

# Audit



# Report

OFFICE OF THE INSPECTOR GENERAL

MANAGEMENT AND ADMINISTRATION OF THE  
UNITED STATES MILITARY ACADEMY

Report No. 96-054

January 5, 1996

Department of Defense

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**Acronyms**

K&E  
ODIA

Key and Essential  
Office of the Directorate of Intercollegiate Athletics



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



January 5, 1996

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Management and Administration of the United States  
Military Academy (Report No. 96-054)

We are providing this audit report for review and comment. The audit was performed in response to a congressional request. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all unresolved issues be resolved promptly. Therefore, we request that the Army provide additional comments by March 5, 1996, on the changes to the procedures for the allocation of available housing, verification on leave and earnings for regularly scheduled overtime users, reclassification and deletion of positions in the Cadet Mess and Treasurer's Office, conversion of noninstructional positions identified in a previous report, and requirements for written justifications and restrictions on the use of overtime. See Findings A, C, D, and E for the required responses.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Harlan M. Geyer, Audit Program Director, at (703) 604-9594 (DSN 664-9594). See Appendix I for the report distribution. Audit team members are listed inside the back cover.

*David K. Steensma*

David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 96-054  
(Project No. 4RA-5051.02)

January 5, 1996

### Management and Administration of the United States Military Academy

#### Executive Summary

**Introduction.** The Chairman, Senate Subcommittee on Manpower and Personnel,\* Committee on Armed Services, requested this audit in response to a provision in the National Defense Authorization Act for FY 1993. That provision directed the Inspector General, DoD, to audit the noninstructional military staff positions at the Service academies. The Chairman, however, desired an overall evaluation of the management and administration of the academies.

**Audit Objectives.** The audit objectives were to determine whether the operations of the U.S. Military Academy (Academy) were within the intent and scope of United States Code, title 10, and DoD guidance; to evaluate the economy and efficiency of the operations of the Academy; and to follow up on recommendations in Inspector General, DoD, Audit Report No. 94-005, "Noninstructional Military Positions at the United States Military Academy," October 15, 1993. The audit also evaluated the effectiveness of applicable management controls at the Academy.

**Audit Results.** The Academy was operating within the intent and scope of United States Code, title 10, and DoD guidance. The audit identified the following conditions as warranting management action.

- o The Academy did not ensure that civilians authorized to reside on-post were kept to a minimum, were designated key and essential employees, or were the only civilian employees issued military identification cards. Also, the Academy had not reviewed rental charges for Government housing for more than 10 years. As a result, housing needed for active duty military personnel assigned to West Point was not available, the Academy was losing revenue on rental charges, and unauthorized personnel carried military identification cards (Finding A).

- o The Academy's procedures for documenting, updating, and collecting for reimbursable services were deficient. As a result, the Academy may not be properly reimbursed for the services it provides (Finding B).

- o The Academy did not sufficiently review and document the justifications for premium pay for personnel in the Office of the Directorate of Intercollegiate Athletics. Also, instructors with coaching duties at the Office of the Directorate of Intercollegiate Athletics earned compensatory leave that caused unjust hardship on the Department of Physical Education. As a result, the Academy has no assurance that funds expended for premium pay or the compensatory leave program meet its needs (Finding C).

- o The Academy's procedures for handling cadet pay duplicated Defense Finance and Accounting Service functions and led to the creation of a separate and unique cadet pay system. Additionally, the Academy had not implemented the agreed-upon conversions identified in Inspector General, DoD, Audit Report No. 94-005. As a result, payroll functions were duplicated and an inefficient and untimely payment transaction process was created (Finding D).

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\*Now, Subcommittee on Personnel.

o The Academy did not properly authorize and approve overtime before funds were obligated and expended. As a result, the Academy has no assurances that funds were properly or efficiently expended (Finding E).

o The Academy used two fixed-wing aircraft the academic dean owned for flight laboratories. As a result, about \$0.4 million for the aircraft may have been budgeted unnecessarily for FYs 1996 through 2001 (Finding F).

Recommendations in this report, if implemented, will improve the economy and efficiency of the Academy as well as improve the effectiveness of the Academy's programs. About \$1.4 million could be put to better use for the FYs 1996 through 2001 Future Years Defense Program by deleting and converting military positions and implementing the prior audit recommendations. Further, military and civilian personnel will be available for more appropriate assignments. Strengthening management controls for overtime policies and practices, the review of functions and services duplication, ensuring reimbursement for services, the timely updating of agreements, ensuring that only key and essential personnel reside on-post, the issuance of identification cards, and the review of housing rental rates will also improve the economy and efficiency of the Academy and enhance Academy programs. Appendix G summarizes the potential benefits of the audit.

**Summary of Recommendations.** We recommend reevaluating the criteria for key and essential personnel and updating rental rates civilians are charged for housing; updating and completing support agreements, developing a consistent audit trail, and establishing a centralized office for oversight of all reimbursements; reevaluating the authorization of premium pay and establishing provisions wherein faculty and personnel under Title 10 are on a 12-month contract; converting one military billet to civilian and deleting one military billet, thereby eliminating the Office of the Treasurer and transferring those functions to the Defense Accounting Office-West Point; updating the guidance for the administration of overtime and establishing a management control plan; and determining feasible alternatives to fulfill the flight laboratories' requirements.

**Management Comments.** The Army concurred with all but five recommendations in the draft report. The Army nonconcurred with the three recommendations related to changing the procedures for the allocation of available housing; converting, as agreed to, the 20 noninstructional military positions identified in a prior Inspector General, DoD, report; and establishing requirements for detailed, written justifications and restrictions on the use of overtime. The Army did not comment on a recommendation to verify that leave and earnings for regularly scheduled overtime users was correct and proposed postponing the recommendation regarding the reclassification and deletion of positions in the Cadet Mess and Treasurer's Office until those actions can be revalidated later in the fiscal year. See Part I for a summary of management comments and Part III for the complete text of the comments.

**Audit Response.** We maintain that implementation of the recommendations to change the procedures for allocation of available housing, establish and control overtime, verify leave and earnings for regularly scheduled overtime users, and reclassify and delete positions in the Cadet Mess and Treasurer's Office would improve the economy and efficiency of Academy operations. We also continue to believe that the conversion of the noninstructional military positions from the prior audit will result in more monetary benefits than those identified by the Academy as well as increase the Army readiness posture.

We ask that the Army submit additional comments on the final report by March 5, 1996.

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## **Part I - Audit Results**

## Audit Results

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### Audit Background

The Chairman, Senate Subcommittee on Manpower and Personnel,\* Committee on Armed Services, requested this audit in response to a provision in the National Defense Authorization Act for FY 1993. That provision originally directed the Inspector General, DoD, to audit the noninstructional military staff positions at the Service academies. The Chairman, however, desired an overall evaluation of the management and administration of the Service academies.

The purpose of the United States Military Academy (Academy) is to provide the nation with leaders of character who serve the common defense. The Academy plays a key role in providing leadership for the Army. The Academy provides academic instruction leading to a bachelor's degree, military instruction, and physical training to the Corps of Cadets, which had 4,055 cadets at the time of the audit. The mission of the Academy is to:

educate and train the Corps of Cadets so that each graduate shall have the attributes essential to professional growth throughout a career as an officer of the regular Army, and to inspire each to a lifetime of service to the Nation.

For FYs 1993 and 1994, the Academy expended \$176.9 million and \$197.2 million, respectively. As of October 1994, the Academy was authorized 921 military and 2,140 civilian personnel to carry out its mission.

The Academy is under the command of the Superintendent, United States Military Academy. The Superintendent is subordinate to the Chief of Staff, Headquarters, Department of the Army. The Superintendent was responsible for formulating and executing all policies, procedures, and programs required to accomplish the mission of the Academy.

As the oldest, continually occupied military post in the country, West Point supports a military and civilian community. In addition to being a college campus with academic, social, and athletic activities, the Academy is also the primary organization on the West Point Military Installation (West Point). West Point covers about 16,000 acres and maintains about 11 million square feet of building area. The Superintendent of the Academy also commands West Point.

West Point's mission is to support the West Point community of cadets, military and civilian employees, family members, and retirees and to maintain the environment for the quality of life for all members of the community.

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\*Now, Subcommittee on Personnel.



## Audit Objectives

The audit objectives were to determine whether the operations of the Academy were within the intent and scope of United States Code, title 10, and DoD guidance; to evaluate the economy and efficiency of the operations of the Academy; and to follow up on recommendations in Inspector General, DoD, Report No. 94-005, "Noninstructional Military Positions at the United States Military Academy," October 15, 1993. The audit also evaluated the effectiveness of applicable management controls at the Academy. See Findings A, B, and E for discussions of the material management control weaknesses we identified and Appendix A for the audit scope and methodology and a discussion of the management control program. See Appendix B for a summary of prior coverage related to the audit objectives.

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## **Finding A. Oversight of On-Post Housing Authorizations**

The Academy did not ensure that the civilians authorized to reside on-post were kept to a minimum, were designated as key and essential (K&E) employees, or were the only civilian employees issued military identification cards. In addition, the amount charged for rental of Government housing had not been reviewed for about 11 years. Those conditions occurred because the Academy chose to give special treatment to civilian employees within the Office of the Directorate of Intercollegiate Athletics (ODIA), did not obtain updates to housing rental rates, and did not sufficiently control the issuance of military identification cards to civilians. Because civilians authorized to reside on-post were not kept to a minimum, housing for active duty military personnel assigned to West Point was not available. In addition, rental charges for Government housing was significantly below the market rate, resulting in lost revenues. Also, unauthorized personnel were allowed to carry military identification cards.

### **Available Government Housing**

Government housing for soldiers and eligible civilians at the Academy consisted of approximately 1,390 family-type units at the Academy and Stewart Army Subpost. Civilians eligible to reside in Government housing were those who were designated as K&E by the Superintendent and who met any of the following criteria.

- o Specific duties or times the duties were performed could be met only by an individual residing on the installation.
- o The position occupied by the individual fundamentally contributed to the sense of community and special environment associated with the Corps of Cadets and was an integral part of the Academy experience.
- o The position had specific caretaker or security responsibilities for collocated Government facilities.

Personnel meeting the criteria were required to reside on-post and were authorized issuance of DD Form 1173, "Military Identification Card." Assignment of housing was based on military rank or civilian grade and family size. As of March 1995, 80 military and 61 civilians were designated as K&E at the Academy. For FY 1994, the Academy received approximately \$264,000 in rental income from civilian personnel residing on-post.

## Finding A. Oversight of On-Post Housing Authorizations

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### Military Housing Assignment

The Housing Division holds an annual "Summer Draw" (Draw) for allocation of available housing units. The United States Military Academy Supplement to Army Regulation 210-50, "Installations Housing Management," July 1, 1992, provides guidance and procedures related to the Draw. The following personnel were eligible to compete in the Draw for family or unaccompanied bachelor housing:

- o inbound accompanied and unaccompanied officers, whose assignments to West Point or Stewart Army Subpost had been confirmed by the Department of the Army, with a reporting date from May 1 through August 31;
- o officers assigned to West Point or Stewart Army Subpost who were on the primary or secondary waiting lists as of May 1; and
- o civilians designated K&E.

Before the Draw, the Housing Division distributed a memorandum indicating the Government housing that should be available and a listing of individuals who would be authorized to participate. Quarters were listed by category and number of bedrooms. The categories consisted of field grade (major and lieutenant colonel), company grade (lieutenant through captain), and bachelor officer quarters.

Eligible personnel competing in the Draw were arranged by rank and, within each rank, by date of rank. Personnel participating in the Draw were authorized to select any of the available housing, regardless of family bedroom requirement, when their names were called. The Draw was stopped when housing of a specific bedroom number was close to becoming unavailable to ensure that personnel lower on the list requiring that particular number of bedrooms or location (Stewart Army Subpost) received at least their minimum Government housing requirement.

The Superintendent required that all married military personnel reside on the installation. Further, the Academy's supplement to Army Regulation 210-50 states that military personnel assigned to West Point are to reside at West Point and those assigned to Stewart Army Subpost are to reside at Stewart Army Subpost. The assignment of housing by date of rank did not allow personnel assigned to West Point with lower dates of rank and large families the opportunity to obtain the larger number of bedrooms. In addition, many personnel lower on the list had to accept housing at Stewart Army Subpost to meet their family bedroom requirements.

We observed the Draw for field grade and company grade housing. Before the Draw for field grade officers, a change was made so that all personnel having large family requirements were allowed to draw first. This change affected only the field grade officers. Our analysis of the Draw showed that all personnel received at least their required family bedroom authorization, but not necessarily what was best for the military personnel and their families. Army

## **Finding A. Oversight of On-Post Housing Authorizations**

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Regulation 210-50 identified only the date of rank in the selection of Government housing when more than one person required the same number of bedrooms. To allocate available housing in a manner that fairly benefits the military personnel and their families, the Draw should be conducted by rank and bedroom requirement. For like bedroom requirements within rank, the date of rank should be used.

### **Civilians Residing in Government Housing**

**Designation of Civilians as Key and Essential.** Army Regulation 210-50, "Housing Management," April 24, 1990, Update, section 3-11, "Key and Essential Personnel," provides guidance for the designation of K&E personnel. Of the 61 civilians designated K&E, 36 were assigned to the ODIA. As of March 1995, 29 employees of ODIA resided on the installation.

**Key and Essential Contract Coaches Residing on West Point.** As part of their employee benefit package, contract coaches were required to reside on-post. ODIA managed 18 family-type housing units on West Point set aside for this purpose. As of March 1995, 22 contract coaches lived on West Point of which 16 coaches lived in ODIA housing. The remaining six coaches lived in Government family housing. United States Military Academy Supplement to Army Regulation 210-50 states that ODIA contract coaches may be assigned to Government family housing, but the Department of the Army must grant approval to increase the categories of personnel identified in the Regulation. The required authorization from the Department of the Army had not been obtained.

**Other Key and Essential Coaching Staff Residing on West Point.** In addition to the contract coaches, all civilian head coaches and the head trainer were designated K&E. Moreover, the Director of ODIA was also K&E and resided in the same senior officer housing he maintained while on active duty at the Academy. No other civilian directors or academic personnel at the Academy were designated K&E or resided in Government housing. Part of the justification for designating ODIA personnel K&E was that the incumbents' duties required their immediate availability on the installation. As a result, 35 of the 64 coaches assigned to ODIA and the Director were designated K&E and resided on the Academy, while 167 military personnel assigned directly to West Point resided in housing at Stewart Army Subpost. The Subpost is approximately 17 miles from the Academy. Analysis showed that 38 of the 167 personnel residing at the Subpost were assigned to the academic and military instruction programs of the Academy. The mission of the Academy was to educate and train the Corps of Cadet. Active duty military personnel who are assigned to the Academy and who are responsible for accomplishing its mission should have first preference of available housing.

Another justification for designating ODIA personnel K&E was that their presence contributed to the sense of community and the special environment associated with the Corps of Cadets. Striving toward that goal, the

## **Finding A. Oversight of On-Post Housing Authorizations**

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Superintendent required that all married military personnel assigned to the Academy not only reside on the installation, but that they also be mentors to the cadets. This goal was in line with the mission of the Academy to "inspire a lifetime of service to the Nation." For military personnel to meet the directive of the Superintendent, they should have immediate availability to on-post housing on the West Point installation. Further, according to Army Regulation 210-50, military personnel with accompanying dependents should be the first category eligible for family housing.

**Key and Essential Chaplains Residing on West Point.** Further review of K&E civilians showed that all civilian chaplains were considered essential because of their long hours and contribution to the sense of community. However, the four military chaplains assigned to the Academy were not considered K&E. It would be more cost-beneficial and more supportive to the mission of the Academy and to the professional growth of the cadets to rely on the military chaplains as K&E instead of the civilian chaplains.

Our review also showed that one civilian assistant chaplain was allowed to move from his authorized two-bedroom residence to a four-bedroom single family dwelling. The reason for the move was the need for extra space for entertaining and counseling cadets. However, five chapels, a community chapel center, and various office space were available at the Academy to accommodate this requirement. Additionally, according to Army Regulation 210-13, "General/Flag Officer's Quarters (GFOQ) and Installation Commander's Quarters (ICQ) Management," May 31, 1991, identified entertainment space in family housing only for general officers and installation commanders. Although the housing assigned was not designated to any particular grade, the housing should have been competed for in accordance with guidance in the Academy's supplement to Army Regulation 210-50. As of March 1995, 32 officers were on the secondary list waiting for an intrapost move. Of those officers, six were residing at Stewart Army Subpost but were stationed at the West Point installation. The Academy is a military installation, and the needs of active duty military personnel should have been considered first.

**Non-Key and Essential Personnel Residing in Government Housing.** Guidance regarding housing for non-K&E civilian personnel in paragraph 3-6j of Army Regulation 210-50 states:

In the United States and its possessions, only key and essential civilian employees, as determined by the installation commander, may be assigned Government family housing except when housing is excess to installation needs. Installation commanders may grant exceptions (for example, isolated duty locations).

The Superintendent, as the installation commander, may deviate the priority of the assignment of family housing on a case-by-case basis to alleviate undue hardship.

## Finding A. Oversight of On-Post Housing Authorizations

Eighteen civilians who were not designated K&E reside on West Point (Table 1).

**Table 1. Non-Key and Essential Personnel Residing on West Point**

<u>Job Assignment</u>	<u>Number of Personnel</u>
Cadet Mess Civilian Dormitory*	13
Hotel Thayer, Manager	1
Caretaker Lake Frederick	1
Directorate of Housing and Public Works	2
Directorate of Information Management*	1

\*Personnel reside in temporary excess Bachelor Quarters.

**Cadet Mess Civilian Dormitory.** Selected Cadet Mess personnel have been authorized to reside on the Academy since the mid-1950s when a number of personnel in the Pennsylvania area were hired and promised housing if housing was not reasonably available in the area. According to Standard Operating Procedure Number 30-10, "Operation of Civilian Barracks," September 12, 1991, authorization to live in the civilian barracks is a privilege. Applicants must be bona fide bachelors or geographical bachelors whose spouses are residing outside a 70-mile radius of the Academy. Personnel residing in the dormitory were required to pay a \$19.15 per pay period fee to the Directorate of Housing and Public Works. As of March 1995, 13 employees of the Cadet Mess resided in building 664.

In April 1992, the Garrison Commander sent notice to the president of the local American Federation of Government Employees. The notice stated that the building occupied by Cadet Mess personnel was approved for long-range facilities plans and was designated for required Government housing for soldiers and eventual destruction. To avoid further complications for employees residing in the facility, the Garrison Commander again notified the Cadet Mess in July 1993 that no new personnel were to be allowed to move into the dormitory. Our review of the 13 personnel residing in the dormitory showed that at least 4 personnel had moved into the Government housing since that date. Further analysis showed that two of the four personnel had moved in in 1995.

**Other Non-Key and Essential Personnel.** As part of their employment requirement, the manager of the Hotel Thayer and the caretaker for Lake Frederick were required to reside on the installation, although neither position was identified as K&E. Management and rental of their residences was not through the Housing Division. Since our initial review, the two personnel in the Directorate of Housing and Public Works have been designated K&E. The remaining non-K&E personnel resided in housing identified as excess to the Academy.

## **Finding A. Oversight of On-Post Housing Authorizations**

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No centralized office has oversight for the assignment of on-post housing to civilians. Oversight is needed to ensure that only civilian personnel designated K&E reside on the installation and that established policies and guidance are followed.

### **Rental Rates for Government Housing**

The assignment of Government housing and rental charges depended on the size of the housing assigned and the individual's pay grade. The principles and general policies for establishing and administering rents for Government housing and charges for related facilities are in Army Regulation 210-12, "Establishment of Rental Rates for Quarters Furnished Federal Employees," March 15, 1977. Rental and utility rates charged should be comparable to those of the surrounding private community. Further, the Regulation states that rental rates should be updated at least every 5 years and reviewed annually and adjusted as necessary.

The Academy has one-, two-, three-, four-, and five-bedroom apartments, duplexes, and single residences available for rent. Comparable housing in the private sector is generally equivalent in size to the rental housing, with the same number of bedrooms and with equivalent amenities and related facilities. An established community is ordinarily the nearest populated center.

The Real Estate Division, U.S. Army Corps of Engineers, New York, completed the last fair market rental appraisal of housing at the Academy December 10, 1986. The Directorate of Housing and Public Works disputed the rental rates provided for civilian occupants, because the new rental rates had numerous inconsistencies, as well as extremely low rents as compared to rentals in the local community. We identified the following inconsistencies:

- o Rents and utilities decreased, ranging from \$6 to as much as \$123 from the prior appraisal schedule.

- o Variances existed in rental appraisals of Government housing. For example, a Government 797-square-foot duplex was:

- \$150 more than a 1,100-square-foot triplex;
- \$15 more than a 2,600-square-foot, five-bedroom single family house; and
- \$7 more than a 3,666-square-foot, five-bedroom single family house.

- o The charges for electricity decreased as much as 45 percent. However, the cost of electricity for a one-room efficiency was the same as for a 10-room house.

## Finding A. Oversight of On-Post Housing Authorizations

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Our analysis of the 1986 appraisal showed that 32 of the 72 appraised dwellings had rental rates lower than shown in the previous appraisal. A private firm was contracted by the Directorate of Housing and Public Works to survey the local rental area. The survey showed that the rates the Corps of Engineers identified were very low. The Director of Housing and Public Works thereafter made several requests to the Corps of Engineers to correct the rates; however, the rates were never adjusted.

Because of the disparity in the rates, the Academy did not use the 1986 appraisal, and the Corps of Engineers did not perform a new appraisal. Rental rates were still based on the rates established in the Corps of Engineers' 1984 appraisal. The Academy had adjusted those rates annually according to the consumer price index, except for the rate change for 1988. The Academy did not implement this change of 3.9 percent because of disputes regarding the appraisal. Therefore, in addition to the existing rental and utility rates being out-of-date, the amount charged for rental was even lower because of the omission of the 1988 annual adjustment.

Our marketing analysis of private-sector housing within a 30-mile radius of West Point determined the average rental rate for comparable housing (Table 2).

Table 2. Academy Rental Charges are Below Fair Market Value				
Type of Housing	Average Rent Government	Average Rent Commercial	Average Dollar Difference	Percentage Difference
1	\$229	\$ 530	\$301	57
2	308	687	379	55
3	385	862	477	55
4	462	912	450	49
5	589	1,317	728	55

Our analysis showed that the rental charges at the Academy averaged about 54 percent below the current fair market value for commercial housing within the surrounding area.

The last appraisal was more than 11 years ago. Controls need to be implemented by the Department of the Army to ensure that the provisions of the regulations are implemented and that the Academy charges rates compatible to the local surrounding community.



## **Finding A. Oversight of On-Post Housing Authorizations**

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### **Issuance of Military Identification Cards to Civilians**

**Guidance for Military Identification Cards.** A privilege for civilian personnel residing on the installation is issuance of a military identification card. According to Army Regulation 600-8-14, "Identification Cards, Tags, and Badges," July 15, 1992, section XVI, part 6-31:

a. Certain U.S. citizen civilian employees of the DoD and the Uniformed Services and their accompanying family members are authorized issue of a DD Form 1173 when required to reside in a household on a military installation within continental United States (CONUS), Hawaii, Alaska, and Puerto Rico.

b. U.S. citizen civilian employees of the DoD, the Uniformed Services and other Government agencies and U.S. citizen civilian employees of firms under contract to the DoD or a Uniformed Service, when stationed or employed in foreign countries, and their family members when residing in the same household.

DD Form 1173 is the military identification card (Card). Those civilians authorized issuance of the Card are allowed limited use of the commissary, post exchange, and the post service station. The Card is stamped "USMA [United States Military Academy] use only."

To acquire the Card, the Academy required the employee to complete DD Form 1172, Application for Uniformed Services Identification Card. Section IV of the application was to be verified by the employee's supervisor who authorized issuance of the Card.

**Issuance of Military Identification Cards to Civilians.** We obtained from the Identification Card Section at the Office of the Adjutant General a listing of civilians who were issued the Cards. The listing identified 42 civilian employees. Our analysis of the listing showed that of the 42 employees, only 37 were K&E and were required to reside on-post.

Our review of the remaining five civilians showed that three individuals were no longer employed at the Academy and the other two employees, although residing on-post, were not required to. Therefore, the two employees should not have been issued the Cards. Personnel at the Identification Card Section said that they did not receive a listing of personnel who were designated K&E. The only verification required was the authorization of the employee's supervisor in section IV of DD Form 1172.

**Issuance of Military Identification Cards to Contract Personnel.** Contract personnel are authorized the Cards only when working for the Government outside the United States. Contract personnel residing on the installation included visiting professors and contract coaches. Analysis of the personnel having the Card showed that 15 contract personnel assigned to ODIA, including 1 employee no longer at the Academy, were issued Cards. The Superintendent,

## **Finding A. Oversight of On-Post Housing Authorizations**

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as the installation commander, is authorized by regulation to grant limited post exchange and service station use to contract personnel, but not commissary privileges.

No procedures or controls were in place to ensure that only DoD or Army employees who were required to reside on-post were authorized to be issued the Card. In addition, no controls ensured that personnel who left the installation returned the Card to the authorization official. The three employees who left the Academy still had unexpired Cards. One of those individuals retired within the commuting area. Procedures and controls are needed to ensure that only DoD and Uniformed Service personnel who are designated K&E and who are required to reside on the installation are issued the Card and that the Cards are retrieved upon departure from the Academy.

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

**A. We recommend that the Superintendent, United States Military Academy:**

**1. Establish policies to ensure that military personnel are given preference in the assignment of Government housing.**

**Management Comments.** The Army concurred and stated that guidance was issued on May 11, 1995, that would enhance assignment of housing units at West Point to military personnel.

**Audit Response.** Although the Army concurred, its response did not indicate what guidance was issued and how the guidance would enhance assignment of housing units at West Point to military personnel. We request that in response to the final report, the Army indicate the details of the action taken to enhance housing assignments.

**2. Conduct the Summer Draw of available housing by rank and bedroom requirement and, within rank, list personnel by date of rank for like bedroom requirements.**

**Management Comments.** The Army nonconcurred, stating that it was unnecessary to change housing policy for the Summer Draw, because all assigned personnel are adequately housed and new construction of military housing at West Point will resolve the need to use housing at Stewart Army Subpost.

**Audit Response.** We do not disagree that all assigned personnel are adequately housed, but we are concerned that 38 military personnel assigned to the academic and military instruction programs at the Academy must reside at a subpost 17 miles from West Point while 35 civilian coaches reside at the Academy. The military personnel are not only instructors, but are mentors for

## **Finding A. Oversight of On-Post Housing Authorizations**

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the cadets, with responsibilities that go beyond the classroom, which we believe are the key and essential functions of the Academy. And while we agree that once the approved construction of additional military housing is completed that our primary concerns should be resolved, we still believe that new housing policies need to be established for conducting the Summer Draws. Therefore, we request that the Army reconsider its position and submit additional comments on the final report.

**3. Task the Army Corps of Engineers to update the Academy's housing rental rates commensurate with the prevailing rental rates in the local community.**

**Management Comments.** The Army concurred and stated that the Corps of Engineers was notified on October 31, 1995, of the need to revise rental rates.

**4. Assign one office the responsibility to establish management controls to ensure that only civilian personnel designated as key and essential are issued a military identification card and to perform periodic reviews to verify that all policies and procedures are properly followed.**

**Management Comments.** The Army concurred and stated that the United States Military Academy Adjutant General has been provided the initial list of key and essential civilians authorized Government housing as of October 31, 1995, and thereafter, will receive termination and assignment documents to ensure propriety of entitlements. In addition, the Chief, Family Housing Division, will conduct periodic management control reviews to ensure compliance with established policies and directives.

## Finding B. Management of Reimbursement Accounts

The Academy had inadequate procedures for documenting, updating, and collecting for reimbursable services. The Academy had not established an audit trail for identifying or costing the services provided. In addition, the Academy did not have a centralized office responsible for establishing and implementing procedures. As a result, the Academy may not be properly reimbursed for the services it provides.

### Types of Reimbursements Received

Of the major organizations at the Academy, nine received reimbursements from various organizations for services rendered. For FY 1994, the Academy collected about \$17.8 million for the 601 active reimbursable accounts (Table 3).

Table 3. Reimbursements Collected		
<u>Organization</u>	<u>Collected</u>	<u>Accounts</u>
Academic Dean	\$ 1,206,651	189
Chief of Staff	80,900	10
Commandant of Cadets	81,307	56
Directorate of Community and Family Activities	1,011,126	3
Directorate of Housing and Public Works	9,741,708	177
Directorate of Information Management	101,537	52
Directorate of Logistics	5,120,381	101
Directorate of Resource Management	362,300	1
Garrison Commander	85,486	12
<b>Total</b>	<b>\$17,791,396</b>	<b>601</b>

Examples of the types of reimbursable services available were facility maintenance, audiovisual services, utilities, cadet haircuts and uniforms, cadet travel for summer training, and academic research.

Support agreements were prepared in response to requests for recurring inter-Service support and to supplement memorandums of agreement and memorandums of understanding that established recurring support. Regulations do not require that one-time support and nonrecurring support be documented in a support agreement.

## Finding B. Management of Reimbursement Accounts

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Besides receiving reimbursements from support agreements, the Academy also received reimbursements for nonrecurring services. All nine of the organizations identified in Table 3 received reimbursements for nonrecurring services. An example of a nonrecurring service would be the Federal Emergency Management Agency submitting a letter that makes a commitment to the Academic Dean to provide a summer training assignment for a cadet. As part of this commitment, the Federal Emergency Management Agency agreed to reimburse the Academy as much as \$3,000 for the cadet's travel costs and per diem expenses during the assignment.

### Support Agreements

DD Form 1144, "Support Agreement," functions as a contractual document between the supplier and receiver, stating the accord reached between both parties and documenting each party's responsibilities. Each agreement specified the types and levels of support to be provided by the supplying activity, the applicable reimbursement arrangements, and other matters affecting the execution of the agreement. The organization providing the service computed the estimated amount of reimbursement agreed to by the customer. Costs should be reviewed annually to ensure continued accuracy of estimated reimbursable charges. The support agreement, however, is not a financial document, because the dollar amounts are estimates.

**Current Status of Agreements.** As of March 1995, the Academy had 29 support agreements; all but 1 had either expired or were incomplete (see Appendix C). Expirations dated as far back as 1988. Analysis of the agreements showed that 12 expired agreements had not been reviewed for reestablishment. The other 16 agreements were being reworked, but had not been finalized and signed by the respective parties. Further, for those 16 agreements, the Academy had established priority for completing and signing 3 agreements for the 3 major Defense customers:

- o Defense Printing Service,
- o Defense Commissary Agency, and
- o Defense Finance and Accounting Service.

Those customers were given priority because they can also be charged for indirect costs incurred. The other 13 agreements being reworked as well as the 12 expired agreements will not be finished until the 3 priority customers' support agreements are completed. However, the Academy has not been able to establish those agreements because it was not consistent in identifying unit cost for each service provided and in ensuring that the services provided would not adversely affect the mission of the Academy.

## **Finding B. Management of Reimbursement Accounts**

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**Incomplete and Unsigned Agreements.** The Defense Commissary Agency (Agency) became fully operational October 1, 1991. A new agreement was required to define the services required. In August 1991, the Agency requested that the Academy complete a generic support agreement identifying the categories of support that the Academy would provide. The Agency also requested that the Academy indicate the estimated cost, cost calculations, and required staff years for each category of support rendered. The Agency again requested this information from the Academy in July 1992, but the Academy never sent the draft agreement. As a result, reimbursement costs for FYs 1992 and 1993 were not agreed upon. In May 1994, the Director of the Agency threatened to terminate reimbursement because no agreement was in effect. A completed agreement was finally submitted to the Agency for review in October 1994 and was signed by the Agency in December 1994. However, in March 1995, the Directorate of Resource Management recalculated the costs and stated that the estimated costs in the agreement were not correct and that the Agency should be notified that the cost of providing support would be reviewed.

**Updating Support Agreements.** In addition to the costing problem, the Academy had not updated agreements for which the services or support performed had changed. For example, the agreement with the 105th New York Air National Guard (Guard) expired in September 1993, but services had changed. The agreement originally allowed the Guard to use various buildings at Stewart Army Subpost and other support services. However, the Guard had built its own facilities and no longer needed the use of any buildings managed by the Academy. However, the Guard still used other support services. Because the categories of support had changed substantially, a new agreement was required to document the types of support supplied and the estimated reimbursement for such support.

**Inconsistent Audit Trail.** No consistency existed between the agreement and the Military Interdepartmental Purchase Request or Letter of Intent received from the servicing activity for funding the authorized reimbursements. Further, there was no uniformity between those documents and the actual billing received from the organization providing the services. The agreement defines the responsibilities of the customer and the organizations providing the service. In addition, the agreement specifies the type and kinds of support being provided and the estimated reimbursement for the support rendered. Supporting documentation that established the actual reimbursement account did not reflect the same type or number of services as identified in the agreement. An audit trail needs to be established and implemented to distinguish the services to be provided, to indicate the cost, and to ensure the consistency of all documentation. In addition, the agreements need to be current to ensure that the Academy is properly reimbursed for the services provided. Because of the inconsistencies, the Academy cannot be assured of receipt of all reimbursement for services rendered. The estimated value of the agreements reviewed was about \$2.1 million, but actual reimbursements for FY 1994 showed receipts of only about \$1.2 million (Appendix C).

## Finding B. Management of Reimbursement Accounts

### Accountability and Collection Procedures

**Established Accounting Procedures for Reimbursements.** To establish a reimbursable account, the customer receiving the support submits a Letter of Intent or a Military Interdepartmental Purchase Request to the specific organization providing the service. This documentation provides a funding ceiling level and states the purpose for the funds. In turn, the servicing organization submits that information to the Defense Accounting Office-West Point which establishes the reimbursable account. However, in some cases, only the funding level was provided to the Accounting Office. An individual customer can have multiple accounts for each specific service received. For example, the Defense Commissary Agency had separate customer accounts for fuel support, utilities, vehicle maintenance, laundry services, and telephone support. However, the Academy made payments for services rendered in one lump sum. In addition, the Academy made payments to the servicing organization without identifying it on the documentation. The Accounting Office must determine the disbursement of the payments if the wrong accounts are credited. As a result, the Academy had no assurance that the proper amounts were being credited to the correct reimbursable accounts.

**Collection Procedures for Reimbursements.** Collection procedures for both recurring and nonrecurring reimbursements are similar. The various organizations providing services are responsible for submitting to the Accounting Office a voucher that identifies the services rendered for payment from the customer. Once these data were received and input into the accounting system, a bill was generated and mailed to the customer. Accounts were considered delinquent when balances were outstanding for more than 30 days.

**Outstanding Accounts Receivable.** As of March 24, 1995, the Academy had a total of about \$1 million in accounts receivable, of which about \$251,000 was for FYs 1992 through 1994 reimbursements (Table 4).

**Table 4. FYs 1992 Through 1994 Accounts Receivable**

<u>FY</u> <u>1992</u>	<u>FY</u> <u>1993</u>	<u>FY</u> <u>1994</u>	<u>Total</u>
\$2,577	\$34,552	\$213,864	\$250,993

**Responsibility for Collection.** The processing and collecting of all unpaid reimbursements had been mainly the responsibility of the Accounting Office. Collection procedures consisted of the Accounting Office either calling or sending letters to the delinquent customer. The main problems with collection on delinquent accounts were customers claiming they never received a bill or just ignoring the bills altogether.

The program manager for support agreements gets involved only if payments on the reimbursable account have outstanding balances that are about a year old.

## **Finding B. Management of Reimbursement Accounts**

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The extent of the program manager's involvement was based on consideration for life, safety, and health. Depending on those considerations, one of the following actions could be taken:

- o the customer pays the outstanding obligation;
- o the organization providing the services threatens to terminate all or part of the customer's services; or
- o the organization providing the services renegotiates the outstanding reimbursement, and the Academy absorbs part of the costs.

**Directorate of Housing and Public Works Accounts Receivable.** Analysis of the outstanding accounts receivable for reimbursements showed that from FYs 1992 through 1994, the Academy's Directorate of Housing and Public Works was owed approximately \$200,000. Approximately \$148,000 of the \$200,000 was owed by the West Point Officers Club (Club). All of the Club's unpaid reimbursement was for utilities provided by the Directorate of Housing and Public Works. The Club had not paid its bill because it believed that the meters measuring electricity usage were not functioning properly. Despite replacement of the meters in 1994, the Club continued to dispute the billing. As of March 1995, the West Point Officers Club still had not paid past or current electric bills.

According to personnel at the Directorate of Housing and Public Works, no procedures were in place to force a customer to pay outstanding obligations for services rendered. Authorization from higher command was needed to enforce payment for services rendered. The Academy needs to establish procedures for collection of open accounts. Otherwise, the Academy may be forced to absorb those costs.

## **Required Management Oversight**

Overall oversight of all reimbursements needs to be centralized. Because there was no oversight, accounts were not updated and maintained properly. For example, although the Academy has two post offices, only one pays for reimbursable services. An annual formal review by the Directorate of Resource Management is not enough oversight.

The budget offices of the organizations rendering support were not concerned with tracking reimbursements to ensure that they were received and that the correct account was credited. The budget offices' main concern was tracking obligations against the account funding ceiling level, because if obligations were exceeded without the ceiling level being increased, the Academy would have to absorb the costs. This involvement in the tracking of reimbursements occurred only during the Directorate of Resource Management annual review of unliquidated accounts.



## **Finding B. Management of Reimbursement Accounts**

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The Academy's support organizations need to review their open accounts on a recurring basis. Those reviews are needed to ensure not only that the ceiling levels are not exceeded but also that accounts are credited properly and timely. Some of the accounts, such as cadet travel, could take up to 6 months to close out. Reimbursements are the responsibility of the organizations providing the service; therefore, the organizations should be required to provide recurring oversight of those resources.

As a result of deliberate effort by DoD to seek improvements in how to conduct business, the Department developed the Universities Information Management Functional Process Improvement Project. The Corporate Information Management initiatives, developed in DoD, identified functional areas for examination for potential business process improvement. The Academy documented the requirement for an integrated, on-line, university financial management system (System). This System, if implemented, would preserve the benefits of decentralized execution of transactions while improving the central oversight of financial transactions to include reimbursements. The System has the potential to significantly improve the efficiency of the Academy's financial management. The Academy is working to determine the cost of implementing the System.

## **Recommendations and Management Comments**

**B. We recommend that the Superintendent, United States Military Academy:**

**1. Update and complete existing support agreements.**

**Management Comments.** The Army concurred and stated that the action should be completed by January 31, 1996.

**2. Develop a consistent audit trail for the different categories of services and the billing of those services provided for by the various organizations at the United States Military Academy.**

**Management Comments.** The Army concurred and stated that procedures will be developed by March 31, 1996, to reconcile support agreements, purchase requests, and billings.

**3. Develop standardized accounting procedures to include how accounts are to be maintained and how payments are to be received and processed.**

**Management Comments.** The Army concurred and stated that the United States Military Academy had standardized accounting procedures that it will document into an appropriate Standard Operating Procedure by January 31, 1996.

## **Finding B. Management of Reimbursement Accounts**

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**4. Establish uniformed collection procedures, identifying the responsibilities of both the organization providing the services and the Defense Accounting Office-West Point. Procedures should include steps to discontinue services if payments are not received in a timely manner.**

**Management Comments.** The Army concurred and stated that the United States Military Academy will develop these procedures by March 31, 1996, as part of the reconciliation procedures developed for Recommendation 2.

**5. Assign one office the responsibilities to establish management controls to ensure that funds are properly accounted for, perform periodic reviews of reimbursable policies and procedures, provide oversight to verify that support agreements and other types of reimbursements are properly established and updated accordingly, and verify that the servicing organization takes corrective action when weaknesses are identified.**

**Management Comments.** The Army concurred and stated that by March 31, 1996, the United States Military Academy will identify the responsible office and ensure that the office has a full understanding of its responsibilities.

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## **Finding C. Management of Premium Pay and Compensatory Leave**

The Academy did not adequately review and document the justifications of premium pay for personnel within ODIA. In addition, the compensatory leave that instructor-coaches earned for coaching duties at ODIA caused undue hardship and financial burden on the Department of Physical Education. Procedures and oversight were not established at the Academy to adequately control the use of premium pay, and alternative methods for accomplishing the needed work were not implemented. As a result, the Academy has no assurance that future funds to support premium pay or the compensatory leave program are adequate to meet the needs of the Academy.

### **Premium Pay Policies and Procedures**

**Federal Premium Pay Policy.** Code of Federal Regulations, title 5, chapter 1, section 550.151 states that:

An agency may pay premium pay on an annual basis, instead of other premium pay prescribed in this subpart (except premium pay for regular overtime work, and work at night, on Sundays, and on holidays), to an employee in a position in which the hours of duty cannot be controlled administratively and which requires substantial amounts of irregular or occasional overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances which require the employee to remain on duty.

According to Title 5, the rate is authorized for individuals who require an average of more than 9 hours a week of irregular or occasional overtime work.

**Authorization for Payment of Premium Pay.** A November 18, 1976, letter from the Department of the Army, Civilian Personnel Field Operations Agency, authorized three head coaches in ODIA to receive premium pay for administratively uncontrolled overtime. The letter, however, specified that the premium pay was subject to the following conditions:

- o time spent coaching practice sessions and during intercollegiate contests;
- o time spent in team and staff meetings;
- o time spent recruiting and screening prospective players, including parental visits;
- o time for scouting;

## Finding C. Management of Premium Pay and Compensatory Leave

- o length of coaching season, including tournament play; and
- o length of individual games and contests.

### Administratively Uncontrolled Overtime

Three general scale head coaches received premium pay. All three coaches received the maximum premium pay rate: 25 percent paid on an annual basis. However, the Academy prepared premium pay justifications for the head coaches that did not indicate the amount of time spent for any of the conditions identified in the Department of the Army letter. Documentation supporting how the overtime hours were determined was not available. Rather, ODIA submitted documentation that identified only a flat number of overtime hours worked per month. According to ODIA personnel, the individual coaches provided the data informally to the Athletic Director, who recognized that the coaches were "putting in the hours."

The justifications for overtime hours showed that the extended hours were required throughout the academic year, not just during the season for the sport (see Table 5).

**Table 5. Periods of Administratively Uncontrolled Overtime**

Head Coaching Positions	Periods Requiring Premium Pay	Season for the Sport*
Soccer	January-May and August-December	August-November
150-Pound Football	January-May and August-December	August-November
Tennis	January-June and August-December	February-May and August-November

\*One month was included for practice and training.

Title 5 states that if conditions that warrant payment of premium pay on an annual basis exist only during a certain period of the year, such as during a given sports season, the agency may pay the employee premium pay on an annual basis only during the period that the employees are subject to those conditions.

Coaches receiving premium pay were paid 25 percent of their gross pay every pay period. For example, in FY 1994 the head tennis coach earned about \$37,565 in base pay, plus premium pay totaling about \$9,366. The amount of premium pay equates to about 25 percent for the total year, not just for the period during which the condition warranted payment of premium pay. The job descriptions for the coaches identified in Table 6 showed that the occupational specialties for two of the three coaches were not within the job series for sports and recreation. Further, the majority of the duties and responsibilities for those

## **Finding C. Management of Premium Pay and Compensatory Leave**

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two individuals' positions were not related to coaching. About 65 percent of the duty time of the head coach for 150-pound football dealt with his assignment as the director for athletic admissions support. Only 35 percent of his duty time directly related to coaching. In addition, 45 percent of the duties and responsibilities of the men's tennis head coach was related to his assignment as assistant to the associate director of athletics for admission support. The authorization for premium pay for both of those positions was only for coaching duties and responsibilities. Yet both coaches received 25-percent premium pay each pay period, regardless of coaching activity during the period. Premium pay for the entire year was not warranted. The percentage and the amount of premium pay for those two coaches need to be reevaluated.

### **Regularly Scheduled Overtime**

**Justification Documentation for Other Employees' Premium Pay.** In addition to the three head coaches, two other ODIA employees received premium pay, but those two received it in the form of regularly scheduled overtime. The Superintendent granted authorization for a change in the tour of duty for the civilian athletic director, a general manager 15, and the civilian business manager, a general schedule 13. The authorization included an additional 2 hours of scheduled overtime daily for both employees. This tour of duty change was based on circumstances that were inherent in the responsibilities of the employees' positions, making it necessary for them to work outside the normal established tour of duty, to include weekends and evenings. However, we believe a review should be done, at least annually, to ensure that the need for the payment was still applicable. The authorization for the business manager was updated during our audit. Again, the justification of overtime hours was a summation by month and did not indicate the specific circumstances that required the payment of the premium pay. The authorization for the athletic director had not been updated as of June 1995.

The justification for the change in the tour of duty for the athletic director was based on a May 9, 1990, letter signed by the prior Superintendent. The additional 2 hours of overtime daily was authorized to cover such duties as representing the Academy at intercollegiate athletic functions, speaking engagements, recruitments of team coaches, and staff meetings. The athletic director's deputy was a military officer, colonel 0-6. Nevertheless, the Academy had not evaluated whether the deputy could have assumed any of the athletic director's responsibilities without incurring the additional overtime costs.

**Payment Procedures.** We reviewed the FY 1994 time and attendance cards for both the athletic director and the business manager. The 2 hours of overtime earned per day equated to 520 hours of overtime a year. Analysis showed that even though the business manager was authorized to earn 520 hours of overtime, he earned only 488 hours because of leave taken. However, the athletic director received the entire 520 hours of authorized overtime in FY 1994, even though 152 hours of leave was taken during the period. The

## **Finding C. Management of Premium Pay and Compensatory Leave**

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520 hours of overtime equated to about \$12,355. The Superintendent's letter changed the tour of duty for both employees wherein the individuals worked a 10-hour work day and a 50-hour work week. If the time is not worked on a particular day, the hours should not be increased on the following days to make up for the missed hours.

### **Compensation Time for Instructor-Coaches**

**Establishment of Title 10 Positions.** Eighteen Title 10 positions within the Department of Physical Education (Department) are instructor-coach positions. The positions were created by the conversion of 18 positions from ODIA. About 60 percent of the employees' duties is related to instructing in the Department. The remaining 40 percent involves coaching duties for ODIA, which includes scouting, recruiting, and traveling to away competitions. In lieu of paid overtime, the Department gave compensatory time off to those employees. The time off equaled the amount of time spent in irregular or occasional overtime worked beyond the normal 80-hour pay period.

**Compensatory Leave Earned.** From June 11, 1994, through June 10, 1995, the 18 instructor-coaches earned 3,891.5 compensatory leave hours or 97.3 weeks of compensatory time. This average is 228.9 hours or 5.7 weeks of compensatory time per instructor-coach. For example, the assistant track coach-physical education instructor earned 464 hours or 11.6 weeks of compensatory time. Accountability and payment for all hours worked were the responsibility of the Department. Yet, all overtime hours the instructor-coaches earned were directly related to the employees' coaching duties for ODIA, which accounted for only 40 percent of the total duties and responsibilities of each instructor-coach. The use of compensatory leave caused undue personnel scheduling problems and financial hardship on the Department. As a result, the Department had to either do without the services of that person while he was on compensatory leave or pay for overtime worked outside the Department.

**Using Compensatory Leave.** During the academic year, August through July, a total of 688 hours were available for instructor-coaches to take compensatory leave. Within the academic calendar, it was difficult for the instructor-coaches to take time off. The Academy required that compensatory time be used within 13 pay periods, or the hours earned would be converted to regular overtime for payment. Therefore, detailed tracking and scheduling of each employee's time was required. Most hours available for use of compensatory time are in June, July, and August. However, the 13-pay period window for using the compensatory leave did not always fall in those months. Additionally, the Department had numerous educational and training requirements that occurred during this period, such as the summer term academic program, reception day, cadet basic training, and cadet field training. If the compensatory leave had to be used during that time, either the personnel would be absent from essential teaching requirements or the Department would have to pay the individual overtime for the hours worked after conversion. The basic salary for Title 10 faculty and personnel should be on a 12-month contract. The contract would be

## **Finding C. Management of Premium Pay and Compensatory Leave**

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considered full and complete pay for the duties and responsibilities rendered. Enactment of such a provision should not degrade the performance of Title 10 employees. Such provisions were established and implemented at the Air Force Academy with no adverse effect.

### **Summary**

An overall management review of the ODIA should be accomplished to justify the continuation of both types of premium pay, to certify the method and rate of payment, and to decide the cost-effectiveness of the program to the Academy. Also, the Academy should consider the alternative of designating the Title 10 instructor-coach positions as administratively determined and establish provisions wherein the basic salary for those personnel would be on a 12-month contract. This contract could be considered full and complete pay for the duties and responsibilities rendered.

### **Recommendations and Management Comments**

**C. We recommend that the Superintendent, United States Military Academy:**

**1. Require that a management review be performed to determine the feasibility of establishing provisions wherein the basic salary for instructor-coaches be on a 12-month contract. This contract would be considered full and complete pay for the duties and responsibilities rendered.**

**2. Review the overall management of the premium pay program within the Directorate of Intercollegiate Athletics to justify the continuation of premium pay and its method and rate of payment and to determine the cost-effectiveness of the program to the United States Military Academy.**

**3. Verify that leave and earnings for employees who have had their tour of duty changed to cover regularly scheduled overtime are adequately charged leave and earnings per their 10-hour work day schedule.**

**4. Determine the effectiveness of alternative procedures or establish similar provisions as those in Recommendation 1. for other faculty and management personnel assigned to the Office of the Directorate of Intercollegiate Athletics.**

## **Finding C. Management of Premium Pay and Compensatory Leave**

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**Management Comments.** The Army concurred and stated that the United States Military Academy would evaluate the feasibility of establishing the 12-month contract by March 31, 1996, and if that option proves unfeasible for any position, management reviews would be made to ensure optimum cost-effectiveness in the management of premium pay and compensatory leave.

**Audit Response.** The Army did not comment on Recommendation C.3. concerning verification of leave and earnings to ensure that leave is charged per 10-hour work day schedules. Therefore, we request that the Army provide its position on Recommendation C.3. and the corrective actions taken or planned in response to the final report.



## Finding D. Reclassification of Personnel and Realignment of Functions

The Office of the Treasurer duplicated functions performed by the Defense Accounting Office-West Point and had created a separate and unique cadet pay system. In addition, the Academy has not implemented recommended conversions identified by prior audit coverage. The decisions on those actions were made because the Academy incorrectly interpreted statutory requirements and incorrectly calculated the cost benefits involved with the conversions. Recommended position reclassifications and realignment of payroll functions will provide potential monetary benefits totaling about \$236,555 annually and will result in more efficient and timely payment transactions.

### Adjustment of Military Personnel

The Directorate of Logistics for the Academy was responsible for advising and directing all logistical support functions and was organized as shown in Figure 1.

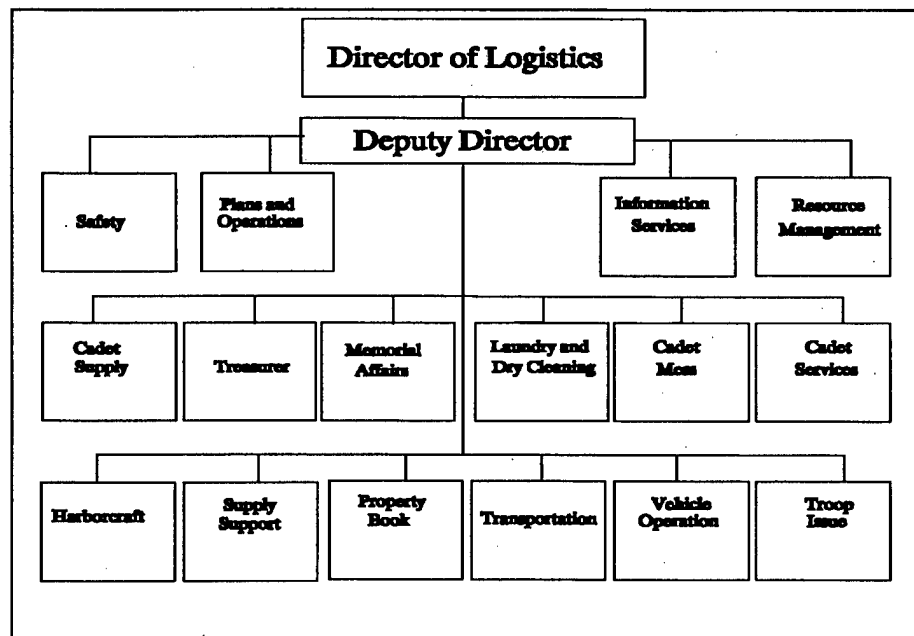


Figure 1. Organizational Chart of the Directorate of Logistics

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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United States Code, title 10, section 4340 states:

The Secretary of the Army shall detail a commissioned officer of the Army as quartermaster for the Corps of Cadets. The quartermaster shall --

- (1) buy and issue all supplies for the cadets;
- (2) buy and issue all provisions for the mess [Cadet Mess]; and
- (3) supervise the mess.

To meet the requirements of Title 10, the Academy authorized the positions of an officer-in-charge of the Cadet Mess and established a treasurer and the Office of the Treasurer.

**Reclassification of the Deputy Director Position.** The deputy director of logistics was a civilian position. The functions of the deputy director in the Office of the Director of Logistics was to advise and supervise the logistical organizations to support the Academy effectively. The requirements stated in Title 10 can be met by converting the position of the deputy director to a commissioned quartermaster officer responsible for the oversight of the Cadet Mess and the purchase and issue of all supplies for the cadets. The accomplishment of this action would eliminate the need for the military positions in the Cadet Mess and the Office of the Treasurer.

Based on our interviews and our analyses of the duties and responsibilities of those two positions, we determined that the positions in the Cadet Mess and the Office of the Treasurer do not require military-unique skills. Converting the one military position in the Cadet Mess to civilian would allow for continuity of operations and, thereby, strengthen the overall administration of the activity. The deletion of the treasurer would not hinder the operation or the need for the Office of the Treasurer.

**Conversion of the Officer-in-Charge of the Cadet Mess Position.** The officer-in-charge is responsible for the overall operation and administration of the 164 authorized civilian employees of the Cadet Mess. In addition, the officer-in-charge oversees the daily functions of about 200 contract food servers. It was the only military position in the Cadet Mess. The position was designated for a Quartermaster Corps captain for a 4-year assignment. Through interviews, we determined that although an essential position, it does not require military-unique skills or expertise. Military personnel designated for this position were required to attend training at a commercial food services corporation during the first 9 months of assignment. A civilian could perform the duties and responsibilities of the position without reducing the effectiveness or efficiency of the Cadet Mess. The conversion of the position to a civilian would also reduce the need and cost of training a military officer every 4 years to prepare for this assignment (see Appendix D). Further, it would allow for continuity, because a civilian would not have to rotate every 4 years, thereby strengthening the overall administration of the Cadet Mess.

In addition, the operation and management of the Cadet Mess was different from any other military dining facility and should be filled by an experienced professional. In the past, various errors have occurred due to the inexperience

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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of the military officer in this position. For example, a previous officer-in-charge arbitrarily directed the purchase of equipment that was not functional for the Cadet Mess. One such item was four soup serving tables, costing about \$2,200 each. The tables could hold only two gallons of soup each; therefore, they had to be continuously refilled to serve the more than 4,000 cadets who dine in the Cadet Mess. The tables were no longer in use.

**Deletion of the Treasurer Position.** The treasurer was responsible for managing and having custody of the cadet account and for providing subsistence, clothing, and services for the cadets. In accomplishing those goals, the treasurer develops and issues the cadet budget, which outlines the income and expenditures for the 4 class years. In addition, the treasurer provides counseling for cadets in cadet account maintenance and personal money management. This 4-year assignment is designated for a major from the Quartermaster Corps. Based on interviews with the treasurer and on a review of the duties and responsibilities of the position, we determined that the position does not require military-unique skills or expertise. This position can be deleted, and the development and issuance of the cadet budget can be assumed by the assistant treasurer without adverse effect (see Appendix D).

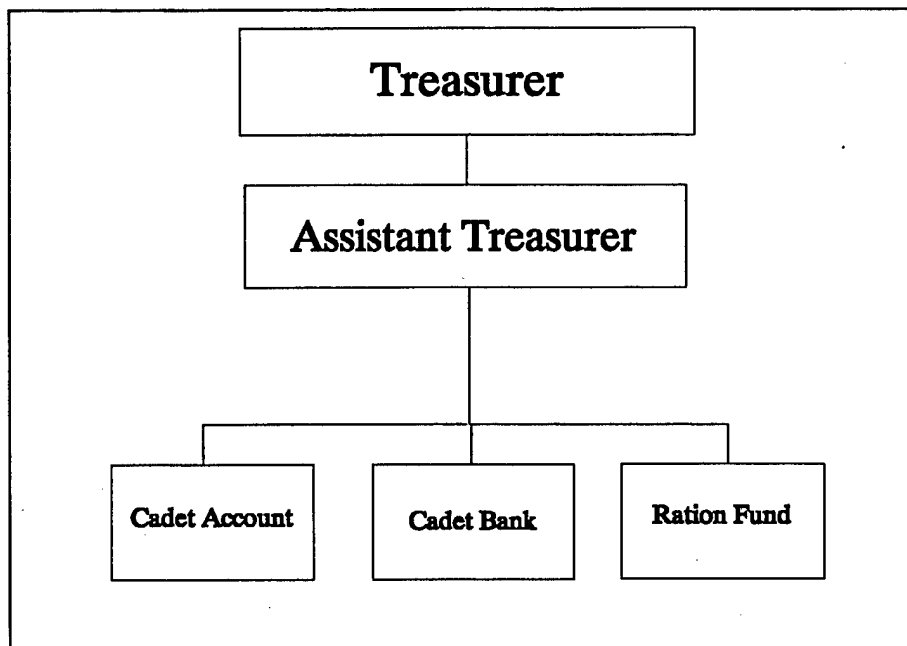
The majority of the functions provided by the Office of the Treasurer were duplications of services provided by other organizations at the Academy and also delayed services provided to cadets. Services can be transferred and reduced, the positions deleted, and the individuals reassigned.

### **Realignment of Functions Within the Office of the Treasurer**

The Office of the Treasurer was unique to the Academy. The Office of the Treasurer consisted of the Cadet Accounts, Cadet Ration Fund, and the Cadet Bank (Figure 2). The office had been the focal point of several productivity improvement initiatives. In May 1994, the Management Studies Division of the Directorate of Resource Management completed a Study of the Office of the Treasurer (Study). The Study recommended the elimination of the cadet account and the transfer of the ration fund to the Defense Accounting Office-West Point (Accounting Office) and the Cadet Bank to the West Point Federal Credit Union.

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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**Figure 2. Organization of the Office of the Treasurer**

According to the Study, the Accounting Office managed 60 percent of the payroll functions for cadets. Consolidating the functions of the Office of the Treasurer and the Accounting Office would allow the Academy to better use about \$111,000 annually. The ration fund was also a duplication of services available through the Accounting Office, and transfer of the ration fund would put to better use about \$52,000 annually. The check-cashing services the Cadet Bank provided costs the Academy about \$77,000 annually, while the Credit Union provides those services at no charge. The functions of the Cadet Bank were transferred to the Credit Union in March 1995. However, the Garrison Commander deferred acting on the recommendations regarding the cadet account and the ration fund until further analysis could be accomplished.

Our review and analysis of the functions of the Officer of the Treasurer also concluded that disestablishing the Office of the Treasurer would be more cost-effective and efficient. Disestablishing the Office of the Treasurer would allow the Academy to better use about \$173,000 annually.

**Allocation of Cadet Pay.** Cadets were paid through the Defense Joint Military Pay System (Pay System). The same system pays all active duty and reserve military personnel for all Services. Upon arrival at the Academy, a pay account was initialized for each new cadet. Each cadet, regardless of prior service or class, receives a gross pay of \$543.90 per month. Monthly cadet pay was increased to \$558.04 in January 1995. The Accounting Office disbursed this amount to the cadet in three basic categories.

## **Finding D. Reclassification of Personnel and Realignment of Functions**

o Standard deductions: the Accounting Office made initial input and adjustments and included such things as taxes; insurance; laundry and dry-cleaning; personal services (haircuts, clothing repair, and so forth); and repayment of pay advances.

o Personal checking allotment: each cadet is required to maintain a personal checking account. The treasurer determined the amount authorized in the budget for that particular academic class year.

o Cadet account allotment: after the above-mentioned deductions, the remainder of the cadet's pay is sent to the treasurer for deposit in his or her cadet account. This category, unique to the Academy, is a special modification to the cadet's Pay System.

The treasurer predetermined all deductions taken from the cadet account and assembled the cadet budget. Deductions from the cadet account were used to pay for all expenditures the cadet incurred. The cadet account not only pays for all activity fees, uniforms, and equipment needs, it also sets aside funds for the class ring, graduation fund, and uniforms, which will be needed when the cadet becomes a commissioned officer. Further, the account sets aside funds to assist the cadet in conversion to life as an officer (see Table 6).

**Table 6. Listing of Nonmandatory Cadet Account Deductions**

<u>Nonmandatory Deductions</u>	<u>Budgeted Amounts for the Graduation Class of 1994</u>
Newspapers	188
Class Fund	20
Class Ring	950
Officer Uniforms	875
Graduation Announcements	61
Graduation Fund	507

Under the current Pay System, the Office of the Treasurer's Cadet Account handled almost all daily financial responsibilities of the cadet. The purpose of the Academy is to develop officers of character; however, the Pay System does not allow the cadet to make financial decisions. As a result, cadets are not being allowed to fully develop in regard to handling financial matters.

**Transfer of Cadet Account Functions to the Defense Accounting Office.** Besides establishing the initial account and certain specified deductions, the Accounting Office was also responsible for inputting changes that the cadet may request and for collecting any obligations to the Government that may occur. Such collections are identified below.

**Repayment of Travel Advances.** When required to go on official travel, cadets were authorized a cash advance. When travel had been canceled or cut short, the unused part of the advance was to be returned to the Government. In cases in which the cadet was not able to repay the full amount owed, the balance had to be deducted from the cadet's pay. The Accounting

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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Office notifies the Office of the Treasurer of the obligation. If funds are available in the cadet account above the minimum balance required, then the Office of the Treasurer cuts a check to the Accounting Office for the obligation. Otherwise, the funds have to be deducted from the cadet's personal checking account allotment. The amount allotted for the cadet's personal checking account depends on the class year. This amount can range from \$75 to \$285.

According to guidance from the Office of the Treasurer, the Accounting Office was not allowed to take more than one-third of the cadet's personal allotment per month. Because of this restriction, repayment can take months and, in some cases, years. Further, because of this manual change to the Pay System, the Accounting Office must monitor the action to ensure that the deduction for the obligation was stopped on time and that the cadet's personal checking allotment was reinstated to the original amount. If the funds handled by the Office of the Treasurer were maintained in an accrual account within the Pay System, this monitoring would not be necessary.

**Repayment of Pay Advances.** Upon arrival at the Academy, each new cadet was required to provide an initial deposit of \$1,500 that was applied to the cost of uniforms and equipment. Starting with the graduation class of 1999, cadets are required to provide an initial deposit of \$1,800. Each cadet also receives an initial pay advance of \$4,700 from the Government.

**Initial Advance.** The \$4,700 pay advance was divided into two payments. An initial advancement of \$2,700 was provided in July, before summer camp. If the cadet completed summer camp and started the academic year, the cadet was advanced another \$2,000 in August. The treasurer determined the amount and term of the repayment for the advance. The current repayment amount for the initial advance of \$4,700 was \$204.35 per month for 23 months. Starting with the graduation class of 1998, this amount has been reduced to \$162.05 and the repayment time was extended to 29 months. Inputting the deduction for repayment of the advance to the Pay System for cadets at the Academy is not a standard payroll transaction.

The first advance was started, and repayment was set at the amount specified. But in order not to exceed the repayment dollar limitation or time period, the Accounting Office must stop the first advance and restart the two advances as one. This procedure doubles the work for the processing of the transactions, which would not be necessary if the total advance was provided to the cadet at one time. It does not make sense to separate the two amounts, especially because only 30 days separate the two advances. Combining the two payments would eliminate having the Accounting Office make double entries to the Pay System for the advances and would decrease the possibility of errors.

**Advance for Initial Deposit.** In March 1992, the Department of the Army approved the Academy request to increase the amount of cadet pay advances to \$6,500 per cadet, if needed, and extended the payback period from 30 months to 47 months. The amount of cadet pay advance was increased because of the number of cadets entering the Academy without the initial

## Finding D. Reclassification of Personnel and Realignment of Functions

deposit of \$1,500. If the total initial deposit was not received by December of the cadet's first year, a listing identifying the individual cadet and the dollar amount required was submitted to the Accounting Office.

The treasurer provided separate guidelines for repayment of this advance. Starting with the graduation class of 1995, the repayment of the \$1,500 advance in pay was spread out over the 4 years that the cadet spends at the Academy (Table 7).

Table 7. Repayment of \$1,500 Advance in Pay		
<u>Class</u>	<u>Monthly Payment</u>	<u>Yearly Payment</u>
Freshman	\$21	\$ 231
Sophomore	36	432
Junior	46	552
Senior	57	<u>285</u>
Total		\$1,500

Repayment of this pay advance was deducted from the cadet's personal allotment as not to alter the allotment received by the Office of the Treasurer. Starting with the class of 1998, repayment of the \$1,500 advance was deferred for 2 years, until the initial advance of \$4,700 was repaid.

Both processes cause additional work for the Accounting Office. As stated, the Pay System was not equipped to automatically change the amount of the repayment for limited time periods. Those changes have to be input manually and a suspense file has to be maintained that identifies the cadet and when additional changes should be input. We were not able to find any guidance authorizing deferment of pay advancements for 2 years. For regular active duty personnel, repayment of advances was initiated 30 days after payment. Deferring repayment of an advance results in an interest-free loan from the Government. Establishing an accrual account within the Pay System would eliminate the need to defer or segregate repayment of this advance.

**Resignations and Separations.** Each year hundreds of cadets leave the Academy before graduation. Most were in a leave-without-pay status, and a few were on leave-with-pay before being discharged from the Academy. The Accounting Office receives separate orders for each action from Cadet Personnel. In most instances, especially during the first 2 years at the Academy, a cadet leaves while owing the Government money. Once a discharge is input into the Pay System, an individual has 20 days to clear the obligation. If the obligation was not cleared, the Pay System automatically forwards a tax statement reflecting the total obligation owed as earned income. The issuance of the tax statement caused numerous problems because in many instances, the cadet had enough money in the cadet account to clear the obligation.

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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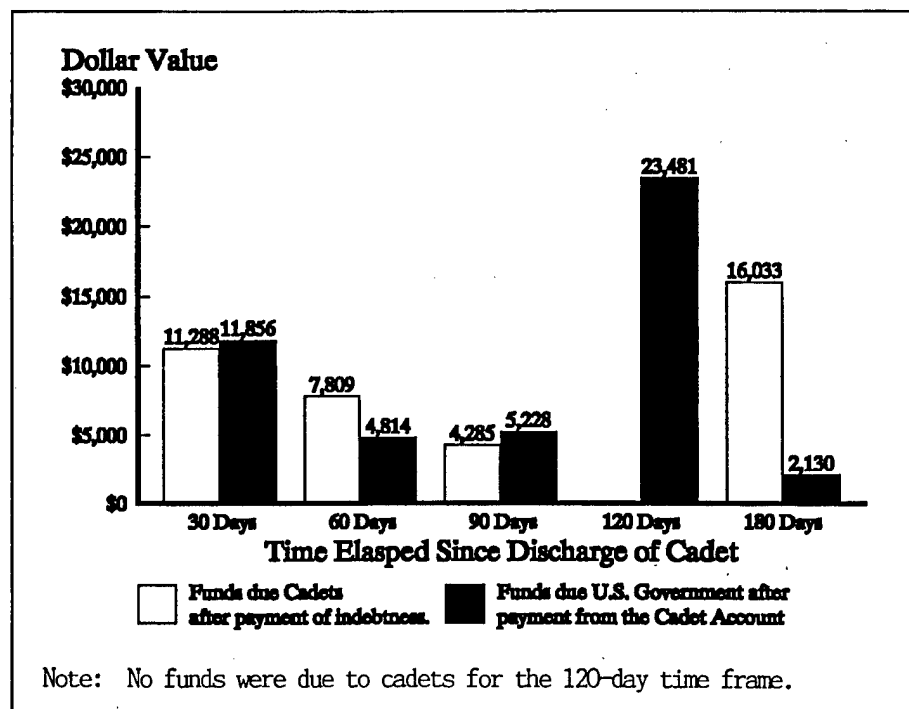
**Repayment Procedures.** For the Accounting Office to get the money from the Office of the Treasurer, it must send a detailed description explaining why the cadet owes the money and the exact amount. As of March 31, 1995, at least 57 cadets had been released from the Academy, and their pay accounts at the Accounting Office and the Treasurer had not been cleared.

To provide a detailed description of the obligations as required by the treasurer, the Accounting Office must wait for the final Leave and Earnings Statement that explains each liability owed. When the data were obtained, a transmittal was prepared and forwarded to the Office of the Treasurer for its review and payment. This procedure can take from 30 to 60 days, depending on when the discharge was entered into the Pay System. Once payment was received, the amount annotated for that particular cadet was input into the Pay System. Either the obligation was cleared and the balance in the cadet account was paid to the cadet or collection procedures were implemented by the Finance Center for the outstanding balance due the Government. During our audit, the Defense Finance and Accounting Service corrected the problem of the 20-day window for repayment of obligations. However, the Accounting Office still must send detailed information to the Office of the Treasurer and wait on that office to transfer the funds for the repayment of the obligations.

**Outstanding Obligations.** Our review of the 57 open pay accounts for cadets discharged from the Academy showed total obligations of \$109,680 due to the U.S. Government. Review of funds held by the Office of the Treasurer in the cadet account showed a balance of \$106,779 available to be applied toward those obligations. Further analysis of the individual cadet accounts reflected that the obligations owed the U.S. Government could be reduced to approximately \$47,510, if funds available in the applicable cadet's accounts were applied to that cadet's obligation. Our review also showed that once the obligations were cleared, approximately \$39,415 was due to discharged cadets from the Office of the Treasurer. Figure 3 shows the amounts, aged over time, owed to the Government and to the cadets.



## Finding D. Reclassification of Personnel and Realignment of Functions



**Figure 3. Outstanding Funds Owed the Cadets and the U.S. Government**

A transmittal outlining the individual cadets' obligations is sent to the Office of the Treasurer. A transmittal could identify one cadet or more than 20 cadets. The process to break down the obligation for each cadet is labor intensive, especially because the Office of the Treasurer does not track the individual cadet's obligation. The only reason the transmittal was required was in case someone asked the Office of the Treasurer about the obligation. The Accounting Office could respond to that question as well as the Office of the Treasurer. By eliminating this action, the amount of time required to process discharges would be reduced and both the Government and the cadets would benefit by timely receipt of any monies owed.

**Other Deductions.** The Treasurer made various deductions from the cadet account to pay for certain obligations, such as books and supplies, that were submitted from the various organizations through the Accounting Office's Accounting Branch. The Accounting Branch prepares the billing and forwards it to the treasurer, who then sends it back to the Finance Office for posting to the individual account identified. This operation was a duplication and was not cost-effective or efficient. In addition, for the Accounting Office to reflect changes for the following pay period, the change must be input into the Pay System before the 17th of the month. Because of the dual accounts, most actions do not meet the cutoff. Therefore, actions take an average of 30 to 60 days to process.

Leave and Earnings Statements were provided to each cadet monthly from the Pay System explaining all earnings and deductions from the cadet's pay. A

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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separate statement of the cadet account was provided monthly to each cadet explaining deductions made from that account. Therefore, each cadet received two separate statements monthly for one pay account.

The elimination of nonmandatory deductions from the cadet account would also further accomplish the Academy mission of developing officers of character by allowing cadets to control more of their own finances. The elimination of those deductions would also reduce the number of functions involved in maintaining the individual accounts. Eliminating and combining procedures performed by both the Accounting Office and the Office of the Treasurer would reduce and simplify overall pay functions. The transfer of the remaining cadet pay functions from the Office of the Treasurer to the Accounting Office would minimally increase cost and overall work load. In addition, the transfer would sufficiently decrease the processing time of pay entitlements for cadets and collecting funds owed to the Government by cadets. Further, the transfer would eliminate the need for the Treasurer's office to maintain duplicate accounts (see Appendix E). This action would also benefit cadets in their military development, because all pay actions would be processed through the Defense Joint Military Pay System, which will service the cadets throughout their military careers.

**Transfer of the Cadet Ration Fund to Commercial Accounts.** The cadet ration fund is a nonappropriated fund account. Each month, the cadet ration fund receives a check from the Finance Office for the cadet's subsistence allowance. The Office of the Treasurer for the Cadet Mess provided daily management and maintenance of the cadet ration fund.

According to a management study review by the Academy Management Studies Division, May 1994, the approximate cost for operating the cadet ration fund was \$30,000 annually and required about 169 hours per month to perform the various tasks.

The Nonappropriated Fund Accounting Branch at the Accounting Office performs most of the same functions as the treasurer for other nonappropriated fund organizations at the Academy. The Nonappropriated Fund Accounting Branch could easily assume the cadet ration fund accounting functions. The Cadet Mess could then assume all functions other than accounting performed by the cadet ration fund personnel in support of the Cadet Mess.

## **Conversions Identified in Prior Audit Report No. 94-005**

In addition to the conversions and deletions stated above, we followed up on the recommendations in Inspector General, DoD, Report No. 94-005, "Noninstructional Military Positions at the United States Military Academy," October 15, 1993. The audit identified 43 positions to be deleted and 57 military positions to be reclassified to civilian positions. The Superintendent, United States Military Academy, concurred with the deletions of 2 positions and with the reclassifications of 20 positions.

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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As of June 1995, however, only the recommendation for the two deletions had been implemented. In a memorandum to the Army Deputy Chief of Staff for Personnel, September 16, 1994, the Directorate of Resource Management stated that the conversions had not been implemented because the near-term effect was an increase in the Academy's Operation and Maintenance, Army, funding of \$620,000 annually. The Academy estimated annual benefits to the Army Force Structure of \$73,000 by converting the 20 positions. The Academy believed that this amount was too small in relation to the increase in annual funding.

Our analysis of the supporting documentation for the Academy's calculations of the cost for conversions showed that the Academy applied incorrect data in its determination. Based on our analysis, the actual cost benefits were approximately \$137,000 annually (Appendix F). We could not substantiate the rationale for the Academy's response for not implementing the recommendation for the conversions. Personnel from the Directorate of Resource Management stated that although the Academy had concurred with the conversions, Operation and Maintenance funding had not been requested. The Academy is waiting for the Department of Army to order implementation of the conversions. The order is not needed because the Academy agreed with the recommendations. Therefore, immediate actions should be taken to implement the agreed-upon recommendations.

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

**D. We recommend that the Superintendent, United States Military Academy:**

**1. Reclassify the civilian position of the Deputy Director of Logistics as a military position on the United States Military Academy's authorization.**

**Management Comments.** The Army concurred and stated that action was pending to implement this recommendation, which should be completed by March 31, 1996.

**2. Reclassify the military position of the officer-in-charge of the Cadet Mess as a civilian position, and delete the military position of the Treasurer on the United States Military Academy's authorization.**

**3. Request increased civilian end-strength authorization and civilian payroll authority to reclassify the one military position to a civilian position to accomplish Recommendation D.2.**

**Management Comments.** The Army agreed with the spirit and intent of the recommendations, but was not convinced that the actions were needed

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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because of recent streamlining actions in the Directorate of Logistics. The Army proposed that the Academy revalidate the mission and resources of the organization within the next fiscal year and make appropriate changes.

**Audit Response.** We do not believe that recent actions for streamlining the Directorate of Logistics negate the efficiencies and effectiveness to be achieved by implementing the recommendations. Accordingly, we believe the recommendations are still valid. Therefore, we request that the Army reconsider its position and submit additional comments on the final report.

### **4. Deduct only the mandatory deductions from the cadet's pay.**

**Management Comments.** The Army concurred and stated that action should be completed by March 31, 1996.

**5. Consolidate the issuance and repayment of all advancements of pay to the cadets into one standard amount to start at the time of disbursement of the funds.**

**6. Eliminate cadet account functions from the Office of the Treasurer.**

**7. Transfer those remaining functions performed for the maintenance of Cadet Accounts to Defense Accounting Office-West Point, utilizing the Defense Joint Military Pay System.**

**8. Transfer the functions performed by the Office of the Treasurer for the Cadet Ration Fund to the Nonappropriated Fund Branch, Commercial Accounts at the Defense Accounting Office.**

**Management Comments.** The Army qualified its concurrence by acknowledging the merit of the recommendations and stated that the Academy would coordinate these actions thoroughly with the Defense Accounting Office by March 31, 1996, to ensure all responsibilities and requirements are met.

**Audit Response.** The Army comments were responsive to the intent of the recommendations.

**9. Transfer the nonaccounting functions of the Cadet Mess Ration Fund to the Cadet Mess Branch of the Directorate of Logistics.**

**Management Comments.** The Army qualified its concurrence, stating that the action was dependent on actions proposed in response to Recommendations 5. through 8., which should be completed by March 31, 1996.

**Audit Response.** The Army comments are responsive, and we request that details be provided when available.

## **Finding D. Reclassification of Personnel and Realignment of Functions**

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**10. Request the funding and authorizations to convert the 20 noninstructional military positions concurred with in Inspector General, DoD, Report No. 94-005, "Noninstructional Military Positions at the United States Military Academy," October 15, 1993.**

**Management Comments.** The Army nonconcurred and stated that the conversions would increase Academy Operation and Maintenance, Army, funding requirements as much as \$620,000 while saving the Army less than \$85,000. The Army also stated that the targeted military positions were extremely important.

**Audit Response.** As stated in this report, we believe that the annual benefits to the Army are about 50 percent higher than benefits identified by the Academy. In addition, if the targeted positions are as important to the Army as cited, then they should be used to satisfy requirements in units around the world to increase the Army's readiness posture. Also, it seems the Academy looks at the military personnel as no cost because they do not have to account and pay for them in the Academy budget. The tone of the response shows that the Academy has no desire to lower the overall Army operation costs. Further, if the Academy did a better job of controlling and managing the \$1.7 million in overtime costs (Finding E), it should be able to pay for the conversion of military to civilian positions without increasing the Academy's Operation and Maintenance, Army funding. Therefore, we request that the Army reconsider its position and submit additional comments on the final report.

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## **Finding E. Management of Overtime**

The Academy did not properly authorize and approve the use of overtime before funds were obligated and expended. The Academy's overtime policy was inadequate, and oversight procedures and controls were not used to assure that overtime was necessary, actually worked, and was the most efficient means for accomplishing the work requirements. As a result, the Academy has no assurances that funds are properly or efficiently expended.

### **Overtime Policy**

Army Regulation 37-105, "Finance and Accounting for Installations: Civilian Pay Procedures," May 4, 1987, requires that written authority for overtime be approved on Department of the Army Form 5172-R, "Request, Authorization, and Report of Overtime," or a similar form. In addition, Army Regulation 570-4, "Manpower Management," September 25, 1989, requires supervisors to limit the amount of overtime to the minimum required for essential operations and to consider all alternatives before approving overtime. Examples of alternatives include:

- o rescheduling or deferring work of lesser priority,
- o borrowing labor from another work center,
- o transferring work to another work center,
- o establishing flexible work schedules,
- o promoting productivity-enhancing initiatives, and
- o permitting the use of compensatory time.

Based on Army regulations, the Academy developed United States Military Academy Policy Memorandum 2-92, "Administration of Overtime and Holiday Pay," March 2, 1992. The memorandum implements the policy for overtime pay at the Academy. The memorandum also states that before being worked, overtime must be approved and authorized on Department of the Army Form 5172-R.

## Overtime Expenditures

During FY 1994, the Academy expended about \$1.7 million in overtime pay for approximately 74,000 overtime hours worked (Table 8).

**Table 8. Overtime Hours and Pay by Organization for FY 1994**

<u>Organization</u>	<u>Overtime Hours</u>	<u>Dollars Expended</u>	<u>Percentage of Dollars Expended</u>
Admissions	327	\$ 6,652	0.4
Academic Dean	531	9,274	0.5
Chief of Staff	2,338	51,481	3.0
Commandant of the Corps of Cadets	4,424	93,760	5.5
Directorate of Community and Family Activities	1,252	21,359	1.3
Division of Family Housing	456	9,680	0.6
Directorate of Housing and Public Works	42,272	1,033,993	61.0
Directorate of Information Management	2,306	45,880	2.7
Directorate of Intercollegiate Athletics	6,355	137,940	8.1
Directorate of Logistics	9,546	195,912	11.6
Directorate of Resource Management	92	5,111	0.3
Garrison Commander	1,442	30,995	1.8
Information Systems Command*	294	5,975	0.4
Medical Department Activity*	<u>2,291</u>	<u>47,156</u>	<u>2.8</u>
<b>Total</b>	<b>73,926</b>	<b>\$1, 695,168</b>	<b>100.0</b>

\*Reimbursed by the Academy for services provided.

Table 8 shows that 14 organizations incurred overtime hours and costs. About 89 percent of those costs were expended by five organizations: the Chief of Staff, the Commandant of the Corps of Cadets, the Directorate of Housing and Public Works, the ODIA, and the Directorate of Logistics.

## Overtime Scheduling

When last minute overtime is required, United States Military Academy Policy Memorandum 2-92 allows oral approval; however, written documentation must be submitted to the approving authority after the fact. To determine whether

## Finding E. Management of Overtime

controls and procedures for overtime use were adequate, we reviewed 1,085 overtime requests for 7 of the 14 organizations that expended overtime dollars (Table 9).

Table 9. Number of Overtime Requests and Hours Reviewed		
Organization	Number of Requests Reviewed	Number of Overtime Hours Reviewed
Admissions	22	101.0
Commandant of the Corps of Cadets	66	2,519.0
Directorate of Information Management	219	1,694.0
Directorate of Intercollegiate Athletics	195	5,443.0
Directorate of Logistics	62	2,302.5
Directorate of Housing and Public Works	514	20,232.6
Directorate of Resource Management	7	131.0
<b>Total</b>	<b>1,085</b>	<b>32,423.1</b>

Requesting officials frequently did not:

- o justify the need for overtime or state what task the employee would perform,
- o get advance approval from the authorizing authority, or
- o properly request overtime when it was concurrent with annual leave.

**Overtime Justifications.** Analysis determined that 809 of the 1,085 overtime requests did not have justification statements that identified the specific condition necessitating the overtime. The overtime requests should be specific and should identify the days that the overtime will be worked, the individuals authorized to work overtime, and the hours each individual will work. The overtime requests should also be specific enough to identify the condition that necessitated the overtime. Statements like "graduation," "lecture," "weather-related," and "support Army football" were examples of justifications that lacked the specificity required by Army Regulation 37-105. Overtime requests should clearly specify the economical advantage to use overtime and should document the alternatives that were considered before overtime was approved.

None of those 809 overtime requests indicated that other options, such as using compensatory time, deferring lower priority work, or using flexible work schedules, had been considered. For example, in ODIA, the facilities manager, a wage grade 14, worked a total of 998.5 hours of overtime for FY 1994; 113 of those hours were earned in one pay period. The justification for the 113 hours of overtime was to support Army football. This individual earned approximately \$81,000 in FY 1994. Overtime pay accounted for \$34,000 or



## Finding E. Management of Overtime

about 42 percent of the employee's total earnings. In addition, eight other employees, ranging from wage grade 4 through general schedule 11, who worked for the facilities manager, each accumulated 200 or more hours of overtime and earned from \$4,800 to \$11,600 in overtime pay. The majority of the overtime the facilities manager and the staff worked was during the evenings and weekends, whereas the normal tour of duty for the individuals was Monday through Friday, from 7:45 a.m. to 4:30 p.m. A flexible work schedule, to decrease the amount of overtime, should have been considered for the positions and would have significantly reduced the operating costs for this section.

Another example was in the Fire Protection Division, where during FY 1994, a general schedule 9 employee earned about \$14,000 in overtime pay by working 654 overtime hours over the normal 72-hour work week. The individual's total pay for FY 1994 was approximately \$66,000, of which overtime pay comprised about 21 percent of the earnings. The majority of overtime firefighters earned was to maintain the minimum staffing levels for shift coverage. Total overtime paid for the Fire Protection Division totaled about \$245,000 or 24 percent of the total overtime for the Directorate of Housing and Public Works. Management needed better management controls in reviewing the justifications for overtime to reduce the amount being earned.

If detailed justifications of why an employee needs to work overtime are provided, the approving officials would have assurance that all options were considered and that overtime was either cost-effective or mission-essential.

**Overtime Approvals.** The Academy policy requires that overtime be approved in advance, unless an emergency makes advance approval impractical. Of the 1,085 overtime requests, in 477 instances, the employee worked the overtime hours before management approved it. Further, none of the 477 overtime requests documented that the overtime was for an emergency or that prior approval was impractical. Table 10 shows delays in approval of overtime.

**Table 10. Delay in Approval of Overtime**

<u>Date of Overtime</u>	<u>Date of Overtime Request</u>	<u>Date of Overtime Approval</u>	<u>Number of Calendar Days Overtime Approval Delayed</u>
April 23	May 27	June 3	41
May 17	June 1	June 7	21
May 31	June 13	June 28	28
July 14	July 20	August 3	20
September 10	September 19	September 28	18

Further, the approving authority did not sign 350 of the 1,085 overtime requests reviewed. Requesting officials should not allow employees to work overtime before overtime is approved. If approving officials determine that overtime was worked before approval occurred, then the approving officials should take appropriate personnel action against the requesting official.

## Finding E. Management of Overtime

**Unauthorized Overtime.** Through discussions with various approval authorities from the organizations reviewed, we were informed that additional overtime was worked, but had not been authorized on Department of the Army Form 5172-R. A comparison of the time and attendance cards and the overtime requests reflected unauthorized overtime for 18 employees in our sample (see Table 11). For example, a review of overtime for the Directorate of Resource Management determined that 131 hours of overtime had been worked for FY 1994, but documentation showed only 112 hours had been authorized and approved.

**Table 11. Review of Unauthorized Overtime**

<u>Organization</u>	<u>Overtime Worked</u>	<u>Overtime Authorized</u>	<u>Overtime Unauthorized</u>	<u>Percentage Not Authorized</u>	<u>Number of Employees Who Worked Overtime</u>
Intercollegiate Athletics	1,581.5	1,396.5	185.0	11.7	3
Resource Management	131.0	112.0	19.0	14.5	1
Information Management	1,113.5	453.0	660.5	59.3	9
Corps of Cadets	<u>1,597.5</u>	<u>0.0</u>	<u>1,597.5</u>	100.0	<u>5</u>
<b>Total</b>	<b>4,423.5</b>	<b>1,961.5</b>	<b>2,462.0</b>		<b>18</b>

The 18 employees worked 4,423.5 overtime hours, of which 2,462 hours were not authorized. When questioned, supervisory personnel stated that the overtime had been orally approved and that no written approval or additional justification was submitted. Specifically, one general schedule 9 employee within the Corps of Cadets worked a total of 431 hours of overtime for FY 1994, earning approximately \$10,250 in overtime pay. Because the overtime requests were not completed, the individual managers may not have understood where and why the overtime hours were used. If this information had been known, the managers could have planned, reduced, and budgeted for the amount of overtime.

**Overtime Concurrent With Annual Leave.** When overtime and annual leave are taken in the same pay period, it is considered concurrent. Analysis of time and attendance cards identified 183 instances where overtime was requested in the same pay period as annual leave was taken. Examples are shown in Table 12.

**Table 12. Concurrent Use of Overtime and Annual Leave**

<u>Date(s) of Overtime</u>	<u>Hours of Overtime</u>	<u>Date(s) of Annual Leave</u>	<u>Hours of Annual Leave</u>
August 4-6	18	August 1-3	24
February 10	2	February 9	3
May 16-19	4	May 20	4
February 12	8	February 11	8
January 6	5	January 3-4	12

No requirements restrict the payment of overtime and annual leave in the same pay period. However, we believe that the use of overtime and annual leave needs to be restricted to only those instances when the requesting official can show that the overtime was for an emergency or a mission-essential effort and that the annual leave did not cause the requirement for the overtime.

## Key Management Controls

The Directorate of Resource Management is responsible for developing and enforcing guidance on overtime. Although the Directorate published Policy Memorandum 2-92, it does not review the Academy's overtime program or prevent deficiencies identified. The lack of effective management controls was caused, at least in part, because the Academy did not perform the necessary tests of key management controls related to overtime pay. The management control process identifies the management control review checklist entitled "Civilian Pay" as the checklist that pertains to overtime pay. To focus on the more critical management control areas, the Department of the Army reduced the number of reportable checklists in the management control process from about 500 to 162. The civilian pay checklist was one checklist that was no longer required to be reported to the Department of the Army.

According to Army Regulation 11-2, "Management Control," August 1, 1994, the Department of the Army identified the checklists to use in the evaluation of key management controls and did not intend to cover all controls. Even though a checklist is no longer used by the Department of the Army, organizations within the Academy need some type of controls. Unless key management controls are tested, managers have no assurance that controls are in place and operating effectively and that corrective actions are taken if weaknesses in civilian pay procedures exist.

## **Finding E. Management of Overtime**

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### **Summary**

Management control of overtime work is essential to ensure that overtime is authorized only when absolutely necessary. When used judiciously, overtime is a cost-effective alternative to hiring additional personnel; however, at the Academy, policies, procedures, and controls provided no assurance that overtime was the best alternative.

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

**E. We recommend that the Superintendent, United States Military Academy:**

**1. Revise United States Military Academy Policy Memorandum 2-92, "Administration of Overtime and Holiday Pay," to establish procedures directing requesting officials to:**

**a. Verify that Department of the Army Form 5172-R, "Request, Authorization, and Report of Overtime," justifies the need for overtime and provides a detailed description of the work to be completed, indicates that other options were evaluated, and documents that overtime will result in a cost advantage or satisfy a mission-essential need.**

**b. Include the specific dates and times when overtime is to be worked.**

**c. Verify that overtime is approved before allowing the work to be performed, unless an emergency makes verification impractical.**

**d. Verify that all adjustments increasing the number of overtime hours are submitted for approval.**

**e. Restrict the use of overtime concurrent with annual leave to only those instances when overtime is for an emergency or a mission-essential effort and that the annual leave did not cause the requirement for the overtime. Require that justification for overtime concurrent with annual leave be provided on the request for overtime submitted for approval.**

**2. Direct approving officials for overtime to:**

**a. Verify that the requirements identified in Recommendation 1. are provided on each justification.**

## Finding E. Management of Overtime

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b. Return without approval the justifications that do not meet those requirements.

c. Take the appropriate personnel action if procedures are not maintained.

**Management Comments.** The Army partially concurred and stated that West Point would revise United States Military Academy Policy Memorandum 2-92 and would incorporate procedures to ensure adequate documentation, verification, and review of overtime use. The Army nonconcurred with the recommendation to require detailed written justification and restrictions on the use of overtime.

**Audit Response.** We believe that detailed written justifications are warranted and required by Army regulations. We further believe that by managing and controlling the use of overtime pay is well within the responsibility of management to reduce operation costs during these times of reduced budgets. Therefore, we request that the Army reconsider its position and submit additional comments on the final report.

### 3. Direct the Internal Review Office to:

a. Verify that command managers complete the applicable management control questions in the checklist for civilian pay.

b. Require periodic reviews on overtime policies, practices, and use by command organizations.

c. Require the command organizations to make sure corrective actions are taken when weaknesses are identified.

**Management Comments.** The Army concurred and stated that the United States Military Academy Internal Review Office would review the adequacy of managerial oversight related to West Point civilian overtime not later than 120 days after final approval of the audit report.

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## **Finding F. Cost-Effectiveness of Fixed-Wing Aircraft**

The Academy owns two fixed-wing aircraft used by the academic dean at the Academy to conduct flight laboratories because the Academy desired an in-house capability. The Academy could make better use of operation and maintenance funds if it leases aircraft for this purpose or uses National Guard or Air Force Reserve equipment collocated at Stewart Army Subpost.

### **Requirement for Fixed-Wing Aircraft**

In the late 1960s, the Academy purchased two T-41 fixed-wing aircraft to support aviators assigned to the Academy and to meet their combat readiness flying requirements. In 1971, the Department of Civil and Mechanical Engineering (Department of Mechanics) began teaching an introductory course on aerodynamics. Because of the availability of the aircraft, flight laboratories were initiated to enhance classroom instruction. The laboratories also provided a meaningful mission for aviators assigned to the Academy to meet their combat readiness flying requirements.

In 1976, the requirements for combat readiness flying by Army aviators was removed, thereby eliminating the original mission for the aircraft. A formal request by the Superintendent to the Deputy Chief of Staff for Operations and Plans, Department of the Army, was approved in May 1976, altering the purpose for the aircraft at the Academy to that of conducting flight laboratories in support of academic instructions. In August 1989, as a result of age and expected nonserviceability of the T-41 aircraft beyond 1992, the academic dean purchased two CE-182 Cessna aircraft. For FY 1994, the actual operating cost for the aircraft was about \$45,400. Operating costs were based on a cost per flight hour for fuel, scheduled and unscheduled maintenance, and other items. Pilots for the flight laboratories were provided through the military aviators in the Department of Mechanics.

### **Mission Requirement**

As of March 1995, the Department of Mechanics offered three classes that are supplemented by flight laboratories. The three classes involved were:

## Finding F. Cost-Effectiveness of Fixed-Wing Aircraft

- o mechanical engineering 387: introduction to applied aerodynamics,
- o mechanical engineering 481: aircraft performance and static stability,
- and
- o mechanical engineering 488: flight dynamics and automatic flight control.

Each class has two flight laboratories except for mechanical engineering 387, which has only one flight laboratory per class. Seven aviators in the Department of Mechanics serve as pilots and instructors for the flight laboratories. Army aviators assigned to the Academy have little or no experience with the CE-182 Cessna aircraft. Before arriving at the Academy, the aviators receive training with fixed-wing aircraft at Fort Rucker, Alabama. Despite this training, the aviators are not solo proficient with the CE-182 Cessna aircraft. Department of Mechanics aviators must be solo proficient and have the knowledge and experience necessary to conduct flight laboratories and provide the necessary instruction to cadets. Therefore, local orientation flights are conducted along with flight laboratory scenarios with another pilot acting as a student. Local orientation flights account for approximately 35 hours of training a year for each new aviator. In addition, according to Army Training Circular 1-210, "Aircrew Training Program, Commander's Guide to Individual and Crew Training," May 20, 1992, each pilot is required to complete 60 hours of continuation training per year.

Actual flight hours for FY 1994 totaled about 305 hours and about 269 hours for FY 1995 through May 1995. A breakdown of actual flight usage was not available for our analysis, but the flying hours requested by the Department of Mechanics are shown in Table 13.

**Table 13. Flying Hours Requested**

<u>Fiscal Year</u>	<u>Flight Laboratories</u>	<u>Training and Qualification</u>	<u>Total</u>
1994	157	295	452
1995	108	350	458

Our analysis of flying hours requested by the Department of Mechanics showed that only 35 percent of the flight hours requested for FY 1994 and 24 percent of the flight hours for FY 1995 were scheduled for flight laboratories. According to the Department of Mechanics, the reason for the decline in the flight laboratory hours for FY 1995 was a decrease in the number of cadets taking the three classes. The majority of use for the two aircraft, therefore, consisted of training and professional development of the pilots. Flight laboratories averaged less than 35 percent of the total use of the two aircraft. The future cost to operate and maintain the aircraft was projected to increase from about \$43,500 in FY 1995 to about \$62,000 in FY 2000.

## **Alternative Solutions to Flight Laboratory Requirements**

**Reserve and Air Guard Aircraft.** The training requirements for aviators and flight laboratories services could be obtained through local Guard or Reserve units. Use of this alternative would not only be more cost-effective, but would also allow aviators to remain competitive with their contemporaries. Tenant organizations located at Stewart Army Subpost or other nearby Guard and Reserve units could provide training and flight laboratory services.

**Leasing of Aircraft.** Leasing would be another alternative to owning the two fixed-wing aircraft. In addition, the Academy was maintaining two aircraft to assure that the continuity of academic instruction could not be hindered due to nonavailability of an aircraft because of mechanical breakdown or unscheduled maintenance. By leasing, the Academy would require only one aircraft. In addition, the Academy would not incur the costs or responsibilities associated with the storage and maintenance of the aircraft. We contacted two aircraft leasing companies to determine the cost of leasing an aircraft similar to that used by the Academy. Both companies stated that the cost to lease a Cessna was approximately \$100 per hour, including fuel. If air support had been leased, the 157 hours requested for flight laboratories for FY 1994 would have cost approximately \$15,700 instead of \$45,400.

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

**F. We recommend that the Superintendent, United States Military Academy:**

**1. Determine the feasibility of alternatives to fulfill the requirement for flight laboratories and implement the most cost-effective procedure.**

**2. Discontinue the use of the two fixed-wing aircraft as flight laboratories if a more cost-effective method is found, and start procedures to dispose of the aircraft.**

**Management Comments.** The Army concurred and stated that the Academy would perform a study to determine the cost-effectiveness of owning verses leasing or the possibility of obtaining required aircraft from other DoD sources. The Army also stated that upon completion of the study, appropriate actions would be taken, as warranted, which should be completed by March 31, 1996.



## **Part II - Additional Information**

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## Appendix A. Scope and Methodology

### Scope

To assess the economy and efficiency of the operation and management of the Academy, we reviewed the functional areas determined to be most vulnerable to waste, fraud, and abuse. Our review consisted of the following areas: overtime, personnel adjustments, reimbursements, Government housing, and fixed-wing aircraft. We interviewed managers and other responsible personnel for those areas. We reviewed relevant guidance and procedures to determine compliance with applicable management controls. Our procedures for those areas reviewed are discussed below.

**On-Post Housing.** We reviewed the criteria for the assignment of Government housing to military and civilian personnel. We identified the number of civilians residing on-post and determined their status under the key and essential program and whether they were authorized to use the commissary and the post exchange. In addition, we reviewed Army Regulation 210-12 regarding establishing and administering rents for Government housing and charges for related facilities. We reviewed prior rental appraisals of housing at the Academy and the rental income received by the Academy for FY 1994. We conducted a market analysis of private-sector housing within a 30-mile radius of the Academy and determined the average rental rate for comparable housing.

**Reimbursements.** We reviewed the nine major activities at the Academy that received reimbursements and all 29 support agreements established by the Academy. For FY 1994, collections of about \$17.8 million for the 601 active reimbursable accounts were received. We also reviewed the processing and collection procedures for all unpaid reimbursements. For those active accounts, we identified all outstanding account receivables as of the end of FY 1994. In addition, we reviewed DoD guidance and Army regulations concerning the development of support agreements.

**Premium Pay.** We reviewed premium pay and the payment of compensatory time in lieu of overtime for Title 10 employees in the Department of Physical Education. We reviewed the authorization and justification for continuing premium pay to five employees in ODIA and the overall management and use of compensatory leave for 18 employees in the Department of Physical Education.

**Realignment of Personnel and Functions.** We reviewed the Academy's compliance with guidance under United States Code, title 10, section 4340, relating to the requirement to detail a commissioned officer as quartermaster to buy and issue all supplies and provisions for the Corps of Cadets and the Cadet Mess.

**Overtime.** Our review of overtime at the Academy consisted of unscheduled and scheduled overtime. To determine whether controls and procedures were adequate, we reviewed 1,085 requests for overtime for 7 of the 14 organizations that expended overtime dollars. Our selection of the activities reviewed was based on the highest dollar amounts expended for FY 1994. During FY 1994, the Academy expended about \$1.7 million in overtime pay for approximately 74,000 overtime hours worked.

**Fixed-Wing Aircraft.** We reviewed the operation and management of the two fixed-wing aircraft the academic dean owned. We determined the total number of hours that the planes were used and the purpose for the aircraft. We conducted a feasibility analysis comparing the costs of current operations to the market rate for leasing comparable aircraft or other alternatives.

## Methodology

We reviewed the status of the implementation of the recommendations of Inspector General, DoD, Report No. 94-005, "Noninstructional Military Positions at the United States Military Academy," October 15, 1993, concerning noninstructional military positions at the Academy. We reviewed staffing and other official documents that identify the actions planned.

**Use of Computer-Processed Data.** We relied extensively on computer-processed data in the Defense Accounting Office-West Point to achieve the audit objectives. Although we did not perform a formal reliability assessment of the computer-processed data, we did determine whether the overtime, reimbursement, and cadet pay data reviewed generally agreed with the information in the computer-processed data. We did not find errors that would preclude use of the computer-processed data to meet the audit objectives or that could change the conclusions in the report.

**Audit Period, Standards, and Locations.** We performed this economy and efficiency audit from September 1994 through June 1995 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary. Appendix H lists the organizations visited or contacted.

## Management Control Program

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

## Appendix A. Scope and Methodology

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**Scope of Review of Management Control Program.** We reviewed the adequacy of the management controls over the assessable units. Specifically, we reviewed the effectiveness of management control policies and procedures throughout the Academy. We also reviewed management controls relating to overtime, adjustments to staffing, reimbursements, Government housing, and property. Further, we reviewed the results of management control reviews and vulnerability assessments.

**Adequacy of Management Controls.** We identified material management control weaknesses as defined by DoD Directive 5010.38 relating to the management control program throughout the Academy. Management controls were not adequate to ensure:

- o that only essential overtime was worked; that overtime was properly approved and authorized; and that overtime policies, practices, and use were periodically reviewed;

- o that essential functions and services provided by one office were not duplicated by other offices at the Academy;

- o that the Academy was properly reimbursed for services rendered and that agreements were updated in a timely manner; and

- o that only civilians designated as key and essential were authorized to reside on-post and were issued military identification cards and that required periodic reviews of rental rates were performed.

Recommendations A.4., B.5., E.3.a., E.3.b., and E.3.c, if implemented, will improve the management control program throughout the Academy. The amount of potential monetary benefits associated with the material weaknesses cannot be determined because future expenditures for overtime, receipts for reimbursements, and rental income cannot be quantified at this time. See Appendix G for all benefits associated with the audit. A copy of the report will be provided to the senior official in charge of management controls for the Army.

**Adequacy of Management's Self-Evaluation.** Management's self-evaluations were not adequate in that they did not detect and report on the material management control weaknesses identified by the audit. The Academy's management control program consisted only of the Department of the Army's required Management Control Plan checklists. The Academy did not complete vulnerability or risk assessments because they were no longer required by the Department of the Army. In addition, according to the Management Control Administrator, the Academy had certain organizations unique to the Academy for which applicable checklists could not be identified. Those organizations were:

- o Academic Dean;
- o Directorate of Academy Advancement;

- o Director of Admissions;
- o Equal Employment Opportunity Office; and
- o Office of Policy, Planning, and Analysis.

Those organizations that do not have applicable checklists submit an annual assurance statement that states that the applicable management controls were in place. Further, organizations with similar assets and responsibilities did not complete the same checklists. Checklists alone are not a proper management control program. Checklists should be used as a manager's tool in evaluating management controls and not as the only means of self-evaluation. An example of the ineffectiveness of management's self evaluation checklists was that during the audit, three quick-reaction reports were issued by the Internal Review Office at the Academy, documenting various losses of funds within the Office of the Director of Cadet Activities. Those reports detailed numerous management control weaknesses with a loss of funds involving as much as \$38,625 in receipts not properly recorded and \$3,925 in receipts not properly deposited.

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

During the last 5 years, the General Accounting Office and the Office of the Inspector General, DoD, have each issued several reports that specifically discussed the administration and management of the Academy. In addition, the Office of Internal Review and Management Studies Division at the Academy issued reports on specific areas identified in this audit.

### **General Accounting Office**

General Accounting Office Report No. NSIAD-92-57 (OSD Case No. 8928), "DoD Service Academies: Academy Preparatory Schools Need a Clearer Mission and Better Oversight," March 1992, states that the schools' missions were not clearly defined, program reviews of the preparatory schools conducted by the Service academy faculty did not assess the schools against a uniform set of quality and performance standards, and DoD lacked the tools and information needed to assess whether the schools were cost-effective. The report recommends that the Secretary of Defense reevaluate the mission of the preparatory schools, establish appropriate standards applicable to the schools' faculty, require periodic reviews, and establish guidelines for estimating the schools' cost. DoD stated that it had initiated several actions to improve cost reporting, efficiency, management, and supervision of the preparatory schools.

General Accounting Office Report No. NSIAD-91-79 (OSD Case No. 8585), "DoD Service Academies: Improved Cost and Performance Monitoring Needed," July 1991, states that a lack of guidance on Academy cost reporting contributed to incomplete, inconsistent, and inaccurate financial reports. Consequently, Academy cost reports did not provide DoD and the Services with the information needed to completely account for funds used by the academies or to make cost-effective decisions regarding resource allocation and program size. The report recommends that the Secretary of Defense direct the Comptroller of the Department of Defense (now the Under Secretary of Defense [Comptroller]) to assist the academies in developing appropriate guidance for uniform reporting of all costs that the academies incur and that the academies annually report their staffing levels and capital investment costs in addition to their operating costs and cost-per-graduate. DoD agreed that Academy cost reports did not show all appropriate costs. DoD stated that it would obtain the assistance of the Defense Finance and Accounting Service to develop uniform cost reporting guidance.

## Inspector General, DoD

Inspector General, DoD, Report No. 94-196, "Hotel Thayer, U.S. Military Academy, West Point, New York," September 27, 1994, states that although the Hotel Thayer needed renovating, the proposed renovation and expansion project exceeded the needs, of the Academy and was based on overly optimistic financial projections. The solicitation for the renovation and expansion project did not adequately describe the Academy's needs, and the proposal selected for contract award to renovate and expand the Hotel Thayer exposed the soldiers' Army Morale, Welfare, and Recreation Fund to undue risk. The report recommends that the Commander, Army Community and Family Support Center, cancel the request for proposal to renovate, expand, and operate the Hotel Thayer or modify the request for proposal to eliminate or greatly reduce the risk to the Army Morale, Welfare, and Recreation Fund associated with guaranteeing the developer's loan or bond issue. The report also recommends that the Superintendent, U.S. Military Academy, perform an in-depth analysis of other less costly alternatives to renovate the Hotel Thayer. The Army nonconcurred with the initial recommendation to cancel the request for proposal. The Army modified the request for proposal to limit the liability of the Army to \$20 million.

Inspector General, DoD, Report No. 94-026, "Service Academies' Foreign Student Program-Tuition Billing," December 28, 1993, states that the Office of the Comptroller of the Department of Defense did not set the cost of foreign student tuition in time to bill and collect costs from foreign governments sponsoring students at the academies. Further, the academies had not billed approximately \$645,000 and had not collected about \$110,000 in billed tuition costs owed to the U.S. Government by the foreign governments. The report recommends that the Under Secretary of Defense for Policy and the Comptroller of the Department of Defense issue written guidance to implement Public Law 98-94 on the foreign student program. Both parties agreed that written guidance was needed. The report also recommends that the academies bill foreign countries that had not been billed for their students' full tuition and collect all billed but unpaid tuition costs. The Navy and Air Force agreed with billing for the unpaid tuition, whereas the Army disagreed.

Inspector General, DoD, Report No. 94-005, "Noninstructional Military Positions at the United States Military Academy," October 15, 1993, states that the number of authorized military billets at the Academy was overstated by 99 billets: 43 noninstructional billets were not essential either for the accomplishment of the Academy's mission or for the maintenance of the quality of life of the Corps of Cadets, and 56 billets were unnecessarily classified as military positions. The report recommends that the Superintendent, United States Military Academy, delete the 43 noninstructional military billets and convert the 56 noninstructional military billets to civilian billets on the staffing document of the Academy. The report also recommends that the Chief of Staff, Department of the Army, provide Operation and Maintenance funding needed for civilian pay when the military billets were converted to civilian. The Army partially concurred with the recommendation to reduce authorizations and partially concurred with the recommendation to convert military billets to

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

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civilian. The Army did not provide comments on the recommendation to provide Operation and Maintenance funding to pay for civilian conversion. The Army nonconcurred with the monetary benefits, stating that the conversions would cost more initially and that more Operation and Maintenance funds would be required to effect the recommended conversions. We have requested that the Army reconsider its position (page 39 of this report).

### **Internal Review Office, United States Military Academy**

Internal Review Office Report No. 95-5, "Loss of Funds Cadet Restaurant," February 28, 1995, was performed to verify a cash shortage that was discovered during a cash count at the Cadet Restaurant. The report states that management had not established adequate operating controls that were especially important considering that management was aware of the employee's decline in performance and personal problems. Control logs were incomplete, and control documents were not properly prepared, which made locating source documents difficult. The amount of loss was estimated to be from \$21,548 to \$34,441.

### **Management Studies Division, United States Military Academy**

Management Studies Division, "Office of the Treasurer Management Study," May 1994, and "Addendum to Management Study of the Office of the Treasurer," September 1994, recommends consolidating the functions of the Office of the Treasurer and the Finance Office. The study also recommends transferring Ration Fund accounting tasks to the Finance Office and transferring check cashing services provided by the Cadet Bank to the West Point Federal Credit Union at no charge. The Garrison Commander deferred acting on the recommendations regarding the Cadet Account and the Ration Fund until further analysis was performed. The functions of the Cadet Bank were transferred to the Credit Union in March 1995.



## Appendix C. Status of Support Agreements

Customer	Expiration Date	Estimated Reimbursement	FY 1994 Collectibles
4th Marine Division-2/25th	May 1996	\$ 10,000	\$ 0
105th New York Air National Guard	September 1993	85,536	5,086
316th U.S. Air Force Recruiting Squadron	December 1999	0	98,134
77th Army Reserve Command	June 1997	187,250	256,447
97th Army Reserve Command	December 1999	75,207	2,098
106th New York Army National Guard	April 1993	25,000	0
Army and Air Force Exchange Services	December 1991	0	168,326
Civil Air Patrol	March 1993	2,850	0
Criminal Investigative Division	December 1997	2,700	1,108
Defense Commissary Agency	September 1999	237,348	333,966
Defense Finance and Accounting Service	December 1999	424,560	5,423
Defense Investigative Service	September 1999	600	0
Defense Printing Service	December 1999	32,100	28,450
Federal Aviation Administration	January 1993	5,000	27,663
Federal Bureau of Investigation	December 1999	11,200	9,850
Federal Correctional Institution	April 1990	15,000	0
Marine Aircraft Group 49, Detachment B	December 1999	98,600	96,971
Marines-Fort Schuyler	December 1991	4,800	0
Medical Department Activity	December 1994	364,000	67,805
Naval Mobile Construction Battalion 13	October 1993	12,060	0
New York Army National Guard	September 1993	138,000	27,002
New York Challenge	December 1999	204,228	0
New York City Recruiting Battalion	December 1999	0	0
New York Corps of Engineers	September 1999	63,000	456
Picatinny Arsenal	March 1990	13,000	0
Readiness Group-Stewart	April 1996	52,500	50,957
U.S. Army Information System Command	December 1999	0	3,292
U.S. Mint	December 1999	74,600	8,663
U.S. Postal Service	January 1988	<u>1,780</u>	<u>10,880</u>
<b>Total</b>		<b>\$2,140,919</b>	<b>\$1,202,576</b>
All Agreements except for the Readiness Group-Stewart were incomplete.			

## Appendix D. Potential Monetary Benefits of Conversion and Deletion

Table D-1. Position to be Converted

Military Grade	Civilian Grade Equivalent	Number to be Converted	Total Military Compensation <sup>1</sup>	Total Civilian Compensation	Benefit of Conversion (1 Year)	Benefit of Conversion (6 Years) <sup>2</sup>
Officer-4	GS-13	1	\$84,616	\$69,465	\$15,151	\$90,906

Table D-2. Position to be Deleted

Military Grade	Military Compensation (Base Year) <sup>1</sup>	Number to be Eliminated	Benefit of Elimination (Base Year) <sup>1</sup>	Benefit of Elimination (6 Years) <sup>2</sup>
Officer-4	\$84,616	1	\$84,616	\$507,696

<sup>1</sup>Our estimate of the potential monetary benefits is based on FY 1995 Military-Civilian Equivalent Pay Rates for the Army, published by the Comptroller of the Department of Defense (now the Under Secretary of Defense [Comptroller]), to support Defense Business Operations Fund budget formulation.

<sup>2</sup>FYs 1996 through 2001 Future Years Defense Program.

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## Appendix E. Positions Identified for Other Actions

Department	Position Number	Civilian Grade	Number of Positions	Position Title	Action
Treasurer Office	043/03	GS-08	1	Supervisor, Accounting Technician	Reassign based on elimination of office.
Treasurer Office	043/04	GS-07	1	Accounting Technician	Reassign based on elimination of office.
Treasurer Office	043/05	GS-06	2	Accounting Technician	Reassign based on elimination of office.
Treasurer Office	043/07	GS-05	1	Accounting Technician	Reassign based on elimination of office.

## Appendix F. Agreed-To Conversions From Prior Audit Coverage

Military Grade	Civilian Grade Equivalent <sup>1</sup>	Military Compensation (Base Year) <sup>2</sup>	Civilian Compensation (Base Year) <sup>2</sup>	Number to be Converted	Total Military Compensation	Total Civilian Compensation	Benefit of Conversion (1 Year)	Benefit of Conversion (6 Years) <sup>3</sup>
Enlisted-5	GS-6	\$ 35,311	\$ 29,633	1	\$ 35,311	\$ 29,633	\$ 5,678	\$ 34,068
Enlisted-4	GS-5	29,323	26,585	1	29,323	26,585	2,738	16,428
Enlisted-3	GS-4	24,985	23,736	3	74,955	71,208	3,747	22,482
Enlisted-6	GS-6	41,397	29,633	1	41,397	29,633	11,764	70,584
Enlisted-5	GS-6	35,311	29,633	1	35,311	29,633	5,678	34,068
Enlisted-8	GS-8	55,835	36,474	1	55,835	36,474	19,361	116,166
Enlisted-3	GS-4	24,985	23,736	2	49,970	47,472	2,498	14,988
Enlisted-7	GS-7	48,264	32,930	1	48,264	32,930	15,334	92,004
Enlisted-5	GS-6	35,311	29,633	2	70,622	59,266	11,356	68,136
Enlisted-6	GS-6	41,397	29,633	1	41,397	29,633	11,764	70,584
Enlisted-5	GS-6	35,311	29,633	1	35,311	29,633	5,678	34,068
Enlisted-5	GS-6	35,311	29,633	1	35,311	29,633	5,678	34,068
Enlisted-6	GS-6	41,397	29,633	1	41,397	29,633	11,764	70,584
Enlisted-4	GS-5	29,323	26,585	1	29,323	26,585	2,738	16,428
Enlisted-5	GS-6	35,311	29,633	1	35,311	29,633	5,678	34,068
Enlisted-7	GS-7	48,264	32,930	1	48,264	32,930	15,334	92,004
<b>Total</b>				<b>20</b>	<b>\$707,302</b>	<b>\$570,514</b>	<b>\$136,788</b>	<b>\$820,728</b>

<sup>1</sup>We did not use the exact civilian equivalent for each military pay grade. Instead, we used the next higher civilian pay grade for enlisted positions to allow for the overtime or additional staffing that may be needed as a result of the conversion from military to civilian positions.

<sup>2</sup>Our estimate of potential monetary benefits is based on FY 1995 Military-Civilian Equivalent Pay Rates for the United States Army, published by the Comptroller of the Department of Defense (now the Under Secretary of Defense [Comptroller]), to support the Defense Business Operations Fund budget formulation.

<sup>3</sup>FYs 1996 through 2001 Future Years Defense Program.

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

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
A.1., A.2.	Program Results. Provides better service to military personnel.	Nonmonetary.
A.3.	Program Results. Establishes more realistic rental rates for Government housing at the Academy.	Undeterminable.*
A.4.	Management Control. Improves the controls over the designation of key and essential personnel and the issuance of military identification cards to civilians.	Nonmonetary.
B.1. through B.4.	Economy and Efficiency. Reduces the potential for loss of revenue from reimbursements for services the Academy rendered to other activities.	Undeterminable.*
B.5.	Management Control. Improves the controls over reimbursements.	Undeterminable.*
C.1. through C.4.	Economy and Efficiency. Improves controls over premium pay.	Undeterminable.*
D.1.	Compliance with Regulations. Permits the Academy to meet the requirement of United States Code, title 10, section 4340.	Nonmonetary.
D.2., D.3.	Economy and Efficiency. Enhances the operation of the Academy and allows for the reassignment of military personnel.	Funds put to better use of about \$99,767 per year or \$598,602 over the execution of the FYs 1996 through 2001 Future Years Defense Program. Appropriation: 21X2010

\*Upon implementation of the recommendations, the Army will be able to determine the monetary benefits.

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

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
D.4., D.5.	Economy and Efficiency. Improves accounting procedures for mandatory deductions and advancements of pay.	Undeterminable.*
D.6. through D.9.	Economy and Efficiency. Avoids duplication of effort and allows for the reassignment of civilian billets.	Undeterminable.*
D.10.	Economy and Efficiency. Implements prior audit recommendations.	Funds put to better use of about \$136,788 per year or \$820,728 over the execution of the FYs 1996 through 2001 Future Years Defense Program. Appropriation: 21X2010
E.1.a., E.1.b., E.1.c., E.1.d., E.1.e., E.2.a., E.2.b. and E.2.c.	Program Results. Improves compliance with regulatory responsibilities.	Undeterminable.*
E.3.a., E.3.b. and E.3.c.	Management Control and Program Results. Improves the management control program at the Academy.	Nonmonetary.
F.1, F.2.	Economy and Efficiency. Reduces duplication of efforts and improves utilization of alternative methods.	Undeterminable.*

\*Upon implementation of the recommendations, the Army will be able to determine the monetary benefits.

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## **Appendix H. Organizations Visited or Contacted**

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

Under Secretary of Defense for Personnel and Readiness, Washington, DC

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller),  
Washington, DC  
United States Military Academy, West Point, NY

### **Defense Organization**

Defense Finance and Accounting Service Office, West Point, NY

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## **Appendix I. Report Distribution**

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

Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Personnel and Readiness  
Assistant Secretary of Defense (Economic Security)  
Assistant to the Secretary of Defense (Public Affairs)  
Director, Defense Logistics Studies Information Exchange

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army  
Superintendent, United States Military Academy

### **Department of the Navy**

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

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

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

### **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Finance and Accounting Service  
Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, National Security Agency



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## **Part III - Management Comments**

# Department of the Army Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR PERSONNEL  
300 ARMY PENTAGON  
WASHINGTON, DC 20310-0300  
23 OCT 1995



NOV 21 1995

MEMORANDUM THRU ~~DEPUTY CHIEF OF STAFF FOR PERSONNEL~~  
~~DIRECTOR OF THE ARMY STAFF~~ 08/25/10  
DIRECTOR OF THE ARMY STAFF 08/25/95 ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND  
RESERVE AFFAIRS) *sub* 15 Nov 1995

THOMAS F. SKORA  
MG, GS, DMPM

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE (AUDITING)

SUBJECT: Audit Report on Management and Administration of the  
United States Military Academy (Project No. 4RA-5051.02)

Reference Memorandum, Inspector General, Department of Defense  
(Auditing), subject as above, 15 August 1995.

The DODIG report presents an essentially fair and objective assessment of the base operations at the United States Military Academy (USMA). In doing so, this report identifies some areas that will be improved. However, the report's effectiveness is impaired somewhat by some misleading and inaccurate statements which are addressed below. At the tabs are specific comments to the findings and recommendations.

a. FINDING A. Oversight of On-Post Housing Authorizations. The DODIG report incorrectly states that USMA's housing assignment policy gives special treatment to a particular group of civilian employees. The report suffers from its failure to identify that, despite their commentary on civilian versus military housing assignments, all eligible personnel were assigned adequate housing. The real issue may be whether the housing is located at West Point or Stewart Army Subpost. In any event, the audit team failed to recognize that USMA will soon begin construction of new family housing, which will resolve most, if not all, current concerns.

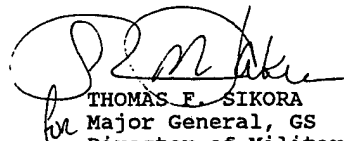
b. FINDING D. Reclassification of Personnel and Realignment of Functions. In the opening statement, the DODIG report states that duplicate functions performed by separate offices create a separate and unique cadet pay system. This statement is misleading, since the functions performed did not create the present cadet pay system. The duplication results in part from the traditional cadet pay system, which will be essentially eliminated by transfer of functions described in TAB D.

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c. FINDING F. Cost-Effectiveness of Fixed-Wing Aircraft. The DODIG report erroneously states that the Dean "owns" two fixed-wing aircraft used to conduct flight laboratories. While the report's intent was to identify stewardship, a casual reader could interpret the word "owns" to indicate unconstrained control of government property which is not true. This finding also suffers from a narrow focus on the costs, without respect for concerns of safety, aircraft configuration, and pilot training.

As additional actions are taken to comply with the suggested IG changes at USMA, this office will keep you informed.

  
THOMAS F. SISKORA *col GS*  
Major General, GS *Acting Dir*  
Director of Military Personnel Management  
STEVEN M. SAKUMA  
COL, GS, DDMPM

Attachment

**TAB A**  
**OVERSIGHT OF ON-POST HOUSING AUTHORIZATION**

**FINDING:** The Academy did not ensure that civilians authorized to reside on-post were kept to a minimum, were designated key and essential employees, or were the only civilian employees issued military identification cards. Also, the Academy had not reviewed rental charges for Government housing for more than ten years.

**RECOMMENDATIONS:**

1. Establish policies to ensure that military personnel are given preference in assignment of Government housing:

**RESPONSE:** Concur. On 11 May 1995, the Academy leadership issued guidance which will enhance assignment of housing units at West Point to military personnel. In addition, USMA is finalizing action to request from the Department of the Army authorization to house contract civilian coaches in appropriated fund housing. (Estimated completion: 31 Jan 96).

2. Conduct the Summer Draw of available housing by rank and bedroom requirement and, within rank, list personnel by date of rank for like bedroom requirements.

**RESPONSE:** Nonconcur. It is unnecessary to change USMA housing policy and the conduct of the summer draw, since all assigned personnel are adequately housed. As the DODIG confirms on page 6 of its report, "Our analysis of the Draw showed that all personnel received at least their required family bedroom authorizations." The report went on to state that the housing was not necessarily "what was best for the military personnel and their family." While the report does not substantiate this statement, we believe it refers to the location of the housing. Housing assignments are made at West Point and, when that is not possible, individuals are assigned housing at Stewart Army Subpost, a reasonable commuting distance. Finally, as explained to the auditors, once the approved construction of military housing is complete at West Point this will resolve the auditors' concerns.

3. Task the Army Corps of Engineers to update the Academy's housing rental rates commensurate with the prevailing rental rates in the local community.

**RESPONSE:** Concur. USMA has notified the Corps of Engineers of the need to revise rental rates. (Estimated completion: 31 Oct 95).

4. Assign one office with the responsibility of establishing management controls to ensure that only civilian personnel designated as key and essential are issued a military identification card and to perform periodic reviews verifying that all policies and procedures are being properly followed.

RESPONSE: Concur. The USMA Adjutant General has been provided an initial list of Key and Essential civilians authorized government housing. Thereafter, the Chief, Family Housing Division will provide the USMA Adjutant General with copies of termination/assignment documents to ensure propriety of entitlements. The Chief, Family Housing Division will conduct periodic management control reviews to ensure compliance with established policies and directives. (Estimated completion: 31 Oct 95).

**TAB B**  
**MANAGEMENT OF REIMBURSEMENTS ACCOUNTS**

***FINDING:*** The Academy had inadequate procedures for documenting, updating, and collecting for reimbursable services. The Academy had not established an audit trail for identifying or costing the services provided. In addition, the Academy did not have a centralized office responsible for establishing and implementing procedures. As a result, the Academy may not be properly reimbursed for the services it provides.

**RECOMMENDATIONS:**

1. Update and complete existing support agreements.

**RESPONSE:** Concur. (Estimated completion: 31 Jan 96).

2. Develop a consistent audit trail for the different categories of services and the billing of those services provided for by the various organizations at the U. S. Military Academy.

**RESPONSE:** Concur. Procedures will be developed to reconcile support agreements, Military Interdepartmental Purchase Requests for those agreements, and billings. (Estimated completion: 31 Mar 96).

3. Develop standardized accounting procedures to include maintenance of accounts and how payments are to be received and processed.

**RESPONSE:** Concur with comment USMA has standardized accounting procedures which will enable them to determine how accounts are to be maintained and how payments are to be received and processed. USMA will document these procedures into an appropriate SOP. (Estimated completion: 31 Jan 96).

4. Establish uniformed collection procedures identifying the responsibilities of both the activity providing the services and the Defense Accounting Office-West Point. Procedures should include steps to discontinue services if payments are not received in a timely manner.

**RESPONSE:** Concur. USMA will develop these procedures as part of the reconciliation procedures developed for recommendation 2 above. (Estimated completion: 31 Mar 96).



5. Assign one office the responsibilities of establishing management controls to ensure that funds are properly accounted for, perform periodic reviews of reimbursable policies and procedures, provide oversight to verify that support agreements and other types of reimbursements are properly established and updated accordingly, and verify that the servicing activity takes corrective action when weaknesses are identified.

RESPONSE: Concur. USMA will identify the responsible office and ensure for full understanding of responsibilities. (Estimated completion: 31 Mar 96).

**TAB C**  
**MANAGEMENT OF PREMIUM PAY AND COMPENSATORY LEAVE**

**FINDING:** The Academy did not adequately review and document the justifications of premium pay for personnel within ODIA. In addition, the compensatory leave instructor-coaches earned for coaching duties at ODIA caused more hardship and financial burden on the Department of Physical Education. Procedures and oversight were not established at the Academy to adequately control the use of premium pay and alternative methods for accomplishing the work required were not implemented. As a result, the Academy has no assurance that future funds to support premium pay or the compensatory leave program are adequate to meet the needs of the Academy.

**RECOMMENDATIONS:**

1. Require that a management review be performed to determine the feasibility of establishing provisions wherein the basic salary for instructor-coaches, be on a 12-month contract. This contract would be considered full and complete pay for the duties and responsibilities rendered.
2. Review the overall management of the premium pay program within the Directorate of Intercollegiate Athletics to justify the continuation of premium pay and its method and rate of payment and to determine the cost-effectiveness of the program to USMA.
3. Verify that leave and earnings for employees who have had their tour of duty changed to cover regularly scheduled overtime are adequately charged leave and earnings per their 10-hour work day schedule.
4. Determine the effectiveness of alternative procedures or establish similar provisions as those in Recommendation 1 for the faculty and management personnel assigned to ODIA.

**RESPONSE:** 1 thru 4 - Concur. USMA will evaluate the feasibility of establishing the 12-month contract for affected faculty assigned to the Department of Physical Education and coaches and management personnel assigned to ODIA. Should this option prove not to be feasible for any position, management reviews will be made to ensure optimum cost effectiveness in the management of premium pay and compensatory leave. (Estimated Completion: 31 Mar 96).

**TAB D**

**RECLASSIFICATION OF PERSONNEL AND REALIGNMENT OF FUNCTIONS**

**FINDING:** The Office of the Treasurer duplicated functions performed by the Defense Accounting Office-West Point and had created a separate and unique cadet pay system. In addition, the Academy has not implemented recommended conversions from prior audit coverage.

**RECOMMENDATIONS:**

1. Reclassify the civilian position of the Deputy Director of Logistics as a military position on USMA's authorization

**RESPONSE:** Concur. Action is pending to implement this recommendation. (Estimated completion: 31 Mar 96).

2. Reclassify the military position of the Officer-In-Charge of the Cadet Mess as a civilian position and delete the military position of the Treasurer on USMA's authorization.

**RESPONSE:** Concur with variation. We concur with the spirit of the recommendation regarding the position of the Treasurer, and we acknowledge the potential for improvement in the operation of the USMA Directorate of Logistics. At this time, however, we are not convinced that the recommendations are necessarily ideal ones. The directorate has undergone some significant streamlining within the past year to enhance efficiencies, and it may be prudent to review the effectiveness of those measures before making further reclassifications. Therefore, USMA will revalidate the mission and resources of the organization within the next fiscal year and make appropriate changes. (Estimated completion: 30 Sep 96).

3. Request increased civilian end-strength authorization and civilian payroll authority to reclassify the one military position to a civilian position to accomplish Recommendation D-2.

**RESPONSE:** Qualified concurrence. This is related to response to recommendation 2 above.

4. Deduct only the mandatory deductions from the cadets' pay.

**RESPONSE:** Concur. (Estimated completion date: 31 Mar 96).

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5. Consolidate the issuance and repayment of all advancements of pay to the cadets into one standard amount to start at the time of disbursement of the funds.

6. Eliminate cadet account functions from the Office of the Treasurer.

7. Transfer those remaining functions currently being performed for the maintenance of Cadet Account to Defense Accounting Office-West Point utilizing the Defense Joint Military Pay System.

8. Transfer the functions currently performed by the Office of the Treasurer for Cadet Ration Fund to the Nonappropriated Fund Branch, Commercial Account at the Defense Accounting Office.

**RESPONSE** 5 thru 8. Qualified concurrence. We acknowledge the merit of this proposal. USMA will coordinate this action thoroughly with the Defense Accounting Office, to ensure all responsibilities and requirements are met. (Estimated completion: 31 Mar 96).

9. Transfer the nonaccounting functions of the Cadet Mess Ration Fund to the Cadet Mess Branch of the Directorate of Logistics.

**RESPONSE:** Qualified concurrence. This action is dependent upon actions proposed in the above response. (Estimated completion: 31 Mar 96).

10. Request the funding and authorizations to convert the 20 noninstructional military positions concurred with in the Inspector General, DoD, Report No. 94-005, "Noninstructional Military Positions at USMA, October 15, 1993.

**RESPONSE:** Nonconcur. We estimate that these civilian positions would increase USMA Operations Maintenance Army (OMA) requirements as much as \$620,000 and would save the Army less than \$85,000. With limited savings realized and the need for additional OMA funding, we cannot concur with this recommendation. In addition, the targeted military positions are extremely important for the Army. For example, chaplains' assistants at West Point will be trained and developed to later serve elsewhere in the Army in positions of greater authority.

**TABLE**  
**MANAGEMENT OF OVERTIME**

***FINDING:*** The Academy did not properly authorize and approve the use of overtime before funds were obligated and expended. The Academy's overtime policy was inadequate and oversight procedures and controls were not used to assure that overtime was necessary, actually worked, and the most efficient means for accomplishing the work requirements. As a result, the Academy has no assurance that funds are properly or efficiently expended.

**RECOMMENDATIONS:**

1. Revise USMA Policy Memorandum 2-92, "Administration of Overtime and Holiday Pay," to establish detailed procedures directing requesting officials to:

- a. Verify that DA Form 5-172-R, "Request, Authorization, and Report of Overtime," justifies the need for overtime and provides a detailed description of the work to be completed, indicates that other options were evaluated, and documents that overtime will result in a cost advantage or satisfy a mission-essential need.
- b. Include the specific dates and times when overtime is to be worked.
- c. Verify that overtime is approved before allowing the work to be performed, unless an emergency makes verification impractical.
- d. Verify that all adjustments increasing the number of overtime hours are submitted for approval.
- e. Restrict the use of overtime concurrent with annual leave to only those instances when overtime is for an emergency or a mission-essential need and that the annual leave did not cause the requirement for the overtime. Require that justification for overtime concurrent with annual leave be provided on the request for overtime submitted for approval.

2. Direct approving officials for overtime to:

- a. Verify that the requirements identified in Recommendation 1 are provided on each justification.
- b. Return without approval justifications that do not meet those requirements.
- c. Take the appropriate personnel action if procedures are not maintained.

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**RESPONSE 1 and 2:** Partial concurrence. West Point will revise USMA Policy Memorandum 2-92, and will incorporate procedures to ensure adequate documentation, verification, and review of overtime usage. (Estimated completion 31 Jan 96). However, we do not concur with the recommendations to require detailed written justification and restrictions on the use of overtime. AR 570-4, Manpower Management, gives commanders and other managers responsibility for the control and management of overtime. The manager's signature on Army Form 5172-R approving overtime for specific person(s) on specific date(s) for a specific number of hours to accomplish a specific mission, we believe fulfills regulatory requirements. Further documentation of the considerations which lead the manager to approve overtime creates, what we see as an unnecessary administrative burden and, therefore, is contrary to the spirit of the National Performance Review.

3. Direct the Internal Review Office to:

- a. Verify that command managers complete the applicable management control questions in the checklist for civilian pay.
- b. Require periodic reviews on overtime policies, practices, and use by command organizations.
- c. Require the command organizations to make sure corrective actions are taken when weaknesses are identified.

**RESPONSE:** Concur. The USMA Internal Review Office will, as part of its audit follow-up responsibilities with this audit, review the adequacy of managerial oversight as relates to West Point civilian overtime. (Estimated completion: Not later than 120 days after final approval of audit report.)

**TAB F**  
**COST-EFFECTIVENESS OF FIXED-WING AIRCRAFT**

**FINDING:** The Academy uses two fixed-wing aircraft owned by the academic dean at the Academy to conduct flight laboratories because the Academy desired an in-house capability. The Academy could make better use of operations and maintenance funds if it leases aircraft for this purpose or uses National Guard or Air Force Reserve equipment collocated at Stewart Army Subpost.

**RECOMMENDATIONS:**

1. Determine the feasibility of alternatives to fulfill the requirement for flight laboratories and implement the most cost-effective procedure.

**RESPONSE:** Concur with comment. USMA will conduct a study to determine not just the cost effectiveness of owning versus leasing or required aircraft or obtaining required type aircraft from other DoD sources. Safety is a paramount concern and, therefore, this factor affecting potentially leased aircraft as well as pilot experience and capabilities will be factored into this study. Additional evaluation requirements will be the availability of aircraft that are capable of the flight conditions and instrumentation readouts essential for in-flight laboratories. Lastly, USMA will require almost unwaiverable assurance as to the availability of aircraft whether owned by a private service or by another DoD component. (Estimated completion: 31 Mar 96).

2. Discontinue the use of the two fixed-wind aircraft as flight laboratories if a more cost-effective method is found and start procedures to dispose of the aircraft.

**RESPONSE:** Qualified concurrence based on the aforementioned study's results.

## **Audit Team Members**

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