

Evaluation



Report

OFFICE OF THE INSPECTOR GENERAL

INSPECTION OF THE DEFENSE PRISONER
OF WAR/MISSING IN ACTION OFFICE

Report No. 96-023

November 13, 1995

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DEPARTMENT OF DEFENSE

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Acronyms

AIS	Automated Information System
ASD (C3I)	Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
ASD (ISA)	Assistant Secretary of Defense (International Security Affairs)
CJCS	Chairman, Joint Chiefs of Staff
COR	Contracting Officer's Representative
DASD	Deputy Assistant Secretary of Defense
DFAS	Defense Finance and Accounting Service
DISA	Defense Information Systems Agency
DPMO	Defense Prisoner of War/Missing in Action Office
DSSW	Defense Supply Service Washington
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
GPRA	Government Performance and Results Act of 1993
IMC	Internal Management Control
IRM	Information Resources Management
MOP	Memorandum of Policy
OPM	Office of Personnel Management
OSD	Office of the Secretary of Defense
POW/MIA	Prisoner of War/Missing in Action
USD(P)	Under Secretary of Defense (Policy)
WHS	Washington Headquarters Services



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November 13, 1995

MEMORANDUM FOR DIRECTOR, DEFENSE PRISONER OF WAR/MISSING IN
ACTION OFFICE

SUBJECT: Final Report on the Inspection of the Defense Prisoner of War/Missing in
Action Office (Report No. 96-023)

This is the final report on the inspection of the Defense Prisoner of War/Missing in Action Office. The goal of our inspection was to evaluate the management and administrative processes of the Defense Prisoner of War/Missing in Action Office. We did not evaluate how the DPMO executes its mission; therefore, we did not visit or interview individuals from the DPMO field sites.

The Defense Prisoner of War/Missing in Action Office responded to our issues and recommendations in positive and constructive terms. We identified several issues which require management attention; however, most of the problems noted in our report result from the lack of a fully developed internal management control structure, which is not unexpected in a new program or agency. None of the internal management weaknesses that we identified would reasonably be expected to have a demonstrable impact on the effectiveness of the DPMO in terms of mission performance.

DoD Directive 7650.3 requires management to provide complete responses, including planned actions and completion dates for planned actions in response to our recommendations. Accordingly, we request that the DPMO provide additional comments to Recommendations 1 through 3 within 60 days of the issuance of this report.

We appreciate the courtesies extended to the inspection team throughout the inspection. If you require additional information regarding this report, please contact either Col Timothy Turner, Program Director, at (703) 604-9555, or CDR Lee Lawson, Project Manager, at (703) 604-9566.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

Office of the Inspector General, DoD

Report No. 96-023

November 13, 1995

Defense Prisoner of War/Missing in Action Office

Executive Summary

The Inspector General, Department of Defense, conducted an inspection of the Defense Prisoner of War/Missing in Action Office (DPMO) during October and November 1994. The inspection was a joint venture by the Program Evaluation Directorate and the Inspections Directorate, Office of the Assistant Inspector General for Inspections, Office of the Inspector General, DoD. The goal of the inspection was to evaluate the efficiency and effectiveness of the administrative processes and mechanisms used by the DPMO. The project was requested by the Deputy Assistant Secretary of Defense for POW/MIA Affairs.

We are providing the Deputy Assistant Secretary two reports, one of which is the August 1995 Program Evaluation Directorate evaluation concerning the DPMO requirements determination and planning efforts. This inspection report contains our evaluation of civilian and military personnel management, diversity management, contract management, financial management, information resources management and information systems security. We also reviewed the DPMO internal management control program.

The DPMO is a DoD Field Activity established under the authority, direction, and control of the Assistant Secretary of Defense for International Security Affairs. The DPMO goal is to attain "the fullest possible accounting for those still missing and repatriating all recovered remains of Americans who died serving our Nation."

We found that the DPMO had taken some positive steps to respond to mission requirements such as a faster response to, and tracking of, congressional tasking on POW/MIA issues and Freedom of Information Act requests. However, we determined that certain internal administrative processes needed improvement in the following areas.

- o The DPMO had not established adequate processes and mechanisms for contract management.

We recommended that the DPMO ensure that contract management policy and procedures are established and provide clear, implementing guidance and training for contract management.

The DPMO concurred with the recommendation and provided information on positive changes which have occurred subsequent to our on-site inspection. Although we found its comments responsive to our recommendation, we requested the DPMO provide an estimated completion date for implementing an acquisition plan and establishing a Contracting Officers Representative program.

- o The DPMO had not established a comprehensive Information Resources Management (IRM) system strategic planning process or established adequate procedures to ensure information system security.

We recommended the DPMO seek assistance to establish a IRM strategic planning process that will identify and validate information systems needs; identify a viable strategy to meet those needs; provide procedures to coordinate the strategy with the budget development cycle; establish performance measures to evaluate system performance and proceed with implementation of the new Automated Information System (AIS) Security Plan.

The DPMO concurred with our recommendations, and provided an update of its development of both an AIS Strategic Plan and an AIS Security Plan. We requested the DPMO provide us an estimated completion date of these two plans.

- o The DPMO needed a more disciplined civilian and military personnel management program. The DPMO also did not have an active Equal Employment Opportunity Program.

We recommended that the DPMO standardize position descriptions and recruitment actions; establish a mechanism to track personnel actions; and develop an active diversity management program.

The DPMO concurred with our recommendations, and provided information on positive changes which have occurred in these areas since the inspection.

- o The DPMO needed better fiscal controls for budget execution.

We recommended that the DPMO develop an administrative instruction that provides guidance for planning, control and execution of the DPMO budget; and that the DPMO establish procedures for reconciliation of DFAS financial reports against DPMO source documents.

The DPMO concurred with the recommendation, and stated that its Administrative Instruction on Financial Management should be completed by December 1, 1995.

- o The DPMO was developing a management control program, but its scope should be expanded.

We did not make a formal recommendation, but instead identified areas that the future program should cover.

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Part I - Introduction

Introduction

Organizational Overview

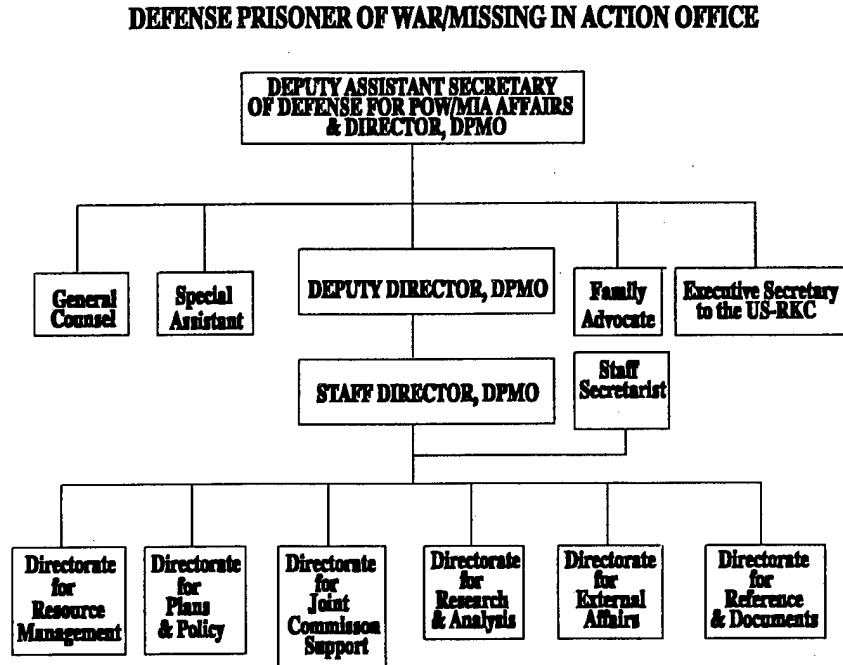
Establishment of the Defense POW/MIA Office. The Defense Prisoner of War/Missing in Action Office (DPMO) was established in July 1993 with the consolidation of four DoD organizations that were responsible for POW/MIA issues. Those organizations were the Defense Intelligence Agency's Special Office for POW/MIA; the Office of the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence Central Documentation Office; the U.S. Army's Task Force Russia Office (now the DPMO Joint Commission Support Group) and the Office of the Deputy Assistant Secretary of Defense for POW/MIA Affairs. The consolidation effort was intended to provide centralized management of prisoner of war/missing in action affairs within the Department of Defense (DoD). This action was intended to increase the efficiency and effectiveness in obtaining the fullest possible accounting for all Prisoners of War (POW) and those designated as Missing in Action (MIA).

DPMO Charter. Department of Defense Directive 5110.10, "Defense Prisoner of War/Missing in Action Office (DPMO)," July 16, 1993, established the DPMO as a Field Activity within the DoD. The DPMO is aligned under the Assistant Secretary of Defense for International Security Affairs (ASD[ISA]). The Washington Headquarters Services is designated as the administrative support agency.

DPMO Mission. The DPMO mission is to provide centralized management of POW/MIA affairs within the DoD. The DPMO maintains and gathers data on POW/MIA affairs for World War II, the Korean War, Vietnam and the Cold War.

Organization of the DPMO

DPMO Structure. The following chart depicts the organization structure of the DPMO at the time of our inspection.



Roles and Responsibilities. Under DoD Directive 5110.10, the Under Secretary of Defense for Policy provides authority, direction and control over the Deputy Assistant Secretary of Defense for POW/MIA Affairs. The Deputy Assistant Secretary of Defense (DASD) for POW/MIA Affairs reports through the Assistant Secretary of Defense for International Security Affairs, and serves as the principal assistant to the Under Secretary of Defense for Policy for all prisoner of war and missing in action matters. The primary responsibility of the DASD is developing and coordinating policy on such matters and representing the DoD in interagency processes. The DASD also ensures that the DoD effectively conducts efforts to achieve the fullest possible accounting for U.S. personnel not yet accounted from the Vietnam War. The DASD for POW/MIA Affairs was assigned the collateral responsibility to serve as the Director of the

Introduction

Defense POW/MIA Office. This was accomplished to ensure that the activities of the Defense POW/MIA Office are fully integrated with OSD POW/MIA policy direction.

The Director, Defense POW/MIA Office. The Director, DPMO, organizes, directs and manages the DPMO and all assigned resources. The Director also serves as the DoD focal point for all POW/MIA matters including representing the DoD during negotiations with foreign governments. DPMO customers include the Department of Defense, the Congress, POW/MIA families, and veteran organizations. Specifically, the Director is authorized to:

- o advise and assist the Under Secretary of Defense for Policy and the ASD(ISA) on all POW/MIA matters;

- o maintain data bases, declassify documents, and provide an open channel of communication to customers;

- o assemble and analyze information on personnel who are, or were, prisoners of war or missing in action; and

- o participate in negotiations with officials of foreign governments in efforts to achieve the fullest possible accounting of missing American service members.

Resources. Prior to the establishment of the DPMO, 197 personnel were assigned to the four predecessor POW/MIA organizations. Of that amount, only 71 were authorized civilian and military manpower spaces. The majority of the remaining assigned personnel were detailed from the Military Departments, temporary civilian hires and Military Reservists. When the Deputy Secretary of Defense approved the organization in a July 15, 1993 memorandum, it effected the transfer of 62 authorized manpower spaces and associated incumbent personnel and funds to the DPMO. An additional 51 civilian manpower spaces for the organization were also authorized in the memorandum. The resources and support funding required to fund those additional manpower requirements would be taken from the Military Departments on an equal-share basis. The DoD Comptroller accomplished the transfer of resources to the DPMO through a Program Budget Decision. It was also agreed to reduce the manpower authorization to 149 initially and ultimately to 122 authorized spaces.

Inspection Goal and Objectives

The goal of our inspection was to assess the efficiency and effectiveness of the processes and mechanisms used by the DPMO to manage and administer its internal operations. The inspection identified two major objectives to achieve that goal:

o evaluate the efficiency and effectiveness of the DPMO's internal management and administrative programs, policies and practices for

- Contract Management,
- Information Resources Management,
- Civilian Personnel Management,
- Military Personnel Management,
- Diversity Management,
- Financial Management; and

o evaluate the adequacy of the DPMO's internal management oversight and control processes and mechanisms.

Inspection Scope and Methodology

Scope. The inspection was a modified organizational inspection of the DPMO to accommodate the specific functional areas requested by the Director, DPMO.

Methodology. We conducted the on-site portion of our inspection during October and November 1994. Responsibilities for accomplishing the inspection goal was divided between teams from the Program Evaluation Directorate and the Inspections Directorate, Assistant Inspector General for Inspections, Office of the Inspector General, DoD. We interviewed personnel assigned to the DPMO Headquarters, but did not visit or interview individuals from the DPMO field sites.

We reviewed policies, directives, procedures, financial documents, personnel records, contracting documents and Information Resource Management requirements. We compared and contrasted procedures, mechanisms and documentation to ascertain variation from standards and determine the effect of those variations. We also reviewed the processes used to develop, implement, evaluate, communicate, and disseminate policies and regulations throughout the organization.

Organizational Assessment

The review of the DPMO focused on the organization's functional elements, specifically contract management, information resource management, civilian personnel management, military personnel management, and financial

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management. Although we did not evaluate how the DPMO executes its mission, we did evaluate how efficient and effective the DPMO's functional elements are structured and managed to achieve its mission.

Our assessment of the DPMO's functional operations and oversight mechanisms will provide managers feedback on the processes in the organization that are working well and what areas need management attention. The issues identified and the resulting recommendations are intended to provide managers with the tools necessary to establish priorities to improve operations.

We have made specific recommendations for improving the efficiency and effectiveness of the DPMO's internal management and administrative programs. The recommendations include clarifying policy, improving functional processes and management oversight, and implementing new or revised mechanisms to ensure better or streamlined operations.

Overall Assessment. Overall, we found that the DPMO has taken some positive steps in responding to mission requirements such as a faster response to, and tracking of, congressional tasking on POW/MIA issues and Freedom of Information Act requests. However, we also found that the internal management processes and controls of the DPMO need improvement. Many of the problems noted in our report are a result of a lack of a fully developed internal management control structure, which is not unexpected in a new program or agency.

None of the internal management weaknesses that we identified had a demonstrable impact on the effectiveness of the DPMO. However, improvements in the areas identified in this report will help improve efficiency.

Those areas are discussed in detail in the next section of this report.

Part II - Internal Management Programs

Contract Management

Background. The first internal management program we evaluated was contract management. Contract management is the process of acquiring supplies and services for use by the Federal government, and managing the resultant contracts to ensure the government obtains those goods and services. The legal and regulatory requirements for the contract management process are contained in the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement. Through good contract management, an organization will be able to determine accurate requirements, develop plans to address those requirements, and designate qualified personnel to monitor the contracts.

The contract management process has several phases. First, an organization determines its needs and develops a description of the goods or services required to satisfy those needs. The next step in the acquisition process entails the solicitation of sources and selection of one "best" source to fill the requirements. After contract award comes contract management to monitor expenditures and contractor performance.

Measurement Criteria. To be adequate, a contract management process should define the organization's responsibilities by:

- o establishing procedures so that all components are aware of acquisition procedures and responsibilities;
- o monitoring contractor performance; and
- o ensuring that contracting efforts follow applicable laws and regulations.

Our inspection examined the DPMO management of the acquisition processes used in obtaining goods and services. We collected and examined documentation used by the DPMO in the acquisition process. We reviewed contract documentation, waivers and the authority to use them, payment records, methods used to maximize competition, possible conflicts of interest, and records on the obligation of contract funds. In addition we interviewed DPMO managers, contracting personnel, Program Managers, Contracting Officer Representatives, and other personnel involved in the DPMO acquisition process to determine the varying roles and responsibilities involved in the process. We then assessed how DPMO is managing its contracting process.

The DPMO Contract Process. The DPMO does not have direct contracting authority. Contracting services are provided to the agency by the Washington Headquarters Service (WHS), the Defense Supply Service Washington (DSSW) and the Defense Information Systems Agency (DISA). The WHS provides support when purchases are under \$25,000, while the DSSW and the DISA process DPMO purchases when the amount exceeds \$25,000. DPMO purchase requests are reviewed by those agencies for technical accuracy and then a purchase order or a contract is executed.

DPMO Administrative Instruction 19 assigns responsibility for management control of supplies, equipment, and services, including contractual services, to the Administrative Division of the Resource Management Directorate. The DPMO responsibilities for contract management include:

- o developing and validating contract requirements, completing purchase requests, and providing documentation of the justification when needed;
- o certifying availability of funds, and approving the obligation of funds for contracted purchases; and
- o receipt and verification of deliverables.

The DPMO uses contracts for a wide variety of applications. Some are relatively simple, such as contracts to buy office equipment or supplies. Others are complex, with multiple deliverable products, or difficult to define end states.

DPMO Contract Management. We reviewed DPMO contracting efforts in progress during our inspection to determine how effectively the DPMO manages its contracts. We noted the DPMO had problems in monitoring the execution of its contracts.

Issue 1. The DPMO Has Not Established Adequate Processes and Mechanisms for Contract Management

DPMO Data Analysis System. When the DPMO was formed, they determined the current information systems did not provide adequate analysis capability. The agency's management defined a need for improved capability to analyze intelligence data, including imagery and textual information in both electronic and non-electronic forms. The system eventually became known as the DPMO Data Analysis System. The agency recognized that it did not have adequate expertise to manage the procurement of the system they envisioned. The DPMO subsequently submitted a procurement request under the Economy Act to the Defense Information Systems Agency (DISA) and requested the DISA define system requirements, procure and install the necessary hardware and software.

Base Technology Incorporated Contract. The DISA subsequently awarded a contract to Base Technology Incorporated to assist the DPMO in their acquisition of the Data Analysis System. The DISA provided a Contracting Officer, Project Manager and a Contracting Officer's Representative (COR) to manage and oversee the operations of the contractor.

Under the terms of the contract, Base Technology, Incorporated, was to review the system requirements provided by the DPMO and the DISA, design an automated system to meet the requirements, procure the necessary hardware and software, integrate and install the system, and perform any programming required. The contractor was also required to provide on-site technical and

Contract Management

maintenance support and provide training for all system users. The contract was a cost plus fixed-fee contract for one year with two option years. The estimated cost of the contract was approximately \$1.7 million for the base year and \$0.4 million in each of the option years. A contract modification issued by the DISA increased the contract value to \$2.9 million.

Computer Upgrades Increase Contract Price. During our review of the Base Technology, Incorporated contract we visited the new DPMO office spaces and learned that the contractor was installing upgraded computers from what was originally specified in the contract. Although the contractor was charged with designing and implementing the Data Analysis System, any increase to the contract price should have been understood and approved by DPMO personnel. We interviewed personnel at the DPMO and the DISA to determine how this increased cost was approved and managed.

DISA Program Manager Authorized Upgrades Without DPMO Knowledge. Our interviews revealed that no one in the DPMO Resource Management Directorate was aware that upgraded computers were being installed or that the contract price had increased as a result. The approval for the upgrades had completely bypassed the DPMO management.

Further, we found that the upgrades had been approved by the DISA Project Manager who was managing installation of the Data Analysis System for the DPMO, and the DISA Contracting Officer. As a result of the Project Manager contract changes and subsequent acceptance of the upgraded hardware, funds were obligated without the full knowledge and understanding of DPMO personnel.

Conclusion

In a situation like this, where the Project Manager, COR and Contracting Officer are located off-site and the contract itself was requested by an off-site element of DPMO, it is important that the DPMO monitor progress of the contract to prevent events as noted above, from occurring. The ultimate responsibility for the project remains with the DPMO.

The DPMO does not have expertise in contract management. Training and designating qualified personnel to monitor the contracts are the cornerstone of effective contract management.

Recommendation 1

The DPMO ensure that contract management policy and procedures are established that reflect the requirements established with the DISA, WHS and DSSW for contracting support and provide clear, implementing guidance and training for contract management. Specifically, the DPMO should:

- o develop, submit and follow an acquisition plan that includes an in-depth analysis of requirements;
- o establish a review board to review procurement requests for need and justification; and
- o establish a Contracting Officers Representative program within the DPMO and designate qualified personnel to manage and monitor contracts.

Management Comments

The DPMO concurred with the recommendation, and stated that since the inspection, the Administrative NCO and the Budget Officer have taken a two-week course on contracting, and that the Administrative Division Chief is scheduled to attend the course. Based upon its comments, the DPMO believes that its earlier efforts using a DISA Program Manager and DISA Contracting Officer to support DPMO projects, was appropriate and met all requirements.

Evaluation of Management Comments

Although the DPMO concurred with the overall recommendation, its response did not provide an estimated completion date for development of an acquisition plan; establishment of a review board; or establishment of a Contracting Officers Representative program.

Further Action Required

We request that the DPMO provide an estimated completion date of the planned corrective actions within 60 days of the issuance of this report.

Information Resources Management

Background. The second management program we evaluated was Information Resources Management (IRM). IRM includes those mechanisms (such as personnel, procedures, hardware, and software) that are designed, built, integrated, operated, and maintained by an organization to collect, process, disseminate, and store information. The goal of an IRM program is to efficiently and effectively store, retrieve, analyze, and process information to meet organizational objectives.

Our review of Information Resources Management evaluated how effectively the Defense POW/MIA Office (DPMO) plans, budgets, organizes, directs, trains, and administers the flow of information within its organization. Through interviews with DPMO managers and analysis of documents received from the DPMO, we addressed the adequacy of the DPMO in meeting its IRM needs. Due to the high cost of Automated Information Systems (AIS), we concentrated on those systems. Our inspection assessed AIS strategic planning, the acquisition of information technology, AIS life cycle management, data collection and requirements analysis, data administration and AIS security practices.

The implementation of an effective IRM Program is important because it ensures information planning becomes an integral part of the management process at all levels. IRM supports the DoD operations and decision making process with information that sufficiently meets the need in terms of availability, accuracy, timeliness, and quality. The IRM Program requires user responsibility and accountability in the development of effective information systems. The use of regular reviews and evaluations is critical within the IRM program because it identifies opportunities for improvement, increases the usefulness of information, and reduces the cost of information.

Measurement Criteria. To be adequate, an organization's IRM processes and mechanisms must allow managers to actively identify and meet the organization's IRM needs. An Information Resources Management program should:

- o be responsive to users, providing methods to identify user information system and support requirements;
- o address information system security and data exchange requirements in support of the organization's mission requirements under an information resources management plan; and,
- o be monitored so that managers can determine if the Information Resource Management program is meeting the needs of the organization.

DoD IRM Requirements. The Assistant Secretary of Defense for Command, Control, Communications and Intelligence (ASD [C³I]), provides the framework for information resource management within the Department of Defense (DoD). That office provides DoD Directives and related policy guidance. We used that framework to assess the DPMO IRM programs.

Three DoD directives establish basic requirements for IRM within the DoD. The first is DoD Directive 7740.1, "DoD Information Resources Management Program," June 1983. It defines Information Resource Management as the "... policy, action or procedures concerning information (both automated and non-automated) that management establishes to service the overall ... needs of the organization." The directive requires the head of each DoD component appoint a senior official responsible for Information Resource Management programs.

The DoD Directive 7740.2, "Automated Information Systems (AIS) Strategic Planning," July 1987, supplements guidance provided in DoD Directive 7740.1. It requires DoD components to implement Automated Information Systems strategic planning to enhance mission performance and provide for the economic and effective management, acquisition, and use of information resources. It also requires that Automated Information Systems strategic planning be coordinated with the Planning, Programing, and Budgeting System process.

The DoD Instruction 7740.3, "Information Resources Management (IRM) Review Program," February 1989, requires the head of each DoD component to periodically submit a report of planned Information Resource Management reviews to the Comptroller, DoD. It also identifies the need to conduct periodic reviews of Information Resource Management activities and report the results to the Comptroller.

IRM Responsibilities at the DPMO. At the DPMO the Director, Resource Management Directorate, is responsible for the agency's IRM programs. The Information Systems Division, within the Resource Management Directorate, is responsible for the operation, maintenance, and support of all the agency's automated data processing and related communications equipment. The Information Systems Division is also responsible for IRM related planning and budgeting.

The Director, Resource Management Directorate, is also assigned as the DPMO Component Security Manager. As such, he is also responsible for developing and implementing the agency's AIS Security Plan, thereby ensuring adequate security for the agency's information systems and the information they contain.

At the time of our inspection, the Division Chief of the Information Systems Division served as the DPMO Senior IRM Official. The Senior IRM Official is responsible for developing the DPMO IRM program. By regulation, he is also responsible for approving the acquisition of information technology by the DPMO.

Based on our assessment of the processes and procedures in place, we determined that the Defense Prisoner of War/Missing in Action Office's Information Resource Management (IRM) Program is ineffective. We found that the DPMO lacks processes to identify and fill its internal information system requirements, to monitor information system performance, and to provide adequate information system security.

Issue 2. The DPMO Has Not Established a Comprehensive Information System Strategic Planning Process.

Background. In order to ensure the Department's information system resources are used effectively and efficiently, all DoD components are required to implement an AIS strategic planning process. This AIS strategic planning process has three primary elements. They are:

- o Identification, validation, and documentation of information system needs. Identification of information system needs requires a process to analyze information flow within the organization to determine where automated information systems could improve workforce productivity, improve access to information, and improve communications. Validation requires a separate review of proposed information systems to ensure that any acquisition of information technology is justified by the benefits to be gained. The results of these processes serve as the input for the development of the organization's future information architecture, and are documented in the AIS Strategic Plan.

- o Development of an organizational strategy to fill the information system needs. This requires the organization to identify its current information architecture, its target information architecture, and then a transition strategy that defines how the organization will move from one condition to the other. Resource availability must be considered and the IRM planning process must be coordinated with the budget process to ensure funds required are identified. Outputs of this part of the process include the AIS Strategic Plan, appropriate line items in the organization's Program Objective Memorandum, and supporting documentation, such as Budget Technology Exhibits.

- o Periodic review to ensure established and planned information systems continue to support organizational mission requirements. The primary output from this part of the process are periodic reports of the IRM reviews to be conducted and their results.

We reviewed the processes the DPMO uses to accomplish each of those three elements. We found the processes in place were inadequate in all three areas.

IRM Requirements Identification and Validation. We reviewed the DPMO directives and policy statements to determine what mechanisms were used by the agency to identify information system needs. We found that the agency had no written policy or procedures to identify and validate its requirements for

automated information systems. We then interviewed agency managers and reviewed agency documentation to determine what informal processes were in use.

Capabilities Required Not Defined. We reviewed the DPMO AIS Strategic Plan to determine what information system requirements had been identified. The plan describes only one information system, the DPMO Data Analysis System. The plan further identifies a number of individual capabilities that the Data Analysis System will have, and indicates why those capabilities are needed, but does not provide a comprehensive statement of the needs that the system has been designed to meet. Further, it provides no analysis of how the \$2.7 million cost of the system was justified.

We found no other documentation or evidence showing the DPMO conducted an analysis to ensure that the agency's total information needs had been identified. We also found no evidence that the DPMO surveys its workforce or has alternate mechanisms to evaluate potential automated information flow improvements within the agency.

Requirements Validation Mechanism Missing. As noted above, the DPMO AIS Strategic Plan contains no justification for the cost of the Data Analysis System. We were provided with no other documentation that shows how the Data Analysis System requirements contained in the statement of work for the procurement contract were validated. We confirmed in interviews with the Director, Resource Management and the DPMO Senior IRM Official that both were unaware of any formal process to validate and prioritize IRM requirements.

AIS Strategic Plan. The DPMO AIS Strategic Plan was prepared in a two week period between August 16 and August 26, 1994. Prior to that time, the DPMO did not have an AIS Strategic Plan, although individual elements of the DPMO were covered under the umbrella of the Defense Intelligence Agency before the DPMO was created.

We compared the DPMO AIS Strategic Plan to the requirements of DoD Directive 7740.2, "AIS Strategic Planning," dated July 29, 1987. Although the plan conforms to the format required by the directive, we found the plan inadequate in a number of respects.

Plan Scope Too Narrow. First, the plan is too narrow in scope. As noted above, the DPMO Strategic Plan documents only one information system, the Data Analysis System. The plan contains no information concerning the overall information system needs of the agency, and serves only to document the one AIS contract that existed at the time the plan was written.

As stated in the plan, the Data Analysis System is expected to be implemented within a year. On-going maintenance requirements are identified, but the plan contains no other information that could be used to formulate any other IRM requirements for future year budgets.

Information Resources Management

Transition Strategy Not Identified. While the DPMO AIS Strategic Plan identifies current and target information architectures as required, it does not state how the agency will transition to the new architecture. As a result, the plan does not show the total agency resources that will be required to implement the Data Analysis System. The plan does identify the fiscal resources, but does not indicate that any other resources will be needed. Other factors that could be considered in the transition strategy include the personnel time required for training and familiarization and increased user support requirements to reduce productivity loss during the transition.

AIS Strategic Plan Not Coordinated with Budget. Finally, we found that the DPMO AIS Strategic Plan provided no linkage between the agency's IRM strategy and budget. The plan was prepared well after the Data Analysis System was budgeted and contracted.

The DPMO Program Objective Memorandum submission for FY 1994 also shows a lack of coordination with the IRM planning process. It contains no line items for funding information system requirements and has no supporting Information Technology Program exhibits as required by the DoD Budget Guidance Manual (DoD 7100.1-M, June 1992) to document AIS acquisition or updates. The DPMO Program Objective Memorandum did not identify the agency's IRM budget requirements nor did it complement the DPMO AIS Strategic Plan.

DPMO IRM Review Program Lacks Performance Measures. Our review of the DPMO IRM procedures showed that the agency has no formally established methods to assess the performance of its IRM Program. The agency performs no surveys of its workforce on information system issues, nor are there procedures in place to allow users to submit feedback on information system performance. The Director, Resource Management, confirmed that there were no measurement criteria in place to assess whether the agency's information systems actually satisfied information needs of the DPMO workforce. As a result, the DPMO cannot evaluate effectiveness of its AIS strategy.

Conclusion

The DPMO lacks a functional AIS strategic planning process. The agency has not established processes to identify its information system needs, to plan for acquisition and implementation of systems to meet those needs, or to review the performance of existing systems to ensure the needs are being met.

We believe that the DPMO needs to seek outside assistance to help it formulate the planning process and put it in place quickly. An agency with extensive IRM expertise, such as the Defense Information Systems Agency, could provide the expertise that DPMO lacks, and help design a workable, efficient planning process.

Recommendation 2

The DPMO seek assistance from the Defense Information Systems Agency, or another DoD component with the requisite expertise, to establish an IRM strategic planning process that includes, at a minimum, the following elements:

- o a process to identify and validate information system needs;
- o a process to identify a viable strategy to meet those needs and the resources required to implement it;
- o procedures to coordinate the information system strategy with the budget development cycle; and
- o procedures and performance measures to evaluate information system performance.

Management Comments

The DPMO concurred with the recommendation. The DPMO stated that since the inspection, four additional ADP staff members have been hired, including an ADP Branch Chief; a Statement of Work, upon which most of the activities of the ADP unit are based, has been expanded to encompass the recommendations; and a Self-Assessment conducted by the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (ASD[C³I]) has been initiated and will be expanded upon based upon the outcome. The DPMO agreed that its AIS Strategic Plan was deficient, and is being updated as part of its self-assessment procedures.

Evaluation of Management Comments

We consider the DPMO comments responsive to the issue and recommendation; however, the DPMO has not provided the anticipated completion date of its AIS Strategic Plan.

Further Action Required

We request the DPMO provide an estimated completion date of the planned corrective actions within 60 days of the issuance of this report.

Issue 3. The DPMO Has Not Established Adequate Procedures to Ensure Information System Security

AIS Security at DPMO. From its creation in July 1993 through September 1994, the DPMO operated its information systems without its own AIS Security Plan. During this period, the agency operated under the procedures of the Defense Intelligence Agency AIS Security Plan. Most of the agency's personnel were familiar with those procedures as a majority of them had come to the DPMO from elements of the Defense Intelligence Agency.

In September 1994, in preparation for the fielding of the new Data Analysis System, the DPMO drafted a new AIS Security Plan. At the time of our inspection in November 1994, the DPMO had not yet implemented it. The plan still existed in draft format, and had been forwarded to the Defense Intelligence Agency for review and approval.

Pending implementation of the new security plan, we reviewed how AIS security was implemented under current DPMO guidance. We found a number of indications that additional management attention is required in this area:

- o The agency established a policy that all computer disks containing Top Secret information would be labeled at that classification in October 1994. It had evidently been permissible to not mark disks before that time.

- o Neither the Assistant Security Officer nor the Information System Security Officer for the DPMO local area network were aware of the contents of the security plan, and neither had provided any input for it.

- o The new AIS Security Plan was forwarded to the Program Manager at the Defense Information Systems Agency who was in charge of procuring the DPMO Data Analysis System. He was making corrections to it at Defense Intelligence Agency request. No one at the DPMO, including the DPMO Security Officer, was aware that the plan was being modified.

We believe it is a good practice to have the person with the most individual expertise in the actual configuration of the Data Analysis System involved in reviewing and modifying the DPMO AIS Security Plan. However, to make modifications without consulting the managers who will have to implement the plan once it is approved increases the risk that it will not be fully implemented as intended, and could lead to continuing security problems in the future.

Conclusion

Although the DPMO has prepared a new AIS Security Plan, it has not been implemented. There are indications that the security awareness of the AIS users at the DPMO is inadequate. Additional management attention is required to ensure successful implementation of the new security plan, and to upgrade security awareness at the agency.

Recommendation 3

The DPMO proceed with implementation of its new AIS Security Plan, with emphasis on training its information system users in correct security procedures.

Management Comments

The DPMO concurred with the recommendation, stating that during the inspection "permanent staff had either not been obtained or were newly assigned. Permanent DPMO staffing has since been assigned and now administer these functions".

Evaluation of Management Comments

Although the DPMO concurred with the overall recommendation, it did not provide an estimated completion date for its AIS Security Plan.

Further Action Required

We request that the DPMO provide an estimated completion date for its AIS Security Plan within 60 days of the issuance of this report.

Civilian Personnel Management

The third internal management program we reviewed was Civilian Personnel Management. We define Civilian Personnel Management as the processes the DPMO uses to obtain, train, review the performance of, motivate, and manage its civilian personnel workforce.

Background. Civilian personnel administration is regulated by Title 10, United States Code, Chapter 83; Title 5, United States Code; Title 5, Code of Federal Regulations; and DoD Directive 1400.5, "DoD Policy for Civilian Personnel," March 21, 1983. The DPMO is a relatively new organization and was formed from four other POW/MIA groups. It previously received personnel administration from the DIA and all positions were "excepted service". However, personnel administration is now obtained through the Washington Headquarters Service (WHS), and is governed by "competitive service" procedures.

Methodology. Given the relatively recent creation of the DPMO, we recognized that the elements we would expect to find in a mature organization would not be fully developed. Therefore, we concentrated on those personnel management processes most critical to a newly established organization. Specifically we focused our attention on:

- o policy and procedures that define DPMO responsibilities with the WHS so that all managers and supervisors are aware of procedures and responsibilities;

- o procedures to ensure DPMO employee needs are met; and

- o civilian personnel position management to ensure managers assign duties and responsibilities to positions, creating a structure that effectively and economically accomplishes the DPMO mission and functions.

Measurement Criteria. To be adequate, a civilian personnel management program should be able to meet the needs of the DPMO, provide efficient support, and develop tools which facilitate management of that support. An adequate personnel program provides effective leadership and direction to the management of the DPMO in five functional areas:

- o Position Management and Classification - provides advice and counsel to management and employees on matters relating to position descriptions, organizational structure, and classification of positions;

- o Recruitment and Placement - maintains a continuing human resource program which meets the needs of the DPMO by providing a means to hire qualified people to fill established positions;

- o Management-Employee Relations - advises, counsels, and assists management on matters such as employee discipline, conduct, performance, benefits, and entitlements;

Civilian Personnel Management

- o Training and Development - plans, organizes, and provides orientation, supervisory training, managerial and executive development, and professional development; and

- o Technical Services - processes personnel actions, maintains official personnel folders, monitors and coordinates data requirements pertaining to the federal personnel system.

Personnel Administration. Personnel administration involves the application of rules, regulations, laws, policies, and standards by the personnel office. The WHS is the personnel office for the DPMO. The personnel office provides guidelines for the daily management of personnel and performs the technical operations associated with managing a civilian work force, such as composing job announcements, recruiting candidates, maintaining personnel folders, and providing counseling and career development services. The WHS mission is to provide administrative and operational support to specified activities in the National Capital Region. The DPMO is one of those activities.

Personnel Management. Personnel management involves the capability of an organization's managers and supervisors to effectively exercise decision making authority in the workplace on a daily basis. Managers play a key role in determining the quality of personnel service they receive. Personnel management includes attracting, selecting, motivating, managing, and using personnel individually and collectively to accomplish the mission of an organization. The responsibility for adhering to, and supporting personnel management policy, rests with the agency head.

DPMO Personnel Support Structure. Within the DPMO, the Resource Management Directorate has responsibility for coordination with WHS and for internal personnel management (both military and civilian). The Administrative Support Branch of the Resource Management Directorate, is responsible for:

- o acquisition and distribution of personnel resources,
- o the personal awards and recognition program, and
- o the accomplishment and submission of all performance appraisals for military and civilian personnel.

The Resource Management Directorate is authorized under Administrative Instruction No. 2 to initiate, monitor and track personnel actions. However, the directorate only reviews personnel requests and coordinates with the requesting manager. The Director, DPMO, approves requests for personnel action. The request is then forwarded to the USD(P) for review.

Issue 4. Civilian Personnel Management at the DPMO Needs Improvement

The activity head should ensure the organization adheres to applicable personnel laws, regulations, policies and guidelines. We found that, although the DPMO has identified problems in personnel administration and management, the DPMO does not have a formal process to track and monitor personnel services provided to Agency managers and employees both from external and internal sources.

Competitive Service Procedures Cause Problems with Vacancy Announcements. The application of competitive service procedures in an organization whose managers are accustomed to more flexible excepted service procedures appears to be at the core of many of the problems we saw in DPMO personnel management. Position descriptions and vacancy advertisements were handled as individual actions instead of combining similar positions under the same position description and vacancy announcement. Although both the WHS and the USD(P) held classes for DPMO managers to help them understand the competitive service recruiting process, the lack of familiarity with competitive service procedures and the lack of DPMO guidance led to technical deficiencies in many of the documents. Those documents were then returned to DPMO for rework. At the time of our inspection, approximately 50 positions remained vacant, in part due to personnel action processing problems.

Frustration Expressed with Processing DPMO Personnel Actions. We found that DPMO managers, Office of the Under Secretary of Defense for Policy (USD[P]) staff, and Washington Headquarters Services (WHS) staff all expressed frustration with the processing of DPMO personnel actions. The DPMO managers cited changes in requirements imposed by the USD(P) and WHS staffs, while those organizations said that the DPMO managers had a hard time adjusting to OSD policies and procedures. We believe it is incumbent on all three organizations to establish working relationships and operating practices that will facilitate the identification and correction of problems.

DPMO Should Monitor Personnel Actions. To that end, we believe the DPMO Resources Management Directorate should monitor its requests for personnel support, the action taken on those requests, and the nature of any problem encountered. Analysis of trends in that data will help correct systemic problems, whether those problems are caused by actions taken by the requestors or the servicing activity. We noted two personnel management practices needing attention from DPMO management. One was the heavy reliance on reserve military personnel to perform administrative functions, and the other was a tendency to hire people with a background in the operational mission of the agency for positions in administration.

Military Reservists Used As Administrative Support. The former practice may be a temporary expedient while permanent staff is recruited and brought on board. However, use of reservists creates problems in continuity and development of long-term solutions to administrative problems. It is also expensive and can be an ineffective use of reservist training time.

FOIA Specialists. The latter practice is best evidenced by a vacancy announcement for a Freedom of Information Act specialist that listed almost a page of intelligence related experience required for the position before mentioning experience related to the Freedom of Information Act. While expertise in matters related to the DPMO mission is essential in the "line" components of the DPMO, the Resource Management Directorate should be staffed with people who have experience in the support functions performed in that Directorate.

Conclusion

The responsibility for the DPMO to actively manage its civilian personnel programs is not diminished because it receives operational support from the WHS. To exercise that responsibility requires effective management of the civilian personnel processes and adequate oversight of how well its supervisors and managers exercise their personnel management responsibilities.

Recommendation 4

The DPMO:

- a. establish a coordination process with the WHS to ensure personnel practices support personnel management policy;
- b. standardize position descriptions and recruitment actions to enable the organization to competitively hire functional expertise in a timely manner; and,
- c. establish a mechanism to track internal and external personnel actions.

Management Comments

The DPMO concurred with the recommendation. The DPMO stated that since the inspection, it has hired an experienced person as an Administrative Officer who has subsequently made changes necessary for an effective personnel management program. The DPMO submitted a request, with other USD(P) cluster field activities, for authority to deal directly with WHS. The request was approved and according to the DPMO, "the administrative processing improvement has drastically reduced our processing time as well as (increased) our ability to track and monitor our activities." The DPMO also stated that it has "standardized position descriptions wherever possible and continue to hire

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new employees in a more timely manner." The DPMO stated as a result of these improvements, it had 81 civilian personnel on-board against 93 authorized positions, with 9 additional positions under active recruitment as of September 30, 1995.

Evaluation of Management Comments

The DPMO comments are responsive to the recommendation.

Further Action Required

None.

Military Personnel Management

Background. The fourth internal management program we reviewed was Military Personnel Management. Military Personnel programs typically include personnel management, processing actions, maintaining records, and providing separation and transfer support and counseling. An adequate program should be able to requisition and obtain qualified personnel; provide efficient basic support for its assigned service members; and facilitate administrative management of that support.

The Washington Headquarters Services (WHS), Military Personnel Division provides the DPMO with military personnel support. Within the DPMO, the Resource Management Directorate has responsibility for coordination with WHS and for internal personnel management (both military and civilian). We noted that the DPMO has similar problems with military personnel management as those previously discussed under civilian personnel management.

Issue 5. Military Personnel Management at the DPMO Needs Improvement

The activity head should ensure the organization adheres to applicable laws, regulations, policies and guidelines. We found that the DPMO is not tracking military personnel actions, internally or externally and there is no coordination process with the WHS to ensure military personnel needs are met.

Importance of Joint Positions. We were also informed that because all 15 authorized military positions are filled, the DPMO does not believe it has problems in military personnel administration and management. However, the DPMO does not have a process to determine if its 15 authorized military positions are "joint" or "joint critical" positions. The importance of joint duty assignments and the method of determining which positions are "joint" or "joint critical" positions is important to the DPMO military personnel.

Differing Requests for Joint Duty Assignment Billets. Under the provision of the Goldwater-Nichols Defense Reorganization Act of 1986, billets designated as joint duty assignments are filled with specially qualified officers. The Chairman of the Joint Chiefs of Staff (CJCS) Memorandum of Policy (MOP) 75, "Manpower for Joint and International Activities," April 2, 1993, contains instructions to joint organizations regarding the Joint Manpower Program. The DPMO requested that 7 positions be considered joint duty assignment billets, however, the Assistant Secretary of Defense (International Security Affairs) requested in February, 1994, that all DPMO military positions be joint duty assignments. Designation of positions as "joint duty assignments"

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requires an analysis of the nature of the work performed and the application of a definition of "joint duty assignment". At the time of our inspection, that issue was not decided.

Conclusion

The DPMO needs to ensure that the military personnel needs are met and to prepare for the future rotation of its military personnel. In this manner, positions can be filled by personnel with the necessary skills and training to perform the duties required at the DPMO.

Recommendation 5

The DPMO:

- a. establish, in coordination with WHS, military personnel administrative policy and a mechanism to track military personnel actions; and
- b. identify and establish joint duty positions for military personnel in accordance with the Goldwater-Nichols Act.

Management Comments

The DPMO concurred with the recommendation, stating that "an experienced permanently assigned Technical Sergeant has continuing responsibility for the operation of the military personnel program, and another Sergeant assists. Regular coordination with WHS Military Personnel Division has been accomplished, and a suspending system for related reports has been established." The DPMO provided a current listing of joint-duty positions and stated that it is presently working with the WHS Military Personnel Office to identify and establish additional joint-duty positions. The DPMO stated it currently has no positions designated joint-critical positions.

The DPMO provided thirteen completed Administrative Instructions which establish various policies pertaining to military personnel and provide mechanisms to track military actions. The DPMO also stated that several additional Administrative Instructions are near completion.

Evaluation of Management Comments

The DPMO comments are responsive to the recommendation.

Further Action Required

None required.

Diversity Management

Background. Diversity Management requirements are covered in Title 29, Code of Federal Regulations 1614.102(b)(3) and 1614.105, respectively, which establish policy, guidance, and responsibilities for implementing a continuing affirmative employment program to promote equal employment opportunity and to identify and eliminate discriminatory practices and policies. Equal Employment Opportunity (EEO) counseling, or pre-complaint processing, is also covered in 29 C.F.R. 1614.105.

Title VII, section 717(a),(b), (c) of the Civil Rights Act of 1964, as amended, contains a description of Federal coverage, provides for appropriate remedies, and provides for filing civil actions. EEO reports on workforce composition are forwarded annually to the Equal Employment Opportunity Commission (EEOC) for a civilian labor force (CLF) comparative analysis on how each organization applies diversity principles. An annual report is also forwarded to the Office of Personnel Management (OPM), which tracks Federal work force statistics.

DOD Directive 1440.01, "The DOD Civilian Equal Employment Opportunity (EEO) Program," prescribes implementing policies for DoD organizations.

Criteria. An adequate diversity management program would, as a minimum, meet the following criteria:

- o adhere to statutory and regulatory requirements,
- o clearly define the roles and responsibilities of managers and supervisors for diversity management, and
- o establish performance monitoring procedures for its managers and supervisors.

Issue 6. The DPMO Did Not Have an Active Diversity Management Program

DPMO Focus. At the time of our inspection, the DPMO had not designated any Affirmative Employment Work Group representative as required by OSD Administrative Instruction No. 31. The Director, DPMO, is required to ensure that EEO policies are widely disseminated, understood and implemented at all levels within the organization.

During the inspection, we noted the DPMO is underrepresented by females and minorities in grades GS-13 through GS-15. The DPMO's Resource Management Directorate should work with the WHS diversity management staff to design a recruitment strategy to increase the diversity of the DPMO's applicant pool.

No Formal Mechanism to Process Complaints. We did not find indications of prohibited personnel management practices at the DPMO, but we noted the DPMO does not have a formal mechanism for processing complaints. Complaint and referral processes are unclear to DPMO personnel. The Office of the Deputy Assistant for Equal Employment, Office of the Secretary of Defense, has informed us that the DPMO is ultimately responsible for handling diversity complaints on all DPMO personnel. The EEO complaint resolution process normally includes several stages before formal complaints are filed, including attempts at informal resolution by EEO counselors. Counselors are trained to help the parties identify relevant facts, identify matters that are simply misunderstandings, and mediate resolution when possible. The DPMO does not have a point of contact for diversity management, and has not assigned or trained EEO counselors. As a result, employees do not know who to turn to for resolution of problems.

Roles and Responsibilities. The DPMO has not clearly defined diversity management roles and responsibilities for its managers and supervisors because diversity management policies and procedures have not been formalized.

Managers and employees lack clear and specific guidance on diversity management issues. As a result, the potential exists for the DPMO managers to mishandle or improperly advise an employee on a diversity issue.

Recommendation 6

The Director, DPMO develop an active diversity management program. The program should:

- o establish EEO goals and objectives,
- o implement a structure for processing complaints,
- o schedule diversity management training for all managers,
- o implement a proactive EEO counsel program, and
- o educate the work force on the program through written materials and briefings.

Management Comments

The DPMO concurred with the recommendation, and stated that "since the inspection a position for an EEO Program Manager has been designated and an individual recruited for it. An EEO Coordinator has also been designated from among the mission area staff." The DPMO stated that it is "in the process of

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developing an Affirmative Action Work Group" The DPMO further stated that recently hired EEO Program Manager has been tasked to complete development of its Affirmative Action Plan by January 31, 1996. The DPMO also provided a roster of personnel who have attended training, and stated that additional training has been coordinated with WHS.

Evaluation of Management Comments

The DPMO comments are responsive to the recommendation.

Further Action Required

None required.

Financial Management

The next internal management program we reviewed was financial management. Financial management is the accounting for, monitoring, and controlling of financial resources.

Background. Accounting is the structure of methods and procedures used to record, classify, and report information on the financial positions, and operations of a governmental activity or any of its funds and components. It is comprised of various operations to authorize, record, classify, and report financial data related to financial sources and gains, expenses, losses, and transfers out; liabilities; and equities.

Monitoring and controlling financial resources occurs when the DPMO executes the budget and uses the information provided by the accounting system and external inputs as feedback to make adjustments to the budget execution.

Accounting, management, and control starts when a transaction is initiated, through processing the data, to issuing financial and management information statements and reports containing the data in detail or summary form.

Measurement Criteria. Our examination of financial management focused on the processes and mechanisms used to manage and monitor the execution of the DPMO budget. Budget execution is the implementation process that an agency uses to expend resources to support the mission. The processes should include mechanisms that ensure actual expenditures are matched to planned expenditures and available resources. Effective processes and mechanisms to manage and monitor budget execution should:

- o provide guidance on the use of funds to ensure funds are used in a manner responsive to the mission requirements, goals and objectives of the DPMO;
- o ensure funds are expended on validated DPMO resource requirements; and
- o monitor expenditures to ensure they are consistent with the DPMO budget.

Issue 7. The DPMO Budget Execution Process Needs Improvement

The WHS supported the DPMO financial functions through FY 1994. In FY 1995, the DPMO assumed financial control of its budget. The Resource Management Directorate is responsible for the financial management processes of the DPMO. However, as we have previously noted in our report, the DPMO needs to improve the day-to-day management of administrative operations of the

Financial Management

organization. That lack of expertise and guidance available within the DPMO has caused problems in funds certification, obligation and reconciliation of accounts.

Funds Obligated Without DPMO Knowledge. We found instances where DPMO contract funds were obligated without DPMO knowledge or certification. For example, the WHS obligated DPMO funds when additional funds were necessary due to a contract cost increase. The DPMO had no knowledge of the increase until we brought it to their attention during our inspection.

Another incident occurred when the WHS obligated \$499,000 for ADP services without the DPMO being informed. The reason for those occurrences is that the Commitment Authorization documents (DD Forms 1262) are not being forwarded to the DPMO from the WHS. There is no procedure in place to require those documents from the WHS and the DPMO is not tracking commitment actions. Failure to track obligation of DPMO funds could lead to a violation of the Anti-Deficiency Act, where obligations exceed authorized funding, or could cause the DPMO to miss opportunities to put excess funds to better use.

Reconciliation of Records is a Necessary Financial Management Practice. The Anti-Deficiency Act prohibits agency funding obligations in excess of the authorized appropriation. A key financial management practice to ensure that agency obligations do not exceed appropriations is the reconciliation of accounting records. Errors in agency or accounting office records can overstate available funds, prompting an over-obligation, or understate available funds, depriving agencies of resources that could be used for important purposes. To enable an agency to monitor its obligations and expenditures, the Defense Finance Accounting Service (DFAS) is required to provide monthly and quarterly financial reports to its serviced agencies. Monthly and quarterly reports are useful for reviewing actions already accomplished, but they do not provide the data needed to manage current financial activity.

Funds Not Monitored or Tracked by DPMO. We found the DPMO relies exclusively on DFAS financial reports rather than maintaining internal documentation to track its obligations and expenditures and reconcile its accounts. The DFAS reports are not timely and should not be a substitute for an agency monitoring and tracking its own funds. Procedures should be in place within the agency to track all financial actions both internally and externally. In that manner, the DPMO would be able to validate and reconcile its accounts. We found that the lack of tracking and validating obligations and expenditures has caused excess funds to remain in the DPMO budget.

Excess Funds Not De-Obligated. For example, the DPMO included the cost for 10 cellular phones in its FY 1995 budget. The DPMO eventually decided to only purchase two phones, but the DPMO did not track or reconcile the actual cost of the two phones with the original estimate. As a result, the DPMO did not subsequently de-obligate the excess funds of approximately \$40,000 to use for other mission needs. We found other areas where the DPMO could have prevented problems through validation of financial data.

DPMO Does Not Validate Financial Data. The DPMO budget execution reports are based upon obligation estimates. However, the DPMO does not validate and reconcile accounts or compare DPMO accounts with DFAS financial reports to spot inconsistencies.

For example, DPMO's Travel Administrative Instruction No. 12 states that the traveler will provide a copy of the DD Form 1351-2 (Travel Voucher or Subvoucher) to the Resource Management Directorate budget officer for account reconciliation. We found the DPMO is not performing that reconciliation. The actual travel disbursement is not compared with the original travel estimate to validate the accuracy of the DFAS report or to determine if funds are available for other DPMO needs. As a result, the DPMO does not have an accurate picture of the resources available, or used, to support its mission.

Conclusion

The DPMO lacks an administrative instruction that delineates accounting responsibilities within the organization; it needs to increase attention to reconciliation of records of obligations and expenditures.

Recommendation 7

The DPMO:

- a. develop an administrative instruction that provides guidance for planning, control and execution of the DPMO budget; and
- b. establish procedures for reconciliation of DFAS financial reports against the DPMO source documents.

Management Comments

The DPMO concurred with the recommendation, and stated that "an Administrative Instruction is being drafted to provide guidance for planning, control and execution and establishes procedures for reconciliation of financial reports. The instruction should be completed by 1 December."

Financial Management

Evaluation of Management Comments

The DPMO comments are responsive to the recommendation.

Further Action Required

None required.

Internal Management Controls

Background. The next management program we reviewed was internal management controls.

Internal management controls are those methods and procedures managers use to ensure they safeguard or protect the organization's resources against fraud, waste, and mismanagement. The Internal Management Control (IMC) Program helps an organization identify where it is vulnerable. It also allows that organization to detect and correct weaknesses it identifies before they adversely affect programs or waste resources. The IMC Program ultimately provides an organization reasonable assurance that its internal controls are in place and working as intended.

Federal Managers' Financial Integrity Act of 1982. The Federal Managers' Financial Integrity Act of 1982 (FMFIA), requires Executive Agencies to develop internal controls which ensure:

- o obligations and costs comply with applicable law;
- o assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and
- o revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of assets may be maintained.

The Department of Defense (DoD) Directive 5010.38, "Internal Management Control (IMC) Program," April 14, 1987, implements the FMFIA within the DoD. The Directive requires DoD components to develop Programs which ensure:

- o FMFIA Goals are met;
- o programs and administrative functions are efficiently and effectively carried out in accordance with applicable law and management policy; and
- o IMC systems emphasize prevention of waste, fraud, mismanagement, and timely correction of specific weaknesses.

The Directive requires, among other things, that DoD components assign IMC responsibility and accountability to each assessable unit manager and train them on their IMC responsibilities and obligations. The program must identify material weaknesses, prepare plans for corrective actions, and successfully track and complete all corrective actions.

Internal Management Controls

Methodology. To determine the adequacy of the DPMO's management oversight processes and mechanisms, we interviewed the DPMO's senior managers. We also reviewed the actions taken by the DPMO to organize and establish the program, assign program responsibilities, develop its IMC Plan, provide training for managers assigned IMC responsibilities, and accomplish required documentation and monitoring.

Measurement Criteria. To be adequate, oversight and IMC mechanisms should allow an organization to monitor its core functions and should include corresponding performance indicators. These performance indicators should allow the organization to measure how effectively it accomplishes its core functions. The organization's managers should be knowledgeable of their oversight and IMC responsibilities. They should also document the process and results of their monitoring and assessments.

The DPMO Program. The Deputy Assistant Secretary of Defense for POW/MIA Affairs is responsible for assuring appropriate controls are developed, documented, implemented, maintained and periodically evaluated throughout the DPMO. The Resource Management Directorate is responsible for administering and managing the DPMO management control program.

Newly established agencies have a "grace period" of five years before they are expected to have a comprehensive internal management control program. This period allows flexibility within the organization's formative years to develop controls that are appropriate for its program and which fully encompass operational and administrative oversight. Although the DPMO is still within its "grace period," it has started development of its IMC program.

During our inspection, the DPMO was developing an Administrative Instruction, "Internal Management Control Program." However, the document only identified four general assessable units in personnel management, financial management, supply management and security. The draft DPMO Administrative Instruction did not encompass the full range of program, operational, and administrative areas.

Overall Assessment. As its program was not fully developed, the DPMO did not yet have adequate oversight mechanisms in place to monitor the performance of its mission. The DPMO also lacked adequate oversight mechanisms to monitor the effectiveness and efficiency of specific internal functional elements.

Conclusion

Although the DPMO is a relatively new agency, it is important that management design structures that help ensure accountability for results, and include appropriate controls. Management is responsible for the quality and timeliness of program performance, increasing productivity and mitigating problems that can adversely affect agency operations.

Internal Management Controls

As the DPMO continues to develop its program, attention should be focused in the following areas:

- o defining core functions that should be addressed by the IMC program,
- o documenting and monitoring IMC activities, and
- o providing IMC training to appointed IMC managers.

During the inspection, the DPMO stated they were aware of the requirements of the program and were working to develop controls for the agency. Controls do not guarantee the success of agency programs, or the absence of waste, fraud and mismanagement, but they are a means of managing the risk associated with Federal programs and operations.

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Part III - Additional Information

Appendix A. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Under Secretary of Defense for Policy, Washington, DC
Office of the Assistant to the Secretary of Defense (Legislative Affairs),
Washington, DC

Office of the Assistant to the Secretary of Defense (Public Affairs), Washington, DC
Defense Prisoner of War/Missing in Action Office, Arlington, VA
Joint Commission Support Directorate, Alexandria, VA

Office of the Director, Administration and Management, Washington, DC
Washington Headquarters Service, Washington, DC

Department of the Army

Defense Supply Service Washington, DC

Other Defense Organizations

Defense Information Systems Agency, Arlington, VA
Defense Intelligence Agency, Arlington, VA

Appendix B. Report Distribution

Office of the Secretary of Defense

Office of the Under Secretary of Defense for Policy, Washington, DC
Office of the Assistant to the Secretary of Defense (Legislative Affairs),
Washington, DC
Office of the Assistant to the Secretary of Defense (Public Affairs), Washington, DC
Defense Prisoner of War/Missing in Action Office, Arlington, VA
Joint Commission Support Directorate, Alexandria, VA
Office of the Director, Administration and Management, Washington, DC
Washington Headquarters Service, Washington, DC

Department of the Army

Auditor General, Department of the Army
Defense Supply Service Washington, DC

Department of the Navy

Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Intelligence Agency
Director, Defense Information Systems Agency
Director, National Security Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

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

Appendix B. Report Distribution

Non-Defense Federal Organizations and Individuals (cont'd)

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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