

**Audit**



**Report**

OFFICE OF THE INSPECTOR GENERAL

**MANAGEMENT CONTROLS OVER AUTOMATED  
DATA PROCESSING EQUIPMENT AT THE NORTH  
AMERICAN AEROSPACE DEFENSE COMMAND  
AND U.S. SPACE COMMAND**

Report No. 97-188

July 14, 1997

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**Department of Defense**

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### **Acronyms**

ADPE	Automated Data Processing Equipment
ARMS	Automation Resources Management System
IPMS	Information Processing Management System
NORAD	North American Aerospace Defense Command
ROS	Report of Survey
USSPACECOM	U.S. Space Command



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



July 14, 1997

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
COMMANDER IN CHIEF, NORTH AMERICA  
AEROSPACE DEFENSE COMMAND AND U.S. SPACE  
COMMAND

SUBJECT: Audit Report on the Management Controls Over Automated Data  
Processing Equipment at the North American Aerospace Defense  
Command and U.S. Space Command (Report No. 97-188)

We are providing this report for your information and use. We conducted the audit in response to a request from the 21st Space Wing, Peterson Air Force Base, Colorado. We considered management comments on a draft of this report in preparing the final report.

The North American Aerospace Defense Command and U.S. Space Command comments on the draft report conformed to the requirements of DoD Directive 7650.3, and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Walter R. Loder, Audit Project Manager, at (703) 604-9413 (DSN 664-9413) or [wloder@dodig.osd.mil](mailto:wloder@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

Robert J. Lieberman  
Assistant Inspector General  
for Audit

## Office of the Inspector General, DoD

Report No. 97-188)  
(Project No. 7LA-0015)

July 14, 1997

### Management Controls Over Automated Data Processing Equipment at the North American Aerospace Defense Command and U.S. Space Command

#### Executive Summary

**Introduction.** This audit was requested by support and communications squadron commanders of the 21st Space Wing. The North American Aerospace Defense Command (NORAD) and U.S. Space Command (USSPACECOM) receive support for automated data processing equipment accountability from the 21 and 721 Communications Squadrons. The NORAD and USSPACECOM Intelligence Directorate accounted for its own automated data processing equipment.

The NORAD and USSPACECOM conduct joint operations relating to the national defense. NORAD and USSPACECOM are accountable for \$31.9 million in automated data processing equipment located at Cheyenne Mountain Air Station and Peterson Air Force Base. Of the \$31.9 million, \$6.7 million is recorded in the Information Processing Management System, and \$25.2 million of accountable automated data processing equipment was recorded in a separate database.

**Audit Objective.** The objective was to assess management controls and compliance with laws and regulations over automated data processing equipment in the physical possession of NORAD and USSPACECOM.

**Audit Results.** The NORAD and USSPACECOM management controls over accountable automated data processing equipment were inadequate and the related Information Processing Management System records were not reliable. As a result, an estimated \$1.6 million of \$6.7 million of accountable automated data processing equipment was not located or was improperly accounted for at NORAD and USSPACECOM facilities located on Cheyenne Mountain Air Station and Peterson Air Force Base. Additionally, an estimated \$25.2 million of accountable automated data processing equipment was not recorded in the Automation Resources Management System; therefore, NORAD and USSPACECOM did not fully comply with the inventory requirements of the Information Technology Management Reform Act of 1996, as implemented in Departmental guidance (Finding A).

Reports of survey for lost, damaged, or destroyed NORAD and USSPACECOM accountable automated data processing equipment were not always prepared, or if prepared, were not always completed within the required time constraints. Specifically, reports of survey for 5 of 10 statistically sampled equipment accounts were not prepared for automated data processing equipment losses identified as a result of physical inventories. Additionally, of six completed reports of survey in FY 1996, three were not performed timely. As a result, NORAD and USSPACECOM did not determine employee accountability or financial liability for automated data processing equipment losses totaling \$641,200, and did not detect or correct underlying systemic problems (Finding B).

During our audit, the NORAD and USSPACECOM and the 21 Communications Squadron took actions to improve management controls over automated data processing equipment. The NORAD and USSPACECOM coordinated efforts with the 21 Communications Squadron to complete the performance of six annual physical inventories. Additionally, the 21 Communications Squadron formed a task force to evaluate automated data processing equipment accountability controls. Further, the Intelligence Directorate was in the process of establishing equipment custodians to assume automated data processing equipment accountability. The Intelligence Directorate requested additional support to input all accountable automated data processing equipment into the Information Processing Management System. Appendix B summarizes the potential monetary benefits resulting from the audit.

**Summary of Recommendations.** We recommend inputting all accountable automated data processing equipment in the Information Processing Management System, establishing a civilian billet for an equipment control officer, establishing internal policies and procedures for the equipment control officers and equipment custodians, and reflecting automated data processing equipment accountability as a critical element in performance ratings of equipment custodians.

Additionally, we recommend establishing internal procedures requiring the equipment control officer to inform the NORAD and USSPACECOM joint secretary when directors do not initiate timely reports of survey for automated data processing equipment losses, and requiring the completion of reports of survey for lost, damaged, and destroyed equipment identified during physical inventories.

**Management Comments.** The Commander in Chief, NORAD and USSPACECOM concurred with the recommendations in this report. The NORAD and USSPACECOM stated that the Intelligence Directorate had input all accountable automated data processing equipment into the Information Processing Management System as of April 30, 1997. Additionally, the NORAD and USSPACECOM agreed to establish internal guidance by July 30, 1997, that will address the performance, reconciliation, and submission of physical inventories; distribution of accountable automated data processing equipment; effective use of hand receipts; and the requirement to include the equipment custodian duties as a critical element in the employee's performance plan. The NORAD and USSPACECOM also agreed to establish by July 30, 1997, a reporting mechanism for the equipment control officer and report of survey program manager for automated data processing equipment losses and untimely reports of survey. See part I for a discussion of management comments and Part III for the complete text of management comments.

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## **Part I - Audit Results**

### Audit Background

This audit was requested by support and communications squadron commanders of the 21st Space Wing.

**Mission.** The North American Aerospace Defense Command (NORAD) is a joint United States and Canadian command. Its mission includes attack assessment for North American national authorities. It maintains air sovereignty and air defense. NORAD uses facilities in the Cheyenne Mountain Air Station, Colorado, and Peterson Air Force Base, Colorado, and space based warning from the U.S. Space Command (USSPACECOM) to accomplish its mission. USSPACECOM conducts joint space operations for national defense. USSPACECOM supports, enhances, and controls space forces. NORAD and USSPACECOM have seven directorates. Of the seven directorates, five are joint NORAD and USSPACECOM directorates, including the Intelligence Directorate.

**Organization.** The commander in chief of NORAD is also the commander in chief of USSPACECOM and Air Force Space Command. The joint secretary assists the commander in chief of NORAD and USSPACECOM with his duties and responsibilities. The joint secretary helps supervise and direct the implementation of the commander in chief NORAD and USSPACECOM decisions, plans, and policies.

The USSPACECOM has three components, one of which is the Air Force Space Command. The Air Force Space Command has several wings including the 21st Space Wing, which provides operational support to tenant organizations through base support agreements. The 21 and 721 Communications Squadrons are two support groups of the 21st Space Wing, and provide support for the accountability of automated data processing equipment (ADPE). The 21 Communications Squadron provides support for ADPE accountability to NORAD and USSPACECOM equipment accounts as tenant organizations located on Peterson Air Force Base. The 721 Communications Squadron provides support for ADPE accountability to NORAD and USSPACECOM equipment accounts as tenants on Cheyenne Mountain Air Station. The NORAD and USSPACECOM Intelligence Directorate accomplishes its own ADPE accountability, and does not receive ADPE accountability support from the Communications Squadrons.

**Base Support Agreements.** The base support agreement dated February 4, 1997, provides that NORAD and USSPACECOM assume total accountability of network systems in their physical possession. Before February 1997, a working draft support agreement stated that the 21 and 721 Communications Squadrons provided automated data processing services to NORAD and USSPACECOM. ADPE accountability, including managing; monitoring; reporting; and reallocating ADPE was provided by the equipment

control officers of the 21 and 721 Communications Squadrons. The working draft support agreement did not include general purpose ADPE maintained by the NORAD and USSPACECOM Intelligence Directorate.

## **Audit Objective**

Our objective was to assess management controls and compliance with laws and regulations over ADPE in the physical possession of NORAD and USSPACECOM. See Appendix A for a discussion of the audit scope and methodology and for a summary of prior audit coverage.

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## **Finding A. Automated Data Processing Equipment Accountability**

The NORAD and USSPACECOM management controls over accountable ADPE were inadequate and the related Information Processing Management System (IPMS) records were not reliable. The inadequacy and unreliability occurred because:

- o NORAD and USSPACECOM did not include accountable ADPE for the Intelligence Directorate in the Automation Resources Management System (ARMS),

- o NORAD and USSPACECOM directors did not ensure that existing Air Force policies and procedures were implemented,

- o equipment control officers did not have the direct line of authority to enforce Air Force policies and procedures,

- o equipment control officers for the 21 Communications Squadron did not input ADPE into the IPMS in a timely manner, and

- o NORAD and USSPACECOM management did not emphasize the importance of ADPE accountability as a critical job element.

As a result, an estimated \$1.6 million of \$6.7 million of ADPE was not accounted for or was improperly accounted for at NORAD and USSPACECOM facilities located at Cheyenne Mountain Air Station and Peterson Air Force Base. Additionally, an estimated \$25.2 million of accountable ADPE was not recorded in the ARMS; therefore, NORAD and USSPACECOM did not fully comply with the inventory requirements of the Information Technology Management Reform Act of 1996 (the Act), as implemented in Departmental guidance.

### **Information Technology Management Reform Act**

Public Law 104-106, "National Defense Authorization Act for Fiscal Year 1996," February 10, 1996, includes at Division E, Section 5001, the Act. The Act focuses on the authority to manage, responsibility for, and accountability of information technology. The Act requires the head of each executive agency to inventory all agency computer equipment and to identify excess or surplus property. All computer hardware is reportable to the General Services Administration. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) determined that DoD Components would use the ARMS to comply with the Act.

## **DoD Policies and Procedures**

On September 8, 1994, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) issued a memorandum stating that all DoD Components should use the draft DoD Manual 8000.X-M, "Defense Automation Resources Management Manual," (the Manual) as interim guidance. The Manual applies to the Office of the Secretary of Defense, the Military Departments (including their unified and specified commands), and Defense agencies. The Manual provides guidance on inventorying and redistributing automation resources. The Manual states that the ARMS is an information management system established to comply with Federal requirements for reporting computer hardware to the General Services Administration, and to provide asset visibility to enable efficient and effective planning, allocation, use, and disposition of resources. Further, all DoD Components must report their automation resources data to the ARMS, and to certify annually that the data in the ARMS are complete and accurate. DoD Components can input inventory data into the ARMS directly with an on-line input, or through a file transfer protocol. Inventory data for the Air Force is recorded in the IPMS, and is downloaded into the ARMS through the file transfer protocol.

## **Air Force Policies and Procedures**

**Air Force Instruction.** Air Force Instruction 33-112, "Automatic Data Processing Management," May 6, 1994, provides guidance for the use, management, and maintenance of ADPE. The Instruction provides specific guidance and responsibilities for directors, equipment custodians, and equipment control officers.

**Directors.** Directors are required to establish policies and procedures for managing accountable ADPE within an organization. Responsibilities for directors include ensuring that departing equipment custodians, or equipment custodians who are transferring accountable ADPE, perform joint inventories with the gaining equipment custodians and process out with the equipment control officers. Directors are also responsible for appointing equipment custodians, in writing, to account for ADPE under their control.

**Equipment Custodians.** The Instruction requires equipment custodians to monitor their ADPE equipment account and associated documentation, and to remain responsive to their equipment control officers. Equipment custodians are also required to conduct annual physical inventories of accountable ADPE assigned to them following the guidance and direction of the equipment control officers; to perform a joint physical inventory before being relieved of or before passing responsibility to another equipment custodian; and to process out through the equipment control officers before departing. The Instruction states that equipment custodians may not move accountable ADPE to another location without the approval of the equipment control officer.

## **Finding A. Automated Data Processing Equipment Accountability**

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**Equipment Control Officers.** The equipment control officers are responsible for all applicable procedures described in the Instruction. Specifically, the equipment control officers oversee all accountable ADPE in their assigned area, delegate custodial responsibilities to the equipment custodians, and direct equipment custodians in conducting annual physical inventories.

**Supplement to Air Force Instruction 33-112.** The commander of the Air Force Space Command supplemented Air Force Instruction 33-112 with Air Force Instruction 33-112AFSPC1, "Automatic Data Processing Equipment Management," August 15, 1996. The supplement applies to the users of the IPMS including tenant organizations. The supplement requires that the 21 and 721 Communications Squadrons assign equipment control officers to perform the day-to-day administration of the IPMS, including the monitoring, reporting, and reallocating of excess ADPE.

**Automated Data Processing Equipment Users Guide.** The 21st Space Wing Pamphlet 33-1, "The Automated Data Processing Equipment Users Guide," January 16, 1996, was prepared by the 21 Communications Squadron. The 721 Communications Squadron prepared the "Equipment Custodian Handbook for Automatic Data Processing Equipment Custodians." Both the users guide and the handbook incorporated the policies and procedures of Air Force Instruction 33-112 for appointing equipment custodians and conducting physical inventories. The 21 Communications Squadron users guide provided additional guidance on the use of the Government-wide commercial purchase card, currently the international merchant purchase authorization card (the purchase card).

The 21 Communications Squadron users guide states that card holders must submit a coordinating approval form to notify the 21 Communications Squadron equipment control officers before acquiring ADPE with the purchase card. After receiving ADPE, the card holder is required to complete and submit internal documentation to the 21 Communications Squadron equipment control officer within 5 days citing the cost, item description, location, and serial number of ADPE.

### **Property Records for ADPE**

The NORAD and USSPACECOM are accountable for approximately \$31.9 million of ADPE. Approximately \$6.7 million of accountable ADPE is recorded in the IPMS, the official Air Force property system, and an estimated \$25.2 million is recorded in a separate database. The database does not connect to the IPMS that reports to the ARMS.

**Official Records for Inventory Transactions.** The IPMS is the standard Air Force system for the accountability and reporting of ADPE, and is the official records of Air Force ADPE inventory transactions. As of December 23, 1996, the 21 Communications Squadron recorded \$5.6 million of NORAD and

## Finding A. Automated Data Processing Equipment Accountability

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USSPACECOM ADPE in the IPMS. The recorded value of NORAD and USSPACECOM accountable ADPE maintained by the 721 Communications Squadron was \$1.1 million.

**ADPE Recorded in Database.** The Intelligence Directorate recorded an estimated \$25.2 million of accountable ADPE in a separate database. Property transactions recorded in the Intelligence Directorate database were not downloaded into the IPMS, and the database did not have similar system controls as the IPMS.

### Management Controls over Automated Data Processing Equipment

The NORAD and USSPACECOM management controls over accountable ADPE were inadequate and the related IPMS records were not reliable. The accountable ADPE was not accounted for or was improperly accounted for; the IPMS and Intelligence Directorate database were not complete; and inaccurate values were recorded in the IPMS and Intelligence Directorate database.

**Accountable ADPE.** Accountable ADPE included in the IPMS maintained by the 21 and 721 Communications Squadrons, and in the Intelligence Directorate database, were not accounted for or were improperly accounted for. Two samples of NORAD and USSPACECOM ADPE were performed, a statistical sample and a systematic sample.

**Statistical Sample.** As shown in Table 1, 54 of 150 items statistically selected from the IPMS were not accounted for or were improperly accounted for.

**Table 1. Sample Items Not Accounted For or Improperly Accounted For ADPE Recorded in IPMS**

Number of items not accounted for	26
Number of items improperly accounted for	<u>28</u>
<b>Total</b>	<b>54</b>

The ADPE that was not accounted for included items that could not be located or did not have correct serial numbers. ADPE items that were improperly accounted for included items identified as lost, but for which a report of survey (ROS) had not been prepared, items located in the wrong building or on the wrong installation, or items not supported with adequate documentation.

We projected that 1,208 of 4,219 line items of accountable ADPE included in the IPMS could not be located or were improperly accounted for (see Appendix A for details of the statistical projection).

## Finding A. Automated Data Processing Equipment Accountability

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**Systematic Sample.** As shown in Table 2, 6 of 45 systematically selected items from the Intelligence Directorate database were either not located or improperly accounted for.

**Table 2. Sample Items Not Located or Improperly Accounted For ADPE Recorded in Separate Database**

Number of items not located	4
Number of items improperly accounted for	<u>2</u>
<b>Total</b>	<b>6</b>

We projected that 250 of 2,254 line items of accountable ADPE included in the Intelligence Directorate database could not be located or were improperly accounted for (see Appendix A for details of the statistical projection).

**Completeness of Property Records.** All NORAD and USSPACECOM accountable ADPE was not recorded in the IPMS or Intelligence Directorate database. Of 173 items judgmentally selected, 74 were not recorded in the IPMS. Additionally, of 76 items judgmentally selected, 19 were not recorded in the database maintained by the Intelligence Directorate equipment control officers. The value of the unrecorded ADPE could not be determined because of inadequate documentation.

**Valuation of Accountable ADPE.** Accountable ADPE was not valued accurately in the IPMS and in the Intelligence Directorate database. The IPMS and Intelligence Directorate database included ADPE that was found on the installation and inaccurately recorded with a zero dollar value.

**Valuation of ADPE in IPMS.** The 21 and 721 Communications Squadrons recorded zero dollar values for 260 of 4,219 line items in the IPMS that were identified as found on the installation. Understating the value of an item understated the value of a ROS if the item was damaged, destroyed, or lost.

**Valuation of ADPE in Intelligence Directorate Database.** The NORAD and USSPACECOM Intelligence Directorate recorded zero dollar values for 738 out of 2,254 line items in the database. Using zero dollar values understated the accountable ADPE and the value of a ROS if the item was damaged, destroyed, or lost.

### Inclusion of Accountable ADPE for the Intelligence Directorate

The NORAD and USSPACECOM did not include accountable ADPE for the Intelligence Directorate in the ARMS. The Intelligence Directorate recorded about \$25.2 million of ADPE in a separate database. The Intelligence Directorate database reflected information on the ADPE, including the cost;

## **Finding A. Automated Data Processing Equipment Accountability**

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item description; and serial number. In implementing the Act, the Intelligence Directorate should have recorded the general purpose ADPE into the IPMS, and reported the data to the ARMS. The Intelligence Directorate used the IPMS to excess ADPE, but did not use it to maintain or record accountable ADPE. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) did not issue a waiver excluding the Intelligence Directorate from the requirement to report all ADPE inventory to the ARMS.

### **Directors' Implementation of Air Force Policies and Procedures**

The NORAD and USSPACECOM directors did not ensure that existing Air Force policies and procedures were implemented. Specifically, the NORAD and USSPACECOM directors did not ensure that:

- o equipment custodians conducted physical inventories,
- o card holders were informing the equipment control officers of ADPE acquired with the purchase card,
- o end users of ADPE notified equipment custodians and equipment control officers when moving accountable ADPE,
- o ADPE was adequately distributed between equipment custodians and that hand receipts were used, and
- o equipment custodians for the Intelligence Directorate were appointed.

**Physical Inventories of Equipment Accounts.** The NORAD and USSPACECOM directors did not ensure that existing Air Force policies and procedures were implemented for conducting annual and joint physical inventories.

**Annual Physical Inventories.** Directors did not ensure that equipment custodians conducted annual physical inventories. The 21 and 721 Communications Squadrons required all NORAD and USSPACECOM equipment custodians to conduct and submit the results of their annual physical inventory by September 1996 and November 1996, respectively. As of February 1997, equipment custodians for 8 of 34 equipment accounts that the 21 Communications Squadron maintained had not conducted and submitted annual physical inventories to the equipment control officers. For equipment accounts that the 721 Communications Squadron maintained, equipment custodians for seven of eight equipment accounts had not conducted and submitted annual physical inventories. Performing annual physical inventories would ensure the accuracy of the IPMS by identifying all accountable ADPE in the IPMS that could not be accounted for, and all accountable ADPE not recorded in the IPMS. Equipment control officers performed annual physical inventories for the Intelligence Directorate.

## **Finding A. Automated Data Processing Equipment Accountability**

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**Joint Physical Inventories.** For 6 of 10 equipment accounts we reviewed at the NORAD and USSPACECOM Squadron, directors did not ensure that equipment custodians performed joint physical inventories with the departing and gaining equipment custodians. Performing joint physical inventories would ensure that discrepancies in the IPMS were identified in a timely manner. Joint physical inventories were not performed in the Intelligence Directorate because the director did not appoint equipment custodians. Further, a joint inventory between the departing and gaining equipment control officers was not performed.

**ADPE Acquired with Purchase Card.** Directors did not ensure that card holders were informing the equipment control officers of ADPE acquired with the purchase card. Of 25 items judgmentally selected, 23 were acquired with the purchase card, but internal documentation required by Air Force policies and procedures was not prepared and submitted to the equipment control officers for the 21 Communications Squadron. We did not review the use of the purchase card for the 721 Communications Squadron.

The purchase card holders did not notify the equipment control officers for the Intelligence Directorate of accountable ADPE items acquired with the purchase card. Card holders did not prepare and submit internal documentation to the Intelligence Directorate equipment control officers for all 27 items judgmentally selected.

**Movement of Accountable ADPE.** Directors did not ensure that end users of ADPE notified the equipment custodians and equipment control officers when moving accountable ADPE. The location of items judgmentally selected was not accurate in the IPMS or Intelligence Directorate database because the equipment control officers were not notified when the ADPE was moved. For example, the locations of 9 of 76 items judgmentally selected at the Intelligence Directorate were incorrectly recorded in the database. The building locations for two of the nine items were not recorded, and three of the nine items were located on a different installation than recorded. Without receiving the correct building numbers, the equipment custodians could not readily locate the item. In addition, equipment control officers did not have assurance that the item was properly accounted for in the IPMS or Intelligence Directorate database.

**Adequate Distribution of ADPE.** Directors did not ensure that ADPE was adequately distributed between equipment custodians and that hand receipts were used. Equipment custodians were not assigned, for accountability purposes, a reasonable amount of ADPE within a reasonable proximity. Additionally, the director did not ensure that equipment custodians effectively used hand receipts to facilitate ADPE accountability.

**Assignment of ADPE to Equipment Custodians and their Locations.** Directors did not ensure that equipment custodians were responsible for accountable ADPE in their span of control. Some equipment custodians were responsible for hundreds of ADPE items that were located in several buildings and at different installations. For example, one equipment custodian was

## Finding A. Automated Data Processing Equipment Accountability

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responsible for over 1,350 accountable ADPE items, valued at approximately \$1.9 million. The accountable ADPE was located in several buildings, and was located on both Cheyenne Mountain Air Station and Peterson Air Force Base.

**Hand Receipts.** Directors did not ensure the effective use of hand receipts to facilitate ADPE accountability. One equipment custodian responsible for about 400 items stated that his director would not allow him to issue hand receipts although the ADPE under his control was located on different floors and in several rooms that he could not feasibly monitor.

**Appointment of Equipment Custodians.** The director for the Intelligence Directorate did not appoint equipment custodians, and as a result, could not ensure the proper separation of duties. Specifically, two equipment control officers for the Intelligence Directorate were responsible for recording accountable ADPE transactions, reconciling physical inventories, and receiving accountable ADPE estimated to cost \$25.2 million. The director did not appoint and delegate the responsibility of performing physical inventories and receiving ADPE to equipment custodians. As of January 1997, the Intelligence Directorate had two equipment control officers, but no equipment custodians.

### Authority of Equipment Control Officers

The equipment control officers did not have the direct line of authority to enforce compliance with Air Force policies and procedures. Management controls over accountable ADPE were not effective because NORAD and USSPACECOM did not establish an equipment control officer function within the NORAD and USSPACECOM chain of command. As their primary duty, equipment control officers oversee all accountable ADPE for NORAD and USSPACECOM, and are responsible for all applicable procedures described in Air Force Instruction 33-112. In practice, the equipment control officers assigned to the 21st Space Wing of the Air Force Space Command did not have the authority to enforce compliance with the requirements of the Air Force Instruction because the equipment control officers were not in the NORAD and USSPACECOM chain of command. Specifically, the equipment control officers did not have the direct line of authority to the NORAD and USSPACECOM directors needed to ensure that the equipment custodians performed annual inventories, and card holders took the steps necessary to properly use the purchase card.

**Performance of Annual Inventories.** In an effort to obtain a 100-percent inventory, the 21 Communications Squadron issued letters to several directors of the equipment custodians who had not conducted or submitted the results of the annual inventory to the equipment control officers. Directors did not respond to the letters. In a memorandum dated February 16, 1996, the 21 Communications Squadron recommended that a more severe measure be implemented to obtain responses from the directors.

## **Finding A. Automated Data Processing Equipment Accountability**

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**Proper Use of Purchase Card.** Card holders were not coordinating all accountable ADPE acquired with a purchase card through the equipment control officers. They also did not prepare and submit internal documentation to the equipment control officers providing the cost, the item description, the location, and the serial number of accountable ADPE acquired and received. The equipment control officers prepared and sent memorandums to the directors informing them that card holders were not coordinating, preparing, and submitting internal documentation as required. The equipment control officers considered the resulting purchases as improper and suspended the use of the purchase card. NORAD and USSPACECOM directors brought the matter to the attention of a higher command level who then directed the 21 Communications Squadron to reinstate the cards. The purchase cards were reinstated, but the underlying cause of the misuse was not identified and resolved.

**Establishment of NORAD and USSPACECOM Equipment Control Officer.** Establishing a civilian position within the NORAD and USSPACECOM chain of command to perform the equipment control officer function as a primary duty would ensure that the ADPE purchased and received by NORAD and USSPACECOM is acquired properly. Further, a NORAD and USSPACECOM equipment control officer would ensure that all accountable ADPE is recorded in the IPMS.

### **Timely Input of ADPE Into the IPMS**

The 21 Communications Squadron did not input into the IPMS the ADPE acquired through the base contracting office in a timely manner. Based on a judgmental sample, 30 of 47 items were not in the IPMS within 30 days of purchase receipt. Further, 19 of the 30 items were not input into the IPMS within 90 days. We considered input of new ADPE into the IPMS within 30 days of receipt as timely. The documentation needed for input into the IPMS was available to the equipment control officers. However, the equipment control officers stated that because of a lack of manpower and high volume, the items could not be entered timely into the IPMS.

### **Management Emphasis on ADPE Accountability**

Directors did not ensure that the IPMS was reliable because of a lack of management emphasis on the importance of property accountability. Supervisors of equipment custodians did not emphasize property accountability as a critical element. The performance ratings of equipment custodians did not reflect ADPE accountability as a critical element or as key duties and responsibilities. Equipment custodians were delegated the responsibility for ADPE accountability as an additional duty as assigned. Some supervisors did note the equipment custodians responsibilities for ADPE accountability as an

## **Finding A. Automated Data Processing Equipment Accountability**

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additional duty as assigned; however, it was not required or emphasized. Therefore, the significance of the performance standard for controls over property was minimal in the performance ratings of equipment custodians.

### **Summary**

Controls over ADPE accountability were not effective, and the IPMS records were not reliable. Based on our statistical projection, the NORAD and USSPACECOM did not account for or properly account for an estimated \$1.6 million of \$6.7 million of ADPE. Additionally, an estimated \$25.2 million of accountable ADPE was not recorded in the ARMS; therefore, NORAD and USSPACECOM could not fully comply with the inventory requirements in the Act, as implemented in Departmental guidance.

### **Management Actions**

The NORAD and USSPACECOM and the 21 Communications Squadron took actions to improve management controls over ADPE as a result of our audit visits in January and February 1997. The NORAD and USSPACECOM coordinated efforts with the 21 Communications Squadron to complete the performance of six annual physical inventories. Additionally, the 21 Communications Squadron formed a task force to evaluate the controls over ADPE accountability. Further, the director requested each division within the Intelligence Directorate to select an equipment custodian for accountability purposes. The Intelligence Directorate also requested additional support to help input all accountable ADPE into the IPMS.

We are supportive of management actions taken so far. However, with the assumption of responsibility for ADPE accountability by NORAD and USSPACECOM, as discussed in the recent base support agreement, further management attention is needed to issue guidance, assign responsibility, and implement controls.

### **Recommendations and Management Comments**

**A. We recommend that the Commander in Chief, North American Aerospace Defense Command and U.S. Space Command:**

- 1. Provide assistance to the Intelligence Directorate equipment control officers to ensure input of all accountable automated data**

## **Finding A. Automated Data Processing Equipment Accountability**

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**processing equipment in the Information Processing Management System, and the appointment of equipment custodians to account for automated data processing equipment.**

**Management Comments.** The NORAD and USSPACECOM concurred with the recommendation and stated that the Intelligence Directorate had input all accountable ADPE into the IPMS as of April 30, 1997. Additionally, the NORAD and USSPACECOM agreed to appoint equipment custodians for the Intelligence Directorate by June 1, 1997.

**2. Establish internal guidance for the North American Aerospace Defense Command and U.S. Space Command equipment control officer and equipment custodians in accordance with DoD and Air Force policies and procedures. Specific guidance should ensure that:**

**a. physical inventories are performed, reconciled, and submitted to the equipment control officer;**

**b. automated data processing equipment acquired with the Government-wide commercial purchase card is properly identified and reported to the equipment control officer;**

**c. all accountable automated data processing equipment received, transferred, and moved is properly recorded and supported; and**

**d. distribution of accountable automated data processing equipment to equipment custodians is reasonable, and equipment custodians effectively use hand receipts.**

**Management Comments.** The NORAD and USSPACECOM concurred with the recommendation and stated that internal guidance will be issued by July 30, 1997. The internal guidance will address the requirements for conducting and reporting joint and annual inventories, coordinating Government-wide commercial purchase card ADPE acquisitions with the equipment custodian and equipment control officer, distributing ADPE to equipment custodians, and using hand receipts.

**3. Create a civilian billet for an equipment control officer that would perform the day-to-day operation of the Information Processing Management System, including managing, monitoring, and timely recording of all North American Aerospace Defense Command and U.S. Space Command accountable automated data processing equipment.**

**Management Comments.** The NORAD and USSPACECOM concurred with the recommendation, but proposed alternative action. It stated that it is working to establish an equipment control officer position by redesignating an existing noncommissioned officer billet. The equipment control officer duties will be a primary function of the noncommissioned officer. Additionally, an alternate equipment control officer will be designated and will perform the equipment

## **Finding A. Automated Data Processing Equipment Accountability**

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control officer function as an additional duty. The equipment control officer and alternate equipment control officer positions will be established within its Directorate of Logistics by October 1, 1997.

**4. Include property accountability as a critical element in the performance ratings of equipment custodians to improve management emphasis on automated data processing equipment.**

**Management Comments.** The NORAD and USSPACECOM concurred with the recommendation and stated that the proposed internal guidance planned for July 30, 1997, will include this recommendation as a requirement.

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## **Finding B. Reports of Survey**

Reports of survey for lost, damaged, or destroyed NORAD and USSPACECOM accountable ADPE were not always prepared or, if prepared, were not always completed within the required time constraints. The ROS were not prepared, or not prepared timely because higher NORAD and USSPACECOM management were not informed when directors did not perform their duties as they related to initiating, processing, and completing ROS. As a result, the NORAD and USSPACECOM did not determine employee accountability or financial liability for ADPE losses totaling \$641,200, and did not detect or correct underlying systemic problems.

### **DoD Guidance**

DoD Manual 7200.10-M, "Accounting and Reporting for Government Property Lost, Damaged, or Destroyed," March 1991, requires an investigation; a determination of negligence or abuse; an adjustment of the accountable records; and an establishment of a system to determine financial liability for lost, damaged, or destroyed accountable property. The DD Form 200, "Financial Liability Investigation of Property Loss," also called a ROS, is required to be initiated immediately after the loss, damage, or destruction is discovered. The system that was used to process the ROS must be reviewed frequently to evaluate the accuracy and timeliness of the investigations. DoD Manual 7200.10-M requires that ROS are initiated, processed, and adjudicated within the time limits established by DoD Components. If delays occur in the initiating or processing of a ROS, a written explanation of the reason for the delay is required and appropriate corrective action should be taken.

### **Air Force Guidance**

**Air Force Manual.** Air Force Manual 23-220, "Reports of Survey for Air Force Property," July 1, 1996, provides specific responsibilities for and mandatory timelines to be followed by the organizations responsible for the lost, damaged, or destroyed property.

**Responsibilities.** The director of an organization that has possession of lost, damaged, or destroyed property is responsible for initiating a ROS. Air Force Manual 23-220 requires the director to appoint an investigating officer to determine the facts in the case. The director has 15 days from the date of the discovery of the loss to complete the preliminary investigation. A preliminary investigation includes appointing an investigating officer and coordinating with the ROS program manager to obtain a ROS investigation number.

**Timelines.** Air Force Manual 23-220 states that the total time to complete a ROS is 100 days if there is no assessment of financial liability. If a financial liability officer or board is appointed, a ROS must be completed within 130 days. If financial liability is recommended and a legal review is required, a ROS must be completed within 150 days. Further, if circumstances preclude adherence to the timelines, then the known delay must be conveyed to the ROS program manager, and the ROS must be properly annotated.

**Air Force ROS Handbook.** The "Report of Survey for Air Force Property Handbook" was designed to be used in conjunction with Air Force Manual 23-220. It provides specific guidance for directors. It states that directors are responsible for completing the ROS initiation phase as soon as possible. The initiation phase includes the initial investigation, which is the determination and documentation of facts and circumstances causing lost or damaged property (not considered a preliminary investigation). According to the Handbook, it is extremely important that an initiation takes place while the facts are still clear, and the individuals involved are still available.

### Preparation and Completion of Reports of Survey

The ROS for lost, damaged, or destroyed NORAD and USSPACECOM accountable ADPE were not always prepared or, if prepared, were not always completed within the required time constraints. ROS for ADPE losses identified as a result of physical inventories were sometimes not prepared because directors did not initiate a ROS for ADPE losses. Further, ROS that were prepared, were not always completed within designated time constraints.

**Preparations of ROS.** As of February 1997, directors responsible for accountable ADPE in 5 of 10 statistically selected equipment accounts did not prepare ROS for 482 items costing \$641,200. Equipment custodians identified the ADPE as lost after performing physical inventories. A majority of the physical inventories were due in September 1996. Of the 5 equipment accounts, 4 had not initiated a ROS for 432 items costing \$587,700. Losses for four equipment accounts had been identified as lost for at least 4 months. Of the five equipment accounts, one had initiated a ROS for 50 items costing \$53,500, but a ROS was not prepared. The equipment custodian for the account requested the initiation of a ROS in August 1996; however, as of February 1997, 6 months later, a ROS had not been prepared.

**Time Constraints.** The ROS that were prepared were not completed within the designated time constraints. In FY 1996, NORAD and USSPACECOM had prepared and processed six ROS for accountable ADPE valued at \$46,400. Of the six ADPE ROS completed in FY 1996, three ROS valued at \$13,300 were not completed within the required time frame. The property losses for two of the three ROS were discovered on November 4, 1994, and October 20, 1995, but the ROS were 291 days and 183 days late, respectively. The third ROS should have been completed within 130 days because financial liability was assessed; however, it was 56 days late. The ROS were not completed within

## **Finding B. Reports of Survey**

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the designated time constraints mainly because the directors did not initiate ROS within the required timelines. Additionally, a written explanation of the reason for the delay was not provided to the ROS program manager. (At that location, the ROS program manager resides in the 21st Support Wing). It is extremely important that ROS are initiated while the facts regarding the loss are still clear and the individuals involved are still available. Further, prompt investigations are necessary to ensure that underlying systemic problems are identified and corrected.

### **Duties of Directors**

The NORAD and USSPACECOM higher management were not informed when directors did not perform their duties of timely initiating, processing, and completing ROS. Directors were aware of their requirements to initiate, process, and complete ROS within designated time constraints, but did not perform their required duties. Some directors delegated their responsibilities within the organization, but the requirements for initiating and processing ROS were not met. The NORAD and USSPACECOM joint secretary, who was responsible for overseeing the efficient execution of policy, was not informed that directors were not performing their required duties. The equipment control officers were aware of lost, damaged, and destroyed ADPE because the equipment control officers received the results of physical inventories. The equipment control officers marked the item in the IPMS as awaiting a ROS. The ROS program manager was also aware of ROS that were not initiated or completed within designated time constraints. However, neither the equipment control officers nor the ROS program manager were required to report, or had a reporting mechanism available to them, to inform the joint secretary that the ROS, a requirement of the directors, were not performed. Establishing policies and procedures providing the equipment control officers and ROS program manager with a reporting mechanism to inform the joint secretary of any ADPE losses identified as a result of physical inventories and ROS not completed within the designated time constraints would ensure that the directors performed their duties.

### **Employee Accountability**

The NORAD and USSPACECOM did not determine employee accountability or financial liability for ADPE losses totaling \$641,200, and did not detect or correct underlying systemic problems. Employees were not held accountable for ADPE losses identified as a result of physical inventories of five statistically selected equipment accounts. Further, ADPE losses for the equipment accounts had been identified for at least 4 months, and a ROS was not prepared before individuals accountable for the lost equipment left Peterson Air Force Base. Of

six completed ROS, three were not completed within the designated time constraints. It is extremely important that an initiation of a ROS takes place while the facts are still clear, and the individuals involved are still available.

## **Recommendations, Management Comments, and Audit Response**

**B. We recommend that the Commander in Chief, North American Aerospace Defense Command and U.S. Space Command:**

**1. Establish internal policies and procedures that provide the equipment control officer with a reporting mechanism to inform the North American Aerospace Defense Command and the U.S. Space Command of any automated data processing equipment losses identified as a result of physical inventories. Additionally, coordinate with the 21st Support Wing to provide a mechanism for the report of survey program manager to inform the joint secretary of reports of survey not completed within designated time constraints.**

**Management Comments.** The NORAD and USSPACECOM concurred with the recommendation and stated that the report of survey program manager will provide the status of all reports of surveys to the Vice Director of Logistics on a monthly basis. Additionally, the Vice Director will brief other directors on the status of the reports of survey on a recurring basis. The duty description for the Vice Director has been changed to establish that position as the Commands' focal point for ADPE accountability and management of reports of survey within the Commands. The ADPE losses identified as a result of physical inventories will be maintained and reported by the equipment control officer within the Directorate of Logistics. These procedures will be addressed in internal guidance that will be issued by July 30, 1997.

**2. Direct the directors to initiate and complete reports of survey for all automated data processing equipment identified as lost as a result of physical inventories.**

**Management Comments.** The NORAD and USSPACECOM concurred with the recommendation and stated that ROS have been initiated as a result of recent inventories and are being monitored by the Vice Director of Logistics.

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## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope and Methodology

We reviewed DoD, Air Force, and 21 and 721 Communication Squadrons policies and procedures related to property accountability. We attempted to verify the physical existence of accountable ADPE statistically selected from the IPMS as of December 23, 1996, and systematically selected from the Intelligence Directorate database as of January 16, 1997. We also identified accountable ADPE in the physical possession of NORAD and USSPACECOM at Cheyenne Mountain Air Station and Peterson Air Force Base, and compared the items to the IPMS and Intelligence Directorate database. We reviewed the management controls over the procurement of new accountable ADPE with the purchase card and the base contracting office. We obtained a list of FY 1996 purchase card procurements and FY 1996 and FY 1997 ADPE purchases procured through the base contracting office to determine whether the items were in the IPMS and could be physically located. We reviewed the property files related to ADPE selected in our samples and requested supporting documentation for property transactions. We reviewed FY 1996 ROS totaling \$46,400 for NORAD and USSPACECOM. We interviewed personnel from the Office of the Under Secretary of Defense (Comptroller), Office of the Assistant Secretary of Defense (Control, Control, Communications, and Intelligence), NORAD, USSPACECOM, Air Force Space Command, 21 and 721 Communications Squadrons, and the Peterson Air Force Base contracting office.

**Limitations to Scope.** During our review, we determined that the 721 Communications Squadron did not provide data on a NORAD and USSPACECOM equipment account, valued at \$77,500. As a result, the ADPE recorded in that equipment account was not reflected in the statistical sample. Additionally, the scope of the audit was limited in that we did not review the management control program.

**Use of Computer-Processed Data.** To evaluate NORAD and USSPACECOM property accountability, we tested computer-processed data from the IPMS and the unofficial Alpha Four database from the Intelligence Directorate. Testing was performed on the reliability of data for property accountability and the property records. We determined that the IPMS and the Intelligence Directorate database were unreliable. The unreliability did not affect the results of the audit.

**Use of Legal Assistance.** We obtained legal assistance from our Office of the Deputy General Counsel, which reviewed the report.

**Audit Period and Standards.** We performed this economy and efficiency audit from October 1996 through March 1997 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

## Statistical Sample Methodology

The Quantitative Methods Division prepared a statistical sample to assess the accuracy and validity of the IPMS for NORAD and USSPACECOM ADPE physically located at Cheyenne Mountain Air Station and Peterson Air Force Base. Additionally, a systematic sample was used by the Quantitative Methods Division to assess the accuracy of the NORAD and USSPACECOM ADPE maintained by the Intelligence Directorate. The universe, sample design, IPMS screening, and sample results are described below.

**Universe.** The equipment control officers from the 21 and 721 Communications Squadrons provided the Office of the Inspector General, DoD, with automated data files that represented all NORAD and USSPACECOM ADPE located at Cheyenne Mountain Air Station and Peterson Air Force Base recorded in the IPMS. The Intelligence Directorate also provided automated data files that represented all ADPE recorded in the Intelligence Directorate database. We used the files as the basis for designing, executing, and collecting data for the sample.

**Universe of ADPE Recorded in the IPMS.** The universe of ADPE represented ADPE reported under 41 different equipment accounts. The equipment accounts, number of items, and value of items, are provided in Table A-1.

Appendix A. Audit Process

**Table A-1. Universe of NORAD and USSPACECOM IPMS Accounts**

<u>Account Number</u>	<u>Number of Items</u>	<u>Value of Items</u>
9	1	\$ 475,000
13	1	24,000
30	43	273,000
40	11	38,000
44	32	31,000
47	8	39,000
48	59	233,000
215	64	69,000
219	5	19,000
504	57	69,000
521	420	480,000
523	26	28,000
531	101	132,000
533	84	104,000
535	89	86,000
537	360	253,000
541	197	253,000
552	48	59,000
562	82	149,000
566	79	77,000
573	14	24,000
574	70	156,000
4002	73	70,000
4006	78	126,000
4007	1,037	1,924,000
4008	24	26,000
7002	145	143,000
7004	5	6,000
7008	33	46,000
7009	108	207,000
7010	72	103,000
7016	44	47,000
7021	84	85,000
7022	50	87,000
7023	41	45,000
7025	107	134,000
7026	229	337,000
7028	47	48,000
7030	89	84,000
7031	62	86,000
<u>7032</u>	<u>35</u>	<u>49,000</u>
<b>Total</b>	<b>4,219</b>	<b>\$6,725,000</b>

**Universe of ADPE Recorded in Intelligence Directorate Database.**  
 The NORAD and USSPACECOM Intelligence Directorate provided a download of the database on January 16, 1997. The Intelligence Directorate database

contained 2,254 line items, and represented all ADPE that the Intelligence Directorate maintained, valued at about \$25.2 million. The ADPE was not divided into separate equipment accounts.

**Sample Design.** We performed two samples. A statistical sample was performed on the ADPE recorded in the IPMS, and a systematic sample was performed on ADPE recorded in the Intelligence Directorate database. The statistical sample was designed to provide estimates of the characteristics of the ADPE for the NORAD and USSPACECOM located at Cheyenne Mountain Air Station and Peterson Air Force Base. The systematic sample was taken to make a rough assessment of the Intelligence Directorate ADPE.

**Sample Techniques for ADPE in IPMS.** We used a two-phase sample design. Our sample size and design were strongly influenced by the nature of the universe shown in Table A-1 and constraints on the time and resources available for the audit. In the first phase, we identified accounts from which to draw sample items to test by using probability that was proportional to size methods. We picked accounts based on their proportional share of the total book value of ADPE assets reported by the NORAD and USSPACECOM and that could be picked more than once. For example, account 4007 had ADPE with a book value of \$1.9 million. The account had a 29-percent chance of being selected in any given turn. We statistically selected 15 clusters of items, which were part of the accounts shown in Table A-2. As expected, several accounts were selected more than once.

Table A-2. Accounts Statistically Selected for Sample

<u>Account Number</u>	<u>Number of Items</u>	<u>Value of Items</u>	<u>Number of Clusters</u>
30	43	\$ 273,000	1
40	48	233,000	1
521	420	480,000	2
531	101	132,000	1
537	360	253,000	1
541	197	253,000	1
574	70	156,000	1
4007	1,037	1,924,000	4
7002	145	143,000	1
7026	229	337,000	2

In the second phase, we drew simple random samples of clusters of items from the assets of the accounts identified. Each sample cluster comprised 10 ADPE systems, as defined below. The total sample size, across the 15 clusters of 10 items each, was 150 items.

The ADPE was identified with program line and machine numbers that the equipment control officers input into the IPMS. Some machines had additional accountable items associated with them that were labeled features of a given machine. We identified systems in our samples. Systems were defined as the machine and its related features. When a machine had additional features

## Appendix A. Audit Process

reported under the same program line and machine number combination, we selected the associated features as well. The units we sampled in each cluster were systems.

**Sample Design for ADPE Recorded in Intelligence Directorate Database.** Every 50th item was selected from the Intelligence Directorate database, creating a systematic sample of 45 items.

**IPMS Screening.** Our review of the IPMS showed a large number of sample items that did not have serial numbers recorded. As a result, we could not locate and verify the machine and any associated features. Therefore, we selected alternate sample items because we could not verify the item initially selected. This did not apply to ADPE recorded in the Intelligence Directorate database.

**Sample Results.** The Quantitative Methods Division made the following projections based on the audit results of the IPMS and the Intelligence Directorate database (see Table A-3).

**Results of IPMS.** The IPMS projection used a 90-percent confidence level. We projected the quantity and value of systems that were not accounted for (items not located or with inaccurate serial numbers), or systems that were improperly accounted for (lost, but a ROS was not prepared; incorrect location; or not supported with adequate documentation). Those items were labeled as "systems not okay."

**Table A-3. Estimated Results of ADPE Inventory Sample**  
(in thousands)

<u>Projection Name</u>	<u>Point Estimate</u>	<u>Lower Bound</u> *	<u>Upper Bound</u> *
Sample universe	\$6,725	N/A	N/A
Systems not okay	1,582	\$ 821	\$2,343
Systems not verified	702	217	1,188

\* Estimates were not performed on the sample universe.

We estimated, at the 90-percent confidence level, that between 701 and 1,714 machines failed location or serial testing or both, with 1,208 being the best estimate of the number of failures. We estimated that those machines were valued at between \$821,000 and \$2,343,000, with \$1,582,000 being our best estimate.

**Results of Intelligence Directorate Database.** The database projection used a 90-percent confidence level. We projected, based on a systematic sample of 45 items from a list of 2,254 items, that between 108 and 506 items would not be accounted for (not located) or not properly accounted for (recorded on wrong building or wrong installation). Our best estimate is that 250 items would not be accounted for or would be improperly accounted for.

## Summary of Prior Audits and Other Reviews

The Air Force Audit Agency, Report 26194034, "Management Controls Over Computer Hardware and Software 21st Space Wing," June 24, 1994, discussed the management control environment for computer hardware and software. The report stated that controls over computer hardware could be improved. Specifically, the 21st Space Wing did not properly account for ADPE, establish a custodian training program, and efficiently manage excess equipment. The report recommended that the 21st Space Wing establish a training program for all equipment custodians, complete the ongoing inventory of ADPE on Peterson Air Force Base, establish procedures to monitor custodian inventories, and direct equipment custodians to use hand receipts to issue equipment. The report also recommended that equipment control officers establish procedures to collect excess ADPE pending disposition and arrange for transportation to the reutilization office. The 21st Space Wing nonconcurred with all recommendations in the report. The Air Force Audit Agency recommendation to direct equipment custodians to use hand receipts was a repeat finding.

## Appendix B. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
A1.	Compliance. Ensures complete recording and submission of ADPE.	Nonmonetary. Reports an estimated \$25.2 million to General Services Administration and Congress.
A2.	Economy and Efficiency. Prevents loss of ADPE accountability.	Nonmonetary.
B1.	Economy and Efficiency. Prevents loss of ADPE accountability.	Undeterminable. Subject to results of ROS to be completed by management. Assigns financial liability of ADPE lost.

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### **Office of the Secretary of Defense**

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Auditor General, Department of the Army

### **Department of the Navy**

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Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Unified Command**

Commander in Chief, North American Aerospace Defense Command and U.S. Space Command

### **Other Defense Organizations**

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Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, National Security Agency  
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## Appendix C. Report Distribution

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Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
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House Subcommittee on Government Management, Information, and Technology,  
Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal  
Justice, Committee on Government Reform and Oversight  
House Committee on National Security

## **Part III - Management Comments**

# NORAD and USSPACECOM Comments



NORTH AMERICAN AEROSPACE DEFENSE COMMAND  
AND  
UNITED STATES SPACE COMMAND



11 JUN 1997

MEMORANDUM FOR LOGISTICS SUPPORT DIRECTORATE, OFFICE OF THE  
ASSISTANT INSPECTOR GENERAL FOR AUDITING,  
DEPARTMENT OF DEFENSE

FROM: USCINCSpace/UD  
250 S Peterson Blvd Ste 116  
Peterson AFB CO 80914-3010

SUBJECT: Revised Management Comments--Audit Report on the Management Controls  
Over Automated Data Processing Equipment at NORAD and USSPACECOM  
(Project No. 7LA-0015)

1. We take no exception with the audit team's findings and concur with the recommendations made by the audit team.
2. In response to the recommendations concerning Finding A which states management controls are inadequate, we have taken or have in progress the following actions:
  - a. **Recommendation:** Provide assistance to the Intelligence Directorate Equipment Control Officers (ECOs) to ensure input of ADPE in the IPMS, and appoint Equipment Custodians (ECs) to account for the ADPE.  
**Action:** Intelligence Directorate has input all their accountable ADPE into the IPMS as of 30 Apr 97, and is in the process of appointing ECs--to be completed by 1 Jun 97.
  - b. **Recommendation:** Establish internal guidance for NORAD-USSPACECOM ECOs and ECs. Specific guidance should ensure that physical inventories are performed, reconciled and submitted to the ECO; ADPE acquired with IMPAC purchase cards is properly identified and reported to the ECO; all ADPE received, transferred and moved is properly recorded; distribution of ADPE to ECs is reasonable and ECs effectively use hand receipts.  
**Action:** Preparing an internal Headquarters Operating Instruction (HOI), to be completed no later than 30 Jul 97, which will address command requirements for conducting and reporting joint & annual inventories; require IMPAC Card Holders to coordinate all ADPE purchases through the appropriate EC and ECO; establish EC and ECO clearance as a checklist item for outprocessing; provide guidelines for distribution of ECs and use of hand receipts; require EC duties to be "critical element" in civilian performance plans and as primary duty in military duty descriptions.
  - c. **Recommendation:** Establish a civilian billet as ECO for NORAD-USSPACECOM.  
**Action:** Working to establish a noncommissioned officer (NCO) ECO position within our Directorate of Logistics (J4). This position will be established by redesignating an existing NCO billet. ECO duties will become a primary function of the incumbent NCO. An alternate NCO will also be designated, and ECO duties will be identified as a "key

additional duty" within his duty description. Since this process may take several months, we have established the J4 as the "focal point" within the Command, thus providing the 21st and 721st "direct line" authority into the Command until we can complete the transition of ECO duties—1 Oct 97.

d. Recommendation: Include property accountability as a critical element in the performance ratings/duty descriptions of ECs to improve management emphasis on ADPE.

Action: Proposed HOI will include this as a requirement.

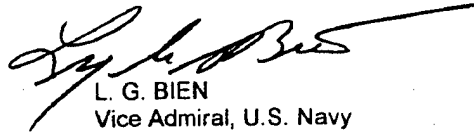
e. In addition to the above corrective actions, we have completed all ADPE inventories; initiated reports of survey where applicable; are in the process of updating our EC listings; and with assistance of 21st Communications Squadron, have begun training for equipment custodians. Also, the duty description for the Vice Director of Logistics has been changed establishing that position as the Commands' focal point for ADPE accountability and management of reports of survey within the Commands.

3. We concur with Finding B which concludes the Command does not always initiate or complete reports of survey within required time frames.

Recommendation: Establish internal policies and procedures that provide the ECO with a reporting mechanism to inform the Command of ADPE losses identified as a result of physical inventories. Additionally, coordinate with the 21st Space Wing to provide a mechanism for the report of survey program manager to inform the Joint Secretary of reports of survey not completed within designated time frames.

Action: Reports of surveys have been initiated as a result of recent inventories and are being monitored by the NORAD-USSPACECOM/J4. As with ADPE issues, J4 is designated as the Commands' focal point. The J4 has already met with the base report of survey program manager to establish a means of reporting monthly the status of surveys. Reports of Survey status will be briefed by the J4V at the Vice Directors' meeting on a recurring basis. This process will be documented in an internal HOI which will also include a mechanism for reporting of losses identified as a result of inventories. This HOI is estimated to be completed no later than 30 Jul 97.

4. Questions concerning this response and corrective actions underway may be directed to LTC Rich Hewitt, N-SP/J4V, comm. (703) 554-9726 or DSN 692-9726.



L. G. BIEN  
Vice Admiral, U.S. Navy  
Deputy Commander in Chief

## **Audit Team Members**

This report was produced by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Shelton R. Young  
Walter R. Loder  
Sharon S. Jarrett  
Virginia G. Rogers  
Kristene M. McMinn  
Stephen H. Chow  
Bryan K. Kitchens

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