACOG, a private organizing committee, will probably be a problem.

The referenced items on loan to the DC, Atlanta, and Chicago Police Departments, as of March 1997, were for purposes other than the Olympics, and therefore, were not scheduled to be returned. The DC Police have requested a further extension of assets on loan from the Inaugural. This request is pending Army decision.

SOURCE OF LAST RESORT

Events of international significance involve security risks of national import and responsibility. Traditionally, the Department of Defense provides provisional national security support to state and local law enforcement agencies. Given its substantial resources, Defense is considered an essential federal supplier for event security, although other federal agencies also make considerable contributions. Special authorizations are enacted by Congress to ensure that Defense actively participates in security planning and operations, and is fiscally empowered to pay for its contributions.

Absent a national police authority, local police responsibilities increase substantially during an event. Community policing functions cannot be allowed to diminish, while event specific requirements escalate. Consequently, communities must pool resources, create interim event procedures, and work more closely across jurisdictional lines. Enhanced preventative and response measures are critical to the success of event security. Should these measures fail, the international repercussions reflect on the nation. Therefore, part of the federal role is to assist local authorities with their increased jurisdictional responsibilities, as provisional assets are not otherwise available without an enormous price tag. At the federal level, Defense is capable of lending these temporary resources, and has traditionally been a critical planner, enabler, and supplier.

While Defense remains the 'supplier of last resort', through policy established by this office in Directive 2000.15, laws governing support have been defined broadly. Threats or breaches to security may materialize suddenly, and the scope of Defense support must adjust accordingly. Therefore, the policy definition of 'last resort' is dynamic; ensuring that support is sufficient but not excessive. This process is complex and evolves through a determination of risks, capabilities, interagency planning, specialized procedures, and consensus. The key ingredient to saving dollars, while ensuring adequate security, is productive DoD participation in the planning process.

During the informal planning process, OSE event experts worked diligently with Olympic representatives to determine reasonable support levels. Initially, the Atlanta community was not receptive to this approach, and numerous requests were submitted and immediately disapproved. This caused ill feelings and

misunderstanding about DoD's support role. Once OSF was integrated into the planning process, reasonable alternative sources were explored through interagency collaboration. Unreasonable requests to DoD rarely materialized. Therefore, the substantial contributions by other sources are not reflected in the request files. Planning documents must be reviewed to better appreciate the success of this approach.

OSE requires each request to include the statement: "these resources are not available from other sources. Therefore, this request for DoD support is made as a last resort to fulfill this need". This requirement, established by OSE in 1987, causes officials to take full responsibility for exhausting all other sources. OSE made a reasonable effort to assist agencies in looking for alternative resources, however, that remains the requester's responsibility. Numerous requests were never submitted because OSE planners were able to minimize the scope of support, assist in finding alternatives, or advise that the request would be disapproved.

The management goal of the Office of Special Events (OSE) has been to improve its capabilities to pool resources more effectively, reduce the scope and quantity of support, plan early to reduce emergent operational requirements, maintain resources across events to reduce costs, and accomplish approved missions with less people and money. These goals have been achieved with increasing success. OSE has saved taxdollars for all levels of government. Its event professionals utilized their unique experience to help communities to help themselves, including Atlanta, by maximizing all available resources during each event. For event security to be successful, the participation of all private and public organizations is critical.

The traditional areas of Defense support include: aviation, communications, explosive ordnance, training, emergency response, and physical security. In reality, all assets for these functions can be obtained through commercial sources (except for specialized emergency teams). However, public authorities simply cannot afford to buy resources for a one time use only. Therefore, policy issues unique to each event are: what responsibilities belong to the federal government, what can the federal government do better or at a lower cost, and who should pay? At a minimum, OSE policy required private organizers to pay all associated costs, in advance, for functions that are the responsibility of the private host committee (Special Olympics and Paralympics excepted). When OUSD(P&R)/OSE lost policy, procedural, and fiscal control just eight months prior to the Olympics, the quantity of ACOG requests escalated. Ultimately, thousands of troops, which effectively replaced private security, were provided to ACOG without reimbursement.

In response to the specific audit report examples, the following information is provided:

- Binders. These were provided for the Paralympics (where non-reimbursable support to organizers is an exception to policy). FORSCOM approved this

request, and OSE concurred.

- Cellular time. Approximately \$60K was spent for airtime, and over half was for DoD personnel (FORSCOM, OSE, and military teams). Police were provided only limited airtime, largely to communicate with the National Guard personnel with security responsibilities at each venue. FORSCOM also approved this support, and OSE concurred.

- Tents for ACOG: ACOG requested 85 tents in 1994. OSE held the request pending availability of assets at no cost to DoD. In January 1996, OSE found 64 tents through surplus for this purpose, and ACOG reimbursed OSE for shipping. In March 1996, ACOG requested an additional 50 tents, and this support was approved by FORSCOM and provided from Army stocks.

- Joint Coordination Center (JCC): \$138K in costs are referenced in the draft report. Over \$86K (62%) were for items retained permanently by DoD and used for other missions. The remaining costs of \$52K (38%) were for items that could not be recovered (carpet, glass etc), and covered materials for both the JCC and the adjoining OSE office space. In turn, however, the City of Atlanta provided 315,000 square feet of rent free office and warehouse space to DoD/OSE. If this space were valued at \$52K, that is equivalent to 16 cents a square foot over 3 years (or 5.5 cents per square foot a year).

CONCLUSION

Many thanks to the DoD Inspector General Office for agreeing to conduct this audit. There was a valuable exchange of information and ideas with the audit team on the issue of event security and DoD's role. We also appreciate the participation of the audit team as we carry out the directed transfer of this function to the Army.



Ann Brooks
Former Director
Office of Special Events

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