

**Office of the Assistant Inspector General for
Auditing**

Department of Defense

**Audit and Evaluation Plan
FY 2001**



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September 14, 2000

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Audit and Evaluation Plan for Fiscal Year 2001

The attached plan indicates this office's planned new starts in FY 2001. Where the audit topics are not mandated by law, regulation, or congressional direction, they have been developed as much as possible in consultation with DoD managers. These projects also have been coordinated in the joint audit and inspection planning groups that address coverage in each major functional area. The plan includes audit policy and oversight projects planned to start in FY 2001; however, intelligence coverage will be addressed separately.

We regularly receive high priority management requests, congressional requests, hotline allegations, and other out-of-cycle requirements that necessitate changes to the initial plan. To discuss currently planned or ongoing coverage at any point during the year, it is advisable to check directly with the cognizant OIG, DoD issue area planning group, as listed in Appendix A. See Appendix B for the plan distribution. Updates to this plan, as well as information on the numerous projects from our FY 2000 plan that carryover into FY 2001, are available on our website at www.dodig.osd.mil/audit.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Attachment

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FINANCE AND ACCOUNTING

Summaries of FY 2001 Planned Projects

Financial Statement Audits for FY 2001 (Multiple). These audits (2001-D000FI-0036) will determine whether the FY 2001 financial statements for the Department of Defense are presented fairly in accordance with generally accepted accounting principles described in the Office of Management and Budget (OMB) Bulletin No. 97-01, "Form and Content of Agency Financial Statements," October 16, 1996, as amended November 29, 1998. As part of this objective, we will review the reporting of performance measures in the Overview section of the DoD Agency-wide Financial Statements and in the preparation of the Statements of Net Costs by both the Department and its Components. We will assess internal controls, compliance with laws and regulations, and reporting of program and financial performance as described in the Bulletin. We also plan to follow up on corrective actions resulting from previous financial statement audits. (R. Bird/(703) 604-9175)

General and Application/Security Controls for Automated Financial Systems (2001-D000FG-0049). We will assess the adequacy of general and application control/security policies and implementation for selected automated financial information systems. Our focus will be on evaluating the adequacy of system security, access, continuity, and software development and changes, as well as testing applications controls. (K. Caprio/(703) 604-9139)

INFORMATION TECHNOLOGY RESOURCES

Summaries of FY 2001 Planned Projects

Information Assurance for Automated Information Systems (2001-D000AS-0011).

We will continue this series of audits to evaluate the planning and implementation of automated information systems programs. We will determine whether the selected programs comply with Federal and DoD security initiatives and whether DoD information assurance planning and oversight are adequate. (W. Hopkins/(703) 604-9049)

Operational Test and Evaluation of Software Systems (2001-D000AB-0026). The objective of this audit will be to evaluate the purpose and timing of Operational Testing and Evaluation (OT&E) on the development of DoD software systems. Specifically, we will examine when OT&E should occur and how it should be accomplished. (R. Spencer/(703) 604-9071)

Acquisition Management of Automated Information Systems (2001-D000AL-0001).

We will continue this series of audits to evaluate the acquisition management of selected automated information system acquisition programs. Specifically, the selected information systems will be evaluated to determine if they are being cost effectively acquired, monitored, tested, and prepared for deployment and system life-cycle support. Guidance contained in DoD Directive 5000.1, "Defense Acquisition," DoD Regulation 5000.2-R, "Mandatory Procedures for Major Defense Acquisition Programs and Major Automated Information Systems," and Office of Management and Budget A-11 Part 3, "Planning, Budgeting, and Acquisition of Capital Assets" will be used as criteria. (C. Santoni/(703) 604-9051).

Application of Y2K Lessons Learned (2001-D000AS-0006). The objective of this audit will be to assess how widely and successfully the Department has applied the lessons learned from the Y2K conversion experience to other information technology programs and management issues. (W. Hopkins/(703) 604-9049).

ACQUISITION PROGRAM AND CONTRACTOR OVERSIGHT

Summaries of FY 2001 Planned Projects

Audit of Award and Administration of Contracts for Maintenance, Repair and Rebuilding of Equipment Services (D2001-D000CF-0019). The primary objective of this audit is to determine whether contracting and program officials adequately contracted for and administered contracts for maintenance, repair and rebuilding of equipment services. (T. McKinney/(703) 604-9288)

Program Management Audits of Major Acquisition Programs (2001-DAE-0023). The primary objective of the audits will be to determine whether program managers for selected major acquisition programs are adequately readying the programs for their next milestone decision points in the acquisition process. We will follow our critical program management elements approach for the audits and focus on high-risk areas and areas of special interest to the programs' managers at all levels. We will also determine whether the programs are implementing smart business practices and are making full use of the flexibilities available through acquisition reform initiatives. (J. Meling/(703) 604-9091)

Audit of "Other Transactions" Issued by the Military Departments and Defense Agencies (2001-D000AB-0025). This audit will examine the Military departments and Defense agencies use of 10 USC 2371, "Other Transactions" authority. The audit will examine whether the awards were made in compliance with the limited guidance and whether program objectives are being achieved. The audit will include follow-up on previous recommendations to determine whether corrective actions have been implemented. The audit will not examine the administration of these agreements as the administration of "other transactions" that were reviewed in previous audits. The audit will be conducted at the Military Departments and Defense agencies that have issued "other transactions." (R. Spencer/(703) 604-9071)

Use of Contracted Advisory and Assistance Services (2001-D000CH-0029). The primary objective is to determine the adequacy of practices for acquiring contracted advisory and assistance services (CAAS). The audit will evaluate the procedures for determining the price reasonableness of CAAS, the nature and extent of the use of sole-source contracts, and compliance with statutory and regulatory requirements on the use of CAAS. (G. Stephenson/(703) 604-9332)

DoD Paperless Contracting Program (2001-D000CH-0031). The primary objective is to evaluate Service and Defense agency reporting systems for tracking progress in meeting the goal for six types of acquisition transactions, to identify impediments, and to

determine if potential savings resulting from electronic commerce technologies are being realized. (G. Stephenson/(703) 604-9332).

Audit of Contractor Performance Assessments (2001-D000CK-0035). The audit objective will be to determine if DoD components are conducting contractor performance assessments in accordance with recent policy issued by the Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics. Further, we will determine if negative performance assessments are reported in a timely manner and whether effective corrective actions are taken. (J. Doyle/(703) 604-9348).

Profit Policy for Professional and Management Support Services Contracts (2001-D000CF-0037). The audit will evaluate the effectiveness of the DoD profit policy for professional and management support services contracts. Specific objectives will be to determine whether prime contractors have sufficient incentive to perform work in-house, whether large percentages of work are subcontracted out resulting in pyramiding of profits and subcontract administrative costs, and whether prime contractors and subcontractors have sufficient incentive to control overhead costs and maximize direct labor, and whether the same support services contractors perform as both prime contractors and subcontractors to each other. (T. McKinney/(703) 604-9288)

Contract Audit Followup (2001-D000CG-0043). The audit will review tracking, reporting, and settlement of contract audit recommendations contained in audit reports issued by the Defense Contract Audit Agency to the Military Departments and Defense agencies. The primary objective of the audit will be to determine whether the DoD Components have established audit followup systems that meet the requirements of Office of Management and Budget Circular A-50, "Audit Followup," and DoD Directive 7640.2, "Policy for Followup on Contract Audit Reports." The audit will also determine whether DoD contracting officers adhere to DoD policies for followup on contract audit reports when settling contract audit issues. (W. Million/(703) 604-9312)

DISA Right-Sizing Data Validation (2001-D000CG-0044). The Director, DISA, requested the IG, DoD, review and validate the FY 2000 year end data that will be collected and used in the decision making process for right-sizing the DISA regional support activities. (W. Million/(703) 604-9312).

Balkan Sustainment Contracts (2001-D000CG-0045). The primary objective is to determine the efficiency and effectiveness of all support contracts in the Balkan region. Specifically, we will review unprogrammed expenditures and the administration and execution of the contracts. (W. Million/(703) 604-9312).

READINESS AND LOGISTICS

Summaries of FY 2001 Planned Projects

Management of Safety Levels for Wholesale Inventory of Secondary Items (2001-D000LD-0007). This audit will evaluate the management of the wholesale inventory of secondary items to determine if safety levels for the items are accurate and appropriate. The audit will also determine the impact of safety levels on achieving supply availability performance goals. Additionally, the audit will determine if applicable management controls have been established at DoD inventory control organizations. (T. Schraden/(703) 604-9186)

GPRA Performance Goal 2.1.1. Enlisted Recruiting (2001-D000LF-0009). This audit will review Government Performance and Results Act (GPRA) Performance Measurement Goal 2.1.1, Enlistment Recruiting, as shown in the 2000 Secretary of Defense "Annual Report to the President and the Congress." The audit will determine the accuracy and validity of the methodology used to develop the measurement goal, the data sources used to verify and validate the goal, the calculation of actual and projected performance, and the stated implications for the future. (M. Joseph/(757) 766-9108)

GPRA Performance Goal 2.1.2. Quality Benchmarks for Enlisted Recruits (2001-D000LF-0013). This audit will review Government Performance and Results Act (GPRA) Performance Measurement Goal 2.1.2, Quality Benchmarks for Enlisted Recruits, as shown in the Secretary of Defense's "Annual Report to the President and the Congress" for 2000. The audit will determine the accuracy and validity of the methodology used to develop the measurement goal, the data sources used to verify and validate the goal, the calculation of actual and projected performance, and the stated implications for the future. (M. Joseph/(757) 766-9108)

GPRA Performance Goal 2.1.3A. Active Component Enlisted Retention Rates (2001-D000LF-0015). This audit will review Government Performance and Results Act (GPRA) Performance Measurement Goal 2.1.3A, Active Component Enlisted Retention Rates, as shown in the Secretary of Defense's "Annual Report to the President and the Congress" for 2000. The audit will determine the accuracy and validity of the methodology used to develop the measurement goal, the data sources used to verify and validate the goal, the calculation of actual and projected performance, and the stated implications for the future. (M. Joseph/(757) 766-9108)

GPRA Performance Goal 2.1.3B. Selected Reserve Enlisted Attrition Rates (2001-D000LF-0017). This audit will review Government Performance and Results Act (GPRA) Performance Measurement Goal 2.1.3B, Selected Reserve Enlisted Attrition Rates, as shown in the Secretary of Defense's "Annual Report to the President and the Congress" for 2000. The audit will determine the accuracy and validity of the methodology used to develop the measurement goal, the data sources used to verify and validate the goal, the calculation of actual and projected performance, and the stated implications for the future. (M. Joseph/(757) 766-9108)

GPRA Performance Goal 1.2.13. Flying Hours (2001-D000LF-0021). This audit will review Government Performance and Results Act (GPRA) Performance Measurement Goal 1.2.13, Flying Hours, as shown in the Secretary of Defense's "Annual Report to the President and the Congress" for 2000. The audit will determine the accuracy and validity of the methodology used to develop the measurement goal, the data sources used to verify and validate the goal, the calculation of actual and projected performance, and the stated implications for the future. (M. Joseph/(757) 766-9108)

Aircraft Readiness (2001-D000LA-0038). This audit will determine whether currently fielded critical aircraft weapon systems are being supported and maintained at readiness levels commensurate with joint force requirements. Specifically, the audit will examine the readiness of those weapon systems across the full spectrum of anticipated contingencies, and with minimal warning time. (H. Geyer/ (703) 604-9174)

GPRA Performance Goal 1.2.5 Army Deployment Tempo (2001-D000LA-0039). This audit will review the Government Performance and Results Act (GPRA) Performance Goal 1.2.5., Army Deployment Tempo, as shown in the Secretary of Defense's "Annual Report to the President and Congress" for 2000. The audit will determine the accuracy and validity of the methodology used to develop the measurement goal, the data sources used to validate and verify the goal, the calculation of actual and projected, and the stated implications for the future. (H. Geyer/(703) 604-9174)

CONSTRUCTION AND INSTALLATION SUPPORT

Summaries of FY 2001 Planned Projects

Real Property Maintenance and Repair Backlog (2001-D000CG-0030). The audit will review the administration of maintenance and repair to DoD facilities. The audit will determine whether facilities maintenance and repair is being accomplished in an economical manner, whether requirements and program performance are being reported accurately, and if internal controls are adequate to assure achievement of the maintenance and repair program objectives. (W. Million/(703) 604-9312)

HEALTH CARE

Summaries of FY 2001 Planned Projects

Army Deployable Medical Systems (2001-D000LF-0040). This overall audit objective will be to determine whether the Army Deployable Medical Systems (DEPMEDS) are based on the requirements necessary to support the DoD operation plans. This audit is one of a series of ongoing audits of DoD DEPMEDS operations. (M. Joseph/(757) 766-9108).

QUALITY OF LIFE

Summaries of FY 2001 Planned Projects

Disposition of Allotment Payments to Insurance Companies (2001-D000LF-0050).

This audit, requested by the Under Secretary of Defense (Personnel and Readiness) will evaluate the procedures used by insurance companies for disposing of or returning allotment payments to the military member for canceled or non-existing insurance policies. In addition, we will review Defense Finance and Accounting Service procedures for establishing and canceling allotments to determine if improvements could be made to ensure allotments are paid only for active policies. (M. Joseph/(757) 766-9108)

INTERNATIONAL SECURITY

Summaries of FY 2001 Planned Projects

Department of Commerce Control List and Department of State U.S. Munitions List (2001-D000LG-0024). This audit is one of an annual series mandated by law. We will evaluate the role of DoD regarding revisions and updates of the Commerce Control List and the U.S. Munitions List. Specifically, we will analyze the Department of Commerce Control List and the Department of State U.S. Munitions List processes to determine if DoD is consulted when revisions and updates are being considered that will affect U.S. national security. We will also evaluate DoD processes used after DoD is consulted to determine whether DoD decisions regarding the Commerce Control List and the U.S. Munitions List are reached in an efficient, optimal manner using all available information and resources. We will also review the management control program as it applies to the stated audit objectives. (E. Klemstine/(703) 604-9172).

AUDIT POLICY AND OVERSIGHT

The Inspector General, DoD, has statutory responsibility to provide policy direction for audits performed within DoD and to evaluate the performance of DoD audit organizations, including adherence to audit policies and standards. Additional statutory responsibilities include ensuring appropriate use of non-Federal auditors and their compliance with auditing standards on DoD engagements.

SUMMARY OF FY 2001 PLANNED PROJECTS

Internal Audit Oversight and Policy Implementation (2001-D000OA-0032). The objective is to provide policy guidance to and oversight of the Department of Defense audit organizations. These organizations include the Service Audit Agencies, and internal audit and review offices of defense agencies and military facilities. Potential projects include Analysis of Audit Coverage Within DoD; Analysis of Risk Assessment Methodologies used by Audit Organizations; and Oversight Review of Selected Internal Audit Review Organizations. (W. Berry/(703) 604-8789)

Quality Control Reviews of Single Audits (2001-D000OA-0033). The objective is to evaluate whether independent auditors (Federal and non-Federal) performed their audits in accordance with applicable standards and the audit requirements of the Single Audit Act and the Office of Management and Budget Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations." Our reviews will focus on the qualitative aspects of the audits at selected independent public accounting firms with emphasis on those entities that have not received recent coverage. (W. Berry/(703) 604-8789)

Oversight of DoD Contract Audits (2001-D000OA-0034). The primary objective is to provide policy guidance and oversight of DoD contract audit activities as required by the IG Act and DoD Directive 7600.2, Audit Policies. Specifically, we will evaluate Defense Contract Audit Agency (DCAA) audit guidance and various management initiatives to ensure they are properly implemented. During audits of individual assignments, we will determine whether the audits are performed in accordance with government auditing standards. Some potential areas of coverage include concurrent auditing, billing system initiative, and management information assurance. (W. Berry/(703) 604-8789)

Appendix A. DoD IG Issue Area Planning & Coordination Groups

Group	Representative	Telephone
Acquisition Program and Contractor Oversight	Mary Ugone	(703) 604-9002
Construction and Installation Support	Wayne Million	(703) 604-9312
Environment	Paul Granetto	(703) 604-9201
Finance and Accounting	F. Jay Lane	(703) 604-9101
Health Care	Mike Joseph	(757) 766-9108
Information Technology Resources	Wanda Hopkins	(703) 604-9049
Logistics	Tilghman Schraden	(703) 604-9176
International Security	Evelyn Klemstine	(703) 604-9172
Quality of Life	Mike Joseph	(757) 766-9108

Appendix B. Plan Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Under Secretary of Defense for Personnel and Readiness
Under Secretary of Defense for Policy
Assistant Secretary of Defense (Command, Control, Communications & Intelligence)/
Chief Information Officer
Assistant Secretary of Defense (Public Affairs)
Assistant Secretary of Defense (Reserve Affairs)
Deputy Under Secretary of Defense (Acquisition Reform)
Director, Acquisition Program Integration
Director, Defense Procurement
Director, Program Analysis and Evaluation
Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense
(Comptroller/CFO)
Deputy CFO, Office of the Under Secretary of Defense (Comptroller/CFO)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Inspector General, Department of the Army
Auditor General of the Army
Inspector General, U.S. Army Materiel Command
Commander, U. S. Army Criminal Investigative Command

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Naval Inspector General
Marine Corps Inspector General
Auditor General of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Inspector General of the Air Force

Appendix B. Plan Distribution (Continued)

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Air Force Audit Agency/MS

Air Force Audit Agency/FS

Commander, Air Force Materiel Command

Commander, Air Force Office of Special Investigations

Inspector General, Air Combat Command

Inspector General, Air Education and Training Command

Inspector General, Air Force Materiel Command

Inspector General, Air Force Reserve Command

Inspector General, Air Force Special Operations Command

Inspector General, Air Force Space Command

Inspector General, Air Mobility Command

Inspector General, Air National Guard

Inspector General, Pacific Air Forces

Inspector General, U.S. Air Forces in Europe

Other Defense Organizations

Director, Defense Commissary Agency

Director, Defense Contract Audit Agency

Director, Defense Contract Management Agency

Director, Defense Finance and Accounting Service

Director, Defense Logistics Agency

Inspector General, Defense Information Systems Agency

Inspector General, Defense Intelligence Agency

Inspector General, Defense Threat Reduction Agency

Inspector General, Joint Staff

Inspector General, National Reconnaissance Office

Inspector General, National Security Agency

Inspector General, National Imagery and Mapping Agency

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