

Audit

Report



ADMINISTRATION AND MANAGEMENT OF THE
CIVIL AIR PATROL—PHASE II

Report No. D-2000-193

September 27, 2000

Office of the Inspector General
Department of Defense

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Acronyms

CAMP	Civil Air Patrol Aircraft Modernization Program
CAP	Civil Air Patrol
CAP-USAF	Civil Air Patrol-U.S. Air Force
DoDGARs	DoD Grant and Agreement Regulations
FAA	Federal Aviation Administration
NEC	National Executive Committee
OMB	Office of Management and Budget

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INSPECTOR GENERAL
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September 27, 2000

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NATIONAL COMMANDER, CIVIL AIR PATROL

SUBJECT: Audit Report on Administration and Management of the Civil Air Patrol-
Phase II (Report No. D-2000-193)

We are providing this report for review and comment. We performed the audit at the direction of the Conference Report on the National Defense Authorization Act for FY 2000. This report is the second of two reports on the administration and management of the Civil Air Patrol. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all unresolved issues be resolved promptly. Comments from the Air Force and the Civil Air Patrol were generally responsive, but several issues remain unresolved. Therefore, we request that the National Commander, Civil Air Patrol, provide additional comments on Recommendations A.1.a., A.2.c., A.2.f., A.2.h., B.1.c., B.2.c., B.2.e., B.2.f., C.1.a., and C.1.b.(3). We request that management provide comments by November 27, 2000.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Harlan M. Geyer at (703) 604-9174 (DSN 664-9174) (hgeyer@dodig.osd.mil) or Mr. Richard A. Brown at (703) 604-8630 (DSN 664-8630) (rbrown@dodig.osd.mil). See Appendix E for the report distribution. Audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2000-193

(Project No. D1999LA-0025.01)
(Formerly Project No. 9LA-5020.01)

September 27, 2000

Administration and Management of the Civil Air Patrol-Phase II

Executive Summary

Introduction. The Civil Air Patrol (CAP) is a federally chartered, private, not-for-profit organization devoted principally to aerospace education, cadet training, and emergency services. The CAP is the official auxiliary of the U.S. Air Force. The CAP National Board is chaired by the National Commander and includes the National Vice Commander, National Chief of Staff, National Controller, National Finance Officer, National Legal Officer, 8 region commanders, 52 wing commanders, and the Senior Air Force Advisor. The Civil Air Patrol-U.S. Air Force (CAP-USAF) is the U.S. Air Force organization responsible for providing advice, liaison, and oversight to CAP.

Objectives. The overall objective of the audit was to evaluate the administration and management of the CAP program, as directed by the Conference Report on the National Defense Authorization Act for FY 2000. This report is the second of two reports on the administration and management of the CAP program. The first report covered aircraft and vehicle requirements, management authority, property accountability, and reimbursables. This report covers authority over safety, pilot certification, and aircraft maintenance; the aircraft replacement program, aircraft distribution, and Hull Self-Insurance; the flying program; and financial management.

Results. The CAP corporate headquarters did not have management controls over assets assigned to the volunteer force. Nearly all of the 86 aircraft maintenance records reviewed and 317 of the 595 pilot records reviewed had deficiencies. As a result, the safety of flight operations could be compromised (finding A).

CAP did not effectively administer the aircraft replacement program. As a result, CAP could not ensure effective and efficient accountability, distribution, or replacement of aircraft. Also, the use of the CAP Aircraft Modernization Program account for repair and replacement of aircraft had an appearance of impropriety (finding B).

CAP did not have supporting documentation to validate the 115,000 and 109,000 flying hours reported for FY 1998 and FY 1999, respectively. As a result, claims for reimbursement for counterdrug, search and rescue, liaison proficiency flying and other missions could be claimed or reimbursed more than once (finding C).

CAP did not have current accounting policies and procedures, did not process purchase requests properly, and had an internal audit staff that performed duties and functions that conflicted with internal auditing standards. In addition, the internal auditor had only performed two audits of the CAP Headquarters financial operations in 3 years. As a result, CAP may not be in compliance with the Office of Management and Budget Circulars and DoD Grant and Agreement Regulations (finding D).

Summary of Recommendations. We recommend that the CAP National Board and the National Commander delegate authority over the volunteer force to the Executive Director, CAP, for management decisions associated with safety issues; create a review board to eliminate the CAP chain-of-command issues; and conduct a study of its fleet-usage data. We recommend CAP obtain an agreement with CAP-USAF to have liaison offices monitor safety compliance and report to CAP through CAP-USAF the wings and squadrons that habitually ignore recommendations for corrective actions. We also recommend CAP initiate procedures to report the actual number and type of aircraft assigned and require units to record and monitor flying hours for each aircraft; require the accounting department to update accounting policies and procedures prior to FY 2001, and ensure that the adequate controls are in place. We recommend that CAP-USAF assign to liaison offices the responsibility to maintain records and files of source documents for actual flying hours for each aircraft and ensure that the CAP-USAF Financial Division approves claims for reimbursement only if both liaison office and responsible officials of CAP have approved the document.

Management Actions. Because of the number of serious CAP regulation compliance deficiencies in aircraft maintenance and documentation noted during the audit, the National Commander, CAP, ordered a one-time mandatory inspection of all CAP aircraft and maintenance records. During our review, wing commanders took immediate corrective action and suspended the pilots whose records were found to be deficient. The Executive Director, CAP, took immediate corrective action to enforce procedures for processing CAP Form 4 transactions and paying for purchase requests of products or services that had circumvented proper accounting and authorizing channels.

Management Comments. The Air Force's CAP Management Improvement Team, commenting for the Commander, CAP-USAF, concurred with the findings and generally concurred with the recommendations in the report. The National Commander, CAP, partially concurred with the report and recommendations. The National Commander nonconcurred that authority should be delegated to the Executive Director for management decisions associated with safety, volunteer membership, or activities conducted by volunteer members. The National Commander proposed that the CAP volunteer leadership should retain authority over the volunteer members, and the Executive Director should have final authority over funding and assets. The National Commander nonconcurred with the recommendations to create wing databases, consolidate pilot records and personnel files, and revise two CAP regulations. The National Commander proposed that, rather than individual wing databases, a national database that shows currency of active pilots and contains entries on various qualifications, such as pilot's most recent medical certificate, should be created. The National Commander also proposed that the database would then negate the need to revise the regulations concerning the revocation of specialty mission cards. The National Commander nonconcurred with recommendations concerning the Hull Self-Insurance account and the CAP Aircraft Modernization Program and proposed several actions that could satisfy the intent of the recommendations. The National Commander proposed the criteria for each fund be reviewed and redefined to specify the items payable from the insurance account and the modernization program. The National Commander nonconcurred with requiring CAP Operations Division personnel to validate and approve hours claimed for reimbursement before payment. He stated that Air Force oversight personnel would best perform validation and that the Executive Director is seeking an agreement from CAP-USAF to assume the responsibility. A discussion of management comments is in the Finding section of the report, and the complete text is in the Management Comments section.

Audit Response. Although the CAP Management Improvement Team nonconcurred with one recommendation and nonconcurred in part with another recommendation, we consider their comments to be responsive. No further comments are required.

The National Commander's comments were partially responsive. We maintain that to make management decisions associated with management control issues relating to funds and assets, prohibiting CAP flying privileges, suspending flying activities of wings that continuously fail to report as required, safety, and exercise control over assets, the Executive Director must have some authority over safety issues and activities conducted by the volunteer members. If the National Commander would delegate some authority to the Executive Director for management decisions associated with management control issues, safety, and activities conducted by the volunteer members, with conditions similar to those expressed in responses to the draft report, the intent of the recommendations can be satisfied. The National Commander proposed alternate actions with regard to creating individual wing databases, consolidating pilot records and personnel files, and revising two CAP regulations that would satisfy the intent of the recommendations. However, the comments did not provide time frames for completion of the proposed actions. The National Commander also proposed to review and redefine criteria for use of the Hull Self-Insurance account and the CAP Aircraft Modernization Program and specify the types of items payable from each fund that could correct the cited conditions and root causes. However, without an opportunity to review the criteria, we cannot say absolutely that the proposed action would satisfy the overall intent of the recommendations. In addition, the CAP regulation dealing with CAP aircraft maintenance management still requires revision to permit the action as well as redefining the criteria and specifying the types of expenses that are payable from the Hull Self-Insurance fund. Finally, the National Commander proposed that the Air Force oversight personnel validate and approve hours claimed for reimbursement and, as such, indicated that the Executive Director is seeking an agreement from CAP-USAF to assume the responsibility. However, the National Commander did not specify the time frame for completion of the action or an alternative if CAP-USAF does not agree to assume the responsibility.

We request that the National Commander, CAP, provide additional comments in response to the final report by November 27, 2000.

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Background

The Civil Air Patrol (CAP) was founded December 1, 1941. The principal purpose of CAP was to allow private pilots to use their aircraft and flying skills in civil defense efforts. In 1943, CAP was transferred to the War Department and came under the control and direction of the Army Air Forces. On July 1, 1946, Congress enacted Public Law 476, establishing CAP as a federally chartered private, not-for-profit organization devoted to humanitarian activities. In May 1948, Public Law 557 made the organization the official auxiliary of the U.S. Air Force and authorized the Secretary of the Air Force to assign military and civilian personnel to liaison offices at all levels of the organization.

CAP Organization. The CAP corporate organization consists of a national headquarters, 8 geographic regions, 52 wings (1 for each state, the District of Columbia, and the Commonwealth of Puerto Rico), and more than 1,700 units. In 1999, CAP membership increased to more than 61,000 members, of whom 35,000 are senior members and 26,000 are cadets. The CAP Corporation owns and operates a fleet of about 530 corporate aircraft, primarily Cessna 172s and 182s, and 950 ground vehicles in support of organization programs.

Mission and Functions. CAP performs three primary functions: aerospace education, cadet training, and emergency services. The aerospace education programs provide its membership, and the educational community, information about aviation and space activities. In 1999, CAP supported more than 100 workshops and universities across the nation, reaching more than 3,000 educators. More than 300,000 students benefited from the CAP Aerospace Education Program. The cadet training program develops and motivates the youth of our Nation to become leaders and responsible citizens through an interest in aerospace. The CAP cadet training program is open to young people between 12 and 20 years old. The emergency services program includes air search and rescue, disaster relief, and civil defense. CAP members fly more than 85 percent of the Federal inland search and rescue missions directed by the Air Force Rescue and Coordination Center, Langley Air Force Base, Virginia. In 1999, CAP aircrews flew over 60,000 flying hours in support of federally funded programs, including search and rescue, disaster relief, training, and counter-drug operations, and were credited with saving 84 lives.

CAP operates in accordance with its constitution and bylaws, as well as with regulations and other directives approved by the National Board and National Executive Committee (NEC) that are issued by the Executive Director. The highest governing body of CAP is its National Board, chaired by the National Commander, a member elected to the post by the CAP membership. Other members of the Board include the Senior Air Force Advisor, the 8 region commanders, the 52 wing commanders, and the elected National Vice Commander, National Chief of Staff, National Controller, National Finance Officer, and National Legal Officer. The Senior Air Force Advisor is an active

duty Air Force colonel who is responsible for all active duty and DoD civilian employees assigned to the Civil Air Patrol-U.S. Air Force (CAP-USAF), which provides advice, liaison, and oversight to CAP. The Senior Air Force Advisor is also the Commander, CAP-USAF.

Relationship between CAP and CAP-USAF. The CAP corporate headquarters and the CAP-USAF headquarters are collocated on Maxwell Air Force Base, Alabama. The relationship between the Air Force and CAP is outlined in a memorandum of understanding executed by the Commander, CAP-USAF, and the National Commander, CAP, and approved by the Deputy Assistant Secretary of the Air Force (Reserve Affairs) in 1991. The memorandum defines the duties and responsibilities of CAP as a volunteer auxiliary of the Air Force and defines and establishes responsibilities and respective support between the Air Force and CAP.

CAP Funding. In May 1948, Public Law 557, "CAP Supply Bill," made CAP the official auxiliary of the Air Force and authorized the Secretary of the Air Force to assign military and civilian personnel to liaison offices at all levels of CAP. Congress also authorized the Secretary of the Air Force to provide CAP with equipment, supplies, services, and facilities, as well as funds for specified purposes. The CAP Supply Bill was amended by Congress to permit the Secretary of the Air Force to support CAP as described below.

- Amendments to section 9441, title 10, United States Code (10 U.S.C. 9441), "CAP Supply Bill," in 1984 authorized the provision of appropriated funding to CAP. The Secretary of the Air Force is authorized to reimburse CAP for major items of equipment, such as aircraft and motor vehicles.
- Amendments to 10 U.S.C. 9441 in 1994 authorized the Secretary of the Air Force to provide funds for CAP headquarters, including payment of staff compensation and benefits, administrative expenses, travel, per diem and allowances, rent and utilities, and other operational expenses.

In FY 2000, CAP received \$28.3 million in appropriations from the Air Force for specific CAP operations, and the Air Force budget submission for CAP in FY 2001 was \$16.5 million.

As authorized by the CAP Supply Bill, active duty Air Force personnel were assigned or detailed to CAP-USAF and served at CAP headquarters and at wing and region liaison offices.

Air Force Oversight. In 1995, an Air Force reorganization reduced the number of Air Force personnel assigned to CAP-USAF. The Air Force converted 175 of 250 active duty positions to CAP employee positions, transferring corresponding appropriated funds to CAP for personnel to direct CAP activities previously directed by CAP-USAF personnel. The

reorganization changed the Air Force role from one of functioning as the national headquarters to one of providing advice, liaison, and oversight to CAP activities and operations. To accomplish its role, the Air Force has a CAP-USAF headquarters to coordinate activities of assigned Air Force personnel. CAP-USAF has about 75 positions, with about one-third at CAP-USAF headquarters and two-thirds at liaison offices in the 8 regions. The CAP-USAF headquarters staff is similar to other commands, in that it comprises a chaplain, an information management office, an inspector general, a judge advocate, a personnel office, a public affairs office, and a safety office. Other significant elements of the CAP-USAF headquarters are as follows.

- The Financial Management Directorate provides oversight of CAP financial operations.
- The Logistics Directorate manages aircraft procurement and maintenance, vehicle procurement and maintenance, and CAP supply. Logistics personnel are dual hatted, performing duties representing both CAP-USAF and CAP. The formal chain of command is through CAP-USAF while a large percentage of duties performed are in support of CAP policies and procedures as directed by the CAP Executive Director.
- The Operations Directorate is responsible for flight operations and training of CAP-USAF pilots. Operations personnel are also responsible for providing advice, liaison, and oversight of CAP flight operations and training, including search and rescue, disaster relief, and counter-drug operations.
- The Information Management Directorate provides oversight of CAP Education and Training Programs.

The Air Force set guidelines for support and use of CAP in Air Force Policy Directive 36-50, "Civil Air Patrol," August 23, 1993. The directive establishes the Secretary of the Air Force, through the Office of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Environment), as responsible for policy, resource advocacy, and oversight of Air Force support for CAP. Air Staff headquarters, through the Air Education and Training Command, the Air University, and CAP-USAF, is responsible for establishing CAP support programs, to include identifying requirements and executing the programs, in accordance with Air Force Policy Directive 36-50.

Objectives

The overall objective of the audit was to evaluate the administration and management of the CAP program, as directed by the Conference Report on the National Defense Authorization Act for FY 2000. This report is the second of two reports on the administration and management of the CAP program. The

first report covered aircraft and vehicle requirements, management authority, property accountability, and reimbursables. This report covers authority over safety, pilot certification, aircraft maintenance, the aircraft replacement program, aircraft distribution, Hull Self-Insurance, flying program, and financial management. See Appendix A for a discussion of the audit's scope and methodology and Appendix B for prior coverage.

A. Authority

CAP corporate headquarters did not have management controls for assets assigned to the volunteer force. The condition occurred because the Executive Director did not have authority over safety issues. As a result, safety issues, including aircraft maintenance and pilot certifications, were not adequately addressed. Eighty-four of the 86 aircraft had problems related to aircraft inspection and maintenance requirements. Of the 595 pilot records reviewed, 317 were deficient. Without authority over safety issues, assets (both equipment and personnel) could be subjected to undue risks and the Executive Director would not be able to properly exercise accountability and control of the assets.

History

In our first report, "Administration and Management of the Civil Air Patrol," Inspector General, DoD, Report No. D-2000-075, February 15, 2000, the National Commander concurred in part with our recommendation to delegate to the Executive Director, CAP, management decisions associated with safety and management control. The National Commander stated that authority should be delegated to the Executive Director for management decisions associated with management control issues relating to funds and assets only. The National Commander did not concur with delegating authority for management decisions associated with safety issues. Because our review of the CAP safety posture was continuing at the time of the report, we determined that further consideration of the recommendation would be deferred until additional work was completed. The work covered September 1999 through May 2000 and resulted in visits to 11 wings (Alabama, California, Colorado, Florida, Georgia, Idaho, Maine, Missouri, New York, Ohio, and Oregon) and 64 flying units. Our review included the CAP safety program, pilot certifications, aircraft maintenance, and accidents and incidents reported from FY 1997 through the third quarter, FY 2000.

CAP Safety Program Guidance

CAP Regulation 60-2 (E), "Safety and Regulatory Compliance – No-Notice Inspection," February 15, 1997, requires wing commanders to conduct a no-notice inspection of all CAP flying units in the wing during each 12-month period to improve safety and regulatory compliance.

CAP Regulation 62-1 (E), "Civil Air Patrol Safety Responsibilities and Procedures," July 1, 1992, establishes the requirements for an effective safety program within CAP. The regulation sets guidance and procedures for safety officers to conduct monthly safety meetings and safety surveys. Although

commanders are responsible for safety in their areas of jurisdiction, region commanders (also members of the National Executive Committee) are ultimately responsible for CAP safety. The adequacy of each unit's safety program is evaluated in accordance with CAP Regulation 123-3, "Inspection - Civil Air Patrol Assessment Program."

CAP Regulation 123-3(E), "Inspection - Civil Air Patrol Assessment Program," March 1, 1998, provides an explanation of procedures used in the conduct of CAP unit Quality Air Force Assessments, Staff Assistance Visits, Wing Internal Inspections, and Self-Assessment Programs.

CAP Safety Program

CAP corporate headquarters did not have management controls for assets assigned to the volunteer force. The condition occurred because the Executive Director did not have authority over safety issues.

CAP wings and squadrons did not meet criteria in the CAP safety program. The squadrons and wings were not conducting safety meetings or performing safety surveys and no-notice inspections as often as required.

Safety Meetings. None of the 66 flying units we visited was meeting the safety meeting requirements of CAP Regulation 62-1(E). We did not find evidence that monthly safety meetings were always held. Units did not maintain rosters of individuals who attended the safety briefings or records indicating if the safety material was made available through bulletin boards or reading files and summaries were presented for those who could not attend. We also did not find evidence units were requiring personnel not present at the meetings to read and initial the summaries of the meetings.

Safety Surveys. Seven wings and 36 flying squadrons did not perform the safety surveys required by CAP Regulation 62-1(E). The regulation also requires unit commanders to ensure that an internal safety survey is conducted annually. Although 7 wings and 18 squadrons performed the survey, the results were not adequate to ensure safe flying operations because safety survey questionnaires did not include a review of pilot certifications and records, and maintenance questionnaires did not include the maintenance of airworthy directives and service bulletins for each assigned aircraft.

No-Notice Inspections. The wings we visited indicated the no-notice inspections were performed but could not document the inspections. A no-notice inspection is a complete inspection of the flying unit. The inspection covers the flying safety program and includes classroom training and attendance, review of flying and pilot records, flight release procedures, maintenance and condition of assigned aircraft, and an overall evaluation of safety and compliance with CAP flying, safety, and other operational regulations.

Liaison Offices

Deficiencies or discrepancies found by liaison offices during safety inspections are often not fixed because wings and units do not consistently comply with recommendations for corrective action. The decision to make or ignore corrective actions remains with the volunteer force.

Liaison offices provide advice and assistance to the volunteer force for their flying program. The liaison region commanders are active members of the Air Force who report directly to the CAP-USAF Commander. The wing liaison officers and liaison noncommissioned officers are employees of CAP and provide advice, assistance, and oversight on the CAP program in his or her assignment to CAP and CAP-USAF. As a corporate employee, the wing liaison officer reports directly to the Executive Director, who works closely with the Commander, CAP-USAF, to ensure CAP volunteers meet CAP and Air Force standards in performance of duties.

Wing liaison personnel keep headquarters staff informed about operating problems in the field. One method of regular reporting on the activities and items of interest is through the Liaison Region Commander's Quarterly Report to CAP-USAF. Liaison offices provide monthly inputs to the appropriate liaison region commanders for inclusion in the quarterly report.

Responsibilities of Liaison Offices. CAP does not have a directive defining the responsibilities of the liaison offices. A list of things the liaison personnel should do, should not do, or may do are defined in the Liaison Staff Handbook, which was published under the reorganized liaison structure enacted in January 1995.

The Liaison Staff Handbook is intended to be used as a reference document for field activities but does not apply to CAP-USAF liaison region personnel. It includes duties such as advising and assisting the volunteer force in their flying program, preparing scenarios for CAP operations evaluations, and monitoring safety and training for the emergency services program. In day-to-day business, the wing liaison offices make recommendations on observed deficiencies but cannot enforce the actions recommended. Memorandums to wing commanders on observations and recommendations could be ignored. Similarly, even if the liaison offices submit observed deficiencies through the Commander, CAP-USAF, and the Executive Director, CAP, corrective action could not be assured because only the CAP Region Commander can currently order the recommended corrective action. The CAP command structure also requires NEC approval before the CAP corporate headquarters can resolve problems pertaining to volunteer members.

Inspections. Deficiencies or discrepancies found during safety inspections are often not fixed because wings and units do not consistently comply with recommendations for corrective action. The decision to make or ignore corrective actions remains with the volunteer force. Although inspection reports

are sent to CAP Headquarters, the Executive Director could not enforce corrective actions because the Executive Director had no authority to enforce compliance by the volunteer force.

Unit Self-Assessments. We did not find evidence that commanders were performing unit self-assessments. A unit self-assessment is an inspection conducted by commanders at all levels using assessment guides developed by CAP-USAF to evaluate their own directorates or programs. Either the CAP wings or regions establish wing internal inspections to evaluate management and mission capability of subordinate units.

Reports. The volunteer force can either ignore or take the corrective actions recommended by the inspections. For example, the wing commanders furnish a copy of the inspection report to the unit commanders for comment and reply within 30 days. If the unit's subsequent no-notice inspection produced a repeat discrepancy, the wing commander is required to reassign corporate aircraft and prohibit CAP flying privileges in corporate and member-owned aircraft. However, the National Commander, on recommendation of the region commander, may grant a waiver or delay for loss of aircraft. Further, the wing commander may also recommend the return of a corporate aircraft to flight status or a restoration of flying privileges for the unit, subject to approval of the region commander.

Reasons. The force is made up of volunteers who have paying jobs elsewhere. As volunteers, the force does not dedicate its full time to correcting deficiencies found by the liaison officer. In addition, the volunteer force relies on assistance from the Military Reserves to make the corrections. Therefore, control over assets and personnel is not as effective and efficient as it should be. Without proper authority over safety issues, the Executive Director is not able to properly exercise accountability and management control of assets. For example, our review of pilot records and maintenance of assigned aircraft reveals that both assets and personnel are exposed to undue risks.

Aircraft Maintenance

CAP was not adequately managing the CAP aircraft maintenance program because Federal Aviation Administration (FAA) and CAP regulations were not complied with fully. Eighty-four of the 86 aircraft had problems related to aircraft inspection and maintenance requirements. As a result, CAP aircraft airworthiness could be jeopardized.

Guidance. CAP Regulation 66-1, "CAP Aircraft Maintenance Management," September 1, 1998 (revised on February 1, 2000), establishes standard aircraft maintenance management for CAP corporate-owned aircraft. To be considered airworthy, an aircraft must conform to FAA original-type certificate, original-type certificate as modified by an amendment, or supplemental-type certificate, and be issued a FAA Standard Certificate of Airworthiness. In

addition, the regulation requires CAP to maintain and operate corporate aircraft in accordance with applicable Federal aviation regulations including Federal Aviation Regulation Part 43, "Maintenance, Preventive Maintenance, Rebuilding, and Alteration," and Part 91, "General Operating Flight Rules."

Aircraft Inspections. The maintenance program should be based on aircraft inspections conducted at specified intervals with prompt correction of any discrepancies found during the inspections. Only FAA-certified mechanics, fixed-base operators, or certified repair stations are authorized to perform necessary tests or post-maintenance runs. CAP Regulation 66-1 requires wing aircraft maintenance officers make periodic checks to ensure aircraft inspections are performed in accordance with CAP regulations. From September 1999 through May 2000, we checked 86 corporate aircraft and reviewed the maintenance performed between 1997 and 1999. Table 1 summarizes the aircraft inspection requirement problems identified during the audit.

Table 1. Summary of Problems Related to Aircraft Inspection Requirements

Problem Areas	Number of Aircraft*	Percent
50-Hour Inspection Over Fly	53	62
Failure to comply with Spectrometric Oil Analysis Program	60	70
100-Hour Inspection Over Fly	54	63
Failure to Perform Annual Inspection	25	29
Failure to Inspect and Test Pitot Static and Altimeter	13	15
Failure to Inspect and Test Transponder	13	15
Failure to Inspect Very High Frequency Omnidirectional Range Receiver	9	10
Failure to Inspect Emergency Locator Transmitters	17	20
Failure to Replace Carbon Monoxide Detector	18	21
Lack of Listing of Airworthiness Directives in Aircraft Logbook	23	27

*Out of 86 aircraft reviewed

50-Hour Inspection. The 50-hour inspection is performed between 40 and 60 hours, after the last 100-hour or annual inspection, to perform an interval oil and filter change and visually check for damage, leakage, or wear. The inspection was reidentified on February 1, 2000, as a mid-cycle inspection. The aircraft must comply with the engine management spectrometric oil analysis program when maintenance conditions suggest monitoring or when a manufacturer service bulletin or letter is applicable. Processing a sample of the oil through an atomic absorption spectrophotometer performs the spectrometric oil analysis. The analysis will reveal the amount of suspended metal in parts per million. Identification of the nature and quantity of these metals helps identify excessively worn parts and can also predict failure long before the problem would otherwise appear. Logbooks for 86 aircraft revealed that between 1997 and 1999 only 33 aircraft met inspection requirements. A total of 53 aircraft (24 in 1997, 33 in 1998, and 34 aircraft in 1999¹) over flew the maximum limit from 1 hour to 70 hours. Also, 60 aircraft did not have the spectrometric oil analysis done as required.

100-Hour Inspection. A 100-hour inspection is performed as required on an aircraft. The aircraft is returned to service in accordance with Federal Aviation Regulation Part 43. A 10-percent (10 hours) over fly is only authorized to reach a designated place of inspection. The excess time to reach the designated place of inspection will be included in computing the next 100-hour inspection-due time. The regulation prohibits operation of the aircraft unless within the preceding 100 hours time in service the aircraft received an annual or 100-hour inspection and was approved for return to service in accordance with Federal Aviation Regulation Part 43. Logbooks for 86 aircraft revealed that between 1997 and 1999 54 aircraft (19 in 1997, 26 in 1998, and 22 in 1999) over flew the 100-hour inspection by 1 hour to 97 hours.

Annual Inspection. The annual inspection is performed each 12 calendar months and the aircraft is returned to service in accordance with Federal Aviation Regulation Part 43 by a FAA-certified mechanic holding an inspection authorization, a fixed-base operator, or a certified repair station. The regulation does not authorize over flies. However, 25 of the 86 aircraft did not meet the requirement between 1997 and 1999.

Mandatory Inspection. Because of the number of serious CAP regulation compliance deficiencies in aircraft maintenance and documentation noted during the audit, the National Commander, CAP, ordered a one-time mandatory inspection of all CAP aircraft and their maintenance records.

¹Numbers do not add up because aircraft may be counted in more than one year.

Calendar Inspections. The regulation prohibits operation of a corporate aircraft unless components are inspected and logbooks updated at prescribed intervals in accordance with Federal Aviation Regulation Part 91. Calendar inspections include:

Pitot Static and Altimeter Inspection. Of the 86 aircraft inspected, 13 did not meet the required inspection time frames (4 aircraft in 1997, 5 aircraft in 1998, and 4 aircraft in 1999). Required for instrument flight rules,² the inspection and test of the pitot static and altimeter must be accomplished every 24 months and must be in compliance with Appendix E of Federal Aviation Regulation Part 43 and Part 91.

Transponder. All aircraft equipped with an Air Traffic Control transponder must have the transponder inspected and tested every 24 months and must be in compliance with Appendix F of Federal Aviation Regulation Part 43. Thirteen of the 86 aircraft did not meet the required inspection time frames (4 aircraft in 1997, 5 in 1998, and 4 in 1999).

Very High Frequency Omnidirectional Range Receiver. The very high frequency omnidirectional range receiver must be inspected and checked within 30 days of an instrument flight rules mission in accordance with Federal Aviation Regulation Part 91 and must be recorded in the appropriate logbook in the aircraft. Nine of the 86 aircraft were not recorded in the logbook.

Emergency Locator Transmitter. Required for all aircraft, the inspection of the emergency locator transmitter and the battery must be accomplished within each 12-calendar-month period. The battery must be replaced no later than the manufacturer's recommended life cycle. Transmitters for 17 of the 86 aircraft were not inspected between 1997 and 1999.

Equipment. CAP corporate aircraft must be equipped with shoulder harnesses, fire extinguishers, secondary seat stops, avionics and control locks, cabin door hinge pins, cargo tie downs or cargo nets, carbon monoxide detectors, and survival kits. Shoulder harnesses and cabin door hinge pins were adequate but avionics control locks, cargo tie downs or cargo nets, and survival kits were not always found in the aircraft. In addition, fire extinguishers were not always mounted in the aircraft. For some of those that we found mounted in the aircraft, we did not find gauges and could not determine whether the fire extinguisher had been serviced or in working condition. Further, the carbon monoxide detectors must be replaced every 12 months. The carbon monoxide detectors for 18 of the 86 aircraft were not replaced as required.

Airworthiness Directives and Service Bulletins. The CAP Regulation 66-1 requires wing commanders and maintenance officers to ensure that assigned aircraft are in full compliance with FAA airworthiness directives and manufacturers' mandatory service bulletins. CAP-USAF, Logistics Directorate,

²Instrument flight rules are rules governing the procedures for conducting instrument flights. It is also a term used by pilots and controllers to indicate type of flight plan.

receives all FAA airworthiness directives and manufacturer bulletins and is required to send the documents to CAP-USAF liaison regions, CAP Supply Depot, and wings for dissemination to squadrons for compliance. After compliance, the wing maintenance officer is required to report the airworthiness directive and service bulletin findings to National Headquarters. However, CAP-USAF, Logistics Directorate, had not sent out airworthiness directives or manufacturer bulletins since June 1999. In addition, some maintenance officers did not have a separate listing of the applicable airworthiness directives in the aircraft logbook. Although aircraft mechanics noted in the logbook that the aircraft was in compliance with airworthiness directives and mandatory service bulletins when 100-hour or annual inspections were performed, we could not identify the applicable airworthiness directives and service bulletins that were used. A listing of applicable airworthiness directives was not in aircraft logbooks for 23 of the 86 aircraft.

Maintenance Management. Wing and region commanders are responsible for assuring corporate aircraft are maintained in a safe, operable condition. Without proper supervision or adequate control, there is no assurance that the commanders are not subjecting assets and personnel assigned to undue risk. If delegated the authority, the Executive Director would be able to exercise effective and efficient management control.

Pilot Records

CAP did not adequately manage pilot records to verify that CAP pilots are fully qualified to operate corporate aircraft and fly assigned missions. In addition to the wings not having a database of their active and inactive pilots, CAP may be releasing pilots for missions for which they are not qualified.

Guidance. CAP Regulation 60-1, "CAP Flight Management," August 1, 1998, establishes general operating rules, policies, and procedures to ensure safe and efficient conduct of CAP flight operations. Further, the regulation prescribes aircrew qualifications and requirements to fly CAP aircraft. CAP pilots must be active members of CAP and renew membership annually.

Records Review. Pilot records were not properly maintained and the currency of applicable pilot certifications, including counterdrug, search and rescue, and disaster relief specialties, could not be determined. In addition, we could not adequately validate the currency of mission pilots because CAP Regulation 60-1 did not have a requirement to maintain copies of applicable mission pilot certificates for search and rescue and disaster relief or counterdrug qualifications in the pilot records. From September 1999 through May 2000, we reviewed 595 pilot records; 317 records were deficient. Table 2 summarizes the deficiencies in pilot records identified during the audit.

Table 2. Summary of Deficient Pilot Records

Deficient Area of Pilot Records	Number of Occurrences	Percent
Current medical certificates were not on file	67*	11
Current biennial flight reviews were not on file	127*	21
Current CAP Form 5 flight checks were not on file	69*	12
Aircraft questionnaires were incomplete or missing	119*	20
CAP Form 5 written examinations were incomplete or missing	156*	27
Statements of understanding were not on file	56*	9
Pilots were not properly designated in writing	71*	12
Certified Flight Instructor certificate expired or not on file	11/264	4
National Check Pilot Standardization Course certificate expired or not on file	31/152	20
Altered pilot records	6*	1
CAP mission pilot checkouts were expired or missing	43/285	15

*Out of 595 pilot records reviewed

CAP Pilot. The basic record requirement for a CAP pilot is to have copies of the FAA pilot certificate and current medical certificate. To ensure the member complies with applicable CAP directives and regulations, the pilot record must also contain copies of a current annual flight check including proof of completion of the CAP written examination and the aircraft questionnaire, biennial flight review, and statement of understanding.

Written Designations. Of the 595³ records reviewed, there were 112 instructor pilots, 152 check pilots, 296 cadet orientation pilots, 91 mission check pilots. To function as an instructor pilot, check pilot, cadet orientation pilot, or mission check pilot, the individual pilot must be designated in writing by the Executive Director, CAP, region commander, or wing commander. However, 71 pilots did not have the proper designations in their records.

³Numbers do not add up because a pilot may be counted in more than one category.

Federal Aviation Administration Certified Flight Instructor. Instructor pilots and check pilots are required to have a current Federal Aviation Administration Certified Flight Instructor certificate for the appropriate category of aircraft. This certificate is renewable every 2 years. Eleven of the 264 instructor and check pilots did not have a current certificate on file.

National Check Pilot Standardization Course. Check pilots are required to have a current National Check Pilot Standardization Course certificate. This certificate is renewable every 2 years. Thirty-one of the 152 check pilots did not have a current certificate on file.

Altered Records. Six pilot records appeared altered. The recorded dates had been covered with white out and changed to reflect a current date. Also, one record had a signature pasted to the record and photocopied to show completion of a check ride.

Mission Pilots. Forty-three of the 285 mission pilots did not have a current mission pilot check ride on file. We could not ensure validity and currency of mission training and specialty qualification cards because CAP Regulation 60-1 did not contain a requirement for maintaining copies of applicable certifications for search and rescue and disaster relief or counterdrug mission pilots in the pilot records.

Suspension. During our review, wings took immediate corrective action and suspended the pilots whose records were found to be deficient. The wings also ensured that suspended pilots met currency before reinstating flying privileges. However, CAP should take additional actions to ensure records are managed effectively and efficiently. We also believe CAP would not be able to achieve management and control of pilot records without proper file maintenance procedures.

File Maintenance. CAP Regulation 60-1 requires unit commanders to maintain a file or record on each active CAP pilot assigned to the unit. The regulation also requires check pilot records to be duplicated and maintained at the wing. To ensure currency and qualifications, CAP should have a central file for active pilots. Without a central file, it would be possible that a check pilot's records at the wing may not contain the same data at the squadron level because the documents were not copied from the same document and did not match each other. Also, the pilots were maintaining two files, a personnel file and a pilot certification file.

The personnel file contained all personnel records including items such as military certificates, pilot certificates, and driver's licenses and in some instances was more complete than the pilot record files. File maintenance would be more effective and efficient if personnel and pilot records were consolidated in one file. Further, if CAP develops a universal indexing system or a checklist (listing the certifications) and places the list in the front cover of the file, it would ease the periodic review of the currency of pilot certifications. Moreover, if active pilot files were maintained centrally at the wing

headquarters, the wing would have reliable information on the status of the pilots. Having the proper information support, the wings should be able to develop a database and distribute a monthly report to its units to ensure the currency and qualifications of its pilots, thus giving the wings an effective tool to efficiently manage pilot certifications. In addition, flight release officers and mission coordinators would have reliable information to use when assigning and releasing pilots for missions.

Mission Pilot Certifications

CAP may be releasing mission pilots that did not meet qualification currency requirements, instead of suspending them from operations, because copies of specialty qualifications are not required to be included in the pilot records.

Mission pilots are required to meet the qualifications for the operational specialty missions they fly. CAP Regulation 50-15(C2), "CAP Operational Mission," February 1, 1996, prescribes concepts, policies, and standards for training and qualification of supervisory, flight, and ground personnel in the accomplishment of CAP operational missions.

The regulation lacked provisions to ensure mission pilots and mission check pilots meet requirements for currency of certifications because it did not require copies of certifications to be included in the pilot records in accordance with CAP Regulation 60-1. Copies of CAP Form 101T, "Operational Mission Specialty Qualification Training Card," CAP Form 101, "Operational Mission Specialty Qualification Card," and CAP Form 101CN, "Counterdrug Specialty Qualification Card," were not maintained in the pilot records. As a result, we could not determine the training status or mission qualifications of the mission pilots.

CAP Form 101T. The wing or region commander issues a CAP Form 101T Card (101T card) to members who are training for any or all of the 12 specialty rating qualifications (for instance, air or ground search coordinator, search and rescue and disaster relief mission pilot, mission observer, mission scanner), listed in CAP Regulation 50-15. A member may be in training for as many as three specialty ratings. To receive credit, the instructor endorses the member's 101T card making notation of date, specialty, mission number, and type of mission including training hours flown by observers, pilots, and scanners.

The 101T card does not have an expiration date and is retained for continued participation in a trainee status for any of the specialty rating qualifications. Each specialty rating is deleted once the member becomes qualified and the specialty rating is then added to the CAP Form 101. The member is authorized to participate in the specific mission activity, provided the member has a valid 101T card containing the particular specialty area.

CAP Form 101. The wing or region commander also issues CAP Form 101 (101 card) to members who qualify as search and rescue and disaster relief mission pilots. The 101 card is valid until the last day of the 24th month from the date issued. To renew certification, search and rescue and disaster relief mission pilots must be current and qualified and must complete a mission pilot check ride in accordance with CAP Regulations 50-15 and 60-1.

CAP Form 101CN. The National Headquarters issues CAP Form 101CN (101CN card) to pilot members who are qualified to participate in counterdrug mission operations. The counterdrug flight crew must be a current and qualified search and rescue and disaster relief mission pilot, observer, or scanner.

Counterdrug Missions. CAP may be releasing counterdrug mission pilots that did not meet currency requirements. Members issued a 101CN card believed they could not be grounded or eliminated from any counterdrug activities. The members believed this because CAP Regulation 50-15 states that 101CN cards issued to counterdrug mission pilots remain valid indefinitely unless membership is terminated, the member fails to renew membership within 90 days of expiration, or membership is revoked by the National Headquarters.

Inadequate Database. Because counterdrug operations are funded separately, the National Headquarters maintains a database of counterdrug flight crews (observers, pilots, and scanners). However, the database is used only as a tool to determine whether or not a member met the screening requirements of the Drug Enforcement Agency and U.S. Customs Service. The National Headquarters revokes the 101CN card if the member did not meet the screening requirements of both the Drug Enforcement Agency and U.S. Customs Service. However, we believe that the National Headquarters should have provisions for revoking the 101CN card if a member did not meet currency and qualification requirements in accordance with CAP Regulations 50-15 and 60-1. We also believe that if the National Headquarters expands the database to contain required currency information in accordance with CAP Regulations 50-15 and 60-1, the counterdrug program would have reliable information and a management tool to ensure the mission pilots assigned to perform counterdrug missions are current and qualified.

Revision Requirements. To ensure currency and qualifications of mission pilots, CAP Regulation 60-1 should be revised to include copies of 101T, 101, and 101CN cards in the pilot records. Causes for revocation of 101CN cards should be expanded to include currency of qualification requirements. Unless CAP revises its revocation statement saying that a 101CN card issued to counterdrug mission pilot remains valid indefinitely, counterdrug mission pilots would continue to ignore requirements stipulated in CAP Regulations 50-15 and 60-1 for a current search and rescue and disaster relief certification. Therefore, the 101CN cardholders should be suspended from participating in any counterdrug activity if the member has not met currency

requirements in accordance with CAP Regulations 50-15 and 60-1. Further, the 101CN card should be revoked if currency requirements are not met within 30 days.

Missouri Wing Accident

The region commander reversed the suspension action on a pilot who exhibited a lack of knowledge of aeronautical subjects. Because the region commander said that the pilot was qualified, the pilot was allowed to continue to participate in flight activities. The same pilot was involved in a subsequent accident, whose cause is under investigation.

National Transportation Safety Board. The National Transportation Safety Board may become involved in an investigation depending on the nature and severity of an accident or incident. If an investigation is performed, the National Transportation Safety Board report describes the probable causes for the accidents and also makes recommendations for corrective actions. While these reports are distributed to all units, the Executive Director could not ensure proper corrective actions were taken. Having no authority over the volunteer force, the Executive Director relies on each wing and unit to take the necessary corrective actions.

Flight Check Requirements. CAP Regulation 60-1 requires specific actions and steps be taken for successful completion of a flight check. The pilot being evaluated must complete and pass required oral and written examinations prior to taking the flight check. The examinations test the applicant's knowledge of the aircraft, for example, aircraft operating limitations, procedures, performance, and systems. If requirements are not met, the commanders could suspend pilots until successful completion of the oral and written examinations and flight check. The commanders also could require the suspended pilot to complete a special flight check.

Suspension Reversal. At the Missouri Wing, in one case, the region commander did not support its wing commander's action to suspend a pilot from flying. The region commander reversed the suspension action on a pilot who exhibited a lack of knowledge of aeronautical subjects. Because the region commander said that the pilot was qualified, the pilot was allowed to continue to participate in flight activities and subsequently was involved in an accident.

Knowledge of Aeronautical Subjects. In September 1997, during a National Check Pilot Standardization Course, a check pilot for the Missouri Wing exhibited a lack of knowledge of aeronautical subjects and failed the oral examination. As a result, the Wing Vice Director of Operations removed the pilot's flying privileges and status as a check pilot. The Wing Vice Director of Operations also required the pilot to retake the oral examination before his flying privileges and status as a check pilot would be reinstated. Rather than

retaking the required oral examination, the pilot went back to the Wing Vice Director of Operations to request reversal of the action. Unsuccessful, the pilot went to the North Central region commander.

Reprisal. The region commander, without investigating the matter, asked the wing commander to order the Wing Vice Director of Operations to reinstate the pilot's flying status. However, because the wing commander felt that the pilot was not qualified, he did not reinstate the flying status of the pilot and resigned from his position. In addition, the region commander removed the Wing Vice Director of Operations from his position as a National Check Pilot Standardization Course Manager because the pilot in question also had been reporting unsupported allegations that the vice director was not fully qualified.

Flying Status Reinstatement. In a November 3, 1997, report to the region commander, the Director of Operations, North Central Region, stated that reinstatement should not have been done without a retest of the pilot's aeronautical knowledge and skills. The report also stated that removal of the National Check Pilot Standardization Course Manager was not warranted. On November 5, 1997, the region commander had the new wing commander suspend the pilot until the pilot could exhibit knowledge of aeronautical subjects and perform a satisfactory check ride. However, on January 31, 1998, the grounded pilot retook his oral examination with the region commander rather than with the Wing Director of Operations. As a result, the region commander reinstated the grounded pilot's flying privileges and status as a check pilot.

Accident. On May 2, 1998, the new wing commander appointed the fully reinstated pilot as the commander for the Missouri and Kansas Flight Encampment program. However, on June 12, 1998, the pilot in question removed himself as commander of the encampment and appointed himself as a flight instructor. On June 19, 1998, as a flight instructor for two cadets, the pilot rolled a Cessna 172 off the end of the runway while providing flight instructions. Although no injuries were reported, the aircraft was severely damaged.

Federal Aviation Administration Notice. In a June 25, 1998, letter to the pilot, the FAA stated that a reexamination of his competency was necessary. The FAA suspended the pilot's flight instructor certificate and required the pilot to take a flight instructor reexamination with the FAA Flight Standards District office. The examination was to include appropriate practical test tasks with emphasis on emergency landings. As of June 2000, the pilot had not been reexamined for his flight instructor certificate and was still suspended from flying. The accident is still the subject of an open National Transportation Safety Board investigation.

Improved Controls. To improve controls, authority should be delegated to the Executive Director, CAP. Region commanders are members of the NEC and have authority over the wings and squadron. However, the command chain did not allow for an individual outside the chain to mediate concerning issues on safety. In addition, from 1997 through 1998, the position of CAP-USAF liaison

officer was vacant. Had the Executive Director been delegated authority over safety issues, corrective actions would have been imposed and the pilot's flying privileges would not have been reinstated until certification requirements were met. Further, CAP should establish an adverse review board to eliminate CAP command chain issues as presented above.

Conclusion

The National Commander did not concur with delegating authority for management decisions associated with safety issues raised in our first report. However, our review revealed that the volunteer force was not fully complying with the CAP safety program. Aside from not meeting requirements for safety meetings, surveys, and inspections, the volunteer force did not always implement corrective actions recommended by the liaison offices. In addition to not being able to properly exercise accountability and management control of assigned assets, we believe the lack of control over safety issues by the Executive Director is subjecting assets and personnel to undue risks. Therefore, we believe that the Executive Director should be delegated the authority for management decision associated with safety and management of assigned assets (both aircraft and personnel).

Recommendations, Management Comments, and Audit Response

A.1. We recommend that the National Commander, Civil Air Patrol, through the National Board and the National Executive Committee:

a. Delegate authority over the volunteer force to the Executive Director, Civil Air Patrol, for management decisions associated with safety and management control issues.

CAP Comments. The National Commander, CAP, nonconcurred, proposing that the Executive Director be empowered as the final authority to suspend funding and recover assets from field units for failure to comply with safety and management requirements. The National Commander stated that he has delegated the authority to the Executive Director, but proposed that the volunteer leadership retain authority over volunteer members and the activities conducted by volunteer members. The National Commander stated that such shared authority, exercised diligently and cooperatively, does work.

Audit Response. We agree with the National Commander's concept but consider the comments to be nonresponsive. As we stated in Inspector General, DoD, Report No. D-2000-075, "Administration and Management of the Civil Air Patrol," February 15, 2000, to make management decisions associated with management control issues and safety, the Executive Director must have some

authority over safety issues. Without authority over safety issues, assets (both equipment and personnel) could be subjected to undue risks and the Executive Director would not be able to properly manage and control those assets. If the National Commander would delegate some authority to the Executive Director for management decisions associated with safety and management control issues, with conditions similar to those expressed in response to Recommendations A.2.c. and B.2.c., the intent of the recommendation would be met. Delegation of authority with the condition that it would be used sparingly, and only after consultation with the National Commander, would be consistent with the shared leadership and management philosophy the National Commander expresses in comments to other recommendations. Therefore, we request that the National Commander reconsider his position and provide additional comments to the final report.

b. Create an adverse review board to eliminate Civil Air Patrol chain-of-command issues discussed in this and the first report on the Administration and Management of the Civil Air Patrol.

CAP Comments. The National Commander, CAP, concurred, stating that an amendment to the CAP Constitution was adopted by the CAP National Board at its August 17, 2000, meeting which created a Membership Action Review Board that would review final adverse membership actions on appeal. Creation of the Review Board, along with strengthening of the CAP Inspector General program, should eliminate the chain-of-command issues identified in the report. The National Commander expected to complete actions for the recommendation in January 2001.

A.2. We recommend that the Executive Director, Civil Air Patrol:

a. Obtain agreement with the Civil Air Patrol-U.S. Air Force to have liaison offices monitor safety compliance.

CAP Comments. The National Commander, CAP, concurred, stating that the Executive Director has initiated discussions with CAP-USAF to accomplish the recommendation through the inspection program and Staff Assistance Visits regularly conducted by CAP-USAF Liaison Region personnel. The National Commander expected to implement the actions for the recommendation between October 2000 and January 2001.

b. Assign responsibility to the liaison offices to submit a report to the Executive Director, Civil Air Patrol, through the Commander, Civil Air Patrol-U.S. Air Force wings and squadrons that continuously ignore recommendations for corrective action on discrepancies and deficiencies found as a result of an inspection.

CAP Comments. The National Commander, CAP, stated that the Defense Authorization Bill includes language that will transfer the wing liaison function from CAP to the Air Force. In addition, the National Commander concurred, stating that the Executive Director has initiated discussions with CAP-USAF

requesting that the responsibility be assigned to the liaison offices at the same time as transfer to CAP-USAF. The National Commander expected the provision will be enacted into law and implemented by January 2001.

c. Remove or reassign aircraft if a wing or a region repeatedly shows discrepancies and prohibit CAP flying privileges in corporate and member-owned aircraft.

CAP Comments. The National Commander, CAP, concurred in part, stating that the Executive Director, in close coordination with the National Commander, should have the final authority to remove or reassign aircraft if a wing or region repeatedly fails to correct deficiencies found as a result of inspections. The National Commander nonconcurred with the Executive Director having authority to prohibit CAP flying privileges in corporate and member-owned aircraft. The National Commander considered that authority to be within the purview of the volunteer leadership (national, region, and wing commanders), who should consult with the Executive Director and CAP USAF Commander in the prudent exercise of the authority.

Audit Response. We agree with the National Commander's concept but consider his comments to be nonresponsive. If the National Commander would delegate authority to the Executive Director to prohibit CAP flying privileges in corporate and member-owned aircraft, with conditions similar to those expressed in response to removing and reassigning aircraft in this recommendation and to Recommendation B.2.c., the intent of the recommendation would be met. Delegation of authority with the condition that the authority would be used sparingly, and only after consultation with the National Commander, would be consistent with the shared leadership and management philosophy that the National Commander expresses in comments to other recommendations. Therefore, we request that the National Commander reconsider his position and provide additional comments to the final report.

d. Verify airworthiness directives and service bulletins are disseminated to wings and regions.

CAP Comments. The National Commander, CAP, concurred, stating that the transfer of the CAP acquisition and logistics functions from CAP-USAF is in process and CAP will assume responsibility for dissemination of the applicable airworthiness directives and service bulletins. The National Commander expected to complete actions in response to the recommendation by October 1, 2000.

e. Direct wing and region maintenance officers to maintain a separate list of applicable airworthiness directives and service bulletins in the aircraft logbook.

CAP Comments. The National Commander, CAP, concurred, stating that regulatory changes to airworthiness directives were being drafted and expected the regulation will be published by January 2001. In addition, CAP is exploring

methods for incorporating the data into the national database that is under development and expected the database to be operational during the first quarter of FY 2001.

f. Direct wings to create a database that shows currency of active pilots.

CAP Comments. The National Commander, CAP, concurred in part, stating that rather than mandate that each of the 52 wings create a separate database, creating a single national database would be more appropriate. The National Commander also stated that CAP is exploring the possibility of outsourcing data collection and data maintenance.

Audit Response. We do not consider the comments from the National Commander to be fully responsive. We agree that a single national database will provide visibility of currency information of active pilots to CAP leadership and management as well as to CAP-USAF personnel. However, the comments did not provide the details of the data collection and maintenance nor specify a date by which the proposed action would be complete. Therefore, we request that the National Commander provide additional comments in response to the final report.

g. Revise Civil Air Patrol Regulation 60-1 to ensure wing headquarters is responsible for maintaining files of its active pilots.

CAP Comments. The National Commander, CAP, concurred, stating that a revision of CAP Regulation 60-1 has begun, and expected to implement the changes by January 1, 2001.

h. Consolidate pilot records and personnel files and require a universal index or checklist wherein pilot certification requirements are placed on the front cover of each file to ensure currency of pilots.

CAP Comments. The National Commander, CAP, nonconcurred, stating that reliance on paper files to make day-to-day decisions for a "far-flung national organization" is an antiquated and unworkable approach. However, the National Commander proposed to implement a national pilot database that would be accessible by officials responsible for flight release decisions. Wing personnel would be responsible for entering data used to verify the qualifications of the pilot. Wing personnel would also be responsible for maintaining the documentation in pilot record files for subsequent verification during inspections or CAP-USAF staff assistance visits.

Audit Response. Although the National Commander nonconcurred, the actions proposed meet the intent of the recommendation. We fully support automating these records. However, the comments did not estimate a date by which the proposed action would be complete. Therefore, we request that the National Commander provide that estimate in response to the final report.

i. Expand the National Headquarters database of mission pilots to ensure currency of certifications.

CAP Comments. The National Commander, CAP, concurred, stating the actions planned in response to Recommendations A.2.f. and A.2.g. will implement the recommendation.

j. Revise Civil Air Patrol Regulations 50-15 and 60-1 to ensure cause for revocation of specialty mission cards includes noncurrency of pilot certifications.

CAP Comments. The National Commander, CAP, nonconcurred, stating that by ensuring Flight Release Officers have access to a current and accurate validated pilot qualification database for verifying pilot qualifications are current would negate the need to rescind and reissue specialty mission cards.

Audit Response. Although the National Commander nonconcurred, the actions addressed in the comments would satisfy the intent of the recommendation, assuming that a fully functional database can be developed and deployed within a reasonable time.

A.3. We recommend that the Commander, Civil Air Patrol-U.S. Air Force:

a. Include in the corporate agreement creation of an adverse review board to eliminate the Civil Air Patrol chain-of-command issues discussed in this and the first report.

CAP-USAF Comments. Responding for the Commander, CAP-USAF, the CAP Management Improvement Team nonconcurred with the recommendation, stating that the recommended action is discussed in the change to the CAP Constitution and By-laws passed by the CAP National Board in August 2000, and that there was no need to address the change again in the cooperative agreement. The Management Improvement Team also stated that the Board of Governors will oversee future changes.

Audit Response. We consider the comments from the CAP Management Improvement Team and the described actions to meet the intent of the recommendation.

b. Assign liaison offices to closely monitor safety compliance.

c. Have liaison offices report to the Executive Director, Civil Air Patrol, through the Commander, Civil Air Patrol-U.S. Air Force, those wings that continue to ignore corrective actions recommended on observed deficiencies.

CAP-USAF Comments. The Management Improvement Team concurred with Recommendations A.3.b. and A.3.c., stating that the requirements will be included in the statement of work of the liaison officer and Noncommissioned officer personal service contracts. The Management Improvement Team expected to complete actions on the recommendations by February 1, 2001.

B. Aircraft Replacement Program

CAP could not effectively administer its aircraft replacement program because it did not:

- adequately justify its goal to maintain a fleet with an average age of 10 years,
- accurately maintain an inventory of its aircraft,
- report accurate and reliable aircraft usage data,
- adequately distribute aircraft among wings and regions,
- establish a separate procurement account, and
- use the Hull Self-Insurance account to replace totally damaged aircraft.

As a result, CAP could not ensure effective and efficient accountability, distribution, or replacement of aircraft. Also, the use of the CAP Aircraft Modernization Program (CAMP) account for repair and replacement of aircraft had an appearance of impropriety. Moreover, the use of appropriated funds rather than the Hull Self-Insurance fund to replace damaged aircraft could affect the program goal to replace aircraft because of age.

Requirement

CAP Regulation. CAP Regulation 67-4, "Acquiring, Reporting, and Disposing of Corporate Aircraft," March 1, 1993, establishes policies and procedures for acquisition, reporting, and disposition of corporate aircraft. Corporate aircraft are acquired either from excess aircraft obtained from DoD sources, purchased with appropriated funds, purchased by CAP units, or donated by individuals, organizations, or states.

Aircraft Fleet. In November 1996 during the NEC meeting, the National Board established a goal that the average age of the 530-aircraft fleet should not exceed 10 years. The National Board discussed the suitable number of aircraft CAP should maintain to support its mission. Although no supporting data were available, CAP and CAP-USAF presented conflicting criteria for the size of the fleet. CAP-USAF believed that the best size for the CAP fleet ranged between 365 and 410 aircraft and the NEC believed that because of the growing number of mission requirements, the size of the fleet should be about 900 aircraft.

CAP-USAF. Quoting independent studies from the Aircraft Owners and Pilots Association and the Cessna Pilots Association, CAP-USAF determined

530 aircraft was not the best size for the CAP fleet, and recommended that the best size was between 365 and 410 aircraft. CAP-USAF suggests income from the sale of old aircraft could be reapplied to future aircraft purchases and move the average age of the fleet toward the 10-year goal. According to CAP-USAF, a study determined that a reduction in fleet size was the only way to move the current average age toward the goal. Average utilization per assigned corporate aircraft varied significantly and from 1992 through 1995, wing averages per corporate aircraft assigned ranged from a low of 11 hours per year in one wing to a high of 165 hours per year in another. Therefore, CAP-USAF concluded that adjustments to the distribution of the fleet were needed. Also, CAP-USAF indicated that based on an assumption that the national average for annual funded flight hours per corporate aircraft was at an acceptable level of utilization with allowance for an occasional surge in a wing's tasking. All wings could be provided sufficient corporate aircraft to meet the national average utilization and still allow for a reduction in the overall size of the fleet to a supportable level from an average age perspective.

National Executive Committee. CAP did not agree that the annual funded flying hours average should be used as the national average for utilization and indicated that Air Force-funded missions accounted for less than 44 percent of the total flying hours. From 1992 through 1995, CAP corporate aircraft flew a total of 430,896 hours, of which only 188,810 hours were Air Force-funded missions. CAP quoted data taken from 1992 through 1995 flying reports compiled by the Operations Division, saying that the corporate fleet flew an average of 107,724 hours per year and that each corporate aircraft flew an average of 203 hours. Moreover, CAP presented a selected squadron's flying average of 394 hours per year for the past 7.5 years. CAP further indicated that counterdrug and Air Force Reserve Officers Training Corps missions had increased 648 percent and 220 percent respectively during that time period. CAP also indicated that new agreements for search and rescue and disaster relief missions with agencies such as the Federal Emergency Management Agency and the Red Cross had increased. Thus, pilot proficiency needs pointed to a fleet size of 900 airplanes by FY 2002.

Because no official studies have been performed to support each presentation, the National Board concluded that it would maintain its 530 aircraft fleet until further study. Based on the fleet size and procuring 27 aircraft a year, it would take about 15 years to replace the fleet which has an average age of 15.9 years, and achieve the goal of an average age of 10 years.

Fleet Average Age

The CAP had not adequately justified its goal to maintain a fleet with an average age of 10 years. CAP had not conducted a study and had not identified criteria for replacing aircraft. CAP had been purchasing used aircraft to replace its old aircraft. For example, because some wings requested a bigger engine and the Cessna Aircraft Corporation was not building any single-engine aircraft, CAP

replaced the old Cessna 172 with a used Cessna 182. As a result, CAP may not have been procuring aircraft in the most economical manner and may undermine the goal of a fleet with an average age of 10 years.

Independent Inquiry. CAP had not performed a study on airframe fatigue or replacement life of its aircraft. In November 1999, CAP replaced an aircraft because it had approximately 4,700 hours on its airframe. However, despite the aircraft's age, squadron personnel believed it was one of the best performing and most reliable aircraft in the squadron. In January 2000, we made an independent inquiry of the Cessna Aircraft Corporation regarding airframe fatigue and replacement life of Cessna single piston engine aircraft. We found that the Cessna Aircraft Corporation had not established a useful life time frame for the 172R, 172SP, 182, or 206 airframes and that the appropriate time to replace airframes, in their opinion, is when it is no longer economical to continue operating them.

Procurement. Beginning in FY 1997, the annual budget submission was based on CAP maintaining a fleet of 530 aircraft and replacing approximately 27 aircraft per year. Between FY 1997 and 1999, CAP purchased a total of 35 new and 23 used aircraft—20 new and 1 used aircraft in FY 1997, 15 new aircraft and 12 used in FY 1998, and 10 used aircraft in FY 1999. We could not determine the number of aircraft replaced or sold because the CAP inventory did not reflect those numbers. However, comparing the flying hours report with the inventory, we believe that aircraft were not being replaced and that the inventory was growing. As of June 2000, we determined that the inventory contained 574 aircraft.

Inventory

Active Aircraft. The CAP did not maintain an accurate inventory of its aircraft fleet, and we could not determine the actual number of active aircraft. Because the number of active aircraft in the inventory did not match flying reports, we believe the aircraft that were supposed to be replaced were, in fact, retained. For example, in 1999 the inventory reported a total of 584 aircraft. However, the flying report showed there were 574 aircraft with total flying hours of 109,023. In addition to not matching the 1999 flying report, the inventory did not reflect an accurate count of the aircraft. For example, although two aircraft maintained in Maryland for use by the Congressional Squadron were in the inventory, we concluded that the aircraft were not being flown because no flying data were reported in 1999. Further, aircraft replaced were not removed from the inventory and the aircraft staged for sale were not annotated. We attempted to match the inventory provided by the Logistics Division with the 1999 annual flying report. However, our review indicated that the inventory contained 584 aircraft while the flying report showed 574 aircraft.

Database. CAP did not ensure proper accountability of aircraft and did not maintain a complete and up-to-date inventory database. CAP also did not

develop a centralized maintenance management program to account for costs associated with operation, maintenance, and depreciation of corporate aircraft. In addition, CAP did not assign code numbers to facilitate identification and location of powered and nonpowered aircraft. Also, information for each aircraft (for example, tail number, cost, year manufactured, aircraft code, date acquired), was not always entered in the database. Further, the database did not contain information as to whether the aircraft had been replaced, sold, or scrapped, including value of the aircraft when it was taken out of the inventory. Moreover, proper accountability of active aircraft could not be determined because operations personnel could not access the inventory database. Without a well-managed inventory, proper distribution of aircraft could not be achieved.

Usage Data and Distribution of Aircraft

The CAP did not report accurate and reliable data and could not ensure proper accountability and usage of assigned aircraft. Wings did not always compile monthly flying hour data for monthly submission. Without accurate flying data, it is impossible to determine actual usage and proper distribution of aircraft.

Aircraft Usage Projection. In November 1996, although not validated, the NEC stated that from calendar year 1992 through calendar year 1995, corporate aircraft flew a total of 430,896 hours, averaging 107,724 hours per year, or a yearly average flight for each aircraft of 203 hours. The NEC also stated that "counterdrug flights had grown from 584 hours in FY 1992 to over 40,000 hours per year in FY 1996, an increase of 648 percent for the period." However, we could not validate the flying hours because the numbers were only estimates and not based on the actual number of hours flown.

CAP Annual Report to Congress. Our review of "CAP Annual Report to Congress" for FY 1998 and FY 1999 reveals that flying hours for counterdrug and search and rescue do not agree with the number of hours gathered from the volunteer force. For example, the FY 1998 report to Congress shows 41,722 hours for counterdrug and 9,525 hours for search and rescue rather than the 38,519 hours and 8,597 hours, respectively, reported on the CAP Form 18, "CAP Monthly Flight Hour Reporting." The FY 1999 report shows 37,687 hours on counterdrug and 8,900 hours for search and rescue rather than the 31,994 hours and 7,686 hours, respectively, reported on the CAP Form 18. CAP estimated the number of flying hours for those wings that had not reported their flying hours. (See Appendix C for the detailed hours reported to Congress for FY 1998 and FY 1999.)

Flying Reports. The wings ignored requests from the National Headquarters and did not compile monthly data to ensure accurate reporting of hours flown. Although the wings were repeatedly reminded, the Executive Director could not enforce the requirement to report flying hour data because he did not have authority over the volunteer force. As a result, efforts to gather accurate aircraft usage data could not be achieved.

Electronic Reporting. The common reason used by the volunteer force for not reporting usage was that flying hour reports were getting lost in the mail. Therefore, in FY 1998 in an effort to facilitate gathering flying hour data and eliminate using the mail system, CAP implemented electronic reporting of CAP Form 18. However, some wings still have not compiled the data and continue to ignore reporting requirements. For example, in FY 1998, the Massachusetts, Vermont, Tennessee, and California Wings did not report flying hours for September. In FY 1999, the New York Wing did not provide its flying hours for June, July, August, and September. The California Wing also failed to submit a flying hour report for October, November, January, April, May, July, and August during FY 1999. Other wings that did not report were Nebraska, Nevada, and Oregon. In FY 2000, as of June 13, 2000, CAP had not received reports from the New York Wing for February, March, April, and May. The Louisiana Wing had not reported for October, November, January, and February. The Missouri and Tennessee Wings had not reported for April and May. The New Mexico Wing had not reported for January, February, March, April, and May. Because no flying-hour data were reported, it would appear that the aircraft had not been flown and would be available for reassignment.

Actual Aircraft Usage. Our review of the FY 1998 flying hours indicated that the CAP fleet consisted of 585 aircraft that averaged 197 hours. In FY 1999, CAP reported a 574 aircraft fleet with an average usage of 190 hours. Further examination of the flying reports indicated that the aircraft were not equally distributed. For example, we found 28 aircraft that were in the inventory but did not report any flying hours. In addition we found five aircraft that were listed as flown by two wings that may have overlapping and duplicate usage (See finding C.)

In FY 1999, CAP reported 168 aircraft assigned to 14 wings that averaged over 250 hours (Table 3). However, aircraft with low usage were not redistributed. For example, 40 aircraft at 4 wings averaged only 77 hours (Table 4). In addition, 6 aircraft assigned to regions hardly flew and averaged only 38 hours (Table 5). See Appendix D for a complete list of FY 1998 and FY 1999 flying hours by wing and region.

Table 3. High Usage Aircraft Assigned to Wings

Wings	Hours	Aircraft	Average Hours
Arkansas	2,534	9	282
California	6,321	24	263
Florida	5,239	20	262
Indiana	1,869	8	234
Maine	1,878	8	235
Massachusetts	2,127	8	266
Michigan	2,112	7	302
Nevada	2,103	8	263
New Jersey	1,406	6	234
North Carolina	2,683	9	298
Texas	7,725	29	266
Utah	2,133	9	237
Washington	2,527	9	281
Wisconsin	3,435	14	245
Total	44,092	168	262

Table 4. Low Usage Aircraft Assigned to Wings

Wings	Hours	Aircraft	Average Hours
Kentucky	694	11	63
Missouri	544	7	78
New Hampshire	307	5	61
New York	1,523	17	90
Total	3,067	40	77

Table 5. Low Usage Aircraft Assigned to Headquarters

Headquarters	Hours	Aircraft	Average Hours
Middle East Region	25	2	13
Northeast Region	181	3	60
Southeast Region	22	1	22
Total	228	6	38

Suspension or Reduction of Aircraft. If all wings and regions comply with requirements to report actual usage of assigned aircraft, the headquarters would be able to properly determine actual usage and redistribute aircraft with low usage. Headquarters should suspend flying activities for wings that continuously fail to report flying data. If the wings still continue to not comply with reporting requirements, then the number of aircraft assigned should be reduced or the aircraft removed and reassigned.

Procurement Account

CAP did not establish a separate account for the aircraft replacement program and was using the CAP Aircraft Modernization Program (CAMP) as a pass-through account for procurement, maintenance, repair, and upgrade of aircraft. Using the CAMP fund as a pass-through account could result in an appearance of commingling funds.

CAP Aircraft Modernization Program Fund. The CAMP fund started out in 1976 as the Aircraft Modernization Program. CAP used the Aircraft Modernization Program fund as an internal corporate fund to acquire and modernize CAP aircraft through the use of corporate funds produced by the sale of DoD excess aircraft, parts, and associated materials. In December 1996, the NEC passed a resolution to terminate the Aircraft Modernization Program fund and establish the CAMP fund as a supplement to the annual appropriations solely for the support, maintenance, and modernization of the CAP aircraft fleet. The CAMP fund was initially established by the transfer of the balance of monies from the Aircraft Modernization Program fund but is now funded by the proceeds from the sale of aircraft, parts, and associated materials acquired from appropriated funds or DoD excess. However, the CAMP fund is also used as a pass-through account for expenses or costs reimbursed by appropriated funds for the procurement and maintenance of the aircraft.

CAP Aircraft Modernization Program Fund Guidance. The CAMP fund did not have definitive guidance on what modernization would entail. Information gathered indicated that the CAMP fund was being used for any program that did not meet the specification for major maintenance or when regions or wings did not meet requirements for major maintenance reimbursement. CAP Regulation 66-1, "Civil Air Patrol Aircraft Maintenance Management," February 1, 2000, states that for proper use and control of Air Force appropriated funds, the CAP Logistics Management Division will reimburse major maintenance items such as engine changes, engine top-overhauls, and cylinder repair or replacement. Propellers and propeller governor overhauls, new avionics package upgrades, exterior paint, and interior refurbishment were also considered major maintenance and reimbursable by appropriated funds. However, under the new avionics package upgrades, the regulation stipulated individual avionics or instrument component repair or replacement was not reimbursable with appropriated funds. The regulation further states that main stack avionics repair or replacement is eligible for the radio exchange program

funded from the CAMP fund account. We determined the terminology of new avionics upgrades and individual avionics to be confusing. Further, we could not determine the true meaning of the radio exchange program funded from the CAMP fund account. For example, very high frequency-frequency modulation high band transceivers are reimbursed by appropriated funds and not funded from the CAMP account. Although CAP explained that the very high frequency-frequency modulation, high-band transceivers were required replacements or upgrades for the aircraft, we believe that if CAP continues to use the CAMP fund without definitive guidance, it increases the risk that improprieties could occur. Separation of accounts for procurement and maintenance of the aircraft would improve accountability and traceability of spending.

Hull Self-Insurance

CAP was not using the Hull Self-Insurance account but was using appropriated funds to replace totally damaged aircraft involved in accidents. As a result, CAP may not be able to achieve its goal to have a 10-year average aircraft fleet.

Insurance Coverage. CAP established the Hull Self-Insurance account in early 1980 as a noncommercial program intended to provide a ready means for repairing or replacing corporate aircraft involved in accidents. CAP decided to self-insure because they were paying more in premiums on a commercial policy than sustained in losses. The volunteer members paid an annual premium base rate of 1 percent of the fair market value for each aircraft assigned to a unit, wing, or the region within which he or she was a member. CAP established a reserve of \$500,000 and if the reserve account exceeded \$700,000, the National Commander could credit a pro rata amount to accident free wings. Coverage on an aircraft was automatically cancelled when the aircraft was totally damaged or sold. Monies derived from a total loss were transferred into the wing's or region's Aircraft Modernization Program account for use in the procurement of aircraft, associated equipment or parts, or major aircraft repairs.

Damaged Aircraft Replacement. In May 1997, the NEC made a decision to replace damaged aircraft with appropriated funds rather than use the Hull Self-Insurance account. The NEC explained that before funds were appropriated for the purchase of aircraft, CAP allowed the expenditure of income from the Hull Self-Insurance account to replace a limited number of aircraft.

Account Balance. In October 1997, payment of premiums was discontinued and CAP invested the balance. Although we could not determine the current account balance, as of September 30, 1998, the balance was approximately \$1.4 million. Appropriated funds are being used to replace damaged aircraft.

CAP should dissolve the account and use the fund balance to purchase equipment needed by the wings and volunteer membership, since the members paid into the account.

Guidance. CAP Regulation 66-1, "Civil Air Patrol Aircraft Maintenance Management," February 1, 2000, stipulates that only maintenance as a result of an accident or incident is reimbursable from the CAP Hull Self-Insurance account. Although we noted that the account was used to cover some minor repair work, guidance should be revised to stipulate that wings and regions are responsible for minor maintenance or repair. This is based on the fact that monies derived from the sale of a totally damaged aircraft were transferred to the wing or region Aircraft Modernization Program.

Aircraft Purchases. From FY 1997 through FY 1999, CAP purchased 58 aircraft, of which 35 were new aircraft and 23 were used aircraft. However, we could not determine the number of aircraft purchased to replace totally damaged aircraft and vice versa. CAP should properly identify the age of those replaced damaged aircraft and the age of the aircraft that replaced the damaged aircraft for consideration in computing the average age of aircraft fleet. CAP should also determine the actual usage of its fleet to ensure that purchase of aircraft is valid.

Conclusion

In 1996, the NEC decided to establish a goal of 10 years average age for its 530 aircraft fleet. However, that average age may not be feasible because efforts to have an accurate inventory and balanced distribution of aircraft were not achieved. The NEC also passed a resolution to replace the Aircraft Modernization Program with the CAMP fund and allowed the use of the CAMP fund as a pass-through account for the procurement, maintenance, repair, and upgrade of aircraft. Further, in 1997, although decisions were made to use appropriated funds and not the Hull Self-Insurance to purchase and replace damaged aircraft, the NEC did not consider whether only new aircraft should be purchased to achieve its goal of having a fleet with an average age of 10 years. If CAP conducts a study of aircraft usage, maintains an accurate inventory of aircraft, reports accurate flying data, adequately distributes aircraft among wings and regions, and establishes a separate procurement account, CAP would be able to ensure accountability and effective and efficient management control of its assets and spending.

Recommendations, Management Comments, and Audit Response

B.1. We recommend that the National Commander, Civil Air Patrol, through the National Board and the National Executive Committee:

- a. Conduct a study of its fleet using actual inventory and usage data.**

CAP Comments. The National Commander, CAP, concurred, stating that a study of CAP fleet has been initiated and expected actions will be completed by October 1, 2002.

- b. Redefine criteria and specify items reimbursable from the Civil Air Patrol Aircraft Modernization Program account.**

CAP Comments. The National Commander, CAP, concurred, stating that the CAP Financial Management and Logistics Directorates are developing redefined criteria and specifying items reimbursable from the Civil Air Patrol Aircraft Modernization Program account. The National Commander expected implementation of the actions by November 1, 2000.

- c. Dissolve the Hull Self-Insurance account.**

CAP Comments. The National Commander, CAP, nonconcurred, but proposed to review and redefine criteria and specify items payable from the Hull Self-Insurance account, then use the account for that purpose. The National Commander also stated that the Executive Director will recommend at the November 2000 meeting of the National Executive Committee that aircraft destroyed by accidents should be replaced using Hull Self-Insurance funds.

Audit Response. Although the National Commander nonconcurred, the proposed action could correct the cited condition and root cause. However, without an opportunity to review the criteria, we cannot determine if the proposed action will satisfy the intent of the recommendation. Therefore, we request that the National Commander provide the details on the proposed changes in the criteria for the Hull Self-Insurance account in response to the final report.

- d. Delegate authority to the Executive Director to ensure proper management and usage of aircraft and to ensure successful implementation of the corporate goal to have an aircraft fleet with an average age of 10 years.**

CAP Comments. The National Commander, CAP, concurred, stating that authority had been delegated to the Executive Director. The National Commander also stated that the CAP Operations Committee has been reviewing the corporate goal to have an aircraft fleet with an average age of 10 years and

will recommend action to the National Executive Committee at the November 2000 meeting. Further, the National Commander indicated that the Executive Director would implement the resulting policy.

B.2. We recommend that the Executive Director, Civil Air Patrol:

a. Revise and update aircraft inventory and assign codes to facilitate identification of aircraft (powered and nonpowered) including replaced aircraft. The inventory must also include applicable information on the aircraft, such as date of purchase, purchase price, date replaced, selling price, tachometer hours at time of purchase, and unit receiving monies from the sale of totally damaged aircraft.

CAP Comments. The National Commander, CAP, concurred, stating that preparation to revise and update the inventory in connection with the transfer of the logistics and acquisition functions from the Air Force to CAP has already begun. The National Commander expected action will be completed during the first quarter of FY 2001.

b. Establish procedures that:

(1) Require units to report actual number and type of aircraft assigned to ensure accountability.

(2) Identify aircraft that have been destroyed, reassigned, replaced, refurbished, or sold.

(3) Remove aircraft that have been destroyed, replaced, and sold from the inventory.

(4) Monitor reporting of monthly flying hours and ensure the aircraft flown match aircraft in the inventory.

CAP Comments. The National Commander, CAP, concurred, stating that the Executive Director has tasked the CAP Logistics Directorate to develop the recommended changes to CAP Regulation 67-4, "Acquiring, Reporting, and Disposing of Corporate Aircraft," and complete the procedures that accomplish Recommendations B.2.b.(1), B.2.b.(2), and B.2.b.(3) by January 1, 2001. In addition, the Executive Director has tasked the CAP Directors of Financial Management, Logistics, and Operations to develop procedures to accomplish Recommendation B.2.b.(4) within the first quarter of FY 2001.

c. Suspend flying activities for those wings that continuously fail to report flying hours and reduce the number of aircraft assigned to wings that continue to ignore reporting requirements even after suspension action has been rendered.

CAP Comments. The National Commander, CAP, partially concurred, stating that flying activities for those wings that continuously fail to report flying hours

as required should be suspended. The National Commander stated that the authority to suspend flying activities should remain with the National Commander and the authority to reassign aircraft should be exercised by the Executive Director with prior approval of the National Commander.

Audit Response. We agree with the National Commander's concept but consider his comments to be nonresponsive. If the National Commander would delegate authority to the Executive Director to suspend the flying activities of those wings that continuously fail to report flying hours as required, with conditions similar to those expressed in response to reassigning aircraft in this recommendation and to Recommendation A.2.c., the intent of the recommendation would be met. Delegation of authority with the condition that it would be used sparingly, and only after consultation with the National Commander, would be consistent with the shared leadership and management philosophy that the National Commander expresses in comments to other recommendations. Therefore, we request that the National Commander reconsider his position and provide additional comments to the final report.

d. Redistribute aircraft with low usage to wings and regions with high usage.

CAP Comments. The National Commander, CAP, concurred, stating that he had been reviewing aircraft usage data and intends to order the first redistribution of aircraft in the "organization's recent history" during October 2000. The National Commander also stated that the Executive Director will take action to ensure the redistribution.

e. Establish aircraft procurement and major maintenance accounts separate from Civil Air Patrol Aircraft Modernization Program.

CAP Comments. The National Commander, CAP, nonconcurred, stating that aircraft procurement and major maintenance were proper uses of the account. The National Commander proposed to review and redefine criteria and specify items payable from the account as discussed in response to Recommendation B.1.b.

Audit Response. Although the National Commander nonconcurred, the proposed action could correct the cited condition and root cause. However, without an opportunity to review the criteria, we cannot confirm the intent of the recommendation would be met. Therefore, we request that the National Commander provide the specific details to support the changes in the criteria for the account in response to the final report.

f. Revise CAP Regulation 66-1, "Civil Air Patrol Aircraft Maintenance Management," February 1, 2000, to stipulate that wings and regions are responsible for minor maintenance or repair as a result of an accident or incident of an assigned aircraft.

CAP Comments. The National Commander, CAP, nonconcurred, stating that CAP proposed to pay out of the Hull Self-Insurance fund all maintenance or repair costs that resulted from an accident or incident.

Audit Response. Although the National Commander nonconcurred, the proposed action could meet the intent of the recommendation. However, the regulation would still require a revision to not only permit the action but redefine the criteria and specify the types of expenses payable from the Hull Self-Insurance fund. Therefore, we request that the National Commander provide additional comments in response to the final report.

g. Establish the Civil Air Patrol Aircraft Modernization Program account as a separate account to adequately trace wing and region reimbursements.

CAP Comments. The National Commander, CAP, concurred, stating that the action has been completed.

C. Flying Program

CAP did not have supporting documentation, so it could not validate the 115,000 flying hours for FY 1998 and the 109,000 flying hours for FY 1999 for reimbursable and nonreimbursable missions because CAP did not have a source document to support monthly flying hour reports. As a result, without a supporting document flying hours reported monthly could not be validated. In addition, claims for reimbursements such as counterdrug, search and rescue, liaison proficiency flying, or other missions, could be claimed or reimbursed more than once.

Validation of Flying Hours

CAP could not adequately validate the 115,000 and 109,000 flying hours for FY 1998 and FY 1999, respectively, for reimbursable and nonreimbursable missions because no records to support claims for reimbursement were maintained.

Counterdrug Missions. We could not validate hours claimed for counterdrug missions. For example, on March 28, 2000, the Pennsylvania Wing submitted 3 vouchers totaling 285 hours for missions performed between FY 1996 and FY 1997. Although the liaison noncommissioned officer approved the voucher for payment, we could not verify the hours flown because neither the headquarters nor the liaison office maintained supporting records.

We could not determine whether the hours had already been reported or duplicate entries of the flying hours had been made for the aircraft between FY 1997 and FY 2000. For example, examination of the CAP Form 108, "CAP Payment and Reimbursement Document for Aviation, Automotive, and Miscellaneous Expenses," reported that Cessna 182 aircraft, number N9944H and Cessna 182RG aircraft, number N6420T, flew 7 hours and 6 hours respectively on February 28, 1997. The CAP Form 108 also had claims for the same aircraft for 9 hours and 6 hours respectively on March 16, 1997. We could not validate the hours because there were no records to support the claims that the missions were actually flown.

Search and Rescue Missions. We could not validate the actual number of hours flown in performing search and rescue missions because CAP did not have a one-source document on file to support hours claimed. The Commander, Air Force Rescue and Coordination Center, coordinates the search and rescue missions. However, validation of the hours flown is the responsibility of the wing. The wing is responsible for checking the pilot claims for reimbursements and forwards the claims to the wing liaison office for review and processing. The wing liaison office forwards the claims to the region liaison office (active member of the Air Force) for final approval. The liaison region office is responsible for sending the claims for reimbursement to the Defense Finance

and Accounting Service. If a source document were developed, CAP and CAP-USAF would have a supporting document to validate actual hours flown for search and rescue missions.

Liaison Officer Proficiency Flying Hours. We could not validate proficiency flying hours flown by the liaison officers because of the lack of supporting documents. In FY 1998 and FY 1999, the number of hours reimbursed by the Financial Management Office for liaison officer proficiency flying hours did not match hours reported on the flying report. In FY 1998, the number of hours reimbursed totaled 3,374 compared with 2,935 flying hours reported. In FY 1999, the Financial Management Office paid for a total of 3,029 hours. However, the flying report only showed 2,540 hours as being flown. To ensure accurate hours are reimbursed, CAP should implement a one-source document that can support the number of hours claimed for reimbursement.

Reassigned Aircraft. We could not validate the actual hours flown for aircraft reassigned to or flown by other wings. In FY 1999, there were five aircraft reported as being flown by two wings and may have overlapping or duplicate usage reported. For example, the Mississippi and Tennessee Wings claimed usage of 57 and 41 hours respectively for aircraft number N1472F. The Arizona and Tennessee Wings claimed 285 and 294 hours respectively for aircraft number N9307X. Without the proper source document, the actual hours flown for each aircraft could not be validated. To avoid duplicate entries of flying hours for a reassigned aircraft, the unit losing the aircraft should be given credit for the hours flown while assigned in the unit. The unit gaining the aircraft should start compiling flying hours from the last tachometer reading.

Filing Requirement

Although the liaison offices approved the public vouchers based on the Air Force mission authorization number and dates the mission was flown, we could not validate the flying hours claimed for reimbursement by the wings. Officials at the Operations Division of the National Headquarters were not included in the approval chain to ensure that claims for reimbursement for missions flown were valid and that the actual hours flown for the particular aircraft were not entered more than once on the flying report.

Central Filing. CAP had not considered having a central record for flying hours reported and CAP did not have a mechanism to validate mission hours that were reported late. CAP had not considered assigning the CAP-USAF liaison offices as a central facility for maintaining, reporting, tracking, and validating flying hours for each wing to ensure proper accountability of reimbursable and nonreimbursable missions. As of FY 1996, the wings compile and report flying hours for each of the aircraft assigned; however, we could not validate actual hours flown or hours claimed for reimbursement because CAP did not have a flying activity record file for each aircraft assigned. For

example, to adequately validate actual hours, it is necessary to obtain each applicable aircraft flying logbook to compare the number of hours claimed with the hours shown in the logbook.

Source Document

Record Filing. Until the electronic reporting system CAP proposes becomes a reality, CAP should develop a manual system for tracking and validating mission hours. The document generated from the manual system could be filed centrally at the liaison offices, thus providing both CAP and CAP-USAF with an adequate tool to support and validate reimbursable and nonreimbursable mission hours. As an example, if a source document were developed, the pilot would be responsible for correctly filling in the necessary data and information. The pilot would print his name, enter the actual tachometer reading (before and after the flight), and actual number of flying hours, type of mission (reimbursable or nonreimbursable), applicable mission approval number, and so forth, for the particular corporate or member-owned aircraft flown. When the mission is complete, the pilot would sign and date the document, retain a copy in the aircraft flight log, and send the original to the liaison office for filing and compiling flying hours for each month. Having done this particular action, both the aircraft flight log and the liaison office have a record of the flying hours.

If the mission were reimbursable, the responsible official at the National Headquarters would also have a record of the flight. This type of approval process would ensure that the original of the source document is attached to the voucher for which a member or the wing claimed reimbursement and sent to the official designated to approve reimbursement claims at the National Headquarters. To ensure actual flying hours are reported, the liaison offices should compile the monthly flying report. The report should also annotate the units that have not reported. It should be forwarded to the National Headquarters no later than the 10th day of the following month.

Payment Approvals

Approval for payment of vouchers was not adequate to ensure claims for reimbursements were valid because CAP had not developed a source document to support the hours claimed. Although the liaison officer or the liaison noncommissioned officer approves the vouchers, except for search and rescue missions, the CAP-USAF Financial Division should not allow reimbursement until claims are validated and approved by responsible officials at the CAP National Headquarters. The CAP Financial Management Office should obtain approval of responsible Operations Division officials before paying claims for reimbursements by the wings.

Process. To ensure accuracy, both CAP and CAP-USAF financial offices should require approval of the CAP Operations Division before payment of

reimbursement claims. As an example, when the wings submit claims for reimbursements, the wing or region liaison office should compare the number of hours claimed for reimbursement by the wing with the source documents. Once the reimbursement claim is validated, the liaison office would approve the voucher for payment. The wing or region liaison office would sign the applicable source documents, retain the second copy, and send the original and the voucher to the National Headquarters for a second approval. With the mission validated, the official would send the voucher for payment to the responsible paying official (CAP or CAP-USAF financial management office) and retain the original source document for filing. The CAP Financial Management Office would then be assured that the hours claimed and paid to the wings are valid and the CAP-USAF Financial Management Office would be assured that reimbursement claims are valid when it sends the vouchers to the Defense Finance and Accounting Service.

Search and Rescue Mission Reimbursements. Liaison Region Offices are responsible for submitting claims for search and rescue mission reimbursement to the Defense Finance and Accounting Service. Because search and rescue mission reimbursement claims are sent to the liaison region office for processing, the wing liaison office could make copies and attach the copies of source documents to the voucher. The liaison office could also send the original to the responsible official at the National Headquarters for filing and as support for the actual number of hours flown for search and rescue missions.

Responsibilities

Pilot Responsibility. If the one-source document is implemented, CAP should revise the CAP Regulation 60-1, "CAP Flight Management," to ensure that all pilots comply. CAP should take action against any pilot who does not comply and suspend the pilot from participating in any flying activity for a specific period. If the pilot continues to ignore requirements, CAP should revoke applicable mission flying certifications. If corrective actions are exhausted, CAP should terminate the pilot's membership in CAP.

Liaison Office Responsibility. The liaison office, as the central facility for the wing and region, should set a monthly cut-off date for timely reporting. The liaison office should assist in compiling actual flying hours for each aircraft and make a note of the pilots who do not meet the requirements. To ensure timely action, the monthly flying report should be sent to the Executive Director through the CAP-USAF Commander.

Conclusion

If implemented, a one-source document would eliminate either guessing or estimating hours and could also eliminate several documents currently being used to support flying data. If one-source documents are compiled and filed at

the liaison office, both the CAP and the CAP-USAF financial management divisions would be assured that payments made on reimbursable claims are accurate. Further, each aircraft would have a valid flying hour record because the documents retained in the aircraft are also maintained at the liaison office. Moreover, if implemented, applicable CAP and CAP-USAF regulations, directives, or instructions should be revised to reflect changes in the procedures for approving reimbursable missions.

Recommendations, Management Comments, and Audit Response

C.1. We recommend that the Executive Director, Civil Air Patrol:

a. Obtain agreement with the Civil Air Patrol-U.S. Air Force to assign wing and region liaison offices as a central point for maintaining, reporting, tracking, and validating flying hours for each wing.

CAP Comments. The National Commander, CAP, concurred, stating the Executive Director was actively seeking an agreement with CAP-USAF to assign that responsibility to wing and region liaison offices.

Audit Response. The comments from the National Commander were generally responsive, but did not specify a time frame for completion of the action. Therefore, we request that the National Commander provide an estimated date.

b. Revise Civil Air Patrol Regulation 60-1, "Civil Air Patrol Flight Management," August 1, 1998, and other applicable directives and instructions to reflect changes in requirements and to initiate procedures for:

(1) Implementing a source document for recording and monitoring flying hours for each aircraft.

(2) Reassigning aircraft when the losing unit claims and reports the hours flown on an aircraft up to the last tachometer reading before the aircraft was reassigned and the gaining unit claim and report flying hours from the last tachometer reading recorded in the logbook before the aircraft was reassigned.

(3) Requiring officials of the Civil Air Patrol Operations Division to validate and approve the number of hours claimed for reimbursement before payment.

(4) Paying claims for reimbursement only when responsible officials in both the Civil Air Patrol-U.S. Air Force liaison office and Civil Air Patrol Operations Division approve the claims.

CAP Comments. The National Commander, CAP, concurred with Recommendations C.1.b.(1), C.1.b.(2), and C.1.b.(4), stating that the Executive Director had tasked the Director of Operations to draft revisions to Civil Air Patrol Regulation 60-1. The National Commander expected actions to be completed by January 1, 2001. The National Commander nonconcurred with Recommendation C.1.b.(3), stating that validation would be best performed by Air Force oversight personnel assigned to CAP-USAF wing liaison offices and, as such, the Executive Director was seeking agreement from CAP-USAF to assume the responsibility.

Audit Response. Although the National Commander nonconcurred with Recommendation C.1.b.(3), the alternative action would satisfy the intent of the recommendation if CAP-USAF agreed to assign the responsibility to its wing liaison office personnel. However, the National Commander did not specify the time frame for completion of the action or an alternative if CAP-USAF does not agree to assume the responsibility. Therefore, we request that the National Commander provide additional comments on Recommendation C.1.b.(3) to the final report.

C.2. We recommend that the Commander, Civil Air Patrol-U.S. Air Force:

a. Assign Civil Air Patrol-U.S. Air Force wing and region liaison offices responsibility to maintain records and files of source documents and monitor actual flying hours for each aircraft if an agreement with the Civil Air Patrol is reached.

CAP-USAF Comments. The CAP Management Improvement Team nonconcurred in part with the recommendation and provided the following comments. The Management Improvement Team stated that while it concurred with the concept of the recommendation, it would prefer that the wing and region liaison offices be the central points for the maintenance of records and files and monitor actual flying hours for each aircraft if an agreement with CAP was reached. The Management Improvement Team stated that the requirement to monitor the CAP flying hour program would be included in the statement of work for the liaison officer and noncommissioned officer personal services contracts. However, the Management Improvement Team did not see the liaison officers or liaison noncommissioned officers gathering the data.

Audit Response. We consider the comments from the CAP Management Improvement Team to meet the intent of the recommendation. While the Management Improvement Team did not specify the time frame for completion of the action, we believe that the actions would be completed in conjunction with other statement-of-work requirements by February 1, 2001. No further comments are required.

b. Revise applicable Civil Air Patrol-U.S. Air Force directives, handbooks, instructions, and regulation to reflect changes in requirements and procedures for:

(1) Monitoring and reporting to the Executive Director, Civil Air Patrol, pilots who do not comply with requirements.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that the requirements would be included in the statement of work for the liaison officer and noncommissioned officer personal services contracts. The Management Improvement Team expected to complete the actions by February 1, 2001.

(2) Approving claims for reimbursement only when both the Civil Air Patrol-U.S. Air Force liaison office and responsible officials of the Civil Air Patrol have validated the claims.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that the requirement would be included in applicable CAP-USAF instructions. The Management Improvement Team expected to complete the actions by February 1, 2001.

(3) Verifying that the losing wing and region only claim and report flying hours for aircraft up to the last tachometer reading before the aircraft was reassigned and that the gaining wing and region claim and report flying hours from the last tachometer reading recorded in the logbook before the aircraft was reassigned.

CAP-USAF Comments. The CAP Management Improvement Team concurred, stating that the requirement would be included in applicable CAP-USAF instructions. The Management Improvement Team expected to complete the actions by February 28, 2001.

D. Financial Management

CAP did not have current accounting policies and procedures, did not process purchase requests properly, and had an internal audit staff that performed duties and functions that conflicted with internal auditing standards. Furthermore, the CAP internal audit staff had not performed internal audits annually since FY 1996. These conditions occurred because CAP did not update its policies and procedures after installing a new accounting system and did not enforce the policy for processing purchase requests and payments. In addition, the internal audit staff wrote accounting procedures and performed other accounting duties rather than performing audits of the financial operations of CAP. As a result, CAP may not be in compliance with Office of Management and Budget (OMB) Circulars and the DoD Grant and Agreement Regulations regarding effective control and accountability over funds; reporting on the efficiency and effectiveness of operations; and the reliability of financial reporting if the cooperative agreement between CAP and the Air Force is signed and becomes effective in FY 2001.

Criteria

According to a proposed cooperative agreement between CAP and the Air Force, CAP will be subject to the requirements of OMB Circular No. A-110, "Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and other Non-Profit Organizations," August 29, 1997, and OMB Circular No. A-122 "Cost Principles for Non-Profit Organizations," June 1, 1998. In addition, OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations," June 24, 1997, and DoD Regulation 3210.6-R, "DoD Grant and Agreement Regulations (DoDGARs)," April 13, 1998, will be applicable. The cooperative agreement is scheduled for signature in FY 2000 and would become effective in FY 2001.

OMB Circular No. A-110. OMB Circular No. A-110 sets the standard for obtaining consistency and uniformity among Federal agencies for administering of agreements with institutions of higher learning and other nonprofit organizations. When OMB Circular No. A-110 becomes applicable, CAP would be required to establish effective controls and safeguards over all funds, property, and assets. In addition, OMB Circular No. A-110 requires accounting records to be adequately supported by source documentation.

OMB Circular No. A-122. OMB Circular No. A-122 establishes principles for determining the cost of contracts, grants, and other agreements with nonprofit organizations. These principles are used by Federal agencies when determining the costs of work performed by nonprofit organizations under cooperative agreements. The costs must be reasonable, determined in accordance with generally accepted accounting principles, and be adequately documented.

OMB Circular No. A-133. OMB Circular No. A-133 sets audit standards for consistency and uniformity among Federal agencies. State, local governments, and non-profit organizations that receive more than \$300,000 a year in Federal awards are required to have a single audit conducted for that year in accordance with OMB Circular No. A-133 requirements. In FY 2000, CAP received \$28.3 million in appropriations from the Air Force and the Air Force budget submission for CAP in FY 2001 is \$16.5 million. Therefore, OMB Circular No. A-133 will be applicable to CAP when the cooperative agreement is signed.

DoD Grant and Agreement Regulations 3210.6-R. DoDGARs will implement the requirements of OMB Circular No. A-110 and OMB Circular No. A-122 if it becomes applicable to CAP. Specifically, DoDGARs will ensure effective control and accountability for funds and assets. In addition, DoDGARs requires written procedures for determining costs in accordance with the Federal cost principle.

Accounting Procedures

CAP does not have current accounting policies and procedures. In January 1997, CAP implemented a new accounting system called Great Plains. The previous accounting system (Fourgen) was a Disk Operating System program. Great Plains is a Windows-based system program. As a result, the accounting procedures needed to be updated to reflect differences in how the accounting department and the two systems actually process transactions such as the accounts payable, accounts receivable, electronic funds transfer, and payment notification procedures. For example, under the Fourgen system, CAP only made payments by check. Therefore, the wings notified vendors of payments by faxing copies of paid documents. However, the Great Plains system processes payments electronically. As a result, CAP must develop procedures to post transactions electronically, create and import files in the banking system, and establish controls that allow only authorized users to make electronic payments.

Under the Fourgen system, CAP payment notification procedures to vendors required manual procedures. However, the Great Plains process is fully automated, with several differences in the payment notification process. For example, the Great Plains system is able to download payment information to the Defense Finance and Accounting Service. Specifically, it tracks payments made to CAP wings. It can also provide payment data to CAP wings, providing them with a better control mechanism for tracking payments received from the National Headquarters. Under the Fourgen system, payment notification was sent to the wings by faxing copies of paid documents. The procedures were not current as of July 2000. However, the CAP Accounting Department is updating the procedures with an August 2000 estimated completion date.

CAP Form 4 Processing. CAP did not process purchase requests properly. CAP processes purchase orders on CAP Form 4, "Purchase Order/Receiving

Report for Material or Services.” According to CAP Form 4 procedures, if a purchase is either reimbursable or a CAMP transaction and greater than \$1,000, it requires approval by the Commander, CAP-USAF, and the Executive Director, CAP, before goods or services are purchased. If the purchase is not reimbursable or a CAMP transaction and greater than \$1,000, the purchase only requires approval by the Executive Director, CAP.

Prior to approval, the Comptroller or his designee must certify funds are available to cover the cost of goods or services before the invoice date. Subsequent to approval, the purchase order is returned to the originator to purchase the goods or services. Furthermore, the person ordering the goods or services must certify that the goods or services have not been ordered before approval was obtained. Therefore, an invoice should not be dated before the request and approval dates. The purchase order and supporting documents are sent to the CAP Financial Management Directorate for payment.

CAP Form 4 Transactions. CAP did not enforce its policy for processing CAP Form 4 transactions. Specifically, CAP processed payments to vendors on CAP Form 4 with invoices for work accomplished before the required approvals were obtained. For example, the CAP Supply Depot performed aircraft maintenance totaling \$83,000 on a CAP aircraft. Because this was not a reimbursable transaction, it only required approval of the Executive Director, CAP. The Executive Director, CAP, approved the purchase request in October 1999. However, each of the six invoices that accompanied the request for payment showed the repair work was completed between January and September 1999.

CAP Corrective Actions. When brought to the attention of CAP personnel that CAP Form 4 processing procedures were not followed, the Executive Director, CAP, took immediate corrective action. Specifically, the Executive Director reiterated to CAP and CAP-USAF Directors the proper procedures and stated that in the future the Financial Management Directorate would no longer routinely pay CAP Forms 4 that have not been properly processed. In addition, he stated documents that circumvent the proper accounting and authorization channels are subject to corporate ratification actions. This deficiency was disclosed during our review of the CAMP fund sample transactions. Since CAP took immediate action to correct the deficiency, we did not sample additional transactions nor did we attempt to quantify the problem.

Internal Audit Performance. The CAP internal audit staff performed duties that conflicted with internal auditing standards. For example, the internal auditor wrote accounting policies and procedures. Specifically, the auditor wrote accounting policies for accounts payable, accounts receivable, check processing, and procedures for handling bad checks. The assignments conflicted with professional standards for internal auditing.

The standards for internal auditing state that internal auditors should maintain objectivity and be independent of activities audited. Internal auditors could assist in development of but should not write accounting policy that they could

be required to evaluate. This situation would violate the standards for independence and objectivity. We discussed this issue with CAP and were advised that accounting policies and procedures will be updated and prepared by the Chief of Accounting.

Internal Audit Department. The Internal Audit Department did not consistently perform its duties since FY 1996. The department is tasked to determine whether CAP is in compliance with corporate policies and procedures; determine whether resources are safeguarded against fraud, waste, loss, and misuse; and test whether the internal control systems are functioning in accordance with prescribed procedures. However, there have only been two internal audits of CAP financial operations conducted since FY 1996. Therefore, CAP was unable to determine if internal controls were adequate or being followed.

Other Internal Audit Assignments. As of July 2000, there was only one auditor in the CAP Internal Audit Department. The auditor was assigned accounting and finance duties unrelated to her official duties as an auditor. For example, the auditor reconciled the investment account on a monthly basis and prepared journal entries for the investment accounts. Because of these and other duties assigned to the internal auditor, CAP did not perform audits on an annual basis. Furthermore, as of July 2000, there were no internal audits planned to review CAP financial operations in FY 2001. Internal audits of controls should identify any shortfalls in internal controls that may impact compliance with OMB Circular No. A-110, OMB Circular No. A-122, and DoDGARs.

Financial Statement and External Audits. OMB Circular No. A-133 requires a single or program-specific audit be conducted annually. The audit is required to obtain an understanding of internal controls and perform tests of those internal controls. Although CAP had annual audits of its financial statements by an independent auditor and external audits of portions of its financial operations, those audits may not satisfy the requirements of the circular. The circular requires specific audits of internal controls and compliance requirements that may exceed what is normally done during a financial audit. Also, because accounting procedures were not current, CAP may not be able to show that sufficient internal controls are actually in effect, and internal control procedures could not be fully assessed as required. As a result, until its accounting procedures are updated CAP would have difficulty complying with OMB Circular No. A-133 when the cooperative agreement is signed.

Support Documentation

We also reviewed CAP financial transactions to determine if adequate documentation existed to support payments and charges. Specifically, we reviewed transactions in the following areas: CAP payments, CAP receipts, and the CAMP fund. Generally, documentation was available to support payments and charges in each of the areas. We were unable to find adequate

support documentation (telephone bills, foreign currency transactions, and base billeting for training classes) in a few instances, and these were brought to CAP attention for corrective action.

Conclusion

When the cooperative agreement is signed between CAP and the Air Force, CAP will be required to implement DoDGARs and OMB Circulars Nos. A-110, A-122, and A-133. CAP may not be in compliance with these requirements when they become applicable to CAP in FY 2001. Therefore, CAP needs to act to ensure that it will be in compliance with DoDGARs and the OMB Circulars. Specifically, CAP must ensure that it has effective control and accountability over funds, accurately reports on the efficiency and effectiveness of financial operations and reports, and that internal and external audits are performed consistently. Further, CAP should ensure that its policies and procedures are updated by the August 2000 estimated completion date and that those policies and procedures for determining costs are reasonable, in accordance with generally accepted accounting principles, and adequately documented.

Recommendations, Management Comments, and Audit Response

D. We recommend that the Executive Director, Civil Air Patrol:

1. Require the Financial Management Directorate to:

- a. Update accounting policies and procedures prior to FY 2001 and ensure that adequate controls are in place.**
- b. Develop a control mechanism that will ensure purchase requests and payments are not processed without required approvals and supporting documentation.**
- c. Transfer all accounting-related duties performed by the internal audit staff to the accounting department.**

CAP Comments. The National Commander, CAP, concurred, stating that the Executive Director would take corrective actions to update accounting policies and procedures prior to October 1, 2000, and to ensure controls are in place. The National Commander also stated that the Executive Director has implemented a control mechanism to ensure purchase requests and payments are not processed without required approvals and supporting documentation. In addition, the National Commander stated that the Executive Director began a

reorganization of the Financial Management Directorate which will facilitate transfer of all accounting-related duties to the accounting staff. Actions are planned to be completed within the first quarter of FY 2001.

2. Require the internal auditor to prepare an annual internal audit plan for review of the Civil Air Patrol headquarters financial operations beginning in FY 2001.

CAP Comments. The National Commander, CAP, concurred, stating that the Executive Director tasked the internal auditor to prepare an annual internal audit plan for FY 2001. The National Commander expected that the plan will be completed in October 2000 and begin execution during FY 2001.

Appendix A. Audit Process

Scope

We reviewed and analyzed the processes and records for FY 1997 through the third quarter of FY 2000 and analyzed corresponding public laws, DoD, Air Force, CAP regulations and manuals, Federal Aviation Administration airworthy directives, and manufacturer service bulletins to establish and identify the administration and management of the CAP corporation and DoD appropriated fund resources. We also reviewed CAP accounting and finance operations, chains of command, management authority, and aircraft procurement programs at the CAP-USAF and CAP headquarters. In addition, we reviewed safety programs, pilot licensing and certification, aircraft maintenance, and accident and incident reporting at 11 wings.

Limitations of Audit Scope. In July 1999, a joint Federal task force composed of special agents from the Air Force Office of Special Investigations and the Federal Bureau of Investigation served Federal search warrants and seized all documents and computer media that might have contained information concerning CAP financial transactions from January 1989 through July 20, 1999. In addition, other operational records concerning financial and business transactions, ownership of property, corporate tax returns, sales agreements, journals, corporate minutes, and charter records were also taken for further analysis for evidentiary value and potential investigative leads. Because the records were seized and access to the records was not granted (a gag order was issued by the U.S. Magistrate for the Middle District of Alabama), our review of the CAP Aircraft Modernization Program and financial and accounting functions was limited to transactions from July 22, 1999, through January 31, 2000.

DoD-Wide Corporate-Level Goals. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal (and subordinate performance goal):

Goal: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **Performance Goal 2.3:** Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms. (00-DoD-2.3)

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objective and goal:

Financial Management Functional Area. Objective: Strengthen internal controls. **Goal:** Improve compliance with the Federal Managers' Financial Integrity Act. (FM-5.3)

Methodology

We focused our review on the CAP financial and accounting records and process, aircraft procurement program, and the administrative and management safety program. We visited and interviewed responsible officials at the CAP headquarters and liaison offices, CAP-USAF headquarters and liaison offices, and wings to ascertain whether each of those program areas was implemented as intended.

We judgmentally selected 225 of 7,969 accounts payable transactions valued at \$5.4 million, 112 of 573 accounts receivable transactions valued at \$2.4 million, and 177 of 483 CAP aircraft modernization program transactions valued at \$8.5 million to determine adaptability of CAP Corporation accounting policies and procedures to the DoDGARs and OMB Circular Nos. A-110, A-122 and A-133 and compliance with current regulations. The sample represented 61 percent of the dollar value of the universe for the period. We also reviewed and evaluated controls over the petty cash fund. We reviewed the aircraft procurement program to include the aircraft procurement budget and aircraft inventory and assignment records for the period of FY 1997 through the third quarter of FY 1999 to establish validity of new aircraft requirements. To ascertain adequacy and effectiveness of the CAP safety program, we judgmentally selected and reviewed no-notice inspection records; the Federal Aviation Administration pilot proficiency program; safety improvement reports; the mishap notification process; 595 pilot records and available related documents; CAP flight release logs; aircraft information files; pilot logbooks; and aircraft logbooks for 86 aircraft at 11 wings visited.

Use of Computer-Processed Data. We did not use computer-based data to perform this audit.

Audit Type, Dates, and Standards. We performed this program audit from September 1999 through May 2000 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

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

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls. CAP, which is a 501(c)(3) nonprofit organization, does not fall under the DoD directive or OMB Circular No. A-123, "Management Accountability and Control," June 21, 1995, and OMB Circular No. A-127, "Financial Management Systems," July 23, 1993, through Transmittal Memorandum No. 2, June 10, 1999. Therefore, we did not review the CAP management control program for compliance with DoD and OMB guidelines. However, we did review controls and discussed in our findings the various control weaknesses that we found. Although CAP-USAF does fall under the directive, we did not review its management control program because the May 1998 Air Force Audit Agency Report No. EB0098013 covered the program in detail. CAP-USAF was in the process of implementing that report's recommendations to correct problems in its management control program.

Appendix B. Prior Coverage

General Accounting Office

General Accounting Office, Report No. GAO/NSAID-00-136 (OSD Case No. 1987), "Civil Air Patrol: Proposed Agreements With the Air Force Are Intended to Address Identified Problems," June 2000.

Inspector General

Inspector General, DoD, Report No. D-2000-075, "Administration and Management of the Civil Air Patrol," February 15, 2000.

Air Force

Air Force Inspection Agency "Review of Civil Air Patrol-USAF (CAP-USAF)," September 17, 1999.

Air Force Logistics Management Agency Report No. LT199824400, "Civil Air Patrol (CAP) Vehicle Fleet Analysis," September 1999.

Air Force Logistics Management Agency Report No. LM199900600, "Civil Air Patrol (CAP) Aircraft Requirement Study," April 1999.

Air Force Audit Agency, "Installation Report of Audit, EB098013, Air Force Oversight of FY 1996 Civil Air Patrol Corporation Activities, CAP-USAF Maxwell AFB [Air Force Base] AL," May 13, 1998.

Appendix C. Specialty Mission Hours Reported to Congress

Regions and Wings	FY 1998 Mission Flying Hours				FY 1999 Mission Flying Hours			
	Counterdrug		Search and Rescue		Counterdrug		Search and Rescue	
	Form 18	Annual Report	Form 18	Annual Report	Form 18	Annual Report	Form 18	Annual Report
Great Lakes Region	51	0	0	0	83	0	0	0
Illinois	202	256	21	35	238	241	19	23
Indiana	1,746	1,245	124	96	993	744	67	70
Kentucky	3,154	2,249	18	15	81	912	101	102
Michigan	218	363	170	73	337	502	97	135
Ohio	113	338	39	60	96	184	87	127
Wisconsin	916	1,058	494	512	448	630	59	57
Region Total	6,400	5,509	866	791	2,276	3,213	430	514
Middle East Region	0	0	0	0	0	0	0	0
Delaware	1,359	1,383	24	27	915	1,204	13	12
DC	103	63	45	5	61	7	12	12
Maryland	144	124	83	87	267	124	58	65
North Carolina	824	895	129	278	510	487	268	319
South Carolina	33	22	159	111	55	78	115	96
Virginia	283	296	113	115	272	326	271	277
West Virginia	135	110	5	10	112	125	20	4
Region Total	2,881	2,893	558	633	2,192	2,351	757	785
North Central Region	0	0	0	0	0	0	0	0
Iowa	61	193	18	130	358	376	23	26
Kansas	192	231	34	41	114	112	38	37
Minnesota	382	474	449	473	359	447	147	148
Missouri	252	298	261	358	303	302	17	41
Nebraska	187	399	40	33	330	213	29	48
North Dakota	336	409	102	49	195	529	20	24
South Dakota	452	480	162	153	180	178	42	45
Region Total	1,862	2,484	1,066	1,237	1,839	2,157	316	369

Appendix C. Specialty Mission Hours Reported to Congress (Continued)

Regions and Wings	FY 1998 Mission Flying Hours				FY 1999 Mission Flying Hours			
	Counterdrug		Search and Rescue		Counterdrug		Search and Rescue	
	Form 18	Annual Report	Form 18	Annual Report	Form 18	Annual Report	Form 18	Annual Report
Northeast Region	3	0	53	0	20	0	5	0
Connecticut	272	303	46	44	256	301	84	86
Maine	1,061	1,188	34	45	823	193	78	46
Massachusetts	220	262	123	138	222	981	385	553
New Hampshire	111	106	14	10	37	41	4	19
New Jersey	460	885	84	134	560	837	70	102
New York	1,041	1,210	80	70	112	871	86	125
Pennsylvania	1,994	1,819	96	108	2,032	1,676	114	86
Rhode Island	63	96	15	24	20	24	10	37
Vermont	36	326	1	2	16	18	38	24
Region Total	5,261	6,195	546	575	4,098	4,942	874	1,078
Pacific Coast Region	0	0	0	0	0	0	0	0
Alaska	53	0	568	659	60	67	896	992
California	1,426	2,264	393	614	3,453	3,098	695	1,128
Hawaii	3,227	3,260	26	18	1,472	2,778	0	17
Nevada	1,427	1,550	442	555	1,741	2,045	401	492
Oregon	410	565	83	87	412	355	100	214
Washington	825	1,009	17	18	706	980	471	473
Region Total	7,368	8,648	1,529	1,951	7,844	9,323	2,563	3,316

Appendix C. Specialty Mission Hours Reported to Congress (Continued)

Regions and Wings	FY 1998 Mission Flying Hours				FY 1999 Mission Flying Hours			
	Counterdrug		Search and Rescue		Counterdrug		Search and Rescue	
	Form 18	Annual Report	Form 18	Annual Report	Form 18	Annual Report	Form 18	Annual Report
Rocky Mountain Region	0	0	0	0	0	0	0	0
Colorado	259	230	197	210	158	158	433	442
Idaho	542	774	104	171	471	562	246	355
Montana	277	423	37	76	215	266	12	12
Utah	1,118	1,057	357	339	870	875	185	166
Wyoming	123	180	121	187	88	81	112	114
Region Total	2,319	2,664	816	983	1,802	1,942	988	1,089
Southeast Region	0	0	0	0	4	0	0	0
Alabama	1,648	1,615	100	87	2,109	2,093	53	50
Florida	1,502	1,518	475	430	1,737	1,891	493	550
Georgia	596	860	206	211	461	876	80	95
Mississippi	350	508	40	49	419	667	32	48
Puerto Rico	181	223	0	0	446	474	0	0
Tennessee	394	434	19	54	380	479	207	210
Region Total	4,671	5,158	840	831	5,556	6,480	865	953
Southwest Region	15	0	0	0	0	0	0	0
Arizona	366	618	598	625	133	212	307	96
Arkansas	853	827	52	18	640	597	102	106
Louisiana	1,077	1,391	80	77	1,005	1,259	82	84
New Mexico	1,503	1,794	456	683	1,214	1,550	119	192
Oklahoma	321	347	150	100	279	364	84	108
Texas	3,622	3,194	1,040	1,021	3,116	3,297	199	210
Region Total	7,757	8,171	2,376	2,524	6,387	7,279	893	796
Total Flying Hours	38,519	41,722	8,597	9,525	31,994	37,687	7,686	8,900

Appendix D. Flying Hours (by Wing and Region)

Regions	FY 1998 Flying Hours			FY 1999 Flying Hours		
	Hours	Aircraft	Average	Hours	Aircraft	Average
Great Lakes Region	188	2	94	215	2	108
Illinois	1,768	10	177	1,940	12	162
Indiana	2,472	7	353	1,869	8	234
Kentucky	3,097	12	258	694	11	63
Michigan	1,747	7	250	2,112	7	302
Ohio	778	5	156	511	5	102
Wisconsin	3,412	14	244	3,435	14	245
Region Total	13,462	57	236	10,776	59	183
Middle East Region	73	1	73	25	2	13
Delaware	1,561	4	390	1,483	7	212
District of Columbia	792	3	264	560	2	280
Maryland	2,371	12	198	2,578	13	198
North Carolina	2,802	9	311	2,683	9	298
South Carolina	1,729	11	157	2,322	11	211
Virginia	2,146	12	179	2,436	11	221
West Virginia	780	7	111	1,064	8	133
Region Total	12,254	59	208	13,151	63	209
North Central Region	0	0	0	0	0	0
Iowa	872	9	97	1,193	9	133
Kansas	786	6	131	760	6	127
Minnesota	3,832	19	202	3,628	17	213
Missouri	998	8	125	544	7	78
Nebraska	965	6	161	985	5	197
North Dakota	1,279	7	183	1,208	6	201
South Dakota	962	5	192	662	5	132
Region Total	9,694	60	162	8,980	55	163

Appendix D. Flying Hours (by Wing and Region) (Continued)

Regions	FY 1998 Flying Hours			FY 1999 Flying Hours		
	Hours	Aircraft	Average	Hours	Aircraft	Average
Northeast Region	139	4	35	181	3	60
Connecticut	782	6	130	742	5	148
Maine	1,840	9	204	1,878	8	235
Massachusetts	1,434	10	143	2,127	8	266
New Hampshire	655	6	109	307	5	61
New Jersey	1,237	6	206	1,406	6	234
New York	3,221	18	179	1,523	17	90
Pennsylvania	4,542	25	182	5,662	25	226
Rhode Island	456	3	152	497	3	166
Vermont	359	3	120	284	3	95
Region Total	14,665	90	163	14,607	83	176
Pacific Coast Region	0	0	0	0	0	0
Alaska	3,389	33	103	3,358	31	108
California	4,134	28	148	6,321	24	263
Hawaii	3,487	11	317	1,935	10	194
Nevada	2,228	8	279	2,103	8	263
Oregon	1,808	11	164	1,586	13	122
Washington	2,213	9	246	2,527	9	281
Region Total	17,259	100	173	17,830	95	188
Rocky Mountain Region	0	0	0	0	0	0
Colorado	2,842	15	189	2,848	14	203
Idaho	1,326	7	189	1,272	7	182
Montana	581	4	145	468	4	117
Utah	2,118	9	235	2,133	9	237
Wyoming	534	4	134	561	4	140
Region Total	7,401	39	190	7,282	38	192

Appendix D. Flying Hours (by Wing and Region) (Continued)

Regions	FY 1998 Flying Hours			FY 1999 Flying Hours		
	Hours	Aircraft	Average	Hours	Aircraft	Average
Southeast Region	0	0	0	22	1	22
Alabama	4,881	20	244	4,918	22	224
Florida	4,528	21	216	5,239	20	262
Georgia	2,708	14	193	2,972	15	198
Mississippi	1,477	7	211	1,103	8	138
Puerto Rico	435	3	145	779	3	260
Tennessee	1,351	9	150	1,658	9	184
Region Total	15,380	74	208	16,691	78	214
Southwest Region	58	1	58	0	0	0
Arizona	3,599	17	212	3,088	21	147
Arkansas	2,790	9	310	2,534	9	282
Louisiana	2,059	15	137	2,260	12	188
New Mexico	4,100	17	241	2,353	20	118
Oklahoma	1,616	8	202	1,197	7	171
Texas	10,414	34	306	7,725	29	266
Region Total	24,636	101	244	19,157	98	195
Wings and Regions Total	114,751	580	198	108,474	569	191
National Headquarters	248	5	50	549	5	110
Total	114,999	585	197	109,023	574	190

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller/Chief Financial Officer)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Inspector General, Department of the Air Force
Auditor General, Department of the Air Force
Commander, Air University
Commander, Civil Air Patrol-U.S. Air Force
National Commander, Civil Air Patrol
Executive Director, Civil Air Patrol

Non-Defense Federal Organizations

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
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Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE

14 September, 2000

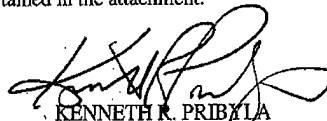
MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: Civil Air Patrol Management Improvement Team
1480 Air Force Pentagon
Washington DC 200330-1480

SUBJECT: DoDIG Draft Report, Administration and Management of the Civil Air Patrol
(Project No. D1999LA-0025.01)

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial management and Comptroller) to provide Air Force comments on the subject report.

The Civil Air Patrol Management Improvement Team (CAP MIT) has reviewed the findings and recommendations contained in the draft report. Specific responses to each recommendation made to CAP-USAF are contained in the attachment.


KENNETH R. PRIBYLA
Colonel, USAF

Attachment:
CAP MIT Response to DoDIG Draft Report

cc:
SAF/FMPF
CAP MIT

**Civil Air Patrol Management Improvement Team
Response
To
DoD IG Draft Audit Report
Project No. D1999LA-0025.01**

The Civil Air Patrol Management Improvement Team (CAP MIT) has reviewed the recommendations contained in the DoD IG Audit Report (Project No. D1999LA-0025.01). The following comments are submitted to help clarify sections of the report:

A. Authority

Finding: Concur

Recommendation:

- A.3.a. Non-concur.** Creation of an Adverse Review Board was not included in the cooperative agreement signed by the Secretary of the Air Force which will take effect 1 October 2000. It is, however, addressed in the change to the CAP Constitution and By-laws which was passed by the August 2000 CAP National Board. We see no need to address it again in the cooperative agreement. Any further changes to the CAP Constitution will be overseen by the Board of Governors, which with a significant Air Force voting presence, will undoubtedly be guided by this and any future DOD/IG reports..
- A.3.b. Concur.** Requirement to be included in statement of work of the liaison officer/NCO personal services contracts. ECD: 1 Feb 01.
- A.3.c. Concur.** Requirement to be included in statement of work of the liaison officer/NCO personal services contracts. ECD: 1 Feb 01.

C. Flying Program

Finding: Concur

Recommendations:

- C.2.a. Non-concur in part.** While we strongly concur with the concept of this recommendation, we would prefer that the CAP-USAF liaison offices be the central receiving points for these records. CAP must be the source for these documents, as provided by the individual wing.. We can monitor the actual hours flown per aircraft but CAP-USAF does not own the process for initially obtaining the hours and would therefore be at CAP's mercy for the accuracy of the data initially provided. If later audits (such as the annual OMB A-133 compliance audit) or investigations determine faults in the data's accuracy, the resulting assessments and recommendations must be made with a clear understanding of this fundamental distinction. The requirement to monitor CAP's flying hour program will be included in statement of work for the liaison officer/NCO personal services contracts, but we do not foresee the LO/LNCO actually gathering the data.
- C.2.b.(1) Concur.** Requirement to be included in statement of work of the liaison officer/NCO personal services contracts. ECD: 1 Feb 01.
- C.2.b.(2) Concur.** Requirement to be included in applicable CAP-USAF instructions. ECD: 1 Feb 01.
- C.2.b.(3) Concur.** Requirement to be included in applicable CAP-USAF instructions. ECD: 28 Feb 01.

Civil Air Patrol Comments



OFFICE OF THE NATIONAL COMMANDER
CIVIL AIR PATROL
UNITED STATES AIR FORCE AUXILIARY
Maxwell Air Force Base, Alabama 36112-6332

1 Sep 00

MEMORANDUM FOR DOD/IG

SUBJECT: Draft of Proposed Audit Report – Phase II, Project No. D1999LA-0025.01

1. Requested Civil Air Patrol (CAP) management comments on the draft of the above-captioned report on the administration and management of Civil Air Patrol are provided.
2. With the assistance of members of Congress, the General Accounting Office, the Air Force and your office, CAP's volunteer leadership and professional management have made great strides over the past year in improving the organization's management practices. A Cooperative Agreement between CAP and the Air Force has been signed and takes effect next month. The detailed Statement of Work, which is a part of that agreement, provides new flying safety and asset accountability requirements to resolve identified problems. CAP and the Air Force jointly proposed legislation to establish a new governing board for CAP. That proposal was incorporated into the Defense Authorization Act now before Congress. Enactment is expected within the next month or two, to be effective in January 01. In anticipation of enactment of this legislation, CAP's National Board, two weeks ago, approved sweeping changes to the organization's Constitution & Bylaws to take effect simultaneously with that legislation and facilitate its swift implementation. These actions have laid a firm foundation for implementation of the detailed proposed changes discussed in the attached CAP response to this second phase of the draft report.


JAMES C. BOBICK
Brigadier General, CAP
Commander

Attachment:
Response – Draft Audit Report – Phase II

A. Authority

Finding:

CAP corporate headquarters did not have management controls for assets assigned to the volunteer force. The condition occurred because the Executive Director did not have authority over safety issues. As a result, safety issues, including aircraft maintenance and pilot certifications, were not fully complied with. Eighty-four of the 86 aircraft had problems related to aircraft inspection and maintenance requirements. Of the 595 pilot records reviewed, 317 were deficient. Without authority over safety issues, assets (both equipment and personnel) could be subjected to undue risks and the Executive Director would not be able to properly exercise accountability and control of assets.

CAP Comment: The fundamental issue presented is how to best motivate an unpaid volunteer membership to comply with their organization's regulations and policies and to timely furnish accurate data required.

To the extent that a wholesale transfer of authority over the volunteer force from the volunteer leadership (National Commander, National Board and National Executive Committee) to the Executive Director in matters of safety is seen as a panacea, the draft finding and related recommendations are incomplete and are not supported by the facts.

With regard to the Missouri Wing Accident described in pages 17 – 19 of the Draft Audit Report, CAP recommends that narrative be deleted as this account is incomplete. We believe that the investigators were not provided the full story.

The facts not included in the draft audit report are as follows:

1. The pilot in question voluntarily attended the check pilot clinic one year prior to the expiration of his check pilot status.
2. Based upon an investigation of the content and conduct of the oral portion of the check pilot test administered to the pilot, the region commander questioned the validity of the test and objectivity of the evaluators.
3. For that reason, the region commander recommended to the wing commander that he reconsider his choice of managers for future check pilot courses.
4. The wing commander decided to continue to use the services of the pilot as a check pilot rather than cancel his check pilot status as recommended by the course manager.
5. Due to a shortage of check pilots in the area, the region commander frequently administered check flights. In observance of that routine practice, he administered a CAP Form 5 flight check to the pilot on 8 Feb 98.
6. The pilot's performance on the Form 5 flight check was satisfactory in all respects.
7. Following the accident in question and based upon the accident review board's report, the region commander recommended the pilot be held personally financially responsible for a substantial portion of the cost of repairs.

The draft audit report provides no basis for the conclusion that had the Executive Director been empowered to deal with these issues he would have handled the matter any differently.

In response to Phase I of this audit, CAP concurred that authority should be delegated to the Executive Director for management decisions related to funds and assets. The National Commander has delegated that authority to the Executive Director. CAP did not concur with the recommendation that authority should be delegated to the Executive Director for all management issues associated with safety.

CAP contends that everyone in the organization must shoulder a portion of the responsibility for safety. The organization's volunteer leadership and paid staff, assisted by Air Force oversight and liaison personnel, must cooperate closely to develop and implement reasonable and workable safety policies and to educate members on the policies. The volunteer leadership must hold members under their command accountable for compliance with all published policies. The rank and file volunteer membership must recognize their personal stake in fostering a safe operating environment, accept personal responsibility to abide by the organization's policies and not tolerate noncompliance by other members.

Recommendations:

A.1.a. The Draft Audit Report recommends that the National Commander, Civil Air Patrol, through the National Board and the National Executive Committee, delegate authority over the volunteer force to the Executive Director, Civil Air Patrol, for management decisions associated with safety and management control issues.

CAP Comment: CAP does not concur with this recommendation, for reasons set forth above and in response to the Phase I Audit Report. With respect to funds and assets, CAP proposes in the alternative to empower the Executive Director as the final authority to suspend funding and recover assets from units in the field for failure to comply with safety and management requirements. The National Commander has delegated this authority to the Executive Director. CAP proposes that the volunteer leadership retain authority over the volunteer members. Such shared authority, exercised diligently and cooperatively, works.

As a recent example, the CAP Executive Director was advised by DoD/IG personnel during an exit interview of the general nature of the aircraft inspection and maintenance deficiencies found on a sample of CAP aircraft. The Executive Director advised the CAP National Commander, who promptly ordered the volunteer force to complete and report to CAP National Headquarters an inspection of the records of the entire corporate aircraft fleet in order to determine the full extent of the problem. The National Commander's order required the volunteers to attach copies of relevant aircraft inspection and maintenance records to the report. The order set a deadline for response and specified that any aircraft for which the inspection report was not received by National HQ by the specified date would be grounded from that date until the report was received. When the

reporting date passed, National HQ posted a list of grounded aircraft (about 11% of the fleet) to the CAP website, which was updated as additional reports were received. Inspection reports have now been received on all aircraft except 1 recently delivered glider not yet placed in service. CAP National Headquarters is now reviewing the inspection reports and supporting documentation in detail and will promptly address any discrepancies found.

Under the direction of the Executive Director, CAP/FM then kept special watch for claims for reimbursement for operations of those aircraft during the period of their grounding. One suspect claim was detected and reimbursement withheld pending investigation. Investigation revealed that the inspection had been accomplished and a good faith effort made by wing to fax the documentation to National Headquarters by the deadline. Wing personnel failed to realize that the fax had not gone through. When this was discovered, the report was re-faxed and received by National Headquarters, though after the deadline. Based upon the investigation, National Headquarters is now reimbursing the wing for the operations.

During the exit interview mentioned above, the Executive Director and Assistant Executive Director requested DoD/IG representatives identify the aircraft for which deficiencies were found, to enable them to assure the deficiencies were corrected. That request was subsequently repeated by telephone. To date, the DoD/IG has not honored the request, which is again reiterated here.

CAP believes that its model of timely and responsible cooperative exercise of appropriate authority (the National Commander over volunteer personnel, the Executive Director over funds, physical assets and paid staff) is more workable than the recommended delegation to the Executive Director of authority over volunteer personnel.

A.1.b. The Draft Audit Report recommends that the National Commander, Civil Air Patrol, through the National Board and the National Executive Committee, create an adverse review board to eliminate Civil Air Patrol chain-of-command issues discussed in this and the first report on the Administration and Management of the Civil Air Patrol.

CAP Comment: CAP concurs with this recommendation. An amendment to the CAP Constitution adopted by the CAP National Board at its 17 Aug 00 meeting in San Antonio, TX, creates a Membership Action Review Board to review final adverse membership actions on appeal. Members who allege that an adverse membership action was taken against them motivated by retaliation, without observance of due process, or involving a material failure to follow applicable CAP regulations, and who have exhausted their administrative remedies, will have a right to appeal their case to this board. Implementation is expected in January 01. This action, together with strengthening of the CAP Inspector General (IG) program in accordance with the provisions of the Cooperative Agreement recently agreed to by CAP and the Air Force, should eliminate the chain-of-command issues identified in the draft report.

A.2.a. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol obtain agreement with the Civil Air Patrol-U.S. Air Force to have liaison offices monitor safety compliance.

CAP Comment: CAP concurs with this recommendation. CAP's Executive Director has initiated discussions with CAP-USAF/CC to reach agreement to accomplish this through the inspection program agreed to in the Cooperative Agreement and Staff Assistance Visits (SAV) regularly conducted by CAP-USAF Liaison Region personnel. Initial implementation is anticipated in the Oct 00 – Jan 01 time frame.

A.2.b. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol assign responsibility to the liaison offices to submit a report to the Executive Director, Civil Air Patrol, through the Commander, Civil Air Patrol-U.S. Air Force, of wings and squadrons that continuously ignore recommendations for corrective action on discrepancies and deficiencies found as a result of an inspection.

CAP Comment: The Defense Authorization Bill presently under consideration by Congress includes language which would transfer the wing liaison function from CAP to the Air Force, to be performed by retirees serving under personal services contracts. The provision is expected to be enacted into law and to be implemented in Jan 01. CAP concurs that such reporting would be helpful, and the Executive Director has initiated discussions with CAP-USAF/CC requesting he assign this responsibility to the liaison offices contemporaneously with their transfer to his command.

A.2.c. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol remove or reassign aircraft if a wing or region repeatedly shows discrepancies and prohibit CAP flying privileges in corporate and member-owned aircraft.

CAP Comment: CAP concurs that the Executive Director, in close coordination with the National Commander, should have the final authority to remove or reassign aircraft if a wing or region repeatedly fails to correct deficiencies found as a result of inspections. CAP believes, however, that such authority should be exercised sparingly, and (except in an emergency) only after consultation with affected volunteer commanders at the national, region and wing level and with CAP-USAF. CAP does not concur that the Executive Director should have authority to prohibit CAP flying privileges in corporate and member-owned aircraft. CAP considers this primarily a volunteer issue more appropriately within the purview of the volunteer leadership (national, region and wing commanders), who should consult with the Executive Director and CAP-USAF in the prudent exercise of that authority.

A.2.d. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol verify airworthiness directives and service bulletins are disseminated to wings and regions.

CAP Comment: CAP concurs with this recommendation. Transfer of CAP logistics and acquisitions functions from the Air Force (CAP-USAF/LG) to CAP is in process

with target date for completion scheduled for 1 Oct 00. By no later than that date, HQ CAP/LG and MS personnel will assume responsibility for assuring and verifying to the Executive Director that all applicable airworthiness directives and service bulletins are disseminated to wings and regions.

A.2.e. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol direct wing and region maintenance officers to maintain a separate list of applicable airworthiness directives and service bulletins in the aircraft logbook.

CAP Comment: CAP concurs with this recommendation with regard to airworthiness directives and is drafting regulatory changes to implement the recommendation. Publication of the amended regulation is anticipated by 1 Jan 01. CAP is also actively exploring methods of incorporating this data into a national aircraft database now in development and anticipated to become operational during the first quarter of FY 01. Under the direction of the Executive Director, CAP/LG is studying the recommendation with respect to service bulletins (which are not mandatory) and has not yet reached a position on that subject. CAP expects to develop policy with respect to tracking service bulletin performance status within the first quarter of FY 01.

A.2.f. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol direct wings to create a database that shows currency of active pilots.

CAP Comment: CAP concurs in part. CAP agrees that a database is needed to show currency of active pilots. CAP believes, however, that because CAP national and regional leadership and management along with CAP-USAF personnel need visibility into the information contained therein, it is more appropriate to create a single national database for this purpose than to mandate the 52 wings to each create a separate database. CAP is currently exploring the possibility of outsourcing data collection and data maintenance to an industry leader and has begun discussions with industry to that end. An inherent problem not mentioned in the draft report is assurance of the reliability and accuracy of data entered into the database (regardless of whether the database is maintained by the wings or nationally). To address that concern, the CAP Executive Director has initiated discussions with CAP-USAF/CC seeking assistance of liaison staff in verifying the accuracy of information entered into the database by authorized CAP personnel in the field, as by review of supporting documents kept on file at the wing.

A.2.g. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol revise Civil Air Patrol Regulation 60-1 to ensure wing headquarters is responsible for maintaining files of its active pilots.

CAP Comment: CAP concurs with this recommendation. Drafting has begun in anticipation of implementation by 1 Jan 01.

A.2.h. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol consolidate pilot records and personnel files and require a universal index or checklist

wherein pilot certification requirements are placed on the front cover of each file to ensure currency of pilots.

CAP Comment: CAP does not concur with this recommendation. CAP considers reliance on paper files to make day-to-day decisions on pilot competency in such a far-flung national organization an antiquated and unworkable approach. CAP proposes instead to implement a national pilot database accessible to all decisionmakers (commanders, flight release officers, etc.), with data entered by appropriate responsible wing personnel based upon review of documentation verifying the qualification (a copy of the pilot's most recent medical certificate, for example). The documentation would then be placed in the pilot records file maintained by the wing. Only electronic data thus verified would be authorized to use for flight release purposes. Paper files maintained by the wings would serve only to archive documentation upon which the verification was based, and would be available for review in connection with the inspection program and CAP-USAF staff assistance visits.

A.2.i. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol expand the National Headquarters database of mission pilots to ensure currency of qualifications.

CAP Comment: CAP concurs with this recommendation and is taking the actions described in response to recommendations A.2.f and g, above, to implement this recommendation.

A.2.j. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol revise Civil Air Patrol Regulations 50-15 and 60-1 to ensure cause for revocation of specialty mission cards includes noncurrency of pilot certifications.

CAP Comment: CAP does not concur with this recommendation. Just as a pilot certificate is necessary, but not sufficient, to operate a civil aircraft (a current medical certificate is also required), so a specialty mission card is necessary but not sufficient to perform the duties of a CAP pilot. Insuring that the Flight Release Officer has access to a current and accurate validated pilot qualification data base to verify that the pilot's qualifications are current negates any need to rescind and reissue specialty mission cards for pilots as they pass into and out of currency.

B. Aircraft Replacement Program

Finding:

CAP could not adequately administer its aircraft replacement program because it did not:

- adequately justify its goal to maintain a fleet with an average age of 10 years,
- accurately maintain an inventory of its aircraft,
- report accurate and reliable aircraft usage data,
- adequately distribute aircraft among wings and regions,

- establish a separate procurement account, and
- use the Hull Self-Insurance account to replace totally damaged aircraft.

As a result, CAP could not ensure effective and efficient accountability, distribution, or replacement of aircraft. Also, the use of the CAP Aircraft Modernization Program (CAMP) account for repair and replacement of aircraft had an appearance of impropriety. Moreover, the use of appropriated funds rather than the Hull Self-Insurance fund to replace damaged aircraft could affect the program goal to replace aircraft because of age.

CAP Comment: CAP concurs that there have been problems in the administration of this program, proposed solutions to which are discussed in response to the Draft Audit Report recommendations enumerated below. CAP contends, however that blame for the historic problems of this program is misplaced in the Draft Audit Report. The draft report points out that the Logistics Directorate is a CAP-USAF (i.e.: Air Force) office that manages aircraft procurement and maintenance, vehicle procurement and maintenance, and CAP supply. The Air Force Audit Agency excoriated CAP-USAF for failing and refusing to turn over this function to CAP as part of the 1995 reorganization, without legal authority. Legally or not, the Air Force retained direct operational control over that function. Therefore, blame for the failings of that office and the programs it was responsible to administer should be placed squarely on the shoulders of the Air Force, not CAP.

Recommendations:

B.1.a. The Draft Audit Report recommends that the National Commander, Civil Air Patrol, through the National Board and National Executive Committee, conduct a study of its fleet using actual inventory and usage data.

CAP Comment: CAP concurs with this recommendation. Under direction of the National Commander, and in accordance with the provisions of the Statement of Work to the Cooperative Agreement, the recommended study is currently underway. Completion is anticipated by 1 Oct 02.

B.1.b. The Draft Audit Report recommends that the National Commander, Civil Air Patrol, through the National Board and National Executive Committee, redefine criteria and specify items reimbursable from the Civil Air Patrol Aircraft Modernization Program account.

CAP Comment: CAP concurs with this recommendation. Under the direction of the National Commander, the Executive Director, CAP/FM and LG are developing redefined criteria and specifying items reimbursable from the CAMP account. Implementation is anticipated by 1 Nov 00.

B.1.c. The Draft Audit Report recommends that the National Commander, Civil Air Patrol, through the National Board and National Executive Committee, Dissolve the Hull Self-Insurance Account.

CAP Comment: CAP does not concur with this recommendation. CAP proposes to review and redefine criteria and specify items payable from the HSI account, then use the account for those purposes. Under the provisions of the May 97 NEC decision cited in the draft report, the Executive Director has the discretion to use CAMP or HSI funds to repair damaged aircraft. The Executive Director will exercise that discretion to use HSI funds to repair damaged aircraft. The Executive Director will recommend to the NEC at its Nov 00 meeting that aircraft destroyed by accidents be replaced by using HSI funds.

B.1.d. The Draft Audit Report recommends that the National Commander, Civil Air Patrol, through the National Board and National Executive Committee, delegate authority to the Executive Director to ensure proper management and usage of aircraft and to ensure successful implementation of the corporate goal to have an aircraft fleet with an average age of 10 years.

CAP Comment: CAP concurs with the recommendation to delegate authority to the Executive Director to ensure proper management and use of aircraft. The National Commander has delegated this authority to the Executive Director. The CAP Operations Committee is reviewing the stated corporate goal to have an aircraft fleet with an average age of 10 years in light of experience and anticipates making a recommendation to the National Executive Committee for action at the November meeting. The Executive Director will execute the resulting policy in consultation with affected commanders at the national, region and state levels and with CAP-USAF.

B.2.a. The Draft Audit report recommends that the Executive Director, Civil Air Patrol, revise and update aircraft inventory and assign codes to facilitate identification of aircraft (powered and nonpowered) including replaced aircraft. The Draft Audit Report recommends the inventory include applicable information on the aircraft, such as date of purchase, purchase price, date replaced, selling price, tachometer hours at time of purchase, and unit receiving monies from the sale of totally damaged aircraft.

CAP Comment: CAP concurs with this recommendation and has begun preparation of the revised and updated inventory in connection of the transfer of logistics and acquisitions functions from the Air Force to CAP now in process. Completion is anticipated during the first quarter of FY 01.

B.2.b. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol establish procedures that:

- (1) Require units to report actual number and type of aircraft assigned to ensure accountability.
- (2) Identify aircraft that have been destroyed, reassigned, replaced, refurbished, or sold.
- (3) Remove aircraft that have been destroyed, replaced, and sold from the inventory.
- (4) Monitor reporting of monthly flying hours and ensure the aircraft flown match aircraft in the inventory.

CAP Comment: CAP concurs with this recommendation. CAP Regulation 67-4, *Acquiring, Reporting and Disposing of Corporate Aircraft*, establishes procedures and reporting requirements for some, but not all, of items (1) through (3). The Executive Director has tasked the new CAP/LG directorate to give high priority to developing recommended changes to this regulation and providing procedures to fully accomplish items (1) through (3) above. Implementation is anticipated to occur by 1 Jan 01. With respect to item (4), the Executive Director has tasked CAP/DO, FM and LG to develop procedures to accomplish that item within the first quarter of FY 01.

B.2.c. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol suspend flying activities for those wings that continuously fail to report flying hours and reduce the number of aircraft assigned to wings that continue to ignore reporting requirements even after suspension action has been rendered.

CAP Comment: CAP concurs with this recommendation in large part. CAP concurs that flying activities should be suspended for those wings that continuously fail to report flying hours and that the number of aircraft assigned to wings that continue to ignore reporting requirements even after suspension action should be reduced. Consistent with the shared leadership and management philosophy discussed above in Part A, CAP believes that authority to suspend flying activities (being an activity conducted by volunteer members) should remain with the National Commander, while authority to reassign aircraft (being corporate assets) should be exercised by the Executive Director with prior approval of the National Commander.

B.2.d. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol redistribute aircraft with low usage to wings and regions with high usage.

CAP Comment: CAP concurs with this recommendation in large part. CAP concurs that aircraft with low usage should be redistributed to regions and wings with high usage. The National Commander is presently reviewing aircraft usage data and intends to order the first such redistribution of aircraft in the organization's recent history during Oct 00. The Executive Director will take all actions necessary to effectuate this redistribution.

B.2.e. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol establish aircraft procurement and major maintenance accounts separate from the Civil Air Patrol Aircraft Modernization Program.

CAP Comment: CAP does not concur with this recommendation. Aircraft procurement and major maintenance (not including replacement or repair of aircraft damaged in accidents, which should be paid from HSI account funds) are proper uses of the CAMP account. CAP proposes to review and redefine criteria and specify items payable from the CAMP account as discussed in response to recommendation B.1.b, above.

B.2.f. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol revise CAP Regulation 66-1, "Civil Air Patrol Maintenance Management," February 1,

2000, to stipulate that wings and regions are responsible for minor maintenance or repair as a result of an accident or incident of an assigned aircraft.

CAP Comment: CAP does not concur. CAP proposes to pay all maintenance or repair resulting from an accident or incident from the HSI fund.

B.2.g. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol establish the Civil Air Patrol Aircraft Modernization Program account as a separate account to adequately trace wing and region reimbursements.

CAP Comment: CAP concurs with this recommendation and has already completed implementation.

B.2.h. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol dissolve the Hull Self-Insurance account and distribute the balance of the fund to units.

CAP Comment: CAP does not concur with this recommendation. CAP proposes to redefine criteria and specify items payable from the HSI account and to use the account for those purposes, as discussed in response to recommendation B.1.c, above.

C. Flying Program

Finding:

CAP did not have supporting documentation, so it could not adequately validate the 115,000 flying hours for FY 1998 and the 109,000 flying hours for FY 1999 for reimbursable and nonreimbursable missions because CAP did not have a source document to support monthly flying hour reports. As a result, without a supporting document flying hours reported monthly could not be validated. In addition, claims for reimbursements such as counterdrug, search and rescue, liaison proficiency flying, or other missions, could be claimed or reimbursed more than once.

CAP Comment: CAP does not concur with the finding that CAP did not have supporting documentation. CAP is document rich, especially in its flying program. The problem is not that there is no documentation, but that documents designed to collect flying times for different purposes sometimes yield different totals when their results are attempted to be used for purposes other than those intended. CAP does concur that the data gathering process needs streamlining and improvement in accuracy. Proposed methods of achieving those goals are addressed below.

Recommendations:

C.1.a. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol obtain agreement with the Civil Air Patrol-U.S. Air Force to assign wing and region

liaison offices as a central point for maintaining, reporting, tracking, and validating flying hours for each wing.

CAP Comment: CAP concurs with this recommendation. The Executive Director is actively seeking agreement of CAP-USAF to assign this responsibility to wing and region liaison offices.

C.1.b. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol revise Civil Air Patrol Regulation 60-1, "Civil Air Patrol Flight Management," August 1, 1998, and other applicable directives and instructions to reflect changes in requirements and to initiate procedures for:

- (1) Implementing a source document for recording and monitoring flying hours for each aircraft.
- (2) Reassigning aircraft when the losing unit claims and reports the hours flown on an aircraft up to the last tachometer reading before the aircraft was reassigned and the gaining unit claim and report flying hours from the last tachometer reading recorded in the logbook before the aircraft was reassigned.
- (3) Requiring officials of the Civil Air Patrol Operations Division to validate and approve the number of hours claimed for reimbursement before payment.
- (4) Paying claims for reimbursement only when responsible officials in both the Civil Air Patrol-U.S. Air Force liaison office and the Civil Air Patrol Operations Division approve the claims.

CAP Comment: CAP concurs with items (1), (2) and (4) of this recommendation. As directed by the Executive Director, CAP/DO is drafting revisions to accomplish these recommendations. Implementation is anticipated by 1 Jan 01. CAP does not concur with item (3) of this recommendation. CAP proposes that the validation would be better performed by Air Force oversight personnel assigned to CAP-USAF wing liaison offices. The Executive Director is actively seeking agreement of CAP-USAF to assign this responsibility to these personnel.

D. Financial Management.

Finding:

CAP does not have current accounting policies and procedures, did not process purchase requests properly, and had an internal audit staff that performed duties and functions that conflicted with internal auditing standards. Furthermore, the CAP internal audit staff has not performed internal audits annually since FY 1996. These conditions occurred because CAP did not update its policies and procedures after installing a new accounting system and did not enforce the policy for processing purchase requests and payments. In addition, the internal audit staff wrote accounting procedures and performed other accounting duties rather than performing audits of the financial operations of CAP. As a result, CAP may not be in compliance with Office of Management and Budget (OMB) Circulars and DoD Grant and Agreement Regulations regarding effective control and

accountability over funds; reporting on the efficiency and effectiveness of operations; and the reliability of financial reporting if the cooperative agreement between CAP and the Air Force is signed and becomes effective in FY 2001.

CAP Comment: CAP concurs with the finding and is taking the corrective actions described below.

D.1.a. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol require the Financial Management Directorate to update accounting policies and procedures prior to FY 2001 and ensure that adequate controls are in place.

CAP Comment: CAP concurs with this recommendation. Updating of accounting policies and procedures is already well underway, with completion anticipated prior to 1 Oct 00. Thereafter, the Executive Director will continue to evaluate CAP's internal control mechanisms on an ongoing basis and to implement such changes as may appear prudent in the exercise of sound business judgment and consonant with good management practices.

D.1.b. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol require the Financial Management Directorate to develop a control mechanism that will ensure purchase requests and payments are not processed without required approvals and supporting documentation.

CAP Comment: CAP concurs with this recommendation. The recommended control mechanism is now in place. Upon implementation of the Cooperative Agreement on 1 Oct 00, CAP's purchasing policy will be superseded by procurement standards of the Federal Acquisition Regulations.

D.1.c. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol transfer all accounting-related duties performed by the internal audit staff to the accounting department.

CAP Comment: CAP concurs with this recommendation and the Executive Director has begun a reorganization of the FM directorate to facilitate transfer of these duties as recommended. Implementation is anticipated to be completed within the first quarter of FY 01.

D.2. The Draft Audit Report recommends that the Executive Director, Civil Air Patrol require the internal auditor to prepare an annual internal audit plan for review of the Civil Air Patrol headquarters financial operations beginning in FY 2001.

CAP Comment: CAP concurs with this recommendation. The Executive Director has tasked the internal auditor to prepare an annual internal audit plan for FY 01. The plan is anticipated to be completed in Oct 00 and executed during FY 01 and following years.

Audit Team Members

This report was prepared by the Readiness and Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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INTERNET DOCUMENT INFORMATION FORM

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