

**Audit**



**Report**

OFFICE OF THE INSPECTOR GENERAL

**PROPERTY ACCOUNTABILITY FOR THE  
DEPARTMENT OF DEFENSE EDUCATION ACTIVITY**

Report No. 97-082

January 28, 1997

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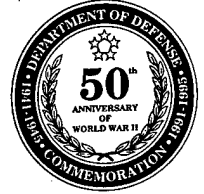
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### **Acronyms**

ADP	Automated Data Processing
DoDDS	Department of Defense Dependents Schools
DoDEA	Department of Defense Education Activity
DRMO	Defense Reutilization and Marketing Office
DSAMMS	Dependents Schools Automated Material Management System



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



**MEMORANDUM FOR DIRECTOR, DEPARTMENT OF DEFENSE EDUCATION  
ACTIVITY**

**SUBJECT: Audit Report on Property Accountability for the Department of Defense  
Education Activity (Report No. 97-082)**

We are providing this audit report for review and comment. This report is one in a series of reports on financial management at the Department of Defense Education Activity. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Director, Department of Defense Education Activity either concurred or partially concurred with all recommendations and proposed corrective actions. We request that the Department of Defense Education Activity provide the planned completion date for Recommendations B.1 and C.1. by March 31, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Walt Loder, Audit Project Manager at (703) 604-9413 (DSN 664-9413). See Appendix E for report distribution. The audit team members are listed on the inside back cover.

A handwritten signature in cursive script that reads "Robert J. Lieberman".

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 97-082  
(Project No. 6LA-2011)

January 28, 1997

### Property Accountability for the Department of Defense Education Activity

#### Executive Summary

**Introduction.** The Department of Defense Education Activity (DoDEA) provides education for dependents of American military and DoD personnel stationed overseas and in the continental United States. DoDEA implemented a reorganization in FY 1995. DoDEA headquarters, located in Arlington, Virginia, oversees the functions of two operational units, the Department of Defense Dependents Schools (DoDDS), which provides education to students overseas, and the Domestic Dependent Elementary and Secondary Schools, which provides education to students located in the continental United States. The total FY 1996 funding for DoDEA was \$1.3 billion, with \$816.7 million for DoDDS. At November 1995, DoDEA reported accountable property of \$161.9 million for its headquarters and the three DoDDS areas. The DoDDS-Europe area office identified weaknesses in property accountability for individual schools visited and issued recommendations. This report is the fourth in a series of reports on financial management at DoDEA.

**Audit Objectives.** The overall audit objective was to assess management controls and compliance with laws and regulations to support our audit of the DoD-wide financial statements required by the Federal Financial Management Act of 1994. The specific audit objective was to determine whether policies and procedures were in place at DoDEA to provide reasonable assurance that accountable property existed and was properly recorded and safeguarded.

**Audit Results.** The DoDDS-Europe control over accountable property was inadequate and the related property records were not reliable. As a result, our statistical projection showed that \$28.7 million of \$110.7 million (dollar value is based on costs assigned to the property in the official property records and may not reflect market value) of accountable property was not located or was improperly accounted for at DoDDS-European Service Center and DoDDS-Europe schools. Also, DoDDS-Europe could not be assured that property was not lost or stolen (Finding A).

The DoDDS-Europe Area Superintendent approved incomplete and inaccurate reports of survey for losses of accountable property. As a result, DoDDS-Europe did not hold employees accountable for property losses processed in FY 1995 totaling \$8.4 million, and did not detect all or correct underlying system problems (Finding B).

The Dependents Schools Automated Material Management System, as implemented, did not effectively account for property. As a result, property was unaccounted for and approximately \$313,000 of duplicate work was performed (Finding C).

The DoDEA did not distribute accountable property effectively. As a result, the accountable property was susceptible to theft and the DoDEA students were not benefiting from the latest technology (Finding D).

We identified a material control weakness applicable to management controls over the accountability of property and reported value. Implementing the recommendations will improve the DoDEA ability to account for property and prepare reliable financial information needed for the preparation of the FY 1996 financial statements.

**Summary of Recommendations.** We recommend that DoDEA direct supervisors to include appropriate comments on the control over property in the performance ratings of the DoDDS-Europe Supply Branch personnel and the school principals; establish management controls for physical inventories of property, new receipts, transfers and acquisition cost of property, and a written quality control program; establish management controls for investigating, processing, and approving reports of survey; designate a senior manager at DoDEA headquarters as approving authority for all reports of survey; implement system changes to increase edit checks in the Dependents Schools Automated Material Management System, and eliminate the duplication of data entry; and establish a plan for managing property acquisitions and equitable property distributions.

**Management Comments.** The DoDEA agreed to make accountability a high interest area by immediately expanding its strategic plan focus to include property accountability. It also agreed to establish quality review teams to ensure that equipment inventories are accurate and to develop a quality control program. DoDEA is distributing the reports of survey regulation to personnel, initiating report of survey training, and has instituted a quarterly review of all reports of survey to determine whether losses are investigated in an appropriate and timely manner. Due to the geographic uniqueness of the organization, DoDEA will designate five senior level officers as approving authority for all reports of survey. DoDEA agreed to modify the Dependents School Automated Material Management System to incorporate appropriate edit checks and eliminate duplication of data entry. Finally, DoDEA indicated that it will implement a program to ensure that equipment acquisitions be equitably distributed within the DoDEA organization.

**Audit Response.** We considered the DoDEA comments to be responsive. However, DoDEA did not indicate the dates by which the report of survey regulation would be distributed, report of survey training would be completed, and system changes would be implemented. We request that DoDEA provide the dates in response to the final report. See Part I for a summary of management comments and Part III for the complete text of management comments.

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## **Part I - Audit Results**

## Audit Background

The Chief Financial Officers Act of 1990, Public Law 101-576, requires that Government agencies, including DoD, prepare annual financial statements and that financial statements of Defense agencies be audited in accordance with generally accepted auditing standards. Accounts for capitalized assets are used to bring the acquisition cost of DoD property under financial control and to provide a reliable basis for preparing reports. Depreciation expense is to be recorded in the accounting period that benefits from the use of the capitalized asset.

**Department of Defense Education Activity.** The Department of Defense Education Activity (DoDEA) provides education for dependents of American military and DoD personnel stationed overseas and in the continental United States. DoDEA implemented a reorganization in FY 1995. As a result of the reorganization, DoDEA oversees the functions of two operational units, the Department of Defense Dependents Schools (DoDDS), providing education to 90,000 students overseas, and the Domestic Dependent Elementary and Secondary Schools, providing education to 32,000 students located in the continental United States. The DoDDS organization includes three areas, Europe; Pacific; and Panama/Islands. DoDDS-Europe consists of a Germany-based office, several districts, and numerous schools located throughout Europe. The DoDDS-European area office includes the Area Superintendent's Office and the Area Service Center. The total FY 1996 funding for DoDEA was \$1.3 billion, with \$816.7 million for DoDDS. DoDDS is comparable to the 22nd largest school system in the United States.

**Accountable Property.** As shown in Table 1, at November 1995, DoDEA reported accountable property of \$161.9 million for its headquarters and the three DoDDS areas.

**Table 1. Allocation of Accountable Property**

DoDEA Headquarters	\$ 3,294,753
DoDDS-Europe	117,524,601
DoDDS-Pacific	32,027,882
DoDDS-Panama/Islands	<u>9,076,277</u>
<b>Total</b>	<b>\$ 161,923,513</b>

The DoDEA classified accountable property as property with a serial number, property considered pilferable, or nonexpendable items valued at more than \$300, such as automated data processing (ADP) equipment, audio visual equipment, physical education equipment, and furniture. DoDEA has transferred accountable property between schools, area offices, and district offices because of reorganization, downsizing, and school closures. DoDEA Headquarters and DoDDS uses the Dependents Schools Automated Material Management System (DSAMMS) to maintain accountable property records.

**Dependents Schools Automated Material Management System.** The DoDEA implemented a property requisitioning software system, DSAMMS, in FY 1990. In FY 1994 DoDEA added a property accountability module, and in FY 1995 DoDEA completed and implemented system upgrades for property accountability. Two sets of DoDDS-Europe property records are maintained in DSAMMS. The property custodians at the individual schools maintain one set of property records in DSAMMS for management control over accountable property. The DoDDS-European Service Center maintains another property record for all DoDDS-Europe accountable areas, which is the official property record for each accountable area. (An accountable area includes the area offices, the districts, and the schools.) The Supply Branch of the Logistics Division at the DoDDS-European Service Center (DoDDS-Europe Supply Branch) adjusts the official property record, not the property custodians at the accountable areas.

**DoDDS-Europe Supply Branch.** The supply systems analyst and six inventory management specialists in the DoDDS-Europe Supply Branch are responsible for the official property records for the DoDDS-Europe accountable areas. The DoDDS-Europe Supply Branch adds, removes, and changes the accountable property information in the official property records for the DoDDS-Europe accountable areas based on documentation received from each DoDDS-Europe accountable area. It sends each DoDDS-Europe accountable area a property listing, including all accountable property included in the official property records for that DoDDS-Europe accountable area. The property listing is used to conduct annual physical inventories. The DoDDS-Europe Supply Branch updates the official property records based on the results of the inventories as well as submissions of transaction documents between annual inventories.

## Audit Objectives

The audit objective was to assess management controls and compliance with laws and regulations to support our audit of the DoD-wide financial statements required by the Federal Financial Management Act of 1994, Public Law 101-356. Specifically, we determined whether policies and procedures were in place at DoDEA to provide reasonable assurance that accountable property existed and was properly recorded and safeguarded. See Appendix A for a discussion of the scope and methodology and management control program. See Appendix B for a summary of prior coverage related to the audit objectives.

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## Finding A. Property Accountability

The DoDDS-Europe control over accountable property was inadequate and the related property records were not reliable. The condition occurred because DoDDS-Europe did not:

- o hold employees accountable,
- o implement existing policies and procedures,
- o establish necessary management controls, and
- o have a financial system that collected and consolidated accounting transactions.

As a result, our statistical projections showed that \$28.7 million of \$110.7 million of accountable property was not located or was improperly accounted for at the DoDDS-European Service Center and the DoDDS-Europe schools. Also, DoDDS-Europe could not be assured that property was not lost or stolen.

### Polices and Procedures

**DoD Regulation.** DoD Regulation 7000.14-R, "DoD Financial Management Regulation," (the DoD Financial Regulation) establishes requirements, principles, standards, systems, procedures, and practices for financial management. The DoD Financial Regulation, Volume 4, "Accounting Policy and Procedures," January 1995, provides guidance on the financial control over accountable property. The DoD Financial Regulation states that DoD has an obligation to safeguard its property from theft, abuse, waste, and unauthorized use and to manage the property efficiently and effectively. Property accounting should provide timely and reliable financial information. The regulation requires that property valued over \$300, and all sensitive property regardless of cost, should be included in the property records. However, on May 28, 1996, the Under Secretary of Defense (Comptroller) raised the threshold for non-sensitive property items to \$2,500. Items previously acquired could not be reclassified; however, new purchases of non-sensitive property valued at less than \$2,500 were no longer required to be recorded in the property records. For the property items required to be in the property records, the property records should control the physical quantities of property, identify the location of the property, and show unit costs. The term "cost" means amounts paid to acquire the property. Physical inventories of property are required to be conducted to ensure that only property under DoD control is recorded. The difference between the property records and the physical inventories must be researched and any adjustments to the official property records documented fully. Adjustments include changes to property such as addition, modification, or removal of the property.

## Finding A. Property Accountability

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**DoDEA Regulation.** The Dependents Schools Manual 4100.2 "Materiel Management Manual," July 1986, includes guidance on property accountability.

**Incoming Property.** The Dependents Schools Manual, chapter III, "Status and Post Award Procedures," includes the procedures for accounting for incoming property. Incoming property must be delivered to the property custodian and property records updated before the items are made available to the ordering department.

**Property Accountability.** The Dependents Schools Manual, chapter IV, "Property Accountability," includes guidance for physical inventories of accountable property. A 100-percent physical inventory of all accountable property is required annually. Each accountable item must be physically checked to ensure the item and its description match the property listing. Accountable items physically present that are not listed on the property listing are to be annotated. Appropriate administrative action is to be initiated promptly when there is evidence that individuals are not adequately performing their property management responsibilities.

**Property Transfer and Disposal.** The Dependents Schools Manual, chapter V, "Property Transfer and Disposal Procedures," includes guidance on lateral transfers of accountable property. The accountable officer or the losing school is responsible for preparing the transfer document for property to be transferred. The transfer document is sent to the gaining activity. The gaining activity signs the transfer document and sends a copy to the accountable officer at the DoDDS-Europe Supply Branch to ensure the transfers of property are recorded.

### Accountable Property

The DoDDS-Europe control over accountable property was inadequate and the related property records were not reliable. Accountable property included in the official property records did not exist at DoDDS-Europe accountable areas, the official property records were not complete, the DoDDS-Europe Supply Branch official property records on the location of accountable property were inaccurate, and the recorded values for accountable property were inaccurate.

**Existence of Accountable Property.** Certain accountable property included in the official property records did not exist at the DoDDS-European Service Center and DoDDS-Europe schools. Property on the property listings could not be located or was improperly accounted for, and the DoDDS-Europe Supply Branch deleted \$3.1 million of accountable property from the official property records, which the DoDDS-Europe Supply Branch personnel had concluded did not exist.

**Property on the Property Listing.** We statistically projected that 37,701 of 161,274 line items of accountable property included on the property listings could not be located or were improperly accounted for at the DoDDS-

## **Finding A. Property Accountability**

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European Service Center or DoDDS-Europe schools (see Appendix A for details of the statistical projection). We could not locate certain accountable property, statistically selected from the property listing, at the 10 schools we statistically selected for review and at the DoDDS-European Service Center (see Appendix C, A.1. for an example). Additionally, certain property items were not recorded appropriately (see Appendix C, D.1.). Our sample did not include property items from closed schools.

**Deleted Accountable Property.** In FY 1995, the DoDDS-Europe Supply Branch deleted \$3.1 million of accountable property from the official property records for DoDDS-Europe accountable areas, without adequate explanation. The DoDDS-Europe Supply Branch deleted the property from the official property records after concluding that the property did not exist, however, it could not provide documentation supporting the conclusion. This practice continued in FY 1996. For example, in FY 1996 \$112,602 of accountable property was deleted from the official property records for Augsburg High School in Germany. Accountable property should be deleted by the DoDDS-Europe Supply Branch only if it has a duplicate serial number, the item is not accountable property, the item is on a report of survey, or the item is on a turn-in document to the Defense Reutilization and Marketing Office (DRMO). The DoDDS-Europe Supply Branch, which recorded the deletions, could not provide an adequate explanation for the deletions because it neither maintained supporting documentation nor entered comments into DSAMMS to explain the individual deletions. The DoDDS-Europe Supply Branch should have required reports of survey to be initiated to determine any needed adjustments to the property records for unaccounted for property (see Finding B).

**Completeness of Property Records.** The official property records were not complete. All accountable property was not recorded on the property listings. In FY 1995 DoDDS-Europe accountable areas identified \$3.8 million in accountable property that was not recorded in the official property records.

**Unrecorded Property.** We identified accountable property at the 13 schools visited (10 schools statistically selected and 3 additional schools) and at the DoDDS-European Service Center that was not recorded on the property listings; therefore, the official property records did not include all accountable property located at the accountable areas (see Appendix C, A.2., G.1., G.2., and M.5.). Additionally, new accountable property received in FY 1994 and FY 1995 was not recorded on the property listings (see Appendix C, H.1.). The property custodians were required to inform the accountable officer at the DoDDS-Europe Supply Branch of the new property received so that all accountable property at the school could be included in the official property records.

**Property Classified as Found on Installation.** In FY 1995, the DoDDS-Europe accountable areas identified \$3.8 million in accountable property that was not recorded in the official property records. Accountable property was classified as Found on Installation when DoDDS-Europe accountable areas could not determine the origin of the accountable property discovered during physical inventories and the items were not on the property

## Finding A. Property Accountability

listing or on the official property records. For example, in FY 1995 an inventory taken before the closure of the schools in Nuernberg, Germany, resulted in approximately \$600,000 of Found on Installation items.

**Location of Accountable Property.** The DoDDS-Europe Supply Branch official property records on the location of accountable property was inaccurate. Accountable property, that was on a property listing for an accountable area but could not be found, was deleted from the official property records with or without a report of survey. If it was determined later that the property was located at a different accountable area, the DoDDS-Europe Supply Branch re-entered the property in the official property records and transferred it to the other accountable area (see Appendix C, J.2. and J.3.). Additionally, the official property records reflected accountable property at closed schools, although the property was not physically located in the closed schools (see Appendix C, C., E., I.1.). Accountable property was maintained on the property records for closed schools because other open schools could actually have property items that had been physically transferred from the closed schools but not reported or recorded as transfers. However, there was no assurance that the property included on the property records for closed schools was located at another DoDDS-Europe accountable area.

**Valuation of Accountable Property.** Accountable property was not valued accurately in the official property records. Zero dollar values and general pricing was used to value property in the official property records. Using incorrect values for property will misstate the financial statements.

**Zero Dollar Values.** Property was listed on the property listing with zero dollar values. For example, 56 of 1,343 line items of the property listing for Naples Elementary School in Italy had an inaccurate dollar value of zero. Understating the value of an item understates the value of the report of survey if the item is damaged, destroyed, or lost. For example, in 1995 over 200 items were listed on reports of survey with zero dollar values.

**General Pricing.** The DoDDS-Europe Supply Branch used general pricing to assign a value to the majority of property in the official property records. When general pricing is used, one price is assigned for all property items for a certain category (model) of property regardless of the purchase or contract price. Our review of the general pricing for the ADP equipment recently received for student computer labs showed that general pricing understated the value of some items. Table 2 illustrates for the results of the comparison.

Table 2. General Pricing Comparison

<u>Property Item</u>	<u>Purchase Price</u>	<u>General Price</u>
Computer (CPU) and monitor	\$3,868	\$3,779
Computer (CPU) and monitor	3,494	3,494
Server and monitor	8,759	8,097
Laser printer	4,094	4,014
Compact disc read only memory tower	3,790	3,790

## **Finding A. Property Accountability**

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### **Employees Accountability**

The DoDDS-Europe employees were not held accountable for the inadequate control over accountable property and the related unreliable records. The DoDDS-Europe Supply Branch and the school principals were not ensuring that the property records were reliable, because of a lack of management emphasis on the importance of property accountability. Poor property accountability was not reflected in the performance ratings of DoDDS-Europe Supply Branch employees and property accountability was not emphasized as an important part of the school principals' performance.

**Performance Ratings of DoDDS-Europe Supply Branch Personnel.** The performance ratings of DoDDS-Europe Supply Branch personnel did not reflect the inadequate control over property accountability. The DoDDS-Europe Supply Branch were responsible for the official property records. According to the performance standards and the position description, the supply systems analyst is responsible for ensuring that the schools are complying with the policies and procedures for property accountability by preparing guidance and providing training. The supply systems analyst is also responsible for ensuring the accuracy of the property records by reviewing the documentation submitted by schools and transactions performed by subordinates. The supply systems analyst is required to analyze property data, identify problem areas, and determine solutions to correct underlying system problems. According to the position description, the inventory management specialist is responsible for maintaining the official property records, assisting field personnel with property accountability, recording transfers of property from closing schools, and reviewing documentation for accuracy and completeness. The control over accountable property was inadequate and the related property records were unreliable. However, the supply systems analyst and six inventory management specialists in the DoDDS-European Service Center Supply Branch, responsible for the accuracy of the property records, received satisfactory or better performance ratings in 1995. In fact, four of seven received excellent ratings and five of seven received performance awards.

**Performance Standards of School Principals.** Principals of DoDDS-Europe schools were the hand receipt holders (the individuals responsible for the property) of all property at the school. However, they were not held accountable for the inadequate control over accountable property and the related unreliable property records because property accountability was not emphasized as an important part of a principal's performance. Principals had supervisory responsibility for school property and had a significant role in ensuring that policies and procedures were followed for property accountability, such as requiring that the property custodian was notified when property entered or left the school. Of 111 performance standards for principals, only 1 required property accountability. The performance plan for principals consists of five critical performance elements. Each performance element is separated into varying numbers of activities and corresponding performance standards. Reconciling inventory of accountable property was 1 of 38 performance

standards in the fifth performance element, School Management. Therefore, the significance of the performance standard for control over property was minimal in the overall performance plan as well as the performance element.

### Existing Policies and Procedures

The DoDDS-European Service Center and DoDDS-Europe schools did not ensure existing policies and procedures were implemented for conducting physical inventories, recording new property, recording transfers, and entering actual costs of accountable property to ensure the reliability of the property records.

**Conducting Physical Inventories.** The DoDDS-European Service Center and DoDDS-Europe schools did not ensure the policies and procedures were implemented for conducting adequate physical inventories to ensure that all accountable property existed, that the property listings were complete, and that recorded serial numbers were accurate.

**Existence of Accountable Property.** The DoDDS-European Service Center personnel and school property custodians did not ensure that all accountable property recorded on the property listings existed at the schools. If the individuals performing the inventory at the DoDDS-European Service Center and the property custodians had followed the procedure to compare each item on the property listing to the property at the accountable area, property would not have been on the property listing that had not been located in the accountable area for years (see Appendix C, D.1.). Further, accountable property recorded on the property listing for the DoDDS-Europe schools was not located or was improperly accounted for as a result of the failure of DoDDS-Europe schools to conduct adequate physical inventories in past years. For example, a report of survey, totaling \$159,300, from Frankfurt American High School in Germany stated that it was an accumulated loss covering a 40-year period.

**Completeness of Property Listings.** The DoDDS-European Service Center personnel and school property custodians did not ensure that the property listings were complete. The individuals performing the inventory at the DoDDS-European Service Center and the school property custodians were required to go room to room and annotate the property physically located at the school, but not included on the property listing. However, while performing our audit tests, we identified 70 items, valued at \$32,790, at the Mannheim Middle School in Germany that were not on the property listing. If the room-to-room procedure had been performed, we would not have found property at the 13 schools we visited and at the DoDDS-European Service Center that was not on the property listings.

**Accuracy of Serial Numbers.** Incomplete serial numbers were recorded in the official property records because the DoDDS-European Service Center and school property custodians did not ensure that serial numbers were

## **Finding A. Property Accountability**

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accurate. If the serial number was inaccurate, there was no assurance that the item was on the property listing. DoDDS-European Service Center personnel and school property custodians had not physically verified that each property item and its description matched the property listing; therefore, serial numbers were on the property listing with missing or incorrect letters and numbers (see Appendix C, H.3. and M.1.).

**Recording New Accountable Property.** The DoDDS-Europe Supply Branch and DoDDS-Europe schools did not adequately implement the policies and procedures for recording new accountable property. Implementing the policies and procedures would have ensured that new property was recorded on the property listing. However, 8 of 9 schools (procedures for receipt of new property were not reviewed at 4 of the 13 schools we visited) received new property that was not recorded promptly or not recorded at all.

**Delivering Accountable Property.** The DoDDS-Europe schools did not adequately implement the DoDEA policy that requires incoming material to be delivered to the property custodian or acting property custodian. The property custodian could not record the accountable property in the property records or notify the DoDDS-Europe Supply Branch without knowledge of the receipt. For example, the principal at Mannheim Middle School in Germany received a photo identification card system valued at \$3,250 but did not notify the property custodian of the delivery. Therefore, the property custodian did not record the accountable property in the property records. Neither the school property custodian nor the principal had the paperwork showing the date the system was received.

**Entering Property Before Distribution.** The DoDDS-Europe schools did not adequately implement the DoDEA policy that requires the property records to be updated before new property was distributed to the ordering department. If accountable property is not entered in the property records before distribution, the property may never be recorded in the property records. For example, a CD ROM drive tower, four monitors, and three computers valued at \$16,138 were placed in the media center at Mannheim Middle School but were not recorded in the property records. Further, the property custodian did not have the paperwork showing the date the ADP equipment was received.

**Entering Property Orders.** The DoDDS-Europe Supply Branch and DoDDS-Europe schools did not fully utilize the existing controls to ensure that new property was recorded in the property records. Orders of accountable property should have been entered into DSAMMS by the ordering activity. According to DSAMMS documentation, DSAMMS should generate followup letters for items not received within 70 days of the estimated delivery date so the property custodian can determine the status of the order. Also, DSAMMS can generate a document register (a listing of the status of orders entered into DSAMMS for a school) for review to ensure that new property is received and recorded in the property records. On the May 1996 document register for Mannheim Middle School, property valued at more than \$3,000 was listed as ordered in FY 1995, but not yet received. After we questioned personnel regarding the item, it was determined that the item was received but not delivered to the property custodian. DoDDS-Europe Supply Branch and the

DoDDS-Europe schools did not ensure that all orders of accountable property were entered into DSAMMS. Not entering orders of accountable property in DSAMMS prevents the DoDDS-Europe schools from using the existing controls, such as followup letters and the document register.

**Recording Transfers.** The DoDDS-Europe accountable areas did not implement policies and procedures for recording transfers of accountable property promptly (see Appendix C, G.2., I.2., J.1., and J.4.). DoDEA policy requires the accountable area transferring property and the accountable area receiving property to notify the DoDDS-Europe Supply Branch of the transferred accountable property. However, property transferred to other schools from the closing DoDDS Mediterranean Regional Office was not identified and recorded until the receiving schools prepared their annual inventory. Property records were inaccurate by not recording transfers of property. Additionally, accountable property was more likely to be deleted, under the deletion policy of DoDDS-Europe, because transfers were not recorded and the school that transferred the items reported the items as no longer at the school (see Appendix C, J.2.).

**Entering Costs for Accountable Property.** The DoDDS-Europe Supply Branch did not implement DoD policy to record accountable property at the cost paid to acquire the item. According to the October 1995 DoDDS Standard Operating Procedures, the personnel at the DoDDS-Europe Supply Branch of the DoDDS-European Service Center are responsible for reviewing the property inventory for completeness. However, property was recorded in the property records with zero dollar values instead of the cost paid for the property. Additionally, the DoDDS-Europe Supply Branch did not consistently use the required source documents showing purchase price to assign a cost to an item. Property records and financial statements are misstated if inaccurate costs are used.

### Establishment of Management Controls

The DoDEA did not establish the necessary management controls, such as a bar coding system and a written quality control program, to ensure that the property records were reliable.

**Bar Coding System.** As of July 1996, DoDEA had not fully implemented a bar coding system to improve management controls over accountable property. Bar coding would help ensure speed and accuracy in physically counting accountable property. According to a Defense Logistics Agency representative, two companies could have provided DoDEA with an adequate off-the-shelf bar coding software that could have been fully installed and operational within 90 days. According to DoDEA, the Defense Logistics Agency system would require the operation of a stand alone system that is not compatible with DSAMMS. Accordingly, DoDEA decided in 1992 to develop bar coding software that would electronically mesh with DSAMMS. DoDEA personnel stated that a bar coding system for property was not a priority because adequate

## **Finding A. Property Accountability**

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controls over property existed. Since 1992, DoDEA has spent \$263,000 on hardware and software in an effort to implement a DSAMMS-compatible bar coding system, which is not yet operational. Additionally, in 1993 the DoDEA Management Information System Division identified a need for an off-the-shelf bar coding system, and purchased a system for \$43,500. However, the bar coding system purchased did not effectively track the DoDEA computer assets.

**Quality Control Program.** The DoDEA did not establish a written quality control program to monitor the accuracy and completeness of the accountable property records. A written quality control program should be designed to maintain control over accountable property, to identify areas needing improvement, and to ensure that property records are reliable. A quality control program would identify accountable areas that were not complying with DoDEA policies and procedures. For example, accountable areas that submit a large number of additions and deletions of property as a result of a physical inventory may not be keeping the property records current. Also, a quality control program would verify whether adjustments to the property records are justified. For example, property should only be deleted if it is on a report of survey or a turn-in document to DRMO; or if it has a duplicate serial number or is not accountable property and is adequately documented. Further, a quality control program would identify transactions that need to be researched, such as property on the official property records for closed schools. Research would determine whether the property was transferred to other schools. Additionally, a quality control program should include accountable area visits with tests of all aspects of property accountability.

## **Financial System**

The DoDEA did not have adequate control over accountable property because it did not have a financial system that collected and consolidated accounting transactions for all organizational units. DoDEA did not produce financial statements as required by the Chief Financial Officers' Act of 1990. DoDEA manually prepared financial reports, such as the Standard Form 220 "Report on Financial Position." However, assets meeting the capitalization threshold were not recorded in the Standard Form 220 or in a general ledger account. Additionally, it did not establish accounts to record the results of any calculation of depreciation for capitalized assets, as DoD policy required. Finally, DoDEA did not reconcile the property records in DSAMMS to subsidiary accounts to ensure accuracy. The lack of a financial system that collected and consolidated accounting transactions for all organizational units was addressed in Inspector General, DoD, Report No. 96-181, "Management Control Environment for the Department of Defense Education Activity," June 28, 1996.

## Under Secretary of Defense (Comptroller) Assistance

In response to the Inspector General, DoD, Report No. 96-181, the Under Secretary of Defense (Comptroller) stated that a financial assistance team would be provided to DoDEA to assist in the resolution of the DoDEA financial management issues. The team should address issues such as a DoDEA bar coding system for accountable property and the accurate reporting of capitalized assets and depreciation. Therefore, no recommendations are included in this report for those issues.

## Replacement Cost

We projected that 37,701 line items in accountable property for DoDDS-European Service Center and DoDDS-Europe schools could not be located or were improperly accounted for. We projected that \$28.7 million (26 percent) of the \$110.7 million of accountable property at the accountable areas could not be located or were improperly accounted for. The \$28.7 million is based on costs assigned to property in the official property records and is not reduced for depreciation. Additionally, as noted in Table 3, the cost to replace the items that could not be located or improperly accounted for may exceed the recorded cost because the replacement cost was significantly greater for certain items. In most cases, the cost of a property item purchased years ago was compared to a property item recently purchased for the same DoDDS-Europe school. The models of property items compared were not identical because obsolete property, such as Apple computers, are being replaced with the latest technology at the DoDDS-Europe schools.

Table 3. Comparison of Recorded Costs and Replacement Costs

<u>Item</u>	<u>Recorded Cost</u>	<u>Replacement Cost</u>
Projection panel	\$1,987	\$5,395
Camera	95	642
Photocopier	6,217	20,812
Overhead projector	209	395
Computer (CPU)	600	3,218
Printer	249	4,063

## Management Actions

In FYs 1995 and 1996, the DoDDS-Europe area office identified weaknesses in property accountability for individual schools visited and issued recommendations. Additionally, DoDDS-Europe accountable areas initiated inventories of property that resulted in a large number of items found on

## **Finding A. Property Accountability**

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installation and reports of survey. In August 1996, DoDEA expanded its strategic plan to include a hand receipt holder's self assessment to improve property accountability. The hand receipt holder (individual responsible for property) must certify that a physical inventory was conducted; the location of all property was known; all property was bar coded; records have been updated for location and bar code; the DoDDS-European Service Center was notified of all receipts, issues, and turn-ins of property; and that the DoDDS-European Service Center was notified of all incorrect serial numbers and management data.

### **Summary**

Controls over accountable property were inadequate, and the related property records were not reliable. Even though inventories were taken in FY 1995, we projected that 37,701 of 161,274 line items in accountable property for DoDDS-European Service Center and DoDDS-Europe schools could not be located or were improperly accounted for. Additional management controls are needed to improve property accountability and prepare reliable financial information needed for the preparation of the FY 1996 financial statements.

### **Recommendations and Management Comments**

**A. We recommend that the Director, Department of Defense Education Activity:**

**1. Make property accountability a special interest item by directing supervisors to include appropriate comments on the adequacy of control over property accountability in the performance ratings of the Department of Defense Dependents Schools-Europe Supply Branch personnel and the school principals.**

**Management Comments.** The DoDEA concurred with the recommendation. The Director, DoDEA, as an alternative action, has chosen to expand the strategic plan focus for 1997 to include, under goal 9: Accountability Benchmark 9.2: "all DoDEA management units will be reviewed to ensure effective, efficient use of all resources in support of the educational mission as measured by internal audits." As a result, it has directed all hand receipt holders to complete a self-assessment of their property program. In addition, the Director, DoDEA, has chosen to create standards for an internal management control program for property accounts with a completion deadline of March 1997.

**Audit Response.** We consider the alternative actions to be responsive to the intent of the recommendation.

**2. Establish management controls necessary to ensure:**

- a. conduct of complete and accurate physical inventories, including reconciliation of property listings and physical inventories.
- b. proper receipt, recording, and reporting of all accountable property obtained through purchases and transfers.
- c. all orders of new property are entered into the Dependents Schools Automated Material Management System, and all new property is entered into the property records prior to distribution.
- d. recording of accountable property at acquisition cost.

**Management Comments.** The DoDEA concurred with the recommendation. It stated that quality review teams had been established to conduct random compliance reviews, which will begin in January 1997. It also stated that the fielding of the DSAMMS bar coding system has been completed and will assist with management controls of accountable equipment.

**3. Establish a written quality control program for accountable property.**

**Management Comments.** The DoDEA concurred with the recommendation. It stated that a quality control program will be developed and used to monitor program compliance and effectiveness. The written quality control program is scheduled to be completed in September 1997.

**Management Comments.** The DoDEA claimed that its personnel located or accounted for 68 of the 73 items that auditors could not find while conducting the on-site inventories in Europe.

**Audit Response.** The Inspector General, DoD, audit teams that conducted the subject inventories gave DoDEA employees ample opportunity to find the items during the audit field work. Each of the two audit teams spent an average of 3.5 days at each inventory accountable area. The 73 items represented equipment that could not be located or properly accounted for at the time of the auditors' accountable area departures.

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## Finding B. Reports of Survey

The DoDDS-Europe Area Superintendent approved incomplete and inaccurate reports of survey for losses of accountable property. The condition occurred because the DoDDS-Europe Area Superintendent did not adequately implement management controls to:

- o ensure the property losses were adequately investigated, and
- o complete reports of survey within the designated time constraints.

Additionally, DoDEA did not designate a senior manager from DoDEA headquarters to approve reports of survey. As a result, DoDDS-Europe did not hold employees accountable for property losses processed in FY 1995 totaling \$8.4 million, and did not detect all or correct underlying system problems.

## Policies and Procedures

**DoD Regulation.** DoD Manual 7200.10-M, "Accounting and Reporting for Government Property Lost, Damaged, or Destroyed," March 1991, states that DD Form 200, "Financial Liability Investigation of Property Loss," (report of survey) is the official document to support the establishment of debts, relief from accountability, and the adjustment of property records, supply system stock records, and financial records. The Manual requires that the cause of the loss, the damage, or the destruction be investigated; a determination be made of whether the loss, the damage, or the destruction was caused by negligence or abuse; the accountable records be adjusted; and a system be established to determine whether a responsible party should be held financially liable for a loss. The Manual also requires that a disinterested party be appointed to investigate repetitive losses, evidence of negligence or abuse, and large dollar losses. The Manual states that an inquiry shall be initiated immediately after the loss, the damage, or the destruction is discovered.

**DoDEA Regulation.** Dependents Schools Manual 4100.2 "Materiel Management Manual," July 1986, includes guidance for property accountability.

**Property Receiving Procedures.** Dependents Schools Manual 4100.2, chapter III, "Status and Post Award Procedures" includes the receiving procedures for accountable property. The Manual states that the Standard Form 364, "Report of Discrepancy," should be prepared to notify the shipper of shortages or packaging discrepancies for a shipment. The Manual states the shipper is responsible for funding and replacing missing material if properly notified within 180 days after the receipt of shipment.

**Lost, Damaged, or Destroyed Property.** Dependents Schools Manual 4100.2, chapter VIII, "Lost, Damaged, or Destroyed Property," states that a report of survey should be initiated immediately and processed within 75 calendar days after the loss is discovered. The Manual also states that a surveying officer (disinterested party) should be appointed if there is any suspicion of collusion, fraud, gross negligence, theft, unauthorized use, or willful misconduct. The approving authority must check the accuracy and completeness of each report of survey. The Manual authorizes the regional director or his designee, the deputy director, to approve reports of survey. DoDEA released a memorandum dated September 1996, changing the approving authority to the Area Superintendent for losses at DoDDS-Europe schools; the Associate Director, Management Services for losses at the DoDDS-European Service Center; and the Associate Director for Accountability, Assessment, Research, and Evaluation for losses at the Area or District Superintendents Office.

### Reports of Survey for Losses of Accountable Property

The DoDDS-Europe Area Superintendent approved incomplete and inaccurate reports of survey for losses of accountable property. Reports of survey completed in 1995 did not include an adequate explanation of why the accountable property could not be located. Additionally, the reports of survey inaccurately included property items that were later found, transferred to other schools, or never received.

**Explanations of Loss.** The DoDDS-Europe processed 161 reports of survey for accountable property, valued at \$5.3 million, in 1995. Of the \$5.3 million in reports of survey, \$5.2 million (97 percent) did not include a definitive explanation of why the accountable property could not be located. The remaining \$0.1 million (3 percent) stated that the items were missing because of theft or lost. Personnel at DoDDS-Europe accountable areas attempted to explain the loss on 47 of the 161 reports of survey. The explanations were that accountable property could have been sent to DRMO or transferred and the paperwork was lost or misplaced. However, without supporting documentation there was no assurance that the losses were not caused by theft. For example, an appointing authority wrote on a report of survey, "there is no way of knowing where the items have gone." Other reports of survey did not include any explanation for the loss.

**Items Included on Reports of Survey.** Reports of survey should have been used to record only accountable property that was lost, damaged, or destroyed. However, the reports of survey inaccurately included property items that were later found, transferred to other schools, or never received. For example:

- o in April 1996, the elementary and high schools in Rota, Spain, completed two reports of survey, totaling \$313,672. The property on the report of survey could not be located during an inventory in March 1996. In May and

## Finding B. Reports of Survey

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June of 1996, a thorough search of the school was performed and the school indicated that \$151,813 of accountable property listed on the reports of survey had been located.

o in March 1995, the DoDDS Mediterranean Regional Office completed a report of survey, totaling \$437,282. In June 1995, the value of the report of survey was reduced to \$284,197, when the schools took inventory and located items that had been transferred.

o in 1995, the Atterberry Elementary School in Germany completed a report of survey, totaling \$73,143, that stated they were finding items that would reduce the monetary value of the report of survey.

o DoDDS-Europe completed 13 reports of survey, totaling \$58,464, that incorrectly included accountable property that was never received. Instead of the reports of survey, DoDDS-Europe should have prepared reports of discrepancy, as required.

Inaccurate reports of survey contributed to errors in the official property records. The report of survey was used to support the deletion of property from the official property records. If the property was later found, the property was re-entered into the official property records with the possibility of input errors (Finding A).

The reports of survey were incomplete and inaccurate because the DoDDS-Europe area office did not ensure that the property losses were adequately investigated. DoDEA and DoDDS-Europe Area Superintendent, by not adequately implementing management controls, contributed to the incomplete and inaccurate reports of survey.

## Implementing Management Controls

The DoDEA and DoDDS-Europe Area Superintendent did not adequately implement management controls, such as ensuring that the losses reported on reports of survey were adequately investigated, approving reports of survey within the designated time constraints, and designating senior management from DoDEA Headquarters for approving reports of survey.

**Investigating Losses.** The DoDDS-Europe area office did not adequately investigate the losses reported on the 1995 reports of survey. Inadequate investigations of property losses prevented DoDDS-Europe area office from determining the exact cause of the losses, including the individuals responsible for the losses. Of the 161 DoDDS-Europe reports of survey, 100, totaling \$2.5 million, were not accompanied by a disinterested party report. DoDDS-Europe area office should have ensured investigations of losses on reports of survey were performed by a disinterested party for repetitive losses, evidence of negligence or abuse, or large dollar value losses. Of the 161 reports of survey, 84 (52 percent) included property that was discovered missing when an

## Finding B. Reports of Survey

inventory was taken. That indicates that there could be a widespread property control problem that should be investigated because many DoDDS-Europe accountable areas were not noticing the losses until an inventory was taken. Another indication of a widespread property control problem was that DoDEA reported that the dollar value of the reports of survey was 8 times greater in FY 1995 (\$4.4 million) than in FY 1994 (\$556,729). A possibility of negligence or abuse was involved also in the loss because the DoDDS-Europe accountable areas could not explain the reason for the majority of the losses. Additionally, 14 of the 100 reports of survey that a disinterested party did not investigate totaled more than \$50,000. Table 4 shows the total number of reports of survey over \$50,000.

**Table 4. Dollar Value of DoDDS-Europe Reports of Survey for 1995**

<u>Dollar Value</u>	<u>Reports of Survey</u>
Over \$100,000	19
\$50,000-\$100,000	10
Under \$50,000	132

Of the 161 reports of survey, 5 were not provided, therefore, we could not determine whether an investigation by a disinterested party was performed. The remaining 56 of 161 reports of survey were accompanied by an investigation report; however, the investigation may not have been adequate. For example, the individual performing the investigation for a report of survey totaling \$284,197 was not a disinterested party, as required, because the investigator was from the same division at the DoDDS-European Service Center as the initiator and the appointing authority. Also, 11 of the 56 reports of survey that were investigated in 1995 were for schools and other accountable areas that closed from 1991 to 1994. It would be difficult to perform an adequate investigation on a closed accountable area.

**Timeliness of Investigations.** The 1995 reports of survey were not completed promptly, and therefore not investigated promptly. Reports of survey prepared years after the loss occurred allowed the problems causing the loss to continue unnoticed. According to DoDEA personnel, the rapid turnover and reassignment of personnel during downsizing, particularly in closed schools, makes any investigation difficult to accomplish. A 1995 report of survey for the Torrejon High School in Spain, totaling \$188,091, stated that no police report was submitted due to the length of time since the school closure in July 1992. For an investigation to be beneficial, the report of survey and the investigation should be completed promptly. Of 161 reports of survey completed in 1995, 1 school closed in 1991, 4 schools closed in 1992, 3 schools closed in 1993, and 9 schools and 5 other accountable areas closed in 1994. Additionally, reports of survey were prepared in 1995 for inventory discrepancies and thefts that occurred in FYs 1993 and 1994.

**Accurate Reports of Survey.** The DoDDS-Europe Area Superintendent approved inaccurate reports of survey. The approving authority had the responsibility to ensure the accuracy and completeness of each report of survey. However, the approving authority signed reports of survey that did not include an adequate explanation of the loss or the investigations, when necessary, and

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

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that did not hold individuals financially liable, when applicable. The approving authority signed reports of survey stating that the items may be found at the accountable area in the future even though reports of survey are not to be used to record property that could not be located without conducting a thorough search.

**Time Constraints.** The DoDDS-Europe Area Superintendent did not approve reports of survey within the designated time constraints. We reviewed the processing time for 146 of the 161 reports of survey (15 of the 161 reports of survey did not include dates). The approving authority did not sign 99 (68 percent) of the dated reports of survey within 75 days after the loss was discovered. The approving authority signed the 1995 reports of survey anywhere from 12 to 911 days after the loss was discovered (an average of 168 days). A prompt review and approval process is necessary to ensure that time-sensitive steps, such as an investigation by a disinterested party, are performed when required.

**Senior Management Approval.** The DoDEA did not designate a senior manager from DoDEA Headquarters to approve reports of survey. Reports of survey from schools, districts, area offices, and headquarters should be approved by the same individual at DoDEA Headquarters to ensure adequate visibility. For example, the Defense Commissary Agency designated the Chief of Staff as the approving authority for all reports of survey. In 1995, the Area Superintendent for DoDDS-Europe signed as the approving authority on the DoDDS-Europe reports of survey.

## **Accountability for Property**

The reports of survey approved in 1995 by the DoDDS-Europe Area Superintendent did not include an adequate explanation of the loss and included property that was later found, transferred to other schools, or never received because losses were not adequately investigated or not investigated promptly. As a result, DoDDS-Europe did not hold employees accountable for property losses processed in FY 1995 totaling \$8.4 million, and did not detect all or correct underlying system problems. DoDEA reported losses of \$5.3 million on 1995 reports of survey for DoDDS-Europe. Additionally, DoDDS-Europe deleted \$3.1 million in accountable property from the property records without a report of survey (see Finding A). DoDEA stated that the total amount of liability assessed to employees, who signed for accountable property that was unaccounted for, was \$0 in FYs 1993 to 1995. However, in 1995 students were required to pay \$686 for lost calculators and \$137 for a lost clarinet. Additionally, inadequately investigating losses and not implementing management controls for reports of survey resulted in allowing the underlying system problems to continue. Corrective actions could not be implemented until the cause of the loss was known. Without addressing and correcting the problems, the losses will continue.

## Recommendations, Management Comments, and Audit Response

**B. We recommend that the Director, Department of Defense Education Activity:**

**1. Establish necessary management controls to ensure that:**

**a. reports of survey are investigated promptly for repetitive losses, evidence of negligence or abuse, and large dollar value losses.**

**b. reports of survey are processed within 75 days.**

**c. approved reports of survey include an adequate explanation of the loss and an investigation when necessary, and that individuals are held financially liable when applicable.**

**Management Comments.** The DoDEA concurred with the recommendation. It stated that all DoDEA personnel assigned the responsibility of property accountability are being provided a copy of DoD Manual 7200.10-M, which includes management control procedures for reports of survey. To reinforce the requirements of the Manual, DoDEA indicated that appropriate personnel will receive additional training to ensure that regulation requirements are understood and implemented. Additionally, DoDEA has instituted a quarterly review of all reports of survey at headquarters level to ensure all losses are investigated appropriately and in a timely manner.

**Audit Response.** The DoDEA comments are responsive, however, we request an estimated completion date for the distribution of the report of survey regulation and the report of survey training.

**2. Designate a senior manager at the Department of Defense Education Activity Headquarters as the approving authority for all reports of survey.**

**Management Comments.** The DoDEA partially concurred with the recommendation. DoDEA stated, that in accordance with DoD Manual 7200.10-M, it has authority to appoint approving authorities. DoDEA also stated that due to the geographic uniqueness of the organization, it has designated five senior level officers as approving authorities.

**Audit Response.** We consider its alternative action responsive to the recommendation.

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## **Finding C. Dependents Schools Automated Material Management System**

The DSAMMS, as implemented, did not effectively account for property. The condition occurred because DSAMMS did not include sufficient controls, such as comprehensive edit checks and transaction user identification, and responsible personnel did not perform adequate quality assurance reviews on the data recorded in DSAMMS. As a result, property was unaccounted for and approximately \$313,000 of duplicate work was performed.

### **Maintaining Property Records**

The DoDEA utilized the computer system, DSAMMS, to maintain accountable property records. Property transactions, including bar codes, dollar values, item descriptions, serial numbers, etc., were entered into DSAMMS. The property records were adjusted for new property, transfers of property, reports of survey, and transactions resulting from physical inventories. Two sets of property records were maintained in DSAMMS for DoDDS-Europe. The individual DoDDS-Europe accountable areas maintained their property records in DSAMMS, and the DoDDS-Europe Supply Branch maintained a separate property record for all DoDDS-Europe accountable areas. The property records at the DoDDS-European Service Center were the official property records. A supply systems analyst and six inventory management specialists in the DoDDS-Europe Supply Branch maintained the official property records. DoDDS-European Service Center personnel estimated that the DoDDS-Europe Supply Branch spends 60 percent of its time performing data entry of property transactions into the official property records; 10 percent adjusting the official property records, based on physical inventory results; 20 percent providing technical assistance to school property custodians; and 10 percent performing miscellaneous duties, including visits to DoDDS-Europe accountable areas for on-site inventories and reviews of controls over property.

### **System for Property Accountability**

The DSAMMS, as implemented, did not effectively account for property. While DSAMMS had some edit checks and transaction reports, the controls did not prevent the recording of inaccurate data. For example:

- o the DSAMMS allowed zero dollar values to be entered as the cost of accountable property. For example, 56 of 1,343 line items at Naples Elementary School in Italy had zero dollar values.

## **Finding C. Dependents Schools Automated Material Management System**

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o the DSAMMS allowed accountable property to be recorded at excessive dollar amounts. A sousaphone was listed in the property records for \$90,500; however, the actual value was approximated at \$825.

o the DSAMMS allowed mass deletions of accountable property without the entry of an approval code to show the deletion was approved by a supervisor. In October 1995, \$112,602 of accountable property was deleted, without a report of survey or a DRMO turn-in document, from the official property records for Augsburg High School in Germany without the entry of an approval code. Supporting documentation could not be located to determine whether the deletion was legitimate or why the property was deleted.

o the DSAMMS allowed the deletion of accountable property without an entry in the comments data field to indicate the reason for the deletion. As a result, DoDDS-European Service Center personnel could not determine the reason for deletions.

o according to system documentation, DSAMMS did not require that the bar code and location fields were completed for property items.

o the DSAMMS allowed duplicate serial numbers for identical items. DSAMMS prompted the individual entering the property that an identical serial number already existed, however, DSAMMS allowed the duplicate serial number to be accepted. For example, an Everex computer was listed twice under an identical serial number on the March 1996 property listing of the DoDDS-European Service Center.

o the DSAMMS did not generate a report showing duplicate serial numbers entered for DoDDS-Europe accountable areas.

One of the objectives of DSAMMS was to increase staff productivity and efficiency by reducing redundant data gathering, duplicative data entry, and data compilation. However, duplicative data entry was occurring in DoDDS-Europe for all property entered, removed, and adjusted.

### **DSAMMS Controls**

The DSAMMS, as implemented, did not effectively account for property because DSAMMS did not include sufficient controls, such as comprehensive edit checks and transaction user identification, and responsible personnel did not perform adequate quality assurance reviews on the data recorded in DSAMMS.

**Edit Checks.** According to the system documentation and DoDEA personnel, the DSAMMS did not include all necessary edit checks, such as data field checks, record checks, and an error log, to ensure the validity of the input data. Edit checks would have prevented the entry of zero or excess dollar values, required the entry of an approval code for deletions of property, prevented the mass deletion of property without a reason for the deletion in the comments

## Finding C. Dependents Schools Automated Material Management System

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field, prevented the recording of accountable property without entering the bar code and location, and prevented the entry of duplicate serial numbers or notified personnel of duplicate serial numbers.

**Data Field Checks.** Field checks assess the validity of the data fields. Two important data field checks needed in DSAMMS were limit tests and master file reference check.

**Limit Tests.** Limit tests were needed to prevent inaccurate dollar values entered for property and mass deletions of property. Limit tests allow transactions only within specified bounds to be entered into a field. Limit tests ensure that: assigned dollar values are not zeros and do not exceed a designated threshold, and that an approval code is entered if a certain number of property items are removed at one time.

**Master File Reference Checks.** Master file reference checks needed to be improved to ensure duplicate records were not entered for identical items. The master file reference check would match the serial number and the item description against the official property records to determine whether an identical item already exists. A duplicate serial number and item description would not be accepted by the system.

**Record Checks.** Record checks ensure that certain relationships among data fields are valid. Two important record checks were needed in DSAMMS, completeness checks and reasonableness checks.

**Completeness Checks.** Additional completeness checks were needed to ensure all significant data fields were complete. Completeness checks will not allow a transaction to be completed until data are entered in certain mandated fields. According to system documentation, acquisition price, make, model, and serial number must be entered before the property is accepted by DSAMMS; however, additional fields, such as the bar code and location fields need to be included. Additionally, completeness checks need to be established to ensure that the comments data field is completed when property is removed from the property records, or when changes to the acquisition date or serial number are made.

**Reasonableness Checks.** Reasonableness checks were needed to ensure accurate dollar values entered for property. Reasonableness checks ensure that the interrelationships between the data input in certain fields for a transaction are reasonable. For example, they ensure that the recorded dollar value for a class of property, such as musical equipment, does not exceed a certain dollar threshold.

**Error Log.** An error log was needed to inform personnel of duplicate serial numbers. An error log is a report displaying all errors detected by the DSAMMS, such as duplicate serial numbers. The log would also serve as an audit trail for corrections performed, such as the deletion or correction of duplicate serial numbers.

## **Finding C. Dependents Schools Automated Material Management System**

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**Transaction User Identification.** When the history of a property item was adjusted in DSAMMS, the individual who adjusted the official property records for the property item was not identified. Should a question about a transaction arise, such as a deletion of property items, it would be important to know the individual who performed the transaction so that supporting documentation could be located and responsibility assigned for the adjustments made.

**Quality Assurance Reviews.** Quality assurance reviews were not performed to ensure the accuracy of the accountable property data recorded in DSAMMS. Necessary reports of property deletions were not generated, adequate reviews of data input into DSAMMS were not performed, and the document register was not reviewed.

**Review of Property Removed From DSAMMS.** Reports were not generated for a quality assurance review of all property removed from the property records. Good business practices would include a report generated periodically to show the adjustments caused by deletions, the turn-ins to DRMO, transfers to other accountable areas, and reports of survey. The supervisor of the employee performing the removal of property is to review and sign the reports and the relating supporting documentation to ensure that adjustments are legitimate and supported by adequate documentation. If a school indicates that a property item that was on its property record is not located at its accountable area, the records should be researched to determine whether the property was transferred to another school (see Appendix C, J.2.). According to the system documentation, DSAMMS has the capability to generate inventory adjustment reports; however, all adjustments performed in DSAMMS are on the report, not just the property removed, and printing the report is optional. DoDDS-Europe personnel stated that the inventory adjustment reports had not been used since May 1994.

**Review of Data Input Into DSAMMS.** The DoDDS-Europe Supply Branch did not perform adequate quality assurance reviews of data input into DSAMMS. DoDDS-Europe Supply Branch personnel spent less than 10 percent of their time reviewing data input into DSAMMS. Instead 60 percent of their time was spent duplicating the data entry of property transactions that had been input by the property custodians at the DoDDS-Europe schools. After accountable property was received, DoDDS-Europe accountable areas entered property information, such as cost of the item, item description, and serial number, into DSAMMS. The documentation was then sent to the DoDDS-European Service Center where seven personnel in the DoDDS-Europe Supply Branch re-entered the data. Instead of the duplication of effort, procedures should have been established for the property custodians at the DoDDS-Europe schools to enter new receipts of property, transfers of property received, and property "found on installation" in the DSAMMS, and the DoDDS-Europe Supply Branch should have electronic access to the data the schools input. DoDDS-Europe Supply Branch could then have spent 60 percent of its time performing quality assurance reviews of the data the schools input. The DoDDS-European Service Center should have been responsible for removing property from the official property records to ensure proper

## **Finding C. Dependents Schools Automated Material Management System**

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supervisory review. Further, when property was removed at the DoDDS-European Service Center, the property records at the schools should have been updated automatically.

**Review of the Document Register.** The DoDDS-Europe Supply Branch did not perform a quality assurance review for the purchase orders listed on the document register that DSAMMS generated. The document register lists the orders of property and indicates whether the purchase order was canceled or received. DoDDS-Europe Supply Branch did not review the document register to determine whether the schools were promptly updating DSAMMS for new property received.

### **Duplicate Work**

As a result of the lack of edit checks and transaction user identification in DSAMMS and the lack of quality assurance reviews, property was unaccounted for and approximately \$313,000 of duplicate work was performed. Edit checks would help ensure that the data the property custodians at the DoDDS-Europe accountable areas entered are accurate. Transaction user identification and quality assurance reviews would ensure that transactions and adjustments that the DoDDS-Europe accountable areas and the DoDDS-Europe Supply Branch performed are accurate and valid. Accurate property records would give DoDDS-Europe better control over accountable property. Eliminating the duplication of data entry would allow the majority of the personnel at the DoDDS-Europe Supply Branch time to spend on quality assurance reviews. Therefore, the \$313,000 in annual salaries for the supply systems analyst and the six inventory management specialists could be used for purposes other than the duplication of effort. The actual monetary benefits to be gained from the change in function of the DoDDS-Europe Supply Branch personnel are undeterminable until DoDDS-Europe eliminates the duplication of effort and assesses how to use the DoDDS-Europe Supply Branch personnel more effectively.

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

**C. We recommend that the Director, Department of Defense Education Activity:**

**1. Implement system changes to:**

**a. Increase edit checks to ensure the data input into the Dependents Schools Automated Material Management System is accurate and valid.**

**b. Identify the individual performing adjustments in the official property records of the Dependents Schools Automated Material Management System.**

**c. Eliminate the duplication of data entry by the Department of Defense Dependents Schools-Europe Supply Branch.**

**Management Comments.** The DoDEA concurred with the recommendation. It stated that the Logistics and Management Information Systems staff will modify DSAMMS to incorporate the Inspector General, DoD, recommendations for appropriate edit checks. In addition, DoDEA will upgrade the DSAMMS program to allow for the electronic transfer of property management data to eliminate the duplication of data entry.

**Audit Response.** We consider the DoDEA comments to be responsive. However, the DoDEA did not provide the planned completion dates for corrective action. We request that DoDEA provide the completion dates in its response to the final report.

**2. Establish quality assurance reviews for data entered into the Dependents Schools Automated Material Management System and reassess staffing for the Department of Defense Dependents Schools-Europe Supply Branch.**

**Management Comments.** The DoDEA concurred with the recommendation. DoDEA stated that it will ensure compliance with standard operating procedures for accountable officers and their staffs as part of the quality control program to be initiated. It also stated that it would reassess staffing for the DoDDS-Europe Supply Branch, after the electronic transfer of property records has been established.

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## **Finding D. Distribution of Accountable Property**

The DoDEA did not distribute accountable property effectively because DoDEA did not have a management plan for new property and for the \$161.9 million in existing property. As a result, the accountable property was susceptible to theft and DoDEA students were not benefiting from the latest technology.

### **Purchasing Latest Technology**

In the past several years, DoDEA purchased the latest ADP equipment, such as Pentium, 486, and Power Mac computers and laser printers, mainly for personnel performing support functions in the DoDEA Headquarters and DoDDS-European area office. In FY 1996, the schools, mostly elementary, in DoDDS-Europe began to receive the latest technology for media center labs and student computer labs. DoDEA has developed a strategic plan with benchmarks, which includes strategies to implement the draft education technology plan. The draft education technology plan describes how DoDEA will prepare its students for competition in the 21st century, by developing their learning skills and their proficiency in solving complex authentic problems through the use of technology.

### **Distribution of Accountable Property**

The DoDEA did not distribute its accountable property effectively. The latest technology was not equitably distributed and some DoDDS-Europe schools received unnecessary and unusable accountable property.

**Equitable Property.** The DoDEA did not equitably distribute accountable property. For example, DoDEA Headquarters and the DoDDS-European Service Center had an excessive amount of the latest technology while the DoDDS-Europe schools primarily were using obsolete technology.

**Property at DoDEA Headquarters.** The DoDEA Headquarters had 693 computers. Each employee, including 17 summer hires and 38 temporary employees, had approximately two computers and more than one printer per employee. Of the 575 desktop computers available, 385 were the latest technology. According to DoDEA personnel, 54 of the 575 desktop computers were considered excess, 3 of which were the latest technology. Of the 693 computers at DoDEA headquarters, 118 were laptops.

## Finding D. Distribution of Accountable Property

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**Property at DoDDS-European Service Center.** The DoDDS-European Service Center had approximately three computers and two printers per employee. Of the 400 computers available, 235 were the latest technology; and 227 of the 272 printers were laser printers.

**Property at DoDDS-Europe Schools.** The average computer-to-student ratio for 15 DoDDS-Europe schools that provided usable data was one computer for every four students. However, the schools primarily were using obsolete technology (see Appendix D).

**Unnecessary Property.** The DoDDS-Europe schools received unnecessary accountable property. The unnecessary property that the DoDDS-Europe schools received remained in their original boxes, some for as long as 7 years (see Appendix C, L., M.2., M.3., and N.1., for examples totaling \$21,617). Additionally, ADP equipment did not arrive at the intended DoDDS-Europe schools. For example, Lakenheath Elementary School received 30 Pentium computers and 30 17-inch monitors that were purchased for the Sigonella Elementary School in Italy. Lakenheath school personnel stated that the server, needed to create a computer lab with the 30 computers, was sent to Sigonella. Lakenheath school personnel stated that DoDEA instructed them to keep the Pentium computers, even though they had recently received a new computer lab of 30 Power Mac computers and 30 17-inch monitors.

**Usable Property.** The DoDEA did not ensure that the accountable property DoDDS-Europe schools received was usable. DoDEA did not provide the technical support or hardware needed to connect the computers to a server as planned. The eight schools we visited in April and May 1996 that received new ADP equipment were either not using the equipment or not using it for the intended purpose. Also, DoDDS-Europe schools received unusable ADP equipment from closing accountable areas.

**Technical Support.** The DoDEA provided ADP equipment to DoDDS-Europe schools without the technical support or technical training to ensure the equipment was used for the intended purpose (see Appendix C, B., D.2., D.3., H.2., K., M.4., N.2., and N.3., for examples totaling \$729,860). The schools were requested to keep the computers in their boxes (see Appendix E) until support was available to connect the computers to a server to form a computer lab.

**Hardware to Support Computers.** Schools did not receive all the necessary hardware, such as servers, to complete the planned computer lab (see Appendix C, D.2., F., and G.3.). When DoDEA provides the technical support to the schools, they will not be able to connect the computers to a server if the server is not at the school.

**ADP Equipment From Closed Schools.** The DoDEA did not ensure that the ADP equipment sent to DoDDS-Europe schools from closing accountable areas was usable. For example, the Schweinfurt Elementary School received a transfer of desktop computers without keyboards or cables. The property custodian was able to obtain the necessary keyboards and cables after contacting other schools.

## **Finding D. Distribution of Accountable Property**

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### **Management Plan**

Accountable property was not distributed effectively because DoDEA did not have a management plan to support property acquisitions and the \$161.9 million in existing property. A site survey was needed to determine the number and type of property at the schools, the electrical hookups existing, and the space available. A management plan would have identified by school the minimum number of new acquisitions to be distributed to each school based on actual need to ensure that excessive property was not received by some schools while other schools were inadequately equipped. The management plan would have also outlined procedures for the transportation of property, including procedures for property received by the wrong schools, ensuring that the designated schools received the correct property. The management plan would have contained technical support needs to ensure that support was available so the property would be put into use as soon as possible. The management plan would have also identified the property that was cost-effective to be shipped by closed schools to other schools to prevent using funds to ship unwanted property. A management plan would have eliminated the inequities between schools, such as one computer for every two students at Mannheim High School compared to one computer for every four students at Lakenheath High School.

### **Distribution of the Latest Technology**

Because ADP equipment was not distributed effectively, the accountable property was susceptible to theft and DoDEA students were not benefiting from the latest technology.

**Susceptibility to Theft.** Accountable property at DoDEA was susceptible to theft. Property was located at the schools still in the original shipping boxes, which made it an easy target for theft. Additionally, surplus property was easier to steal. For example, in FY 1995 the Management Information System Division of the DoDDS-European Service Center filed a report of survey for over \$600,000. DoDDS-Europe approved the report of survey without determining the exact cause of the loss.

**Students Benefiting From the Latest Technology.** The DoDEA students were not benefiting from the latest technology. Instead of providing ADP equipment for students, funds were spent to purchase new ADP equipment for DoDEA Headquarters and DoDDS-Europe area office, to purchase unnecessary accountable property for DoDDS-Europe schools, and to ship unusable or unwanted accountable property from closed DoDDS-Europe accountable areas. DoDEA spent \$1.5 million in FY 1995 to ship accountable property from closed DoDDS-Europe accountable areas to other DoDDS-Europe sites, including unusable items and items not requested. Additionally, ADP equipment valued at \$783,183 was either not used at all or not used for the

## Finding D. Distribution of Accountable Property

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purpose intended at seven schools. Students were not benefiting from the ADP equipment not in use, while the equipment was becoming obsolete and equipment warranties were expiring.

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

**D.** We recommend that the Director, Department of Defense Education Activity, establish a plan for managing property acquisitions and equitable property distributions. The management plan should establish procedures to:

1. Conduct site surveys,
2. Set the minimum number of new acquisitions to be distributed to each school,
3. Ensure schools receive the correct computer hardware,
4. Determine technical support needs, and
5. Designate property from closed schools that can be shipped cost-effectively to other schools.

**Management Comments.** The DoDEA concurred with the recommendation. DoDEA stated that the material management acquisition guidance is established in Dependents Schools Manual 4100.2. In addition, the DoDEA Technology Program Standards Document was approved recently by the Deputy Assistant Secretary of Defense (Personnel Support, Families and Education). The document establishes computer hardware and software standards and allocation formulas for schools, standards for local area and wide area networks, student and staff technology proficiency requirements, and the acquisition priority schedules by school and by district and DoDEA wide.

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## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope and Methodology

**Review of Accountable Property.** We reviewed DoD and DoDEA policies and procedures related to property accountability. We attempted to locate property items statistically selected from the 1995 and 1996 property listings at 10 DoDDS-Europe schools, randomly selected from a universe of 129 schools, and the DoDDS-European Service Center (Finding A). We also identified property and determined whether it was included in the 1995 and 1996 property listings at 13 DoDDS-Europe schools and the DoDDS-European Service Center (Finding A). We reviewed documentation, such as the DD Form 1155 "Order for Supplies or Services," located at the schools for new property received in FYs 1994 and 1995 and determined whether it was included in the 1995 and 1996 property listings for nine DoDDS-Europe schools (Finding A). We reviewed the number and type of computers and the number of students or personnel at DoDEA Headquarters, DoDDS-European Service Center, and 15 DoDDS-Europe schools (Finding D). We reviewed 1995 reports of survey totaling \$5.3 million for DoDDS-Europe. We reviewed a 1996 DSAMMS download of accountable property data for DoDDS-Europe to perform analytical procedures and to evaluate accountable property transactions. We reviewed transaction histories in DSAMMS. We requested supporting documentation for accountable property adjustments in DSAMMS. We reviewed the property files at DoDDS-European Service Center for closed schools and their transportation costs for FY 1995. We reviewed DRMO and transfer documents for two closed schools. We also interviewed personnel from the Office of the Secretary of Defense (Comptroller), DoDEA, and DRMOs regarding DoDEA property accountability and related policies and procedures. We interviewed DoDEA personnel and reviewed system documentation on the DSAMMS system requirements and design.

**Universe and Sample.** A statistical sample was used to identify the property items to be tested to determine the reliability of the official property records for the DoDDS-European Service Center and the DoDDS-Europe schools. Table A-1 includes the universe data, including the number of property line items and the dollar value of property for the DoDDS-European Service Center and the DoDDS-Europe schools.

**Table A-1. Accountable Property Line Items and Dollar Values**

<u>Location</u>	<u>No. of Line Items</u>	<u>Dollar Values (millions)</u>
DoDDS-European Service Center	2,943	\$ 3.83
DoDDS-Europe Schools	<u>158,331</u>	<u>106.91</u>
<b>Total</b>	<b>161,274</b>	<b>\$110.74</b>

We used a stratified sampling plan to identify the property items to be tested for the DoDDS-European Service Center by stratifying the 2,943 property items into three strata by dollar values. Table A-2 includes the ranges for the three strata. We randomly selected 100 property items to be tested; 40 property items from strata I, 40 property items from strata II, and 20 items from strata III.

**Table A-2. Dollar Value Ranges for the Three Strata**

<u>Strata No.</u>	<u>Criteria</u>
I	> \$5,000
II	> \$1,000 and <= \$5,000
III	<= \$1,000

We used the multistage stratified sampling plan to identify the property items to be tested for the 129 DoDDS-Europe schools. We randomly selected 10 of the 129 schools. We stratified the property items for the 10 schools based on the three strata in Table A-2. We then randomly selected 30 property items to be tested from each of the 10 schools. The 30 property items were comprised of 10 property items from each of the 3 strata. If strata I contained less than 10 property items, additional property items were selected from strata II to ensure the total number of property items selected were 30. Table A-3 includes the total number of property items for the 10 schools.

**Table A-3. Number of Property Items for Randomly Selected Schools**

<u>School</u>	<u>No. of Items</u>
Bitburg Elementary School	1,494
Boeblingen Elementary School	693
Lakenheath Elementary School	2,505
Mannheim Middle School	1,850
Naples Elementary School	1,343
Rota Elementary School	1,383
Rota High School	2,034
Schweinfurt Elementary School	1,393
Vilseck High School	2,293
Wiesbaden Middle School	1,650

Seventy-three property items were not located or were improperly accounted for out of the property items randomly selected at each of the 10 schools. Forty-seven of the property items could not be located and 26 property items were improperly accounted for.

Statistical projections of the results of property items not located or improperly accounted for are calculated over the universes by using 95 percent confidence levels. The dollar values of the property items not located or improperly accounted for are projected based on the stated dollar values in the official property records. The projected results of the property that cannot be located or are improperly accounted for are in Tables A-4 and A-5.

**Table A-4. Number of Line Items of Not Located or Improperly Accounted For Property**

<u>Location</u>	<u>Lower Bound</u>	<u>Point Estimate</u>	<u>Upper Bound</u>
DoDDS-European Service Center	74	335	596
DoDDS-Europe Schools	<u>25,656</u>	<u>37,366</u>	<u>49,076</u>
<b>Total</b>	<b>25,987</b>	<b>37,701</b>	<b>49,415</b>

**Table A-5. Dollar Value of Not Located or Improperly Accounted For Property**

<u>Location</u>	<u>Lower Bound (millions)</u>	<u>Point Estimate (millions)</u>	<u>Upper Bound (millions)</u>
DoDDS-European Service Center	\$ 0.297	\$ 0.566	\$ 0.834
DoDDS-Europe Schools	<u>15.145</u>	<u>28.115</u>	<u>41.085</u>
<b>Total</b>	<b>\$15.916</b>	<b>\$28.681</b>	<b>\$41.446</b>

The above projections show that we are 95 percent confident that between 25,987 and 49,415 property items were not located or were improperly accounted for at DoDDS-European Service Center and DoDDS-Europe schools combined. For the purpose of this report, we will use the unbiased point estimate of 37,701 for the number of property items not located or improperly accounted for at DoDDS-European Service Center and DoDDS-Europe schools combined. The above projections show that we are 95 percent confident that between \$15.9 million and \$41.4 million of property was not located or was improperly accounted for at DoDDS-European Service Center and DoDDS-Europe schools combined. For the purpose of this report, we will use the unbiased point estimate of \$28.7 million for the value of the not located or improperly accounted for property items at DoDDS-European Service Center and DoDDS-Europe schools combined. The results can be interpreted similarly for DoDDS-European Service Center and DoDDS-Europe schools on an individual basis from the tables.

Projections for the total values for lower and upper bounds have been calculated independently, and may not necessarily be the direct sum of two individual components.

**Limitations to Audit Scope.** The DoDEA did not provide a data download of all property recorded in the DSAMMS. Therefore, the numbers used in the report (Finding A) for Found on Installation and deletions may be understated because they were obtained from a data download of property with values over \$250.

**Audit Period and Standards.** We performed this financial-related audit from January through July 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included such tests of management controls considered necessary.

**Use of Computer-Processed Data.** To evaluate DoDEA property accountability we used computer-processed data from DSAMMS. Testing was performed on the reliability of data for property accountability and the property records were determined to be unreliable as discussed in Finding A.

## **Organizations and Individuals Visited or Contacted**

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD. Further details are available on request.

## **Management Control Program**

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement management control programs to provide reasonable assurance that programs are operating as intended, and to evaluate the adequacy of the controls. We reviewed the DoDEA management control program under Report No. 96-181, "Management Control Environment for the Department of Defense Education Activity," June 28, 1996. We determined that DoDEA did not adequately implement its management control program. Further, DoDEA did include property accountability as an area requiring management attention in its Annual Statement of Assurance. These conditions were supported by the findings in this report, in that, we identified a material control weakness applicable to management controls over the accountability of property and reported value. These conditions should be considered by DoDEA in its implementation of the management control program.

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

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## **Appendix B. Prior Audits and Other Reviews**

### **General Accounting Office**

General Accounting Office 1994 Testimony T-HEHS-94-155. In April 1994, the General Accounting Office testified before the House Subcommittee on Readiness, House Committee on Armed Services, on military dependents' education and on potential savings in the DoD Dependent Schools. General Accounting Office personnel stated that because of underlying weaknesses in the DoDEA accounting and information systems, they were unable to verify the accuracy of cost data obtained during their review.

### **Inspector General, DoD**

Inspector General, DoD, Report No. 96-181. The Inspector General, DoD, issued Report No. 96-181, "Management Control Environment for the Department of Defense Education Activity," June 28, 1996. The report discussed the DoDEA control environment and whether the financial system could produce reliable financial information needed to prepare the financial statements required by the Chief Financial Officers Act. The report noted that DoDEA did not have assurance that its internal policies and procedures were being implemented and achieved, revenues and expenditures were properly recorded and reported, and assets were properly managed. DoDEA did not have a general ledger accounting system and did not adequately implement its management control program and review accounting system controls as required.

The report recommended that DoDEA establish an independent internal review function; improve controls over budget formulation, budget execution, accounting transactions, financial reporting, and assets; implement a general ledger accounting system; perform risk assessments and assign an associated level of risk to all assessable units; evaluate the accounting system using all applicable key accounting requirements; and report the lack of a general ledger accounting system as a material weakness in its Annual Statement of Assurance. The report also recommended that the Assistant Secretary of Defense (Force Management Policy) request assistance from the Under Secretary of Defense (Comptroller) and the Defense Finance and Accounting Service to help resolve DoDEA accounting, assets, and management control problems. In comments to the final report, DoDEA concurred with the recommendations.

Inspector General, DoD, Report No. 96-159. The Inspector General, DoD, issued Report No. 96-159, "Quick-Reaction Report on Potential Antideficiency Act Violations at the Department of Defense Education Activity," June 13, 1996. The report discussed potential Antideficiency Act violations in

## Appendix B. Prior Audits and Other Reviews

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FY 1995 Operation and Maintenance funds and FYs 1987 and 1993 Foreign Currency Fluctuation, Construction funds. The report also discussed the management controls needed to ensure that adequate funds are available to prevent violations of the Act. The report identified that DoDEA used \$4.1 million and potentially some or all of another \$24.9 million of Operation and Maintenance funds, rather than Procurement funds, to purchase capital equipment and software.

The report recommended that DoDEA obtain an opinion from the Office of the General Counsel to determine whether the purchase of automated information system equipment should be classified as investment or expense items, monitor the payment schedules, disbursements, and exchange rates for military construction, and investigate the potential violations of the Antideficiency Act. DoDEA concurred with all recommendations and initiated appropriate action.

Inspector General, DoD, Report No. 96-125. The Inspector General, DoD, issued Report No. 96-125, "Quick-Reaction Report on the Acquisition of the Department of Defense Education Activity Automated Information System," May 21, 1996. The report discussed DoDEA management of the acquisition of a major automated information system and its compliance with DoD acquisition policies and procedures. The report stated that DoDEA did not provide adequate overall management for the acquisition of a major automated information system.

The report recommended that the Under Secretary of Defense (Comptroller) review amended budget submissions for the DoDEA major automated information system and that the Deputy Assistant Secretary of Defense (Command, Control, Communications, and Intelligence Acquisition) perform the required major automated information system review council milestone reviews. The report also recommended that the Deputy Assistant Secretary of Defense (Personnel Support, Families, and Education) review and approve the mission need statement and confirm that DoDEA implemented required policies and procedures for the management of the major automated information system. Additionally, the report recommended that DoDEA discontinue the major automated information acquisition until the program is restructured and managed in accordance with DoD acquisition policies and procedures; prepare and submit required documentation for the major automated information system to the Deputy Assistant Secretaries of Defense as appropriate; and amend and submit the FY 1997 budget exhibits for the major automated information system to the Under Secretary of Defense (Comptroller). The Under Secretary of Defense (Comptroller), the Deputy Assistant Secretaries of Defense, and DoDEA concurred with the recommendations.

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## **Appendix C. Examples to Support the Findings**

### **A. DoDDS-European Service Center, Germany**

1. A \$1,388 scanner, statistically selected from the March 1996 DoDDS-European Service Center property listing, could not be physically located. In April 1996, the DoDDS-Europe Supply Branch could not determine the location of the scanner and deleted it from the property records. Although the scanner was not located, the item was added back to the property records in April 1996 because the deletion was unsupported.

2. A \$60,000 AT&T 3B2 computer system was physically located at the DoDDS-European Service Center but was not on the property listing.

### **B. Bitburg Middle School, Germany**

Four Pentium computers and four monitors, valued at \$15,568, were received for a lab in the library media center. In April 1996, the computers were not in use awaiting technical support.

### **C. Fulda High School, Germany**

Fulda High School closed in 1994. However, property items found on installation, valued at \$1,105, were added to the property records in 1996.

### **D. Lakenheath Elementary School, England**

1. A \$9,806 copier, statistically selected from the August 1995 Lakenheath Elementary School property listing, could not be physically located because it had been sent to DRMO in 1992.

2. On January 23, 1996, 30 Pentium computers and 30 17-inch monitors, valued at \$116,040, were received for a student computer lab. On April 30, 1996, 20 of the 30 computers and monitors were sitting in a room out of their boxes, but not set up for use. Of the 30 computers and monitors, 10 were being used, but not as they were intended. The library media center was using eight and the school staff was using two. The library media center was also using a \$4,014 laser printer that was part of the lab. The server for the lab was never delivered; therefore, the lab could not be connected and used as intended.

3. On January 11, 1996, 30 Power Mac computers and 30 monitors, valued at \$104,820, were received for a student computer lab. On April 30, 1996, 29 of the computers and monitors were stand-alones in the computer lab and one was in the library media center; therefore, none of the 30 were being used as intended. On April 30, 1996, the server and monitor, valued at \$8,759 and received January 4, 1996, and a \$4,094 laser printer received January 8, 1996, for the lab were not being used. The school was waiting for technical support to connect the lab.

**E. Karlsruhe Elementary School, Germany**

As of May 9, 1996, the Karlsruhe Elementary School, which closed in June 1995, had 76 items, valued at \$71,770, on the official property records.

**F. Lakenheath High School, England**

Four Pentium computers and four monitors, valued at \$15,568, were received for a lab for the media center. However, as of April 30, 1996, the server was not received; therefore, the lab could not be connected and used as intended.

**G. Mannheim Middle School, Germany**

1. A \$295 Delta miter box was physically located at Mannheim Middle School. However, the miter box was on the property listing for Lakenheath High School, not Mannheim Middle School.

2. A transfer of 10 monitors and 5 printers was received. The 15 pieces of ADP equipment were not on either the Mannheim Middle School property listing or the official property records for any school.

3. Three Pentium computers, valued at \$8,973; four monitors, valued at \$3,604; and a CD ROM tower, valued at \$3,561, were received for a lab for the media center. However, as of May 6, 1996, the server was not received; therefore, the lab could not be connected and used as intended.

**H. Naples Elementary School, Italy**

1. A \$5,395 projector panel system received in November 1994 and a \$1,750 roll laminator received in May 1995 were located at the Naples Elementary School. However, they were not included on the September 22, 1995, property listing.

2. On February 9, 1996, 30 Pentium computers and 30 17-inch monitors, valued at \$116,040, were received for a computer lab. On April 18, 1996, the 30 computers were operating as stand-alones when they were intended to operate on a network. The school was waiting for technical support.

3. The serial numbers on four Lanier copiers, valued at \$10,903 each, were different than the serial numbers on the property listing.

**I. Nuernberg Elementary School, Germany**

1. As of March 28, 1996, Nuernberg Elementary School had 175 items, valued at \$110,066, on the property records. The school closed in June 1995.

2. The Nuernberg Elementary School closed in June 1995. However, the transfer of 170 accountable property items, valued at approximately \$100,000, from Nuernberg to the Hohenfels Elementary School was not recorded until March 1996.

## Appendix C. Examples to Support the Findings

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### **J. Nuernberg Middle School/High School, Germany**

1. A \$900 laptop computer was transferred from the Nuernberg Middle School/High School to the Augsburg High School in October 1993, according to the school transfer document. However, the transfer was not recorded in the official property records until January 1995.

2. In January 1995, 57 property items, valued at \$45,007, were deleted from the official property records without a report of survey. We reviewed two overhead projectors, valued at \$225 each. The projectors were put back into the property records of the Nuernberg High School on September 7, 1995. On the same day, the projectors were transferred from Nuernberg to the Bamberg Elementary School.

3. A \$203 overhead projector was deleted from the official property records with a report of survey on September 5, 1995. On September 7, 1995, the property was put back into the property records for Nuernberg, then transferred to the Bamberg Elementary School.

4. The Nuernberg High School closed in June 1995. However, the transfer of 36 accountable property items, valued at approximately \$63,000, from Nuernberg to the Bad Kreuznach High School was not recorded until March 1996.

### **K. Rota Elementary School, Spain**

In January 1996, 30 Pentium computers and 30 17-inch monitors, valued at \$116,040, were received for a student computer lab. The computers were not used as intended because they were operating as stand-alones when the intent was to operate them on a network. The school was waiting for technical support.

### **L. Rota High School, Spain**

The Rota High School received 10 property items that were unnecessary. In 1988 and 1989, it received six Alps printers, valued at \$3,750; a \$929 graphic plotter; and a \$293 graphic input device. In 1993, it received two monitors, valued at \$600. As of April 1996, the property items were still in their original boxes. The school never needed the printers and was planning to report them as surplus.

### **M. Schweinfurt Elementary School, Germany**

1. A \$385 IBM typewriter was included in the Schweinfurt Elementary School property records with only the second half of the serial number.

2. The Schweinfurt Elementary School received seven new Apple Image Writer II printers, valued at \$3,080, in 1989 and two Alps P2000 printers, valued at \$1,386, that were unnecessary. The printers were in their original boxes and only one had been used for 1 week.

## Appendix C. Examples to Support the Findings

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3. In February 1996, the Schweinfurt Elementary School received three overhead projectors, valued at \$1,184. As of April 23, 1996, the projectors were still in their original box. The overhead projectors were part of a mass purchase of overhead projectors for at least 29 DoDDS-Europe schools, even though they were readily available from many closed schools.

4. In February 1996, 30 Pentium computers and 30 17-inch monitors, valued at \$116,040, were received for a student computer lab. On April 23, 1996, the computers and monitors were still in their boxes. January 1996, a \$4,094 laser printer was received to be used with computers in the lab. On April 23, 1996, the printer was in the library, not being used as intended. The school was waiting for technical support.

5. Three computers, three monitors, and a laptop computer were located at the Schweinfurt Elementary School for a district employee with an office at the school. Only one computer and one monitor were on the property listing.

### **N. Schweinfurt Middle School, Germany**

1. Dot matrix printers were received for every computer in a computer room; however, the room was not large enough to hold all the printers. As a result, 15 printers, valued at \$10,395, were unused.

2. A \$4,217 music computer was received in March 1995. In April 1996, the computer was in the original box because the music teacher was never trained to use it.

3. On January 30, 1996, 30 Pentium computers and 30 17-inch monitors, valued at \$116,040, were received. On December 28, 1995, a \$4,094 laser printer was received. The property items were still in their boxes on April 24, 1996. The school was waiting for technical support.

## Appendix D. Computer Ratios for DoDEA Accountable Areas

DoDEA Sites(1)	Computers(2)	Total Personnel or Students	Ratio of Computers to Personnel or Students(3)	Latest Technology(4)	Percent of Latest Technology(5)	Other Computers(6)
DoDEA HQS	693	392	1.8:1.0	385 (7)	67.0 (7)	-
DoDDS-European S	400	150	2.7:1.0	235	59.0	-
Boeblingen ES	54	171	1:3.2	2	3.7	0
Feltwell ES	156	470	1:3.0	34	21.8	0
Lakenheath ES	219	1343	1:6.1	5	2.3	60
Mannheim ES	365	1141	1:3.1	30	8.2	0
Naples ES	159	920	1:5.8	45	28.3	30
Schweinfurt ES	145	798	1:5.5	20	13.8	30
Bitburg MS	121	281	1:2.3	9	7.4	4
Lakenheath MS	212	733	1:3.5	36	17.0	0
Mannheim MS	152	401	1:2.6	36	23.7	0
Schweinfurt MS	90	223	1:2.5	4	4.4	30
Weisbaden MS	155	380	1:2.5	33	21.3	0
Lakenheath HS	154	587	1:3.8	125	81.2	4
Mannheim HS	198	319	1:1.6	47	23.7	0
Naples HS	173	463	1:2.7	81	46.8	0
Vilseck HS	161	463	1:2.9	37	23.0	0

Avg 1:3.4 (8)

Avg 21.8 (8)

- (1) ES=elementary school; MS=middle school; HS=high school; SC=service center; HQS=headquarters  
 (2) For schools, only includes student computers in use as intended.  
 (3) Number of computers from column 2 compared to number of personnel or students in column 3.  
 (4) Number of computers in column 2 that are model 486 or better computers (Pentiums and PowerMacs).  
 (5) Percent of computers in column 2 that are model 486 or better computers (Pentiums and PowerMacs).  
 (6) Pentium computers and PowerMac computers not in use or not used as intended.  
 (7) Does not include any of the 118 laptop computers from column 2.  
 (8) Represents the average for only the 15 schools.

## Management Comments and Audit Response

**Management Comments.** The DoDEA concurred with the recommendation related to Appendix D but claimed that errors were made in the figures used in Appendix D to support Finding D. It claimed that laptop computers, notebook computers, and obsolete computers should not have been included in the computer counts. DoDEA provided a set of ratios based on their more restrictive criteria. DoDEA also stated that the student enrollment reported for Vilseck High School was too high.

**Audit Response.** The inclusion of laptop and notebook computers was not an error; it was part of the audit criteria. Our analysis was based on the type of computers that were actually used in the schools. The DoDEA analysis considered only 486 and Pentium computers as a measurement of comparison, which we considered too restrictive. Based on the DoDEA comments, we corrected the enrollment figure.

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## **Appendix E. Report Distribution**

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

Under Secretary of Defense (Comptroller)

Director for Accounting Policy

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Assistant Secretary of Defense (Force Management Policy)

Deputy Assistant Secretary of Defense (Personnel Support, Families, and Education)

Deputy Assistant Secretary of Defense (Command, Control, Communications, and Intelligence Acquisitions)

Assistant to the Secretary of Defense (Public Affairs)

Director, Defense Logistics Studies Information Exchange

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)

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

### **Other Defense Organizations**

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Logistics Agency

Director, Department of Defense Education Activity

Director, National Security Agency

Inspector General, National Security Agency

Director, Washington Headquarters Services

Inspector General, Defense Intelligence Agency

## **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
Inspector General, U.S. Department of Education  
General Accounting Office  
National Security and International Affairs Division  
Technical Information Center

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations  
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  
House 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

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## **Part III - Management Comments**

# Department of Defense Education Activity Comments

Final Report  
Reference



DEPARTMENT OF DEFENSE  
EDUCATION ACTIVITY  
4040 NORTH FAIRFAX DRIVE  
ARLINGTON, VIRGINIA 22203-1635



MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL FOR  
AUDITING  
(MR. DAVID K. STEENSMA)

SUBJECT: Audit Report on Property Accountability for the Department of Defense  
Education Activity (DoDEA), Project No. 6LA-2011, Dated September 30, 1996

This memorandum responds to your draft proposed audit report dated September 30.  
The memorandum: (1) outlines the actions that we have already taken in response to your  
recommendations, and (2) makes some general comments about the report.

(Page 16) DoDIG Recommendation A. We recommend that the Director, Department of  
Defense Education Activity:

A.1. Make property accountability a special interest item by directing supervisors  
to include appropriate comments on the adequacy of control over property accountability in the  
performance ratings of the Department of Defense Dependents Schools-Europe Supply Branch  
personnel and the school principals.

Concur. The Director, DoDEA, has expanded the strategic plan focus for this year to  
include, under Goal 9: Accountability, Benchmark 9.2: "all DoDEA management units will be  
reviewed to ensure effective, efficient use of all resources in support of the educational mission  
as measured by internal audits." To that end, all hand receipt holders have been directed to  
complete a self-assessment of their property program. A timeline has been established to  
conduct random sampling of property accounts. By the end of March 1997, the creation of  
standards for internal management control of property accountability for all hand receipt holders  
will be completed.

A.2. Establish management controls necessary to ensure: (a) conduct of  
complete and accurate physical inventories, including reconciliation of property listings and  
physical inventories, (b) proper receipt, recording, and reporting of all accountable property  
obtained through purchases and transfers, (c) all orders of new property are entered into the  
Dependents Schools Automated Material Management System, and all new property is entered  
into the property records prior to distribution, and (d) recording of accountable property at  
acquisition cost.

Concur. The Director, DoDEA, has established Quality Review Teams which will  
conduct random compliance reviews beginning in January 1997. The Quality Review Teams  
will ensure compliance with DSM 4100.2, Material Management Manual. It should be noted  
that the fielding of the DSAMMS Bar Coding system has been completed which will assist with  
management controls of accountable equipment.

page 14

page 15

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**A.3. Establish a written quality control program for accountable property.**

page 15

**Concur.** A Quality Control Program will be developed and used to monitor program compliance and effectiveness. The written quality control program document will be completed no later than September 1997.

**(Page 22) DoDIG Recommendation B:** We recommend that the Director, Department of Defense Education Activity:

page 21

**B.1. Establish necessary management controls to ensure that:** (a) reports of survey are investigated promptly for repetitive losses, evidence of negligence or abuse, and large dollar value losses, (b) reports of survey are processed within 75 days, (c) approved reports of survey include an adequate explanation of the loss and an investigation when necessary, and that hold individuals financially liable when applicable.

**Concur.** All DoDEA personnel assigned the responsibility of property accountability are being provided a copy of Regulation DoD 7200.10-M, Accounting and Reporting for Government Property Lost, Damaged or Destroyed, which includes management control procedures for Reports of Survey. To reinforce the requirements of this regulation, appropriate personnel will receive additional training to ensure regulation requirements are understood and implemented. The Director has instituted a quarterly review of all Reports of Survey at headquarters' level to ensure all losses are investigated appropriately and in a timely manner.

**B.2. Designate a senior manager at the Department of Defense Education Activity Headquarters as the approving authority for all reports of survey.**

**Partially Concur.** Under regulation DoD 7200.10-M, the DoDEA Director has authority to appoint approving authorities. Due to the geographic uniqueness of the organization, the Director has designated 5 senior level officers as approving authorities as shown in the following chart to ensure adequate program oversight.

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## CHAIN OF RESPONSIBILITY FOR REPORTS OF SURVEY

Property Location	Responsible Officer	Appointing Authority	Approving Authority	Appellate Authority
School Level	Hand Receipt Holder	District Superintendent	Area Superintendent	Director, DoDEA
District Level	Hand Receipt Holder	Area Superintendent	Associate Director (AAR&E)	Director, DoDEA
Area Support Center				
-Education	Hand Receipt Holder	Area Superintendent	Associate Director (AAR&E)	Director, DoDEA
-Mgmt Svcs	Hand Receipt Holder	ASC Chief	Assoc Director (MS)	Director, DoDEA
Headquarters				
-Education	Hand Receipt Holder	Division Chief	Associate Director (AAR&E)	Director, DoDEA
-Mgmt Svcs	Hand Receipt Holder	Division Chief	Assoc Director (MS)	Director, DoDEA

(Page 28) DoDIG Recommendation C: We recommend that the Director, Department of Defense Education Activity:

C.1. Implement system changes to: (a) Increase edit checks to ensure the data input into the Dependents Schools Automated Material Management System is accurate and valid, (b) identify the individual performing adjustments in the official property records of the Dependents Schools Automated Material Management System, (c) eliminate the duplication of data entry by the Department of Defense Dependents Schools-Europe Supply Branch.

Concur. The Logistics and MIS staffs will modify DSAMMS to incorporate the IG recommendations for appropriate edit checks. In addition, DoDEA will upgrade the current DSAMMS program to allow for electronic transfer of property management data. This will eliminate the duplication of data entry.

C.2. Establish quality assurance reviews for data entered into the Dependents Schools Automated Material Management System and reassess staffing for the Department of Defense Dependents Schools-Europe Supply Branch.

Concur. DoDEA will ensure compliance with standard operating procedures for accountable officers and their staffs as a part of the quality control program to be initiated as

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noted in the response to A.3. After electronic transfer of property has been established, staffing for the Department of Defense Dependents Schools-Europe Supply Branch will be reevaluated.

(Page 32) DoDIG Recommendation D: We recommend that the Director, Department of Defense Education Activity, establish a plan for managing property acquisitions and equitable property distributions. The management plan should establish procedures to: (1) conduct site surveys, (2) set the minimum number of new acquisitions to be distributed to each school, (3) ensure schools receive the correct computer hardware, (4) determine technical support needs, and (5) designate property from closed schools that can be shipped cost-effectively to other schools.

page 31

Concur. The Material Management Acquisition guidance is established in Dependents Schools Manual 4100.2, "Material Management Manual." In the technology area, DoDEA has also established a mission needs statement and technology program standards to further define technology requirements. The DoDEA Technology Program Standards Document was approved by the Deputy Assistant Secretary of Defense, Personnel Support, Families and Education, on August 29, 1996. This document establishes the (1) computer hardware and software standards and allocation formulas for the classroom teacher, students, school laboratories, school media centers, and administrative support personnel, (2) standards for local area and wide area networks, (3) student and staff technology proficiency requirements, and (4) the acquisition priority schedules by school, district, and DoDEA wide.

### Appendix A. Audit Process

The following are responses to the Audit Process:

Our review of the statistical sampling data from the audit work papers discloses some serious discrepancies with the data that was used in the sampling and projection method. Of the 400 items sampled, the auditors identified 73 items with a value of \$331,471 that could not be located. A follow-up review of the auditors data from their work papers, resulted in the location of 68 of these items with a value of \$304,017. Only 5 items with a value of \$27,454 could not be located. Of the 68 items that were located:

- 19 items were on hand with no discrepancies (\$42,744)
- 6 items had been turned in to DRMO but not dropped from the records (\$44,932)
- 31 items were located with incorrect management data (serial numbers, prices, and descriptions). It should be noted that several of the serial numbers were off by only one or two characters (154,530)
- 5 items had reports of survey that were completed but still on the property listing (\$4,598)
- 7 items were transferred but are still on the books (\$57,213)

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### Appendix B. Prior Audits and Other Reviews

No Response

### Appendix C. Examples to Support the Findings

Response: Refer to comments at appendix A.

### Appendix D, Computer Ratios for DoDEA Sites

Errors were discovered in the figures used. Among the errors was the inclusion of laptop and notebook computers in the computer count, inclusion of obsolete equipment in the computer counts, and incorrect school enrollment figures for Vilseck HS used for the ratios of computers to students. Vilseck's enrollment should be 463 instead of 1,462. Corrected figures appear on the DoDEA addition (right side) to the report that follows.

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I.G. REPORT						DODEA REPORT					
DODEA HQS	693	392	1.8:1.0	385	67		446	0	1.08:1.0	481	446
DODDS-Europe	400	150	2.7:1.0	235	59		138	0	.92:1.0	140	138
Boeblingen ES	54	171	1:3.2	2	3.7		6	3	1:5.7	4	3
Faltwell ES	158	470	1:3.0	34	21.8		30	30	1:15.7	10	0
Lakenheath ES	219	1343	1:8.1	5	2.3	60	55	28	1:51.6	23	19
Mannheim ES	365	1141	1:3.1	30	8.2		42	32	1:11.4	14	10
Naples ES	169	920	1:5.8	45	28.3	30	83	76	1:12.1	12	7
Schweinfurt ES	145	798	1:5.5	20	13.8	30	37	34	1:23.5	13	3
Bitburg MS	121	281	1:2.3	9	7.4	4	14	11	1:25.5	7	3
Lakenheath MS	212	733	1:3.5	36	17		4	3	1:70.7	14	1
Mannheim MS	152	401	1:2.6	36	23.7		30	26	1:5.8	8	4
Schweinfurt MS	90	223	1:2.5	4	4.4	30	39	35	1:6.4	6	4
Weisbaden MS	155	380	1:2.5	33	21.3		35	32	1:11.9	11	3
Lakenheath HS	154	587	1:3.8	125	81.2	4	50	46	1:12.8	13	4
Mannheim HS	198	319	1:1.6	47	23.7		51	46	1:6.9	10	5
Vilseck HS	173	463	1:2.7	81	46.8		82	77	1:6.0	11	5
Vilseck HS	181	1462	1:9.1	37	23		35	28	1:13.2	9	7

**Appendix E. Unused Computers in Original Boxes**

**Response:** Request Appendix E be removed from the final report. The Technology Task Force has been established to oversee the smooth integration of computer technology in the school. We foresee that any further disconnects between procurement and installation of computers will be minimized. In this particular case, this school elected to hold the equipment in storage for summer installation to alleviate classroom disruptions during the school year.

**Appendix F. Organizations Visited or Contacted**

No Response

**Appendix G. Report Distribution**

No Response

**3. General Comments on the report:**

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### GENERAL COMMENTS

a. Page 2, Department of Defense Education Activity. 9th line--change "regional" to "area" to reflect the proper organizational structure. 10th line--add "/Islands" after "Panama." The administrative area includes Cuba. 11th line--strike out "regional" so that it reads "based office, several . . ." 12th line--delete "regional office" and replace with "area."

page 2  
changed

b. Page 2, Accountable Property. 3rd line--change "regions" to "areas." Under Table 1, add "/Islands" after "Panama." See rationale above. Change "regional" to "area." Change "used" to "uses." DoDEA is still using DSAMMS.

page 2  
changed

c. Page 3, Dependents Schools Automated Material Management System. 10th line--change "site" to "accountable area." This is the proper terminology as the official record is for the entire Europe area collectively, not just for "each site;" "site" should be changed to "area" and "regional" should be changed to "area" in the sentence which begins "(A site includes the regional offices, . . ."

page 3  
changed

d. Page 3, DoDDS-Europe Supply Branch. 3rd line--change "all" to "the;" "sites" to "accountable area;" insert "information" after "property" in the 4th line (property isn't changed/information about the property is changed); change "all" to "the" and "sites" to "accountable area." See comment above in "c." 6th line--change "the" to "each" because documentation comes from "each site," that is, each hand receipt holder submits documentation. Last line--add after "inventories" "as well as submissions of transaction documents between annual inventories." Changes are made perpetually to the official property record, not just as part of the annual inventory reconciliation.

page 3  
changed

e. Page 5, Property Transfer and Disposal. This is a chapter of the DoDEA "Manual" and should be reflected as such. In the last sentence, substitute "accountable officer" for "DoDDS-Europe Supply Branch." The policies and procedures in Chapter 5 apply to all DoDEA accountable areas and the documentation is provided to the "accountable officer" not to the "branch."

page 5  
changed

f. Page 7, Unrecorded Property. DSM 4100.2 requires the "property custodian" to inform the "accountable officer" not the "DoDDS-Europe Supply Branch" of new accountable acquisitions.

page 6  
changed

g. Page 12, Bar Coding System. Off-the-shelf bar coding system capabilities were considered and rejected because they could not interface with DSAMMS. This interface was considered vital for system efficiency. The DSAMMS compatible system has been fielded and is in use in the Headquarters and Panama District. The European and Pacific areas have received the hardware and software to implement the system and will do so with the final fielding of DSAMMS version 2.1b.

page 11

h. Page 14, Management Actions. In the last line, the correct date is "August 1996." Please note that the DoDEA Strategic Plan already included under Goal 9, Benchmark 9.2, that "By the year 2000, all DoDEA management units will be reviewed to ensure effective, efficient use of all resources (fiscal, human, material) in support of the educational mission as measured

page 13-14  
changed

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by internal audits." The Director, DoDEA, and the senior managers in the organization determined that the focus on this benchmark had to be moved forward to this fiscal year.

i. **Appendix C, H.3 and M.1.** Although the serial number is critical to property accounting, the inventory taking process also matches management data from book-to-floor and floor-to-book. In the cases cited the errors were minor: "E" should be "F" for two copiers and a serial number which did not include a prefix that was correct on the school's records.

page 41-42

We appreciate the opportunity to provide additional comments to your audit report on Property Accountability.

  
Lillian Gonzalez  
Director

cc:  
DASD(PSF&E)

## **Audit Team Members**

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

Shelton R. Young  
Walter R. Loder  
Douglas M. Warish  
Virginia G. Rogers  
Cheryl D. Smith  
Michael J. Guagliano  
Bryan K. Kitchens

## INTERNET DOCUMENT INFORMATION FORM

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**B. DATE Report Downloaded From the Internet: 10/27/99**

**C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #):**  
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Inspector General, Department of Defense  
400 Army Navy Drive (Room 801)  
Arlington, VA 22202-2884

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