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United States
Department of Defense



Organizational Structure and Managers'
Internal Control Program for the
Assistant Secretary of Defense
(Public Affairs) and American
Forces Information Service

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Acronyms and Abbreviations

AFIS	American Forces Information Service
AFRTS	American Forces Radio and Television Service
ASD(PA)	Assistant Secretary of Defense (Public Affairs)
APO	Accountable Property Officer
DASD	Deputy Assistant Secretary of Defense
DMA	Defense Media Activity
DMC	Defense Media Center
DINFOS	Defense Information School
DPAS	Defense Property Accountability System
IG	Inspector General
MIC	Managers' Internal Control
OASD(PA)	Office of the Assistant Secretary of Defense (Public Affairs)
OSD	Office of the Secretary of Defense
SCIG	Strategic Communication Integration Group
U.S.C.	United States Code
USD(C)/CFO	Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer
WHS	Washington Headquarters Services



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

December 10, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/DoD CHIEF
FINANCIAL OFFICER
ASSISTANT SECRETARY OF DEFENSE (PUBLIC AFFAIRS)
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE MEDIA ACTIVITY
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: Organizational Structure and Managers' Internal Control Program for the Assistant
Secretary of Defense (Public Affairs) and American Forces Information Service
(Report No. D-2009-028)

We are providing this report for review and comment. We considered comments from clients on a draft of this report when we prepared the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Comments from the Acting Deputy Chief Financial Officer and Director of Acquisition Management at the Defense Logistics Agency were responsive. However, comments on Recommendations A.1.a., A.1.b, A.2., B.1., B.2.a., B.2.b., D.3.a., D.3.f., and D.3.g. from the Acting Assistant Secretary of Defense (Public Affairs) and Acting Deputy Director of Administration and Management were only partially responsive.

After receiving client comments, we met with representatives from the Office of the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer. As a result of the meeting, we redirected Recommendation A.2. to the Director, Washington Headquarters Services. We revised Recommendations B.1. and C.1. We request additional comments on Recommendations A.1.a., A.1.b, A.2., B.1., B.2.a., B.2.b., C.1., D.3.a., D.3.f., and D.3.g. by January 12, 2009.

Please send management comments in electronic format (Adobe Acrobat file only) to AudDBO@dodig.mil. Copies of the client comments must contain the actual signature of the authorizing official for your organization. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Carmelo G. Ventimiglia at (317) 510-4801, extension 275 (DSN 699-4801) or Mr. George C. DeBlois at (317) 510-4801, extension 273 (DSN 699-4801). The team members are listed inside the back cover.

Patricia A. Marsh
Patricia A. Marsh, CPA
Assistant Inspector General
Defense Business Operations



Results in Brief: Organizational Structure and Managers' Internal Control Program for the Assistant Secretary of Defense (Public Affairs) and American Forces Information Service

What We Did

We evaluated the organizational structure and effectiveness of the Managers' Internal Control Program established at the Office of the Assistant Secretary of Defense (Public Affairs) (OASD[PA]) and the American Forces Information Service (AFIS). On October 1, 2008, DoD consolidated the Military Service media organizations and AFIS into a new Defense Media Activity (DMA). We conducted this audit at the request of the Assistant Secretary of Defense (Public Affairs).

What We Found

The organizational structure did not provide the appropriate segregation of duties between the policy and oversight functions in the OASD(PA) and the operational functions that AFIS should perform. Specifically, the failure to appoint an AFIS Director for more than 7 years has:

- limited the day-to-day planning, directing, and controlling of the decision-making process needed for achieving the AFIS mission;
- allowed the use of AFIS budgetary resources to support OASD(PA) programs;
- decentralized AFIS business enterprise services; and
- jeopardized AFIS resources and subjected them to waste and abuse.

In addition, AFIS did not establish an entity-wide program to manage personal property, could not account for almost \$650,000 in personal property, and may have

unnecessarily purchased about \$940,000 in equipment. Further, neither OASD(PA) nor AFIS effectively implemented the Managers' Internal Control Program.

What We Recommend

- Expedite the selection of the DMA Director and other key managers.
- Reissue DoD Directive 5122.5.
- Implement a DMA-wide personal property program.
- Investigate potential misuse of funds, improper contracting, and statutory violations.
- Conduct report of survey investigations for missing equipment.
- Establish DMA contracting and purchasing requirements and establish a new DMA contracting office.
- Implement DoD Instruction 5010.40 at DMA.
- Establish OASD(PA) as an assessable unit of the Office of Secretary of Defense.

Client Comments and Our Response

Clients generally agreed with our recommendations. Based on comments from the Acting Deputy Chief Financial Officer, we redirected one recommendation to the Washington Headquarters Services and revised two other recommendations to clarify their intent. For the recommendations requiring additional comments, please see the table on the back of this page.

Recommendations Table

Client	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer		A.2., B.1., C.1., and D.1.
Assistant Secretary of Defense (Public Affairs)	A.1.a., A.1.b, A.2., B.1., B.2.a., B.2.b., C.1., D.3.a., D.3.f., and D.3.g.	A.1.c, A.3., B.2.c., B.2.d., B.2.e., C.2., C.3., C.4., D.2., D.3.b., D.3.c., D.3.d., and D.3.e.
DoD Director of Administration and Management	A.1.b.	A.1.a. and A.1.c.
Director, Defense Logistics Agency		C.2.
Director, Washington Headquarters Services	A.2.	

Please provide comments by January 12, 2009.

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Introduction

Objectives

The Assistant Secretary of Defense (Public Affairs) (ASD[PA]) requested that we review the funding and execution of Office of the Assistant Secretary of Defense (Public Affairs) (OASD[PA]) and American Forces Information Service (AFIS) programs. As part of that request, we evaluated the organizational structure and effectiveness of the Managers' Internal Control (MIC) Program established at the OASD(PA) and AFIS. Specifically, we determined whether OASD(PA) and AFIS properly segregated duties and established effective internal controls. This is the first in a series of audits addressing the concerns of the ASD(PA). See Appendix A for a discussion of the scope and methodology, our review of internal controls, and prior audit coverage related to the objective.

Background

Section 143, title 10, United States Code (U.S.C.) established the Office of the Secretary of Defense (OSD) personnel limitations, which includes the DoD military and civilian personnel assigned to, or employed in, OSD functions. The OSD includes the DoD Director of Administration and Management and the ASD(PA). These senior DoD officials serve as the principal advisors to the Secretary of Defense on matters related to their assigned functions. Section 191, title 10, U.S.C. authorized the Secretary of Defense to establish various Defense agencies and field activities to provide common supplies or services and conduct day-to-day operations under the oversight of the OSD. The Deputy Secretary of Defense established AFIS as the DoD field activity under the authority, direction, and control of OASD(PA) to provide DoD personnel with media information support and to train DoD public affairs and visual information professionals.

DoD Director of Administration and Management

The DoD Director of Administration and Management is the principal staff assistant and advisor to the Secretary and Deputy Secretary of Defense on DoD-wide organizational and administrative management matters. The Director develops and maintains organizational charters, oversees assigned programs, serves as the DoD focal point for DoD quality management matters, and analyzes and controls OSD personnel requirements. The Director also directs the Washington Headquarters Services (WHS). WHS provides consolidated administrative and operational support (such as financial management, human resources, and facilities services) to several Defense agencies, DoD field activities, the Military Departments headquarters elements, and the White House. The Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer (USD[C]/CFO) provides funding to OASD(PA) through Defense appropriation allotments administered by WHS.

Office of the Assistant Secretary of Defense (Public Affairs)

DoD Directive 5122.5, “Assistant Secretary of Defense for Public Affairs (ASD[PA]),” September 27, 2000, establishes the ASD(PA) as the principal staff assistant and advisor on public affairs matters to the Secretary and Deputy Secretary of Defense. The former ASD(PA) resigned in October 2007. On March 21, 2008, the Deputy Secretary of Defense appointed a Principal Deputy Assistant Secretary of Defense (Public Affairs) and made him Acting ASD(PA).

As an OSD-level entity, the OASD(PA) provides direct support to the Secretary and Deputy Secretary of Defense. The ASD(PA) serves as the DoD public spokesperson and information release authority, and oversees the performance of such functions as:

- developing DoD Public Affairs policies, plans, and programs;
- ensuring the free flow of news and information;
- planning, programming, and budgeting activities; and
- responding to inquiries on DoD policies, programs, and activities.

See Appendix B for a more comprehensive list of the major responsibilities and functions of the OASD(PA). To assist in accomplishing OASD(PA) functions, the former ASD(PA)s appointed several Deputy Assistant Secretaries of Defense (DASDs) and other Directors. As of September 4, 2007, the OASD(PA) had 89 staff positions assigned to offices within the Pentagon. The ASD(PA) also exercises authority, direction, and control over AFIS in accordance with DoD Directive 5122.10, “American Forces Information Service (AFIS),” November 21, 2000.

American Forces Information Service

DoD Directive 5122.10 establishes AFIS as a field activity reporting to the OASD(PA) and describes the AFIS mission, responsibilities, functions, authority, and relationships. AFIS is responsible for the execution of DoD Public Affairs policy and programs. See Appendix B for a list of major AFIS functions. In FY 2007, AFIS received \$148.2 million in Defense Operation and Maintenance funds, \$18.8 million in supplemental Global War on Terror funds, and \$5.6 million in Defense Procurement funds. As of July 2007, AFIS had approximately 1,263 employees in the following nine components.

- AFIS Headquarters – Alexandria, Virginia
- American Forces Radio and Television Service (AFRTS) – Alexandria, Virginia
- Defense Media Center (DMC) – Riverside, California
- Overseas Components of Armed Forces Network
- Stars and Stripes – Washington, D.C. and overseas
- Defense Information School (DINFOS) – Fort Meade, Maryland

- Defense Visual Information Center – Alexandria, Virginia; Riverside, California¹
- Joint Combat Camera Center – Pentagon
- Joint Visual Information Service Distribution Agency – Tobyhanna, Pennsylvania

Defense Media Activity

The FY 2005 Defense Base Realignment and Closure Commission recommended that DoD consolidate the media operations and programs of the Military Services, collocate them with AFIS, and relocate them to Fort Meade. The Deputy Secretary of Defense memorandum, “Establishment of the Defense Media Activity,” September 24, 2007, directed that the media organizations of the Military Services and AFIS consolidate into the Defense Media Activity (DMA). The goal was to establish a streamlined organization to execute DoD media functions within economies of scale. Major milestones associated with the establishment of DMA include:

- May 13, 2005 – The effective implementation date for the FY 2005 Defense Base Realignment and Closure Commission recommendations.
- December 18, 2007 – DoD Directive 5105.74, “Defense Media Activity,” issued. It defines the DMA mission, management, functions, and relationships.
- January 1, 2008 – The ASD(PA) assumed control of the Military Services media activities and AFIS. The DMA established a direct liaison to the Military Services media units. The Military Services and AFIS will continue to provide the funding and administrative support to continue day-to-day media operations until formal transfer to DMA.
- October 1, 2008 – AFIS and Military Services media activities’ personnel, funding, and resources formally transfer to DMA. DoD disestablishes AFIS.
- September 15, 2011 – Planned date of completion for DMA facility construction and relocation of those elements identified to move to Fort Meade.

¹ On October 26, 2007, the ASD(PA) established the Defense Imagery Management Operations Center to replace the Defense Visual Information Center, Joint Combat Camera Center, and Joint Visual Information Service Distribution Agency.

Finding A. DoD Public Affairs Organizational Structure

The OASD(PA) and AFIS did not have clearly defined organizational structures and management responsibilities to ensure accomplishment of the DoD Public Affairs missions. Without clearly defined organizational structures and management responsibilities, the ASD(PA) could not ensure that:

- resources were used efficiently and effectively to accomplish their mission;
- OASD(PA) and AFIS budgetary resources were not commingled or inappropriately used;
- management positions and personnel were assigned in accordance with authorized staffing levels; and
- OASD(PA) and AFIS used centrally managed business services to gain efficiency and provide appropriate oversight over operations.

The transition to DMA affords the ASD(PA) the opportunity to separate its public affairs policy and oversight responsibilities from day-to-day business operations and develop an effective field activity for managing the DoD Public Affairs mission and resources. The ASD(PA) should expedite the selection of the DMA Director and, based on the completion of the DMA organizational and management design study, assign the key managers needed to ensure that DMA could assume functions efficiently on October 1, 2008. The DoD Director of Administration and Management should reissue the DoD directives governing OASD(PA) to clearly define and distinguish the roles and responsibilities between OASD(PA) and DMA and assist the OASD(PA) and DMA in managing its authorized “manpower” requirements. The ASD(PA) and WHS should work with the USD(C)/CFO to investigate the propriety of the past use of AFIS funding to support OASD(PA) activities.

DoD Alignment and Restructure

Government Accountability Office Report No. 00.21.3.1, “Standards for Internal Control in the Federal Government,” November 1999, emphasizes the need for defined lines of authority, clear reporting relationships, and an appropriate level of management to ensure a positive control environment. In November 1997, the Secretary of Defense announced the Defense Reform Initiative to review DoD posture, policy, and programs, which included streamlining the organization and eliminating excess support structures. The initiative focused on unifying the DoD vision by committing leaders to change, implementing core competencies, developing agile organizations, investing in people, using information technology, and removing barriers between DoD Components. In developing the initiative, DoD leaders considered assessments of DoD organizational structures and functions to identify duplication of effort and develop better business practices. According to the initiative, the composition of the OSD should include a core

staff that provides advice and support to the Secretary of Defense and the Defense support activities that perform technical and analytical services. The OSD staff should provide the following core functions:

- policy and guidance development,
- long-range planning,
- program performance monitoring and evaluation, and
- program and component resource allocation.

The initiative stated that over time, the OSD became involved in program management, direct control over functional activities, and management of an expanding number of centralized services organized into Defense agencies and field activities beyond the scope of its intended functions. The initiative set out to reverse this trend by refocusing the OSD on corporate-level tasks and the oversight (as opposed to day-to-day management) of its many operating components. This refocus provided a more streamlined structure to avoid taking on non-core responsibilities and recognized the need to provide additional resources to the operating components. As defined by the initiative, the management of day-to-day business operations is a function of the DoD agencies and field activities. DoD Instruction 5100.73, “Major Department of Defense Headquarters Activities,” December 1, 2007, states that major DoD headquarters activities (including OSD and field activities directly supporting headquarters) should be organized and staffed in a manner that permits the effective accomplishment of assigned responsibilities with a minimum number of personnel. The instruction also warned that the use of dual-hatting could distort the true strength or structure of major DoD headquarters activities.²

OASD(PA) Organizational Structure

Some senior OASD(PA) management officials assumed operational control over AFIS activities and programs. Since January 2001, the senior executives serving as the ASD(PA) have not appointed an AFIS Director.³ Instead, they delegated the responsibility for managing AFIS operations to the DASDs. The ASD(PA) should have appointed an independent AFIS Director to serve as the day-to-day manager of the field activity and ensured that the OASD(PA) provided the appropriate policy and oversight over AFIS. Instead, the ASD(PA) assumed the Director position and over the last 5 years has allowed the DASD for Internal Communications, DASD for Joint Communication, and OASD(PA) Director of Administration and Management to assume day-to-day operational control over AFIS components and develop OSD-level programs not defined in DoD Directive 5122.5. This allowed a breakdown in the separation of duties between the OASD(PA) policy and oversight functions and AFIS operational management, and it led to the inappropriate merging of OASD(PA) and AFIS resources. Figure 1 shows the OASD(PA) and AFIS organizational structures as of July 12, 2007, and depicts how the various DASDs had assumed authority for AFIS offices and programs.

² Dual-hatting occurs when a management official fills more than one distinct position.

³ Since January 1, 2001, there have been three ASD(PA)s and three Acting ASD(PA)s.

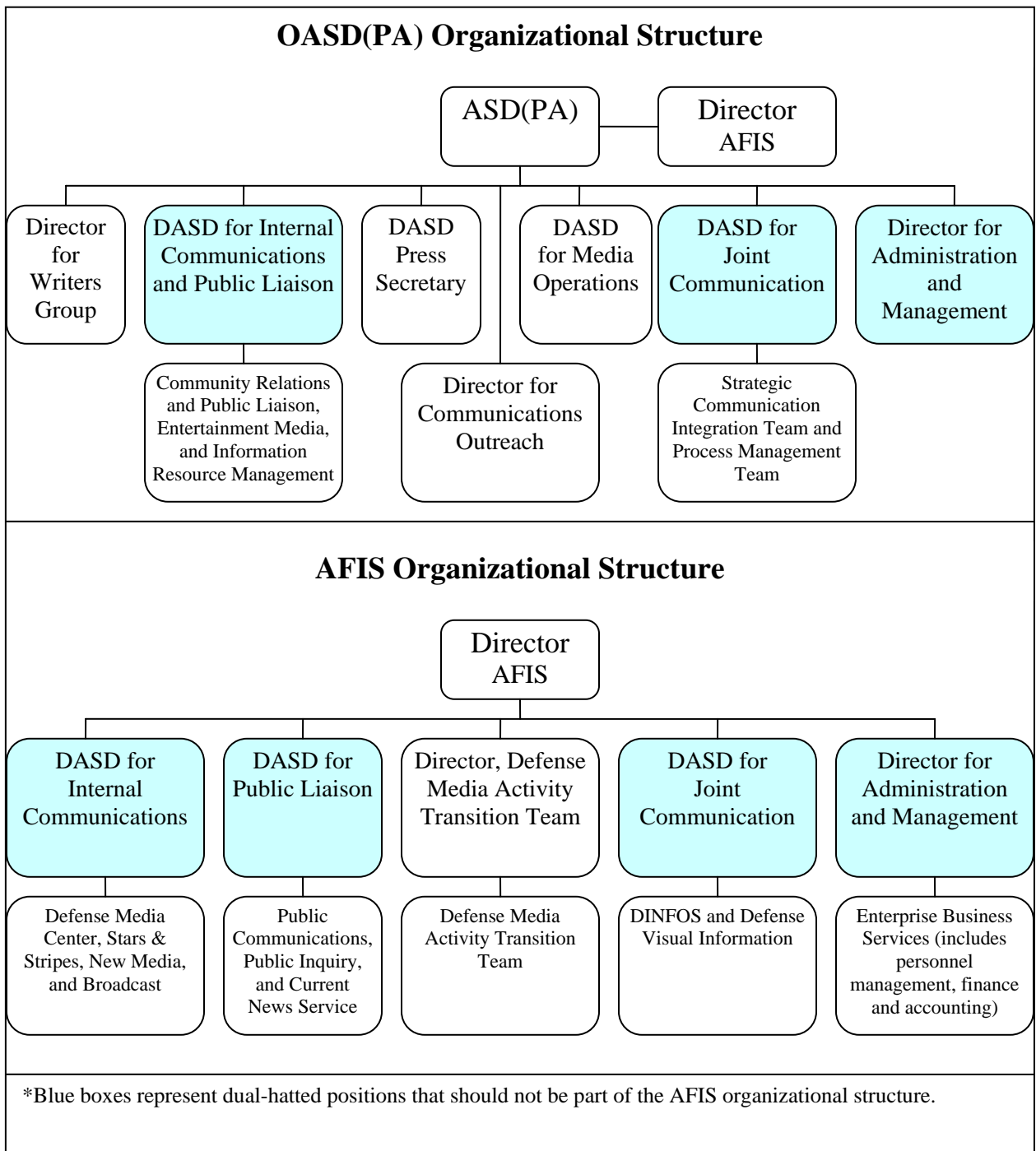


Figure 1. OASD(PA) and AFIS Organizational Structures

DASD for Internal Communications

The DASD for Internal Communications had roles and responsibilities beyond those in DoD Directive 5122.5. In December 2003, the ASD(PA) appointed a DASD for Internal Communications to develop policies, guidelines, and standards for providing central management over DoD internal information programs. The major duties described in the position description included providing policy and oversight to AFRTS, internal information programs, visual information activities, combat camera operations, and the Stars and Stripes newspaper operations. (See Appendix C for a detailed list on the major responsibilities assigned in the position description.) The position description stated that the DASD for Internal Communications provided staff and operational control over the Defense Visual Information Center and the Joint Combat Camera Center and managed and allocated the AFIS Internal Communications annual budget. According to DoD Directive 5122.10, these functions should reside with the AFIS Director, with the DASD for Internal Communications providing the oversight function. In the absence of an AFIS Director, the ASD(PA) permitted the DASD for Internal Communications to assume the day-to-day operational management over associated AFIS components and programs. This weakened the internal control structure by permitting the DASD for Internal Communications to become the reporting official for various AFIS employees and allowing for the commingling of OASD(PA) and AFIS personnel and funding requirements.

Over the last 3 years, the DASD for Internal Communications had also assumed management over the OASD(PA) public liaison role and functions. However, she did not receive an official appointment to the position, and the ASD(PA) had not updated the position description of the DASD for Internal Communications to include this new role. The Office of the DASD for Public Liaison had a separate mission from the Office of the DASD for Internal Communications. Public liaison responsibilities included providing policy and oversight for the DoD Public Inquiry Office and Current News Service and management over programs not specifically included in DoD Directive 5122.5, such as Why We Serve, America Supports You, and the Joint Civilian Orientation Conference. These programs supported the Secretary of Defense requirements for increasing the public's knowledge of the DoD mission.

The OASD(PA) had budgeted for a limited staff to support these programs. However, the DASD for Internal Communications also used AFIS personnel and funding not specifically identified in OASD(PA) budget requests to operate these programs. The FY 2007 AFIS Authorized Manpower Requirements and Alignment Document (manpower document) showed that seven AFIS employees reported directly to the DASD for Internal Communications. Three of these employees were AFIS program managers who reported directly to the AFIS Director.⁴ The other four employees were public

⁴ Because the ASD(PA) had not appointed an AFIS Director or acting director, several of these individuals should have reported directly to the ASD(PA).

affairs specialists who directly supported the DASD for Internal Communications (one individual had the title of special advisor to the DASD) and should have been part of the OASD(PA) manpower document.

The ASD(PA) should determine whether the internal communication and public liaison functions require separate DASDs or can remain combined. The ASD(PA) should also determine whether the OASD(PA) should continue to administer the public inquiry programs at the OSD-level or transfer them to the DMA Director since the field activity should manage all operational programs. After determining the roles of the DASD for Internal Communications and the DASD for Public Liaison, the ASD(PA) should work with the DoD Director of Administration and Management to define manning requirements and update DoD Directive 5122.5 to clarify the existing mission of the DASDs. The ASD(PA) should then update the manning allocations and position descriptions for the DASD for Internal Communications and the DASD for Public Liaison.

DASD for Joint Communication

The DASD for Joint Communication had roles and responsibilities beyond those in DoD Directive 5122.5. In the position description dated January 6, 2005, the ASD(PA) appointed the DASD for Joint Communication to lead the strategic communication working group, represent the ASD(PA) on the Strategic Communication Integration Group (SCIG), supervise education and training programs (including DINFOS), and oversee visual information. (See Appendix C for all the major duties described in the DASD for Joint Communication position description.) However, the ASD(PA) did not clearly relate the responsibilities of the DASD for Joint Communication to the DoD Directive 5122.5 or appropriately budget for the funds for the DASD to support strategic communication. The position description also stated that the DINFOS Commandant and the Director of Visual Information would report to the ASD(PA) through the DASD for Joint Communication.⁵ The position description was inconsistent with the guidance contained in DoD Directive 5122.10, which assigned AFIS the responsibility for managing these activities. The alignment of responsibilities in DoD Directive 5122.5 should ensure the proper separation of duties between the OASD(PA) policy and oversight functions and the day-to-day management of AFIS programs.

Strategic Communication. DoD Directive 5122.5 does not specifically address the roles and responsibilities of the DASD for Joint Communication. Those roles and responsibilities have evolved with the need to support the Combatant and Joint Force Commanders with joint communications capabilities and synchronize DoD communication with other Federal agencies. The Quadrennial Defense Review Report, February 6, 2006, identified gaps in the primary supporting capabilities of public affairs, Defense Support to Public Diplomacy, military diplomacy, and information and psychological operations. To close those gaps, the report stated that DoD would focus on properly organizing, training, equipping, and resourcing its key communication

⁵ The Director of Visual Information managed the Defense Visual Information Center, Joint Combat Camera Center, and Joint Visual Information Distribution Activity.

capabilities. On August 25, 2006, the Deputy Secretary of Defense established the SCIG and SCIG Secretariat to coordinate and synchronize OSD, Combatant Commander, and the Military Department communications plans and concepts in collaboration with the Department of State. The Deputy Secretary of Defense requested individuals from various DoD Components to serve full-time in the SCIG Secretariat. On January 31, 2007, the Deputy Secretary of Defense appointed the DASD for Joint Communication as the SCIG Secretariat Director. The Deputy Secretary of Defense developed a strategic communication execution roadmap and defined the SCIG responsibilities as:

- institutionalizing processes by incorporating principles of strategic communication in the development of DoD strategy, policy formulation, planning, and execution;
- defining strategic communication roles, responsibilities, and relationships;
- developing doctrine; and
- providing Military Departments and Combatant Commands resources to organize, train, and equip its primary communication supporting capabilities.

Funding for Strategic Communications. The FY 2007 OSD Budget Estimate Submission did not provide funding for strategic communications. Instead, the USD(C)/CFO allocated \$2.7 million in FY 2007 Defense Operation and Maintenance funds to the Under Secretary of Defense (Policy) to begin implementing the strategic communication effort. On April 3, 2007, the DASD for Joint Communication used approximately \$1 million of these funds for a contract to design and plan the processes for implementing the strategic communication execution roadmap. The FY 2008 Budget Estimate Submission from the Under Secretary of Defense (Policy) requested an additional \$3 million to support the SCIG. However, the Senate Report to the FY 2008 National Defense Authorization Act, June 5, 2007, recommended a \$3 million decrease in DoD Operation and Maintenance funds and stated that:

The budget request included \$3.0 million for the Office of the Secretary of Defense for Strategic Communication and Integration. This funding would support a contract to help institutionalize strategic communications and complete the implementation of the Strategic Communication Execution Roadmap. Responsibility for strategic communication and public diplomacy rests with the President and Secretary of State, and any DoD efforts to formulate a message should be informed and framed by those efforts. Moreover, public diplomacy, public affairs, and information operations are separate and distinct functions, with different purposes and guidelines for their use. Any attempt to integrate them could compromise the integrity of each of these functions. Nonetheless, the committee supports the use of Operation and Maintenance funds of the respective offices conducting communications activities in order to improve the Department's communication efforts, including updating regulations and other activities being conducted as part of the strategic communication and integration effort.

The Office of the Under Secretary of Defense (Policy) complied with the Congressional action and did not allocate funds for the strategic communication initiative in FY 2008;

however, the DASD for Joint Communication continued to pursue this effort. From August through December 2007, the DASD for Joint Communication modified the contract for services through January 15, 2008, using \$426,767 in AFIS funds. In January 2008, DASD for Joint Communication met with the Deputy Secretary of Defense and requested additional funds for strategic communications. Based on the request and confirmation from the Office of the Deputy Secretary of Defense, the USD(C)/CFO directed WHS to provide \$500,000 in funding to support the SCIG. WHS then reallocated unassigned FY 2008 Defense Operation and Maintenance funds to the Under Secretary of Defense (Policy). On January 15, 2008, the Office of the DASD for Joint Communication awarded a second contract for \$492,611 citing the Under Secretary of Defense (Policy) funds to continue implementation of the strategic communication roadmap using this allocation. The contract required the performance of the following tasks.

- Establish a Program Management Office to provide subject matter expertise capabilities to the joint communication initiative.
- Design, develop, and implement a strategy for managing the DoD joint communication changes.
- Research, design, and develop an analytical approach for the joint communication tasks.
- Design, develop, and execute a seminar of key stakeholders to advance the awareness and understanding of the future state of DoD joint communication.
- Provide policy analysis support on communication-related directives, instructions, and doctrine.

Personnel in the Office of the USD(C)/CFO informed us that they provided funding for the SCIG to the Under Secretary of Defense (Policy) because they believed that the SCIG was an Under Secretary of Defense (Policy) program. The Director, WHS should conduct an independent assessment and work with the USD(C)/CFO to determine whether the use of OASD(PA) contract services to support the strategic communication efforts was appropriate and take appropriate actions to ensure the proper allocation of funding and program administration responsibilities.

Strategic Communication Responsibilities. Without clearly defined strategic communication responsibilities, DoD may appear to merge inappropriately the public affairs and information operations functions. The OASD(PA) should only perform strategic communication responsibilities related to its public affairs mission. The strategic communications responsibilities for information operations should remain separate and under the oversight of the Under Secretary of Defense (Policy).

DoD Joint Publication 3-61, "Public Affairs," May 9, 2005, states that public affairs and the information operations functions should directly support military objectives, counter adversary disinformation, and deter adversary actions. The publication also states that although public affairs and the information operations functions require planning, message development, and media analysis, the efforts differ with respect to the audience,

scope, and intent, and must remain separate. The publication further states that commanders should structure their organizations to ensure the separation of public affairs and information operations.

DoD Directive 3600.1, “Information Operations,” August 14, 2006, recognizes the need for information operations to use public affairs products and information to communicate military objectives, counter misinformation and disinformation, deter adversary actions, and maintain the trust and confidence of the U.S. population. However, the directive assigns the Under Secretary of Defense (Policy) the responsibility to establish specific policy and oversight for the development and integration of information operations and coordinate with the Under Secretary of Defense (Intelligence) and the ASD(PA) for establishing specific policy and oversight for the development and integration of public diplomacy as a related information operations capability. Assigning the DASD for Joint Communication the responsibility for synchronizing public affairs and information operations allows for the improper integration of these functions.

As of March 2008, the Deputy Secretary of Defense had not reauthorized the SCIG; however, the DASD for Joint Communication continued to implement the strategic communications initiative using contractors. On April 1, 2008, the Deputy Secretary of Defense approved the OASD(PA) memorandum, dated February 22, 2007, requesting an additional \$900,000 for strategic communications. If the DASD for Joint Communication is to continue strategic communications efforts, the DoD Director of Administration and Management should update the DoD Directive 5122.5 to clearly define this role to ensure the OASD(PA) does not assume responsibilities and functions outside its mission, and the ASD(PA) should update the position description for the DASD for Joint Communication. In accordance with DoD Joint Publication 3-61 and DoD Directive 3600.1, the OASD(PA) must ensure that its strategic communications efforts do not integrate information operations and public diplomacy support into the public affairs mission.

OASD(PA) Director for Administration and Management

The OASD(PA) did not establish a separate office to administer and manage the ASD(PA) budget and personnel functions. Instead, the AFIS Director for Administration and Management managed all budget and personnel functions for OASD(PA) and AFIS. The lack of separate offices enabled the inappropriate use of AFIS funding and personnel for OASD(PA) programs. In addition, OASD(PA) management did not identify all of its resource requirements in the OASD(PA) input to the OSD Budget Estimate Submission or its manpower document. Likewise, AFIS managers should have identified resource requirements for administering functions assigned to the AFIS Director in its Budget Estimate Submission and manpower document. The ASD(PA) should have established separate OASD(PA) and AFIS administrative and management offices to provide basic enterprise services for the entities they served and should not have permitted the use of AFIS funding and personnel to accomplish missions or programs outside of the AFIS mission. In addition, the ASD(PA) should have properly budgeted for the resources needed to operate the OSD-level activities, eliminating the need to use funds budgeted to operate AFIS activities.

OASD(PA) Budget Requirements. OASD(PA) did not conduct an adequate budget formulation process to identify the funding requirements necessary to conduct programs and activities at the OSD level. As an OSD-level organization, the OASD(PA) requests funding as part of the consolidated OSD budget submission. Based on an approved budget request, the USD(C)/CFO provides WHS with a Funding Authorization Document, which WHS targets to the various OSD organizations to administer their programs. The OASD(PA) FY 2007 budget submission primarily covered travel costs and contracts for small programs but did not request the funding needed to support programs such as America Supports You, Why We Serve, and the Joint Civilian Orientation Conference. The FY 2007 OASD(PA) budget request and approved funding did not include funding for the majority of OASD(PA) related costs. For example, the FY 2007 OASD(PA) budget request only contained \$267,000 for contract services, despite awarding and administering contracts in excess of that amount. In FY 2008, OASD(PA) increased their budget request to \$900,000 for contract services; however, the DASDs and directors identified an additional \$3 million in recurring requirements that they had not funded. Instead of requesting additional funding from the USD(C)/CFO, OASD(PA) used funding originally budgeted for AFIS components to accomplish some OSD-level programs without accomplishing the necessary reprogramming actions. For example, the DASD for Internal Communications and Public Liaison was the proponent of the America Supports You program, but did not request sufficient funding as part of the OASD(PA) budget formulation process to run the program. The Deputy Secretary of Defense memorandum, dated September 29, 2006, established the America Supports You program and required AFIS to submit the budget request to fund the program. The FY 2007 and FY 2008 AFIS budget estimate submissions did not include any request for the America Supports You program. However, the FY 2007 Global War on Terror Supplemental Appropriation provided AFIS with \$3 million for the America Supports You program. Personnel in the Office of the USD(C)/CFO informed us that America Supports You program directly supports the Global War on Terror and it provided funding to AFIS for that purpose. However, OASD(PA) administered the program at the OSD level and used AFIS funding on several occasions to fund the America Supports You program. For example:

- In February and July 2007, the Stars and Stripes contracting office issued a contract for the America Supports You Web site design, DefenseLINK Web site design, and other services using \$320,650 in Stars and Stripes nonappropriated funds. According to DoD Instruction 1015.15, "Establishment, Management, and Control of Nonappropriated-Fund Instrumentalities and Financial Management of Supporting Resources," October 31, 2007, an entity may only use nonappropriated funds for the general welfare of the military community and cannot use these funds for public affairs functions outside the purposes for which the nonappropriated fund was established. Because America Supports You was an OASD(PA) administered program and did not directly support the Stars and Stripes nonappropriated fund, Stars and Stripes should not have funded this contract using nonappropriated funds. Subsequently, in February 2008, AFIS transferred \$311,650 in Defense Operation and Maintenance funds that DoD had

originally budgeted to support other AFIS programs to Stars and Stripes to reimburse it for the original contract cost.

- In July 2007, AFIS reimbursed Stars and Stripes an additional \$1.7 million for the nonappropriated funds that Stars and Stripes spent on services related to the America Supports You program. AFIS issued a check to Stars and Stripes from its contingency funds. AFIS used funds requested as part of the FY 2007 Global War on Terror Supplemental Appropriation. Because OASD(PA) administered the America Supports You program, AFIS had limited assurance that OASD(PA) used AFIS funding appropriately.

The DASD for Internal Communications and Public Liaison also administered the Joint Civilian Orientation Conference that DoD designed to familiarize distinguished citizens with the Department. Although OASD(PA) has conducted this program since 1948, it did not include funding for the conference as part of its FY 2006 through FY 2008 budget submissions. In FY 2008, the DASD for Internal Communications and Public Liaison directed AFIS to spend \$16,635 in AFIS funding to pay for Joint Civilian Orientation Conference planning fees. The DASD for Internal Communications and Public Liaison also managed a speakers outreach program (Why We Serve) intended to connect the DoD military with the public. The OASD(PA) used \$122,383 in FY 2007 AFIS Operation and Maintenance funds to pay administrative services to support the Why We Serve program. In addition, the OASD(PA) Directorate of Community Outreach used \$65,580 in AFIS funding for a contractor to work in the Community Outreach office. Congress appropriated funding to conduct the AFIS mission by approving the AFIS Budget Estimate Submission. The AFIS budget did not include funding to accomplish these OASD(PA) administered programs. Use of AFIS funding for OASD(PA) purposes requires approval and reprogramming action from the USD(C)/CFO. Without the approval and reprogramming actions to use AFIS funding, the OASD(PA) should not have used AFIS funding to accomplish the OASD(PA) programs and may have augmented its budget. The ASD(PA), in conjunction with the Director, WHS, should perform an independent assessment and determine whether the administration of these programs should be budgeted for using AFIS funds and whether the previous use of AFIS funds to support OASD(PA) programs outside the direct control of the AFIS Director was appropriate. Further, the ASD(PA) should identify funding requirements necessary to support OASD(PA) programs not transferred to AFIS through its budget formulation process and include the requirements in its annual budget.

OASD(PA) Personnel. The FY 2007 manpower document for the OASD(PA) did not match the positions and number of personnel assigned to the OASD(PA) operating directorates. The document provides the number of authorized positions to comply with ceilings established in 10 U.S.C. 143. The manpower document should list the OASD(PA) employees by office and align their assignment to the correct DASD or director so that it provides a clear line of authority and accurate personnel reporting. The manpower document, dated September 4, 2007, authorized 89 OASD(PA) positions. In July 2007, the Special Assistant to the ASD(PA) conducted an evaluation and developed an organizational chart showing the number of personnel assigned to each OASD(PA) office. She determined that at least 109 Government and 31 contract employees worked

directly for the OASD(PA). Determining how OASD(PA) assigned individuals to positions in its manpower document was difficult. Our analysis of the organizational chart and the manpower document showed the following.

- The offices in the manpower document did not align with the offices that physically existed within OASD(PA). For example, the manpower document did not include the Television and Radio Booking Office and Media Operations Audio Visual Division. However, these organizations existed before FY 2007.
- According to the manpower document, the DASD for Internal Communications was not an authorized position and the document assigned only one position to the DASD for Joint Communications, despite the fact that 4 Government employees and 13 contractors worked for that office.
- Nine authorized work force positions did not appear as part of the organizational chart.⁶

Our analysis also showed that OASD(PA) had augmented its offices with 17 AFIS employees and 31 contractors. The DoD Director of Administration and Management should evaluate whether the use of AFIS employees to accomplish OASD(PA) and DoD functions represented inappropriate augmentation of authorized OSD personnel levels.

AFIS Organizational Structure

AFIS did not have an organizational structure that ensured that AFIS would accomplish its missions efficiently and effectively. DoD Directive 5122.10 requires the ASD(PA) to appoint an independent AFIS Director with responsibilities for organizing, directing, and managing AFIS, its components, and all assigned resources. The directive also requires each AFIS component to report directly to the AFIS Director. However, several ASD(PA)s had failed to appoint an independent AFIS Director and allowed the DASDs to become dual-hatted as AFIS managers. This resulted in AFIS no longer having the clear lines of authority or the segregation of duties needed to provide a positive control environment. Commingling AFIS and the OASD(PA) operations and personnel distorted their management structures and exposed AFIS resources to misuse. The division of AFIS programs among the DASDs also resulted in the development of independently operating components that lacked the centralized oversight and management needed to effectively align and use AFIS resources. AFIS components had developed their own enterprise services and business practices preventing management from obtaining complete information on the requirements needed to fulfill the AFIS mission. For example, we identified the following concerns resulting from the AFIS organizational and management design.

- AFIS managers expressed concerns that the AFIS structure did not equitably serve their mission and that DMA would not provide equitable resourcing.

⁶ Some discrepancies may have resulted from personnel actions occurring in the 2 months between the dates of the documents.

Because AFIS had two distinct missions (public affairs operations and training), it was imperative that each mission received equitable consideration.

- The Military Departments Public Affairs Chiefs expressed concerns that AFIS did not have sufficient expertise to administer military personnel requirements and that this would carry over to the new DMA structure.
- According to AFIS program managers, AFIS had not conducted any entity-wide budget formulation meetings until February 2008. The AFIS Chief Financial Officer should have facilitated budget formulation meetings with all program managers to ensure the equitable alignment of funds for fulfilling the various missions.
- Stars and Stripes management expressed concerns that the use of its contracting resources to support the America Supports You program may have compromised the independence of Stars and Stripes. In November and December 2007, the Stars and Stripes newspaper and the New York Times contained articles addressing the concerns of Stars and Stripes staff that their relationship with the America Supports You program could cause their readers to question their objectivity as an editorially independent newspaper.

We also discuss issues affected by the AFIS organizational structure in findings B, C, and D of this report. Without a well-designed organizational structure and an independent AFIS Director to organize, direct, and manage AFIS resources, the ASD(PA) could not ensure that AFIS efficiently and effectively accomplished its missions. This contributed to an overall breakdown in AFIS internal control and resource management. Because DMA will subsume AFIS on October 1, 2008, correcting the long-standing issues are an essential part of the transition plan.

Transitioning to the DMA

The decision to create DMA affords DoD with the opportunity to improve the effectiveness of the organization responsible for administering the DoD public affairs mission and programs. In December 2006, the ASD(PA) established a DMA Transition Team to develop and manage the execution of implementation plans for establishing DMA. This included designing an organizational structure that consolidates AFIS and the Military Department internal communication functions into a single DoD activity. The DMA Transition Team recognized the need for an improved organizational structure and management design that can effectively manage DoD public affairs activities. In December 2007, this team began the process of selecting a DMA Director and other key management personnel. In addition, in April 2008, it issued a contract for organizational analysis and design advisory and assistance services in support of the establishment of DMA. Organizational elements within AFIS require consolidation and realignment to benefit the organization as a whole. We support the need for a detailed review of the DMA organizational and management design.

Selecting a DMA Director

DoD Directive 5105.74 establishes DMA and requires the ASD(PA) to select a DMA Director that is a career member of the Senior Executive Service or a Flag or General Officer military equivalent. The appointment of the new DMA Director will be essential

to establishing a strong management structure, alleviating the concerns of the organizations involved in the consolidation, and effectively implementing the FY 2005 Defense Base Realignment and Closure recommendations. The failure to appoint an AFIS Director in the past caused the breakdown in the organizational control environment, placing resources in jeopardy of potential misuse and waste. In February 2008, DoD issued a job opportunity announcement for the DMA Director position. The ASD(PA) should expedite the selection of the DMA Director so that the new director can manage the DMA organizational and management design. This would allow the new director to play an active role in evaluating the operations and business practices of AFIS and the Military Departments' media organizations during the transition period and help to alleviate the concerns of the Military Departments and AFIS managers. The DMA Director requires a strong direct reporting staff that includes a Chief of Staff, Chief Enlisted Advisor, Directors for its operations and training missions, a Director for Enterprise Business Services to provide centralized management of similar business functions, and key advisors in areas such as finance, information technology, and legal services. See Appendix C for details.

Conclusion

The OASD(PA) and AFIS did not have clearly defined organizational structures and management responsibilities to manage the DoD public affairs mission efficiently. For more than 7 years, AFIS has not had an independent director to provide the day-to-day management over planning, directing, and controlling decisions. The lack of separation of duties between policy and oversight and operations also resulted in adverse media attention from the Stars and Stripes and non-DoD newspapers. DoD can address these issues by establishing a strong control environment within the new DMA. With the establishment of DMA as of January 1, 2008, DoD should select a DMA Director as soon as possible to provide the day-to-day management needed to manage the new field activity. As required by DoD Directive 5105.74, this new Director should be a career member of the Senior Executive Service or a military equivalent to provide sustained leadership. The DMA Director should consider for implementation the recommendations of the DMA ongoing organizational analysis. The ASD(PA) and DMA Director, once selected, should expedite the selection of key DMA managers. The DoD Director of Administration and Management, in coordination with the ASD(PA), should reissue DoD Directive 5122.5 to define the roles and responsibilities of the OASD(PA), including its relationship to DMA and other DoD organizations, and update the DASD and Director position descriptions accordingly. In defining the roles and responsibilities, the DoD Director of Administration and Management and the ASD(PA) should ensure the establishment of proper segregation of duties between the policy and oversight functions administered by the office and the operational functions assigned to DMA. The ASD(PA) should transfer programs not requiring OASD(PA) direct management to DMA.

Recommendations, Client Comments, and Our Response

Redirected Recommendation

Based on comments received from the DoD Acting Deputy Chief Financial Officer, we redirected draft Recommendation A.2. to the ASD(PA) and Director, Washington Headquarters Services (WHS). The OASD(PA) should work with WHS to perform an independent assessment of AFIS use of funds and personnel and the use of OASD(PA) contract services.

A.1. We recommend that the DoD Director of Administration and Management, in coordination with the Assistant Secretary of Defense (Public Affairs), evaluate the current functions and programs administered by the Office of the Assistant Secretary of Defense (Public Affairs) and define the mission and functions of the office. Specifically,

a. Reissue DoD Directive 5122.5 to define the roles and responsibilities of the Office of the Assistant Secretary of Defense (Public Affairs), including the relationship to the Defense Media Activity and other DoD organizations. In defining the roles and responsibilities, ensure proper segregation of duties between the policy and oversight functions administered by the office and the operational function assigned to the Defense Media Activity. The Assistant Secretary of Defense (Public Affairs) should transfer programs not requiring direct management by the Office of Assistant Secretary of Defense (Public Affairs) to the Defense Media Activity.

DoD Director of Administration and Management Comments

The DoD Acting Deputy Director of Administration and Management agreed and stated that the Deputy Secretary of Defense signed an updated version of DoD Directive 5122.05 (formerly DoD Directive 5122.5) on September 2, 2008, which included proper segregation of duties between policy and oversight functions. She stated that her staff will continue to work with the ASD(PA) and develop a recommendation for the Deputy Secretary of Defense decision on any transfers of functions or resources between OASD(PA) and AFIS.

Assistant Secretary of Defense (Public Affairs) Comments

The Acting ASD(PA) agreed and stated that he would work with the DoD Director of Administration and Management to amend the DoD Directive.

Our Response

The DoD Director of Administration and Management comments are responsive. We reviewed the updated guidance and agree that it describes the OASD(PA) relationship to

DMA and other DoD organizations, defines the roles and responsibilities, and ensures proper segregation of duties between the OASD(PA) policy and oversight functions and the DMA operational functions.

The Acting ASD(PA) comments are not responsive because he did not fully address all aspects of the recommendation. The ASD(PA) did not address the need to transfer programs not requiring direct OASD(PA) management to DMA. The ASD(PA) should consider transferring any recurring OASD(PA) programs, those that are not temporary in nature or that require special administration, to DMA to ensure proper administration. As a DoD field activity managed by OASD(PA), the DMA should have the resources and expertise needed to ensure that all programs function according to laws and regulations and operate effectively.

We request that the ASD(PA) provide additional comments on the final report addressing the analysis of which recurring programs need to remain at the OASD(PA) level and what actions he has taken to transfer other programs to DMA.

b. Update the position descriptions of the Deputy Assistant Secretaries of Defense and Directors within the Office of the Assistant Secretary of Defense (Public Affairs) based on the revisions to DoD Directive 5122.5.

DoD Director of Administration and Management Comments

The DoD Acting Deputy Director of Administration and Management disagreed and stated that the OASD(PA) Director for Administration and Management indicated that the DASDs and Directors had current and accurate position descriptions.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated his office is reviewing the position descriptions and should complete the review by the end of the first quarter, FY 2009.

Our Response

The DoD Director of Administration and Management and ASD(PA) comments contradict each other. We do not agree with the DoD Acting Deputy Director of Administration and Management that the position descriptions are current and accurate. Our review showed that several DASD position descriptions contained major responsibilities that belong to the DMA Director.

We request that the ASD(PA) coordinate with the Director, WHS and update the DASD and Director position descriptions to ensure that they include the policy and oversight functions found in DoD Directive 5122.05 and exclude the functions that should belong to the DMA Director.

We request that the DoD Director of Administration and Management and ASD(PA) provide additional comments on the final report.

c. Reevaluate the Authorized Manpower Requirements and Alignment Document and the budget requirements of the Office of Assistant Secretary of Defense (Public Affairs) and include these requirements as part of the annual Office of Secretary of Defense budget formulation process.

DoD Director of Administration and Management Comments

The DoD Acting Deputy Director of Administration and Management agreed and stated that her office has been working closely with the ASD(PA) Director of Administration and Management to re-baseline current personnel information against the authorized OASD(PA) manpower allocations and the established organizational structure.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that the review process has begun.

Our Response

The DoD Director of Administration and Management and ASD(PA) comments are responsive. No further comments are required.

A.2. We recommend that the Assistant Secretary of Defense (Public Affairs), in conjunction with the Director, Washington Headquarters Services, perform an independent assessment and determine whether:

a. the use of American Forces Information Service appropriated funding and personnel to support Office of Assistant Secretary of Defense (Public Affairs) administered programs augmented the Office of the Secretary of Defense (Public Affairs) budget in violation of public law, and

b. the use of Office of Assistant Secretary of Defense (Public Affairs) contract services to support the strategic communication efforts was appropriate. Take appropriate actions to ensure the proper allocation of funding and program administration responsibilities.

USD(C)/CFO Comments

The Acting Deputy Chief Financial Officer partially agreed and stated that an independent assessment must be performed. However, he stated that we should address the recommendation to WHS. WHS is the administrator of OASD(PA) funding.

Our Response

Based on the Acting Deputy Chief Financial Officer comments, we have redirected Recommendation A.2. to the ASD(PA) and Director, WHS. The OASD(PA) should work with WHS to perform an independent assessment of AFIS use of funds and personnel and the use of OASD(PA) contract services.

We request that the ASD(PA) and Director, WHS provide comments in response to the final report.

A.3. We recommend that the Assistant Secretary of Defense (Public Affairs):

a. Identify the funding requirements necessary to support Office of Assistant Secretary of Defense (Public Affairs) programs and include the requirements in its annual budget.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that the OASD(PA) has completed a Lean Six Sigma project on the budget process within OASD(PA). Based on the project, the OASD(PA) made budget process changes in August 2008. He also stated that his office has made significant progress in correcting funding shortfalls by working with WHS and the USD(C)/CFO.

Our Response

The ASD(PA) comments are responsive. No further comments are required.

b. Expedite the selection of key managers within the Defense Media Activity to include the Director, Defense Media Activity and the direct reporting staff. Based on the organizational study, consider hiring a Chief of Staff, Chief Enlisted Advisor, Directors for the operations and training missions, a Director for Enterprise Business Services, and key advisors in such areas as finance, information technology, and legal services.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that he has already filled several key DMA positions and the selection process is underway for other positions. Several others are pending a review of position descriptions and completion of the organizational design study. He also stated that this report will help guide decisions on the DMA organizational structure. DMA management will make decisions on the transitional and final organizational structures for DMA in the first quarter, FY 2009.

Our Response

The ASD(PA) comments are responsive. Although the comments did not directly address the DMA Director position, the DMA Deputy Director/Chief of Staff reported to DMA in June 2008. No further comments are required.

Finding B. AFIS Personal Property Accountability and Safeguarding

AFIS had not implemented an effective entity-wide personal property program that ensured proper accountability and safeguarding of its assets and provided managers with the information needed to make informed decisions. As a result, AFIS had inaccurate accountability records and reported the loss of almost \$650,000 in personal property assets. Because AFIS will consolidate into the new DMA on October 1, 2008, the ASD(PA) must take actions to implement DoD personal property guidance by:

- appointing, in writing, an accountable property officer (APO) to implement an entity-wide program by assigning custodial areas and appointing property custodians;
- inventorying, reconciling, and consolidating personal property into a single Defense Property Accountability System (DPAS) database;
- developing and implementing DMA personal property operating procedures to include designation of centralized receiving points for all DMA deliveries;
- controlling access to equipment storage facilities; and
- establishing the personal property accountability threshold, developing standard procedures for inventories, and establishing a single bar coding methodology.

The USD(C)/CFO should direct and monitor an ASD(PA) investigation into potential waste and mismanagement of AFIS personal property and take actions to determine any financial liability or disciplinary actions for lost assets.

DoD Instruction 5000.64 Requirements

DoD Instruction 5000.64, “Accountability and Management of DoD-owned Equipment and Other Accountable Property,” November 2, 2006, requires the DoD Components, to develop an entity-wide program for managing personal property items.⁷ DoD Instruction 5000.64 delineates the requirements for managing accountable personal property items from acquisition to disposal. DoD Instruction 5000.64 requires the head of each DoD Component to:

- establish an integrated accountable property system;
- implement personal property guidance and procedures;
- appoint, in writing, an APO for the entire organization; and
- ensure that all individuals entrusted with Government property are aware of their responsibilities for proper care and stewardship.

⁷ DoD Instruction 5000.64 defines DoD Components as the OSD, Military Departments, Chairman of the Joint Chiefs of Staff, Combatant Commands, DoD Office of Inspector General, Defense agencies, and DoD field activities.

Implementing the DoD Property Management Program

AFIS had not implemented an effective personal property program to ensure centralized management and oversight over its entity-wide accountability. AFIS established AFIS Operating Procedure – 0022, “Property Management and Accountability,” November 30, 1994, to provide AFIS Headquarters and its components guidance on responsibilities to account for and control personal property. Operating Procedure – 0022 allowed AFIS components to implement their own programs, which resulted in establishing different personal property accountability procedures and insufficient oversight over the AFIS-wide acquisition of personal property items. The operating procedure was also outdated and did not include all of the DoD Instruction 5000.64 requirements. AFIS managers failed to recognize that AFIS was an independent DoD Component governed by DoD Instruction 5000.64. They also mistakenly used other DoD Components’ personal property guidance, such as Army regulations and WHS Administrative Instruction No. 94, “Personal Property Management and Accountability,” October 19, 2007, to establish and guide its personal property program. As a DoD Component, AFIS should have implemented the requirements in the November 2006 update to DoD Instruction 5000.64 and revised AFIS Operating Procedure – 0022 accordingly. This would provide AFIS managers with the oversight needed to maintain accountability and assist them in making informed decisions. By not implementing all of the DoD Instruction 5000.64 requirements, AFIS lacked:

- entity-wide oversight by an APO,
- a consolidated personal property database for decision making,
- a consistent personal property accountability threshold,
- an effective physical inventory process,
- adequate safeguards over personal property,
- hand receipting procedures that ensured proper accountability over personal property, and
- clearly defined and separated personal property roles and responsibilities.

Accountable Property Officer. AFIS lacked entity-wide oversight of its personal property program because AFIS management did not appoint an APO to manage all AFIS accountable items. The APO is the individual, based on training, knowledge, and experience in property management, who establishes and maintains personal property accountability within an organization. AFIS managers considered appointing an APO for all of AFIS. However, they decided that the number of personal property items and geographical distance between locations prevented them from appointing one. Instead, they permitted each AFIS component to appoint its own APO, which resulted in seven independent personal property programs. This also resulted in AFIS failing to determine the appropriate number of custodial areas throughout AFIS and appoint property custodians for each area to provide stewardship of personal property items in those areas. This arrangement did not provide the needed oversight over all AFIS personal property to detect the potential for fraud, waste, or abuse. The ASD(PA) should appoint a single APO to administer the program, who could then ensure the appropriate number of property custodians for designated custodial areas to assist in managing the overall

program. This would allow the APO to delegate the day-to-day custody of assets to custodians within the AFIS components while maintaining overall control of the AFIS-wide program. Failure to establish this level of control led to the loss and mismanagement of AFIS assets.

Personal Property Accountability System. AFIS did not develop a consolidated DPAS database for managing its accountable personal property. Instead, as of February 27, 2008, nine AFIS components maintained seven separate DPAS databases to manage more than 37,000 items, valued at \$81 million. A consolidated database would have permitted AFIS managers to integrate the accountability data with AFIS acquisition, financial, and logistics systems and assist the managers in making decisions concerning future requirements. A consolidated database would have also provided AFIS managers with better information to ensure the completeness and accuracy of personal property information and to safeguard personal property items. The table shows the seven unique DPAS databases by site identification code and location.

Personal Property Located at AFIS Components by DPAS Site Identification Code				
Site Identification Code	Location	Component	Unit Identification Code	No. of Items
DI-HQ	Alexandria, Virginia	AFIS-Headquarters	HQ0012	3,913
DI-TOBY	Tobyhanna, Pennsylvania	Joint Visual Information Service Distribution Agency	DDAAJB	225
DI-AFISP	Tokyo, Japan	Stars and Stripes: Pacific	W0D1AA	7,025
DI-AFISC	Washington, District of Columbia	Stars and Stripes: Central	W98CSS	506
DI-AFISE	Griesheim, Germany	Stars and Stripes: Europe	W81F25	2,855
DI-DIS	Ft. Meade, Maryland	DINFOS	W46L05	14,100
DI-DVIC	Riverside, California	DMC	HQ0030	7,393
		Defense Visual Information Center	HQ0029	1,076
		Television-Audio Support Activity	HQ0028	218
Total				37,311

DoD Instruction 5000.64 requires that personal property records contain specific data elements, such as bar code, name, part number, description, owner, status, quantity,

estimated useful life, and location. As of February 27, 2008, we compared the databases and determined that AFIS did not use consistent nomenclature to identify items, such as computers, or did not use a single bar coding methodology to establish accountability. As a result, AFIS managers could not easily identify the total number of computers that AFIS owned, making resource allocations and future purchase decisions difficult. In addition, the AFIS components used multiple bar coding methodologies for controlling assets. This resulted in 739 items receiving non-unique bar codes, making it difficult to establish accountability over the items. In June 2007, one AFIS component (AFRTS) issued a \$264,000 contract to test a new bar coding methodology using Radio Frequency Identification. AFRTS reported success using the new bar coding methodology. As AFIS components and Military Department media activities transition to the DMA, the DMA Director should take steps to establish a consolidated DPAS database using a single bar coding methodology. Because the Federal Government is moving toward the use of Radio Frequency Identification, DMA should consider this methodology for enterprise-wide use.

Accountability Threshold. AFIS managers established a personal property accountability threshold that was significantly less than the DoD accountability threshold. DoD Instruction 5000.64 requires accountable property records for all items purchased with an acquisition cost of \$5,000 or more, leased assets, and assets that are sensitive or classified. DoD Component managers may establish additional criteria to maintain accountable property records for items below the threshold such as pilferable property, hazardous property, small arms, seized and confiscated property, and heritage assets. AFIS Operating Procedure – 0022 established a \$300 personal property threshold. However, several AFIS components implemented a \$500 threshold to comply with WHS Administrative Instruction No. 94. AFIS management could not provide justification for establishing a lower accountability threshold and had not developed a detailed listing of the types of items individually valued below the threshold that required accountability.

We observed that AFIS had many items, such as cameras, televisions, and camcorders that a reasonable person would consider pilferable. However, each AFIS component independently decided what it considered pilferable. AFIS Operating Procedure – 0022 should have established a detailed list of items management considered as pilferable items requiring accountability and implemented this requirement consistently across the organization. For example, AFIS Headquarters recorded 237 laptop computer docking stations, valued at \$48,300 (average cost \$203.80), because it determined this item to be pilferable. On the other hand, DINFOS recorded only one of its laptop computers docking stations in DPAS because it exceeded \$500. If AFIS managers determined that certain or all types of docking stations required DPAS accountability, then all AFIS components should have recorded them. AFIS components inconsistently accounted for 34,430 DPAS items below the \$5,000 threshold and may have unnecessarily expended resources to manage them. The DMA Director should rescind AFIS Operating Procedure – 0022 and develop DMA guidance for managing and accounting for personal property. The DMA operating procedure should incorporate the DoD accountability threshold and list the items below that threshold that management determines require accountability.

AFIS Stewardship Responsibility. AFIS Headquarters did not maintain proper stewardship over personal property items. The APO assigned to AFIS Headquarters failed to conduct required physical inventories, establish consistent accountability controls, and ensure the proper safeguarding of assets. We reviewed the AFIS Headquarters and DINFOS personal property programs and identified two very different programs with divergent philosophies for implementing stewardship responsibilities.⁸ DINFOS implemented a strong program that ensured personal property accountability. Conversely, AFIS Headquarters lacked proper oversight over its personal property program, which limited accountability over its \$12.6 million in personal property and resulted in the loss of almost \$650,000 in personal property.

Physical Inventory. AFIS components had not conducted adequate periodic physical inventories of their personal property. DoD Instruction 5000.64 required the APO to properly plan and execute physical inventories at least every 3 years or each time there was a transfer of a property account from one accountable official to another. The APO should also have directed a joint physical inventory whenever a component changed its property custodian. Our review showed that DINFOS conducted effective physical inventories when transferring accountability between accountable officials. In addition, documentation supporting the DINFOS inventory process indicated that DINFOS personnel effectively planned and accomplished inventories every 3 years. Conversely, we determined that in at least three instances between January 2006 and January 2008, AFIS Headquarters had not conducted joint physical inventories when changing its accountable officials. For example, in June 2007, the AFIS Headquarters APO did not conduct a 100-percent joint physical inventory before his departure with either his successor or the property custodians. Instead, he conducted the inventory by himself and subsequently provided a DPAS hand receipt inventory report and requested a signature form each custodian attesting to the completeness of the inventory. However, the custodians refused to sign the hand receipt inventories because they had not participated in the inventory and needed to validate the results. As of March 31, 2008, 3 of the 17 custodians still had not attested to the completeness of that inventory. In addition, neither the interim APO nor the new APO at AFIS Headquarters conducted a 100-percent inventory when they assumed responsibility for the AFIS Headquarters account in June 2007 and January 2008, respectively. The nine DPAS databases indicated that as of February 27, 2008, AFIS had 14,538 items, valued at \$30.7 million, which its components had not inventoried since at least October 1, 2004.

In December 2007, we attempted to validate the existence of AFIS Headquarters and DINFOS accountable property by conducting a physical inventory. We randomly selected 90 DINFOS personal property items and were able to locate all 90 items. Our results confirmed our initial assessment that DINFOS inventory controls were in place and operating. At AFIS Headquarters, we conducted a 100-percent inventory of all AFIS Headquarters personal property, except those receipted to AFRTS. For AFRTS, we

⁸ AFIS Headquarters was responsible for the personal property program for all AFIS activities located in the Pentagon and in the AFIS building in Alexandria, Virginia. The DINFOS personal property program covered organizations assigned to the school located at Fort Meade, Maryland.

compared the information in DPAS with a December 2007 inventory list developed by the contractor that AFRTS had hired to design and install a Radio Frequency Identification system on AFRTS personal property. Based on our inventory and comparison of AFRTS information, we identified the following discrepancies.

- AFIS Headquarters personnel could not locate 172 items, valued at \$280,775, at the locations specified in DPAS. As of February 21, 2008, AFIS Headquarters personnel informed us that they had located 161 of the 172 items and prepared a DD Form 200, "Financial Liability Investigation of Property Loss," to write-off the remaining 11 items, totaling \$23,000.
- The Radio Frequency Identification contractor identified 778 AFRTS items with AFIS bar codes, but no DPAS record. The items included a 42-inch plasma monitor, laptop computers, clocks, and cameras. In other AFIS Headquarters offices, we identified an additional 73 items with bar codes that AFIS had not recorded in DPAS. AFIS Headquarters personnel could not explain why these items did not have a DPAS record.
- The Radio Frequency Identification contractor also identified 639 items that did not have bar codes. Some of these items, such as a 40-inch plasma monitor, computer, and color copier, would have required DPAS accountability and bar coding. However, at the time of our inventory, AFIS managers still had not assessed how many of these items required accountability or determined why AFIS had not recorded the assets in DPAS.

Establishing Accountability. The APO assigned to AFIS Headquarters was inconsistent in determining which items required accountability. AFIS Headquarters did not have adequate controls to ensure that the APO assigned a bar code and hand receipted the items to the proper individual or custodian when distributing accountable items. DINFOS had a centralized receiving dock for all deliveries and established effective procedures to receive, bar code, and establish a DPAS record. Upon receipt of accountable property at the dock, the DINFOS custodian assigned bar codes and established the DPAS records. However, AFIS Headquarters personnel did not establish similar procedures. Instead, they had a receiving process for incoming deliveries that sometimes allowed AFIS employees to direct vendors to deliver the property to locations other than a centralized location. By doing so, they bypassed the property accountability process. In addition, AFIS Headquarters permitted multiple individuals to maintain and assign bar codes without ensuring that they also established the required DPAS records. AFIS should ensure that proper accountability procedures are in place and operating and that DPAS information accurately reflects AFIS accountable assets.

Safeguarding Assets. AFIS Headquarters did not adequately safeguard its personal property from theft, unauthorized access, or damage. Government Accountability Office Report No. 00-21.3.1 states that an agency must establish physical controls to secure and safeguard vulnerable assets. Although there was a security guard in the main lobby of the AFIS Headquarters building and AFIS Headquarters used one or

more security measures such as Kastle card readers, security cameras, and alarm systems to protect the main entry of each office area, AFIS Headquarters could have taken additional measures to safeguard its personal property. For example,

- We found two storage areas with lockable doors that were unsecured. One area contained 151 laptop computers, valued at approximately \$225,000, and the other contained 40 computer monitors. The Information Resource Management employee who signed the hand receipt for this personal property should have maintained controlled access to the storage areas. Although the main entrance to the area required a security access card for entry, any AFIS employee, contractor, or visitor could gain access to these storage areas once within that main area. In addition, there was a security camera to help detect problems, but the camera fed to a video screen that AFIS did not monitor continuously. Although these security measures were in place, they would not prevent someone from obtaining unauthorized access to the personal property or stealing it. After our review, AFIS Headquarters took actions to relocate this personal property to more secure areas.
- We observed throughout the AFIS Headquarters building numerous unsecured laptop computers. AFIS Headquarters policy was to account for all laptop computers as pilferable items. However, physical controls would not prevent an individual from pilfering a laptop computer once inside the main building entry. AFIS Headquarters did not require the use of locking mechanisms to secure the laptop computers to workstations.

In addition, AFIS Headquarters had a computer server room with cooling problems. On two separate occasions, months apart, we observed AFIS Headquarters personnel using portable cooling units and fans to prevent equipment from overheating. AFIS purchased the fans after temperatures reached 94 degrees in the room. However, even with the portable cooling units and fans, the temperature levels in the room remained high. The Chief of the Logistics and Operations Office agreed with our assessment regarding the temperature problem and stated that AFIS was concerned that the high temperature would reduce life expectancy of equipment. In January 2008, AFIS Headquarters took initial steps to address the high temperature in the computer server room by consulting with an engineering firm to improve the building air conditioning. However, until they install dedicated air conditioning units to cool the server room or take other appropriate actions, the problem will continue. Figure 2 shows a picture of the fans cooling equipment in the server room.



Figure 2. Fans Cooling Server Equipment

Preventative measures such as the use of locks, limited access, and proper heating and ventilation are essential to safeguard personal property. These controls help prevent theft, loss, and damage of personal property items. AFIS should secure personal property storage areas, limit access to storage areas to only authorized personnel, and install proper heating and air conditioning units in the server room.

Maintaining Personal Property Accountability. AFIS did not consistently issue and maintain personal property hand receipts or conduct the appropriate investigations when property was lost, missing, or misused. DoD Instruction 5000.64 states that the APO should ensure the issuance of custody receipts or similar documents for all property assigned to an individual or organization to provide accountability and establish financial liability. Although both AFIS Headquarters and DINFOS attempted to hand receipt accountability to custodians, neither had consistently hand receipted all personal property to the end users. DINFOS hand receipted personal property to students, but did not always hand receipt laptop computers and other individual personal property to its employees. The AFIS Headquarters APO stated that he attempted to hand receipt all personal property to a custodian in each division. However, we identified at least three divisions where the property custodians had not signed for the personal property. AFIS Headquarters also gave many personal property items such as laptop computers and cameras to individuals to use in both the workplace or at home without obtaining hand receipts from the individuals. For example, we identified at least 96 items, valued at \$123,000 that individuals had taken home without signing a hand receipt. Without issuing and maintaining hand receipts, AFIS assumed significant risk for lost personal property. For example, between May and September 2007, AFIS Headquarters wrote-off more than \$625,000 in personal property that could not be located during physical inventories. The lost items included televisions, cameras, and

video recorders that an individual could easily convert to personal use. Upon completion of the inventory, the AFIS APO provided each custodian a list of missing items and required them to either locate the items or process a DD Form 200 to report the items as missing. The custodians completed the forms because they could not locate the lost items. DoD FMR, volume 12, "Special Accounts Funds and Programs," chapter 7, "Financial Liability for Government Property Lost, Damaged, Destroyed, or Stolen," March 2007, requires managers to conduct an inquiry or formal investigation when property is lost, damaged, or destroyed to determine whether negligence or financial liability existed. AFIS managers told us that they did not conduct an inquiry or a formal investigation. Investigating culpability ensures that individuals are accountable for the personal property entrusted to them and encourages proper care and stewardship. Since AFIS considered many of the missing items pilferable, the ASD(PA) needs to conduct report of survey investigations of all lost or missing property occurring at AFIS to determine whether individual liability exists. Once completed, the ASD(PA) should coordinate with the Office of Secretary of Defense to obtain concurrence as to whether individual liability exists. In addition, the APO should hand receipt organizational personal property, such as copiers, printers, and teleconference equipment to the property custodians, and personal property intended for individual use to the individual users.

Separation of Duties. AFIS did not clearly define and separate the roles and responsibilities for purchasing, receiving, and maintaining accountability for personal property. AFIS should segregate these key duties and responsibilities among different people to reduce the risk of error or fraud. During the audit, we determined that:

- For approximately 5 months, the interim AFIS Headquarters property custodian was also a Government purchase cardholder who purchased, received, and accounted for incoming property. In late November 2007, the Army Contracting Center for Excellence contracting representative learned of the situation and instructed the property custodian to stop making purchases while performing property accountability functions.
- The AFIS Headquarters' Information Resources Management Operations Manager purchased and received computer equipment, assigned and applied bar codes, entered DPAS information, and hand receipted personal property. This individual had total control over 1,023 accountable items valued at more than \$3 million as of February 2008. In January 2008, AFIS Headquarters hired a new property custodian who began making needed changes to the processes for assigning and applying bar codes to personal property and entering information into DPAS. This is a step in the right direction, but AFIS must also ensure that one individual cannot purchase, receive, and account for personal property.

In addition, AFIS had not developed controls for determining whether items purchased required accountability and ensuring that receiving personnel informed the APO of personal property deliveries. Ideally, all personal property should pass through a centralized receiving area where personnel can properly receive the item and, if required, allow the APO to enter accountable property information in DPAS before hand receipting the property to the individual requesting it. DINFOS had clearly defined these roles and

responsibilities within its receiving and property accountability areas. However, a similar process was not evident at AFIS Headquarters where AFRTS had assets delivered directly to the individuals requesting the items and to offsite locations. As a result, the APO could not ensure AFIS personnel bar coded all personal property and accounted for it upon receipt. In addition to the previously discussed problems identified by the AFRTS Radio Frequency Identification contractor, we identified approximately 249 items, valued at \$420,635, that AFRTS had a vendor ship directly to a Fort Belvoir, Virginia, warehouse that the APO had not bar coded and recorded in DPAS.

Conclusion

AFIS did not ensure the proper accountability and adequate safeguarding of AFIS personal property from theft, misuse, and damage. AFIS did not establish a consolidated DPAS database, provide centralized oversight, and issue entity-wide policies over AFIS personal property. AFIS should have appointed an APO to administer the AFIS-wide program and then identified custodial areas and appointed property custodians to manage property accountability. Without an effective AFIS-wide program, AFIS could not provide the management and oversight needed to properly manage and maintain personal property accountability and make informed purchasing decisions. As a result, we found unsecured personal property, inaccurate accountability records, and inefficient and ineffective use of AFIS resources.

With the transition of the AFIS components to DMA, the DMA Director and managers need to develop a sound program that will provide them positive control over personal property. This program should implement the requirements of DoD Instruction 5000.64 by consolidating accountability into a single DPAS database controlled by an APO responsible for the entire organization. To ensure that AFIS transfers personal property correctly to DMA, OASD(PA) managers need to accomplish a 100-percent inventory of all AFIS personal property and reconcile the results with their DPAS accountable records. Furthermore, the USD(C)/CFO should direct the initiation of investigations into potential financial liability for lost assets written-off in FY 2007.

Recommendations, Client Comments, and Our Response

Revised Recommendation

As a result of comments from the Acting Deputy Chief Financial Officer, we revised draft Recommendation B.1. to clarify the intent of the recommendation.

B.1. We recommend that the Assistant Secretary of Defense (Public Affairs) conduct a report of survey investigation of all lost or missing property occurring at American Forces Information Service based on recent inventories and determine whether any individual liability exists. Coordinate the results of the investigation and the determination of individual liability with the Office of the Secretary of Defense and other interested parties.

USD(C)/CFO Comments

The Acting Deputy Chief Financial Officer agreed and stated that a report of survey investigation should be conducted; however, he stated that the ASD(PA) should work with WHS to complete the survey.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that he has processed a DD Form 200, “Financial Liability Investigation of Property Loss,” for all lost property at AFIS Headquarters. However, due to the extent of the property accountability issues and the inability to rely on the accountability records, he could not assess individual liability. He stated that processing the DD Form 200 established a baseline for assigning equipment to DMA and holding individuals and managers accountable for future losses.

Our Response

The USD(C)/CFO comments are responsive. However, we did not agree that we should redirect the recommendation to WHS. After subsequent discussions with representatives of the Office of the USD(C)/CFO, we determined that the ASD(PA) should coordinate the results of the report of survey investigation with the Office of the Secretary of Defense because it has jurisdiction over AFIS. Therefore, we did not redirect Recommendation B.1. to WHS. Instead, we revised the recommendation to clarify its intent.

The ASD(PA) comments are only partially responsive because they do not fully address the recommendation. The recommendation applies to all of AFIS, not just AFIS Headquarters. The ASD(PA) comments did not address the need to conduct report of survey investigations of all lost or missing personal property within AFIS. Once completed, the ASD(PA) should coordinate the results with the Office of the Secretary of Defense and other interested parties, including the Office of the USD(C)/CFO and the Office of General Counsel, to obtain concurrence as to whether financial liability exists.

We request that the ASD(PA) reconsider his position and provide additional comments on the revised recommendation in response to the final report. The additional comments should address the need to include lost or missing personal property from all AFIS organizations, including those outside its headquarters, as part of the report of survey investigation; and coordinating the results with the Office of the Secretary of Defense and other interested parties.

B.2. We recommend that the Assistant Secretary of Defense (Public Affairs) direct the Defense Media Activity to implement DoD Instruction 5000.64. Specifically:

a. Appoint, in writing, an Accountable Property Officer for the Defense Media Activity. This individual should assign custodial areas within the Defense Media Activity and appoint property custodians, in writing, for each custodial area.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that the DMA will appoint, in writing, APOs for the elements of the Military Services and AFIS by December 31, 2008.

Our Response

The ASD(PA) comments are partially responsive. The Acting ASD(PA) did not address the need for APOs to assign custodial areas and appoint property custodians. In addition, instead of appointing a single APO for DMA who would appoint property custodians for assigned custodial areas within DMA, the Acting ASD(PA) stated that DMA will appoint multiple APOs, each responsible for specific command areas. Based on the ASD(PA) comments on the other B.2. recommendations, the APOs will function under an overarching property accountability system monitored at the DMA Headquarters by the DMA Chief of Logistics. Placing the APOs under the DMA Chief of Logistics gives one individual ultimate responsibility for ensuring the proper execution of the DMA personal property program. This will meet the intent of the recommendation.

We request that the ASD(PA) provide additional comments on Recommendation B.2.a. to address the need for APOs to assign custodial areas and appoint property custodians.

b. Conduct a 100-percent inventory of AFIS accountable personal property and reconcile the results with the personal property accountability records in the Defense Property Accountability System to ensure the accuracy and completeness of the information.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that DMA will conduct a 100-percent physical inventory of AFIS Headquarters property and reconcile the results with the property accountability system.

Our Response

The ASD(PA) comments are partially responsive. The Acting ASD(PA) addressed conducting a 100-percent physical inventory of accountable personal property only at AFIS Headquarters. He did not address conducting a 100-percent physical inventory of accountable personal property assigned to other AFIS entities. We request the ASD(PA) provide additional comments on the final report to address conducting a 100-percent inventory at AFIS subordinate organizations and reconciling the results with the property accountability system.

c. Consolidate all American Forces Information Service and Military Department personal property records transferring to the Defense Media Activity in a single Defense Property Accountability System database.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that DMA will create a single DPAS Site ID to manage all DMA personal property.

Our Response

The ASD(PA) comments are responsive. No further comments are required.

d. Limit access to personal property storage areas to only authorized personnel and properly air condition the server room.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that DMA has taken actions to restrict access to personal property storage areas and to properly air condition the server room. Specifically, he stated that AFIS Headquarters has relocated equipment previously stored in unsecured areas to a restricted storage area and adjusted the temperature of the supply air in the server room which has reduced the temperature in the space. A completed engineering analysis has identified additional recommendations to address the temperature problem in the server room.

Our Response

The ASD(PA) comments are responsive. No further comments are required.

e. Develop Defense Media Activity guidance for managing personal property and rescind the American Forces Information Service Operating Procedure – 0022, “Property Management and Accountability.” This new guidance should:

(1) Designate centralized receiving points for Defense Media Activity deliveries.

(2) Establish the personal property accountability threshold consistent with DoD guidance, and identify pilferable and other items requiring accountability that do not meet the accountability threshold.

(3) Develop standard procedures for custodial areas to use during inventory testing, and track compliance to ensure the custodial areas conduct inventories timely and accurately.

(4) Establish a single bar coding methodology for identifying personal property accountable items. Consider using radio frequency identification as the bar coding methodology.

ASD(PA) Comments

The Acting ASD(PA) concurred and stated that DMA will issue an Operating Instruction for entity-wide management of personal property by November 30, 2008. The new guidance will designate centralized receiving points for all personal property, establish an accountable personal property threshold, identify accountable personal property below the threshold, develop standard procedures for physical inventory testing and tracking, and establish a standard bar coding methodology. After issuing the new guidance, the ASD(PA) will rescind AFIS Operating Procedure – 0022.

Our Response

The ASD(PA) comments are responsive. No further comments are required.

Finding C. AFIS Acquisition Process

AFIS did not properly manage and oversee its acquisition process to ensure that purchases were necessary, were properly documented, and complied with legal requirements. As a result, AFIS may have violated fiscal law and spent about \$940,000 that they could have used to fulfill unfunded requirements of its components. The ASD(PA), in conjunction with the Director, Defense Logistics Agency, should review AFIS contracting authority and processes. The ASD(PA) should implement controls over the AFIS purchasing and contracting practices, train personnel on contracting requirements, and take necessary disciplinary actions for individuals involved in inappropriate contracting actions. The ASD(PA) also must investigate, in conjunction with the USD(C)/CFO, whether AFIS purchases fulfilled valid requirements.

Budgetary Resources

Each year, AFIS submits to Congress a budget estimate through the USD(C)/CFO to request funding for specific purposes and times. Once approved, AFIS should only use these funds for the purposes that Congress appropriated them in accordance with 31 U.S.C. 1301, referred to as the Purpose Statute. The Government Accountability Office publication (Red Book), "Principles of Federal Appropriations Law," January 2004, provides interpretation of 31 U.S.C. 1301. To determine whether an expense fulfills the purpose of an appropriation, the GAO Red Book issued the Necessary Expense Test, which states that:

- the expenditure must bear a logical relationship to the charged appropriation;
- the expenditure must not be prohibited by law; and
- the expense must not be an item within the scope of another appropriation or statutory funding scheme.

Once approved, an entity should only use appropriated funds to pay expenses properly incurred during the period of availability or to complete contracts within that period in accordance with 31 U.S.C. 1502. The GAO Red Book incorporates this statute in the Bona Fide Needs Rule, which states that an entity may obligate a fiscal year appropriation only to meet a legitimate need arising in, or in some cases arising before and continuing in, the fiscal year for which the appropriation was made.

In the FYs 2005 and 2006 Budget Estimate Submissions, AFIS requested \$20.3 million in Defense Procurement funds for FY 2005 through FY 2007 to provide the capital investment funding for:

- part of the multi-year initiative for the automation of major portions of DMC operations;
- normal life cycle replacement of several information technology systems;

- replacement of several analog systems with digital technology in support of DMC and DINFOS;
- a system to support the upgrade and sustainment of the consolidated operations of the Office of the Secretary of Defense Publicly Accessible Web Sites Program; and
- a system to support the improved storage, management, and distribution of DoD imagery and visual information products.

In the FYs 2005 and 2006 Budget Estimate Submissions, AFIS also requested \$272.6 million in Defense Operation and Maintenance funds, including about \$139.2 million to purchase equipment and contract for items. Personnel in the Office of the USD(C)/CFO administered these appropriations and established administrative controls as part of its Defense-wide appropriation. AFIS is responsible for spending and tracking the funds and providing appropriate training to its financial managers and program managers on fund control. In Program Budget Decision No. 704, “Defense-Wide Issues,” December 12, 2006, DoD reduced AFIS funding for FY 2008 major equipment procurement by \$3.6 million, citing 3 consecutive years of low first-year obligation rates.

AFIS Acquisition Process

AFIS did not effectively manage and oversee its acquisitions of goods and services. The acquisition process should begin at the point when an AFIS component establishes its needs and include the description of the requirements to satisfy those needs. The AFIS contracting office and the assigned technical representatives should oversee the solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling these needs. The AFIS acquisition process was not effective because AFIS lacked sufficient oversight and management over its Government purchase card program and acquisition planning process and did not ensure that personal property purchases were properly justified and documented.

Oversight and Management of the Acquisition Process

AFIS lacked sufficient oversight and management of its Government purchase card and contracting programs. The AFIS Chief of Contracting managed the contracting office and served as the program coordinator for the AFIS Government purchase card program hierarchy.⁹ However, the AFIS Chief of Contracting could not effectively manage the Government purchase card program and administer effective oversight over AFIS components purchases because she had limited visibility over what AFIS components purchased.

Government Purchase Card Program. The AFIS Government purchase card program did not provide for agency-wide oversight and was governed by outdated guidance that

⁹ Government purchase cards use hierarchies to identify the cardholders, approving officials, and program coordinator for each account to track and monitor agency purchases.

no longer complied with the Federal Acquisition Regulation. AFIS Operating Procedure – 0037, “Supplies and Services,” August 14, 1995, provides guidance to the AFIS components. It states that the AFIS Director of Resource Management controls the ordering and receiving of goods and services at AFIS Headquarters, but instructed AFIS components outside the National Capital Region to follow local procurement procedures. The chief of contracting was responsible for implementation, administration, and monitoring the AFIS Government purchase cardholder program using the AFIS Government purchase card hierarchy. The purpose of this hierarchical system is to maintain a single AFIS Government purchase card structure permitting AFIS managers to oversee and administer the purchases made using AFIS funds. However, only DMC and several other AFIS personnel used the AFIS hierarchy. Several other AFIS components continued to maintain Government purchase card assigned to the hierarchies of other DoD Components. As a result, the AFIS Program Coordinator was unaware of and could not monitor the appropriateness of purchases made using Government purchase cards assigned to the other hierarchies. For example, DINFOS and other individuals at AFIS Headquarters used Army-managed hierarchies that did not provide the AFIS program coordinator with visibility over those purchases.

AFIS Operating Procedure – 0037 was significantly outdated and still established a single purchase limit on Government purchase cards of \$2,500, stating that AFIS would deny any purchases in excess of the limit. The Defense Federal Acquisition Regulation, subpart 213.270, “Use of the Government-wide Commercial Purchase Card,” permits the use of the Government purchase card for purchasing or paying for purchases valued at or below the micro-purchase threshold. As of September 28, 2006, the micro-purchase threshold was \$3,000, with an exception to place orders or pay invoices on existing contracts not to exceed \$25,000. In addition, Federal Acquisition Regulation 13.301, “Government-wide Commercial Purchase Card,” states that agency procedures should not limit the use of the Government-wide commercial purchase card to micro-purchases and should encourage contracting officers to use the cards in greater dollar amounts to place orders and to pay for purchases against contracts. Based on our review of Government purchase card transactions made from October 2006 through December 2007, we determined that AFIS cardholders correctly followed the Defense Federal Acquisition Regulation and were no longer following AFIS Operating Procedure – 0037. DMA should establish a new Government purchase card program hierarchy for the new organization and update the guidance on requirements for using the cards, including specific limits for purchases and payments on existing contracts. DMA should also assign a program coordinator and realign all subsumed AFIS component and Military Service purchase cards users to a new DMA hierarchy.

Contracting Office. AFIS did not have an entity-wide contracting office to oversee all contracting activities. The Federal Acquisition Regulation, subpart 1.603, “Selection, Appointment, and Termination of Appointment,” states that the agency head may establish contracting activities and delegate authority to manage the contracting functions to heads of such contracting activities. Because AFIS did not have contract authority,

AFIS selected the Defense Logistics Agency to serve as its contracting authority.¹⁰ The Defense Logistics Agency provided the AFIS Contracting Office with authority to contract for AFIS and issued contract warrants permitting AFIS contracting personnel to issue contracts. The Defense Logistics Agency provided oversight of the program. The AFIS Chief of Contracting position description stated that she was responsible for all DoD contracting transactions entered into supporting AFIS and its components. However, the AFIS Chief of Contracting was not aware of all contracting actions ongoing to support the AFIS mission because AFIS components also used other contracting activities, such as the Army Contracting Center of Excellence and the Defense Information Systems Agency, without always informing the chief of contracting of these actions. She also had limited oversight over the Stars and Stripes contracting process, which maintained a separate contracting office for awarding nonappropriated fund contracts. Defense Logistics Acquisition Directive, part 1, “Federal Acquisition Regulation System,” section 1.602-90, “Nonappropriated Funds,” states that an appropriated fund contracting officer may act in an advisory capacity on nonappropriated fund contracts. To ensure adequate oversight over AFIS contracting activities and promote efficiency, the AFIS Director should have ensured the management of all AFIS contracting actions by the AFIS contracting office. The Director should also have ensured that the AFIS contracting office provided oversight to the Stars and Stripes nonappropriated contracting offices activities.

In March 2007, the Defense Logistics Agency reviewed the AFIS contracting procedures as part of a periodic oversight as the contracting authority to review and ensure the operational efficiency and integrity of contracting operations and verify that the contracting officers followed statutory requirements. Although the Defense Logistics Agency noted that AFIS contracting personnel were doing an outstanding job of supporting their customers and implementing a reorganization that would increase operational effectiveness and efficiency, it identified 20 weaknesses in AFIS contracting practices. The Defense Logistics Agency determined that AFIS needed to strengthen management and oversight of the Government purchase card program to ensure compliance with applicable acquisition regulations. AFIS provided corrective actions to the Defense Logistics Agency for most of the recommendations but did not respond to the need for additional management and oversight of the Government purchase card program. The DMA Director should appoint an individual to develop and control entity-wide acquisition practices and oversee DMA purchasing requirements, including the use of Government purchase cards. The DMA Director should also rescind AFIS Operating Procedure – 0037 and establish new DMA guidance for contracting practices and the use of Government purchase cards.

¹⁰ The Defense Federal Acquisition Regulation Supplement lists agencies granted authority for acquisition functions according to agency charters. Because DoD Directive 5122.10 did not provide AFIS with contracting authority, AFIS signed a Memorandum of Understanding with Defense Logistics Support Command on November 9, 1999, establishing the Defense Logistics Support Command as the Head of the Contracting Activity for the AFIS contracting office. Defense Logistics Support Command is a subordinate command of the Defense Logistics Agency.

Personal Property Acquisition Process

AFIS did not properly manage its acquisition of personal property and did not efficiently use about \$940,000 in funds to purchase the immediate needs of AFIS and its components. In addition, purchases made by AFIS components may have violated Federal appropriation laws, including the Purpose Statute (31 U.S.C. 1301) and Bona Fide Needs Rule (31 U.S.C. 1502[a]). The Federal Acquisition Regulation requires that AFIS managers perform acquisition planning and conduct market research for all acquisitions. The purpose of this planning is to ensure that the Government meets its needs in the most effective, economical, and timely manner and that managers document a bona fide need for purchases made. During the physical inventories we conducted in December 2007, we discovered significant quantities of personal property stored at AFIS Headquarters and off-site facilities that AFIS components had purchased and placed in storage for extended periods. We obtained and reviewed the contracts and supporting documentation for these purchases to determine whether AFIS had documented the need for acquiring the items. AFIS purchased these items using Defense Procurement and Defense Operation and Maintenance funds. In the three instances that follow, neither AFIS managers nor contracting officials could provide us documentation showing that they had conducted adequate acquisition planning to determine that a requirement existed in the fiscal year in which they contracted for the purchased items. As a result, AFIS may have used its funding to purchase unneeded or untimely-acquired personal property, while other more immediately required personal property went unfunded.

AFIS Laptop Computer Purchase. AFIS Headquarters purchased laptop computers and other computer equipment using its allocation of the FY 2006 Defense Procurement funds. AFIS personnel claimed that they made the procurements as part of normal life cycle replacement of older equipment. The following details relate to two AFIS procurements of 215 laptop computers.

- On March 8, 2007, AFIS issued a Military Interdepartmental Purchase Request providing \$369,804 to the Defense Information Systems Agency to purchase Dell laptop computers and monitors. According to the remarks on the Military Interdepartmental Purchase Request, AFIS purchased the computer equipment for the AFIS Public Demilitarization Zone Network project to meet the increasing demands for delivering multimedia content to the DoD community and the public. On April 12, 2007, the Defense Information Systems Agency purchased 185 Dell laptop computers and 75 monitors totaling \$304,500. AFIS received and accepted the items on June 7, 2007.
- On March 9, 2007, AFIS also issued a Military Interdepartmental Purchase Request to the Defense Information Systems Agency for \$74,347 to purchase 30 laptop computers for the applications team and AFRTS. AFIS received the 30 laptop computers on April 11, 2007.

We found 151 (valued at about \$225,000) of the 215 laptop computers stored in a room at AFIS Headquarters, Alexandria, Virginia. As of June 4, 2008, AFIS had distributed 170 laptop computers to AFIS offices, but lost two of the laptop computers. Figure 3 shows the stored laptop computers.



Figure 3. Laptop Computers Purchased and Kept in Storage

Although AFIS personnel justified these purchases as a life cycle replacement for its older laptop computers, they did not perform sufficient acquisition planning for the hardware and software needed to accomplish the life cycle replacement. AFIS information technology personnel stated that AFIS managers continually changed their software requirements for the new laptop computers, which delayed issuing the newer laptop computers. This indicates that AFIS had not defined its software requirements for the replacement laptop computers before purchasing them. These requirements should have been part of the acquisition planning process for this life cycle replacement. AFIS information technology personnel informed us that they did not procure and install the software for these laptop computers until January 2008, and a majority of the laptop computers remained in storage as of June 4, 2008. AFIS Headquarters personnel also could not provide us with any documentation granting them authority to maintain an inventory of laptop computers for future use. As a result, AFIS may not have met the necessary expense rule for using FY 2006 Defense Procurement funds. Based on the uncertainty of the user software requirements, a more prudent acquisition plan should have finalized the life cycle replacement requirements before contracting for new laptop computers. A review of budget documentation showed that AFIS could have better used approximately \$68,000 of its FY 2006 Defense Procurement funds to fulfill the need for laptop computers at DMC and Stars and Stripes. Because of poor acquisition planning, AFIS has allowed 151 laptop computers to go unused and permitted at least 7 months of the 2-year and 3-year warranties to expire without benefit to the Government.

Pentagon Broadcast Studio Purchase. AFIS did not justify and document the need for using FY 2005 Defense Procurement funds to construct a Pentagon live broadcast studio or perform adequate acquisition planning for the studio. As a result, purchasing Pentagon

studio may have violated the Purpose Statute contained in 31 U.S.C. 1301. In addition, AFIS personnel inappropriately purchased additional equipment that may not have been required.

Justification of Original Purchase. In May 2006, AFIS issued a contract for \$639,761 with Innovative Technologies, Inc. to build a broadcast studio in the Pentagon. AFIS Headquarters personnel were not able to provide us with support justifying a need to construct a studio in the Pentagon. They also could not provide us with documentation showing that its purchase of a new Pentagon studio fulfilled one of the specified requirements that it included in the AFIS FY 2005 Defense Procurement Budget Estimate Submission. Further, they did not provide documentation supporting that AFIS had accomplished sufficient acquisition planning to support the use of FY 2005 Defense Procurement funds to issue this contract. We concluded that AFIS may have violated the Purpose Statute by purchasing equipment that did not meet budgeted requirements for the use of FY 2005 Defense Procurement funds.

Acquisition Planning. AFIS did not sufficiently plan for the acquisition of a Pentagon studio before issuing a contract to design, build, and install the equipment. The AFIS contract included line items for the system design; system integration; and the installation, testing, and training for the studio. Because the planned location of the studio was undergoing renovation as part of the WHS Pentagon renovation project, AFIS agreed to operate the studio in a temporary location in the Pentagon until spring 2009. WHS, AFIS, and the contractor conducted site surveys and planning meetings to review the size and layout of the temporary location in August 2006. By November 2006, the contractor had designed and purchased the equipment for the new studio, but could not install it because the temporary location was not ready. In March 2007, before providing WHS funds for site preparation, AFIS requested an estimate of how long the temporary location would be available. WHS informed AFIS that the temporary location would only be available for 19 months. As a result, in June 2007, AFIS decided not to build the studio at that location, but continued to plan for the installation of the new studio in the permanent location. AFIS permitted Innovative Technologies, Inc. to continue constructing the studio at its corporate facility. In July 2007, AFIS requested that the contractor stop work, crate up the equipment, and ship it to Fort Belvoir, Virginia, where we observed the equipment in storage in December 2007. Starting in July 2007, WHS worked with AFIS to develop the construction requirements for the permanent location. WHS did not finalize the permanent location requirements until February 2008, when it sent them to the Pentagon renovation company to obtain a cost estimate. The construction company required an additional \$569,093 to prepare the permanent location for the studio. In March 2008, AFIS personnel cancelled the studio project, stating that AFRTS decided not to construct the Pentagon studio because the Army and Air Force had recently finished constructing similar broadcast studios in the Pentagon.

AFIS did not perform sufficient acquisition planning for the Pentagon studio. AFIS should have coordinated with WHS before making the decision to acquire the studio to determine how the Pentagon renovation would affect the planned Pentagon studio. AFIS should have planned and factored in the need and cost associated with

operating from a temporary location during the acquisition decision. The lack of final permanent location requirements before February 2008 and the knowledge available that the Army and Air Force had similar construction projects planned further illustrates that AFIS did not sufficiently plan for the acquisition of the Pentagon studio. Proper acquisition planning could have saved the \$639,761 AFIS spent for a studio that it will never construct.

Purchase of Additional Equipment. AFIS personnel may have created an unauthorized commitment by purchasing additional equipment without accomplishing the needed requirements determination and contracting actions. In July 2007, after AFIS requested the contractor to stop work on the contract, Innovative Technologies, Inc. submitted invoices for the entire contract amount without first executing all of the contract requirements for training, testing, and installation. AFIS did not approve the invoice submitted for the unexecuted requirements. Innovative Technologies, Inc. subsequently canceled the invoice and resubmitted an invoice in September 2007 for the remaining system design and installation costs, leaving a balance of \$71,770 on the contract. AFIS used the remaining \$71,770 on the contract to purchase additional equipment because Innovative Technologies, Inc. was unable to conduct testing and training without first installing the equipment at the Pentagon. The AFRTS Chief Engineer developed a list of additional equipment to purchase with the unused contract funding. This equipment included camcorders, computer servers, and batteries. In September 2007, Innovative Technologies, Inc. used the list to develop a quote for an additional \$71,770 in equipment. An individual within the AFIS contracting office, who did not have appropriate contract authority, approved the purchase of additional equipment in an e-mail to Innovative Technologies, Inc. In December 2007, Innovative Technologies, Inc. submitted an invoice for the additional equipment it delivered in November 2007. AFRTS accepted the equipment and authorized the payment of the invoice without first ensuring a valid contract modification existed. Based on the AFRTS acceptance, the Defense Finance and Accounting Service paid the invoice using the remaining available unliquidated funds on the contract. AFIS contracting personnel modified the contract on February 25, 2008, after we brought the issue to their attention.

AFIS purchased the \$71,770 in additional equipment without first ensuring that AFIS had finalized its plans for constructing the studio at its planned permanent location and that installation at the permanent location required the additional equipment. The current contracting officer stated that ratification was not required because she believed that her predecessor had properly authorized the change. AFIS personnel could not provide us documentation showing that the previous contracting officer had authorized the purchase of this equipment. Documentation provided to us indicated that AFIS personnel may not actually have required this equipment but simply attempted to spend the remaining funds available on that contract before the funding expired. If AFIS can justify the equipment fulfilled another valid requirement at the time of obligation, then AFIS needs to perform the necessary accounting and contractual actions for ratifying the requirement and properly fund the equipment. If the purchase was not a properly incurred expense, AFIS needs to determine the requirement for collection of funds and disciplinary actions.

Purchase of Equipment for a Hawaii Bureau. AFRTS used \$74,839 in FY 2006 Defense Operation and Maintenance funds to purchase 278 equipment items it stored in a warehouse at Gaithersburg, Maryland, since 2006. According to the AFRTS Chief Engineer, AFRTS purchased this equipment for a “Future Hawaii Bureau” at Hickam Air Force Base or Pearl Harbor, Hawaii. However, AFRTS could not provide any documentation that established a valid requirement or a firm acquisition plan for building a Hawaii bureau that would have required them to use FY 2006 funds to purchase the equipment. Most of this equipment is commercial off-the-shelf items such as power supplies, microphones, and video equipment that do not require long lead times to procure. AFRTS potentially violated 31 U.S.C. 1301 by purchasing equipment without a valid requirement and 31 U.S.C. 1502(a) which requires agencies to use funds only to meet the bona fide needs of the fiscal year for which Congress appropriated the funds.

Conclusion

AFIS did not establish an effective acquisition process to ensure purchases fulfilled organizational requirements and complied with laws and regulations. Instead, AFIS allowed components to conduct separate acquisition, contracting, and Government purchase card programs without the proper oversight and centralized management. As a result, AFIS purchasing practices may have violated the 31 U.S.C. 1301 and AFIS may have misspent appropriated funding. AFIS management should budget for, request, and appropriately obligate the funds necessary to meet the bona fide needs of AFIS and its components. Proper acquisition planning and more effective contracting could have alleviated the concerns addressed in this finding. In addition, AFIS personnel could have made better use of the \$940,000 they spent on the inadequately planned acquisitions of 151 laptop computers, a Pentagon Studio, and the equipment for the future Hawaii bureau.

To prevent future contracting issues, the ASD(PA) and the Director, Defense Logistics Agency need to assess the practices used by AFIS contracting personnel to determine whether they are ensuring due diligence before approving and contracting for goods and services. Upon assessment, the ASD(PA) should improve controls over its purchasing and contracting practices, train contracting personnel, and take necessary ratification and disciplinary actions. The Director, Defense Logistics Agency should consider limiting or suspending the AFIS contracting warrants pending the results of the assessment and agency corrective actions. Further, the USD(C)/CFO, in conjunction with the ASD(PA), should perform an assessment and determine whether a formal investigation should occur into the three questionable equipment purchases to determine if they violated the Purpose Statute and Bona Fide Needs Rule. Specifically, they should determine whether:

- the purchase of the laptop computers and Pentagon live broadcast studio equipment fulfilled a bona fide need of the FY 2006 Defense Procurement funds;
- the purchase of the equipment for the Pentagon live studio fulfilled valid requirements of the FY 2005 Defense Procurement funds;

- obligating the Government for \$71,770 in additional equipment for the Pentagon studio represented a necessary expense and whether contracting actions were legitimate;
- whether the purchase of Hawaii Bureau equipment represented a necessary expense and fulfilled a bona fide need.

Based on the results of the investigations, they should take appropriate disciplinary actions. In addition, the ASD(PA), in conjunction with the DMA Director, should develop an acquisition process that provides adequate oversight and controls over DMA acquisition planning and purchases.

Recommendations, Client Comments, and Our Response

Revised Recommendation

As a result of comments from the Acting Deputy Chief Financial Officer, we revised draft Recommendation C.1. to clarify the intent of the recommendation.

C.1. We recommend that the Assistant Secretary of Defense (Public Affairs) perform an assessment and determine whether a formal investigation into the four questionable equipment purchases is warranted. If it is determined that the purchases were unnecessary or a potential violation may have occurred, perform a formal investigation and take appropriate collection and disciplinary actions. Coordinate the results of the assessment and investigation with the Office of the Secretary of Defense and other interested parties. Specifically,

a. Review the purchase of 151 laptop computers to determine whether the expense fulfilled a valid requirement of the FY 2006 Defense Procurement appropriation.

b. Review the purchase of the equipment for the Pentagon studio to determine whether the purchases fulfilled valid requirements of the FY 2005 Defense Procurement appropriation.

c. Determine whether the purchase of \$71,770 in additional equipment for the Pentagon studio represented a necessary expense and whether follow on contracting actions were legitimate. If the equipment fulfilled a valid requirement for the American Forces Information Service at the time of obligation, then ensure that the American Forces Information Service performed the necessary accounting and contract actions to ratify the commitment and properly fund the equipment.

d. Review the American Forces Radio and Television Service purchase of \$74,839 in equipment for the Hawaii Bureau and determine whether the purchase violated section 1301, title 31, United States Code and section 1502(a), title 31, United States Code.

USD(C)/CFO Comments

The Acting Deputy Chief Financial Officer agreed and stated that he agrees that an assessment into the questionable equipment purchases must be performed to determine whether the purchases warrant a formal investigation. However, the Acting Deputy Chief Financial Officer stated that the ASD(PA) must work in coordination with WHS to complete the assessment.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated his office would work with the USD(C)/CFO to perform an assessment and determine whether a formal investigation is required.

Our Response

The USD(C)/CFO and ASD(PA) comments are responsive. However, we did not agree that we should redirect the recommendation to WHS. The DoD Financial Management Regulation, volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” chapter 1, “Administrative Controls of Appropriations,” October 2002, assigns the Office of the Deputy Comptroller (Program/Budget) administrative control over Defense-wide funds. The Office of the USD(C)/CFO allotted Defense funding to AFIS, not WHS. Therefore, we see no involvement for WHS in this recommendation. After subsequent discussions with representatives of the Office of the USD(C)/CFO, we determined that the ASD(PA) should coordinate the results of the assessment and investigation with the Office of the Secretary of Defense because it has jurisdiction over AFIS. Therefore, we did not redirect Recommendation C.1. to WHS. Instead, we revised the recommendation to clarify its intent. Once completed, the ASD(PA) should coordinate the results of the assessment and investigation with the Office of the Secretary of Defense and other interested parties, including the Office of the USD(C)/CFO and the Office of General Counsel, to obtain concurrence as to whether collection and disciplinary actions are required.

We request that the ASD(PA) provide additional comments on the revised recommendation in response to the final report. The additional comments should address coordinating the results with the Office of the Secretary of Defense and other interested parties.

C.2. We recommend that the Assistant Secretary of Defense (Public Affairs), in conjunction with the Director, Defense Logistics Agency, review the purchasing authority and contracting practices at the American Forces Information Service to ensure adequate controls exist to promote efficient and effective contracting actions that are legally compliant. The Director, Defense Logistics Agency should consider limiting or rescinding the American Forces Information Service contracting warrants based on the results of the review and implementation of any corrective actions.

ASD(PA) Comments

The Acting ASD(PA) concurred and stated that, in coordination with DLA, they agree to limit AFIS contracting warrants through increased oversight by DLA and DMA.

DLA Comments

The Director of Acquisition Management, DLA agreed and stated that, based on the results of its recent review, DLA is limiting the contracting officers' authority until AFIS can implement corrective actions. She also stated that DLA will work closely with DMA to ensure that DMA awards contracts using efficient and effective methods and that the resulting agreements are legally compliant.

Our Response

The ASD(PA) and DLA comments are responsive. No further comments are required.

C.3. We recommend that the Assistant Secretary of Defense (Public Affairs) improve controls over purchasing and contracting practices, train contracting personnel on contracting requirements, and take necessary disciplinary actions for individuals involved in inappropriate contracting actions.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that he appointed the DMA Director of Acquisition and Procurement on July 20, 2008. The individual will serve as the DMA Chief of Contracting and has responsibility for establishing and managing the DMA world-wide procurement and acquisition program and its associated workforce. The new Director of Acquisition and Procurement also assumed full authority for the direction and oversight of all AFIS procurement and acquisition functions pending the consolidation of that organization into DMA in FY 2009.

Our Response

The ASD(PA) comments are partially responsive, but meet the intent of the recommendation. The DMA Director of Acquisition and Procurement will be responsible for improving controls and addressing personnel issues. No further comments are required.

C.4. We recommend that the Assistant Secretary of Defense (Public Affairs), in conjunction with the Director, Defense Media Activity, establish adequate oversight and control over Defense Media Activity acquisition planning and purchases. Specifically:

a. Establish a Defense Media Activity contracting office to oversee entity-wide acquisition practices and purchasing requirements.

b. Publish guidance and implement standard operating procedures for acquiring goods and services with Government purchase cards and contracts.

c. Rescind American Forces Information Service’s Operating Procedure - 0037, “Supplies and Services.”

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that the new Director of Acquisition and Procurement has assumed responsibility for establishing and managing the DMA world-wide procurement and acquisition program and its associated workforce. The new Director will develop and control entity-wide acquisition practices and oversee the DMA purchasing requirements, establish a Government purchase card program hierarchy, and rescind AFIS Operating Procedure – 0037. The Director will also develop a DMA Operating Instruction detailing contracting policies and procedures for DMA Deputy Director/Chief of Staff approval and perform a continuous and comprehensive assessment of past acquisition policies and practices. She will update DMA policies and practices as needed.

Our Response

The ASD(PA) comments are responsive. No further comments are required.

Finding D. Managers' Internal Control Program

The ASD(PA) did not appropriately establish a Managers' Internal Control (MIC) Program for the OASD(PA) or ensure that the AFIS MIC Program was effective and fully complied with the Federal Managers' Financial Integrity Act of 1982. As a result, neither OASD(PA) nor AFIS had the information needed to fairly assess the effectiveness of internal controls and identify and correct deficiencies in the internal control environment. The ASD(PA) should appoint someone from the OASD(PA) to serve as the OASD(PA) MIC Program Coordinator to ensure compliance with internal control policies and provide input to the OSD Annual Statement of Assurance. The DMA Director should:

- establish a DMA regulation that defines the MIC Program roles and responsibilities and rescind outdated AFIS policies;
- appoint a MIC Program Coordinator to oversee the transition to and administration of the DMA MIC Program;
- segment the organization into logical assessable units that ensure all aspects of the DMA mission are contained in at least one assessable unit;¹¹
- assign assessable unit managers for each assessable unit and maintain documentation to support their internal control responsibilities;
- provide MIC Program training to the MIC Program Coordinator and assessable unit managers; and
- establish a senior management council to assess and monitor the MIC Program.

In addition, the USD(C)/CFO should update DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, to require DoD Components to appoint a MIC Program Coordinator.

Managers' Internal Control Guidance

The Federal Managers' Financial Integrity Act of 1982 requires an entity head to establish an effective internal control system, assess internal control effectiveness, and report assurance annually. DoD Instruction 5010.40 provides DoD entities guidance for complying with the Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular No. A-123. The circular encourages agency heads to establish and maintain internal control to ensure effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. An effective MIC Program requires the reporting entity to:

¹¹ An assessable unit is an organizational subdivision of the total internal control organization that requires compliance with the MIC Program for a DoD Component.

- appoint a MIC Program Coordinator to plan, direct, and implement the program;
- assign assessable units;
- appoint assessable unit managers to perform internal control assessments and take corrective actions; and
- establish a process for identifying and reporting internal control deficiencies.

To establish proper oversight, the agency head needs to determine how to assess and monitor the implementation of the MIC Program. Office of Management and Budget Circular No. A-123 encourages the use of a senior management council as a mechanism to help provide oversight and ensure commitment for establishing internal control. DoD Instruction 5010.40 also encourages the use of senior management councils as a forum for assessing and monitoring MIC Program efforts.

The OASD(PA) Managers' Internal Control Program

The ASD(PA) did not appropriately establish an OASD(PA) MIC Program. The OASD(PA), an OSD-level organization, had two programs: one for itself and another for AFIS. As part of the OSD MIC Program, the OASD(PA) was an OSD assessable unit that reported the results of its assessments through the DoD Director of Administration and Management. The ASD(PA), as the assessable unit manager, should have appointed an employee in his office to serve as the OASD(PA) MIC Program Coordinator. Instead, the ASD(PA) assigned the same individual who served as the AFIS MIC Program Coordinator to implement and execute the OASD(PA) program. As an AFIS employee not located within the OASD(PA), this individual did not possess the knowledge of the internal control environment needed to assess the OASD(PA) mission and organizational structure. The OASD(PA) MIC Program Coordinator requires this knowledge to appropriately conduct the required risk assessments, identify and test internal controls, and report through the annual assurance process any material weaknesses found to the DoD Director of Administration and Management for consolidation with the remainder of the OSD assessment. For example, the list of FY 2007 OASD(PA) assessable areas developed by the coordinator did not include an assessment of the DASD for Joint Communication, Advance Office, or Communications Outreach Office. However, the list required an assessment of the Directorate of Public Affairs Training and Education, which did not exist as of the end of FY 2007. Therefore, the coordinator could only provide limited assurance of the appropriate assessment of all aspects of the OASD(PA) mission. The ASD(PA) should have identified and appointed an individual from OASD(PA), with sufficient knowledge of the organization, to serve as its MIC Program Coordinator to ensure the office conducted appropriate internal control testing and assessments.

The AFIS Managers' Internal Control Program

The AFIS MIC Program was outdated and no longer fully complied with the Federal Managers' Financial Integrity Act of 1982. AFIS established guidelines, policies, and procedures for its MIC Program in Operating Procedure – 0020, “AFIS Management Control Program (MCP),” May 1, 2000. The program covered AFIS Headquarters, AFIS field activities, and the Stars and Stripes organization. However, AFIS had not updated

Operating Procedures – 0020 when DoD revised DoD Instruction 5010.40 and rescinded DoD Directive 5010.38, “Management Control (MC) Program Procedures,” August 26, 1996. AFIS Operating Procedure – 0020 assigned the Deputy Director and MIC Program Coordinator primary responsibility for the AFIS program. The MIC Program Coordinator responsibilities included:

- planning, implementing, and monitoring the overall program;
- identifying, evaluating, and reporting material weaknesses to the AFIS Deputy Director;
- conducting periodic assessable unit reviews;
- designating and ensuring the training of assessable unit managers; and
- developing the AFIS Annual Statement of Assurance.

AFIS Operating Procedure – 0020 assigned day-to-day program responsibilities to the component directors. The component directors’ responsibilities included:

- assigning, in writing, assessable unit managers to establish and document controls, perform vulnerability assessments and management control reviews, and report results to the administrator;
- ensuring all assessable unit managers had MIC responsibilities identified in their performance standards and job descriptions;
- ensuring corrective actions were taken; and
- preparing and submitting the component Annual Statement of Assurance to the MIC Program Coordinator.

Although AFIS had a MIC Program, AFIS components inconsistently and incorrectly implemented the Operating Procedure – 0020 requirements. In addition, AFIS Operating Procedure – 0020 did not reference or incorporate all the responsibilities for the risk assessments, management control plans, and command assistance visits that were detailed in an AFIS internal control handbook. AFIS managers did not provide sufficient oversight and direction to ensure components consistently implemented an entity-wide MIC Program that complied with the Federal Managers’ Financial Integrity Act of 1982.

Managers’ Internal Control Program Coordinator

The FY 2007 DoD MIC training presentation, “*CHECK IT* Campaign and Overall Managers’ Internal Control Program Update,” shows that each management control program should have an individual to manage the MIC program. The coordinator provides oversight of program implementation and serves as the point of contact for all management control matters.

DoD Instruction 5010.40. DoD Instruction 5010.40 does not require the appointment of an agency program coordinator. Before its rescission on April 3, 2006, DoD Directive 5010.38 required agency heads to appoint a senior management official to be responsible for designing, establishing, and implementing the management control program. The agency MIC Program Coordinator served as the senior management official. However, DoD did not include this requirement when it updated DoD

Instruction 5010.40 on January 4, 2006. The DoD MIC Program Manager was unsure why this requirement was not included in the new DoD Instruction 5010.40. The USD(C)/CFO should update DoD Instruction 5010.40 to include this requirement. This would help ensure that an agency head, such as the AFIS Director, provides necessary authority to its MIC Program Coordinator.

AFIS MIC Program Coordinator. The AFIS MIC Program Coordinator did not sufficiently monitor the AFIS internal control assessment process. The AFIS MIC Program Coordinator, who had been working in that capacity since October 11, 2006, was not formally appointed as the FY 2007 AFIS MIC Program Coordinator until we brought this to the attention of the acting OASD(PA) Director of Administration and Management. The AFIS MIC Program Coordinator relied on procedures outlined in AFIS Operating Procedure – 0062, “AFIS Command Assistance Program (CAP),” March 19, 2000, which implements command assistance visits, to monitor component compliance with the MIC Program. Although the MIC Program Coordinator conducted visits to the various components, the evaluations did not identify areas of concern or internal control weaknesses such as the resource management and personal property deficiencies discussed in findings A and B. During command assistance visits, the MIC Program Coordinator asked questions from a checklist to assess compliance without verifying the accuracy of the responses. This process did not provide adequate monitoring of the MIC Program. The MIC Program Coordinator should have designed tests to evaluate the controls implemented at the components. Several AFIS managers expressed concerns that the individual assigned as AFIS MIC Program Coordinator would not be able to aggressively seek out and report problem areas and did not have sufficient authority to affect entity-wide change. Because the future DMA MIC Program Coordinator will have a substantially larger program to monitor, the need for management oversight and monitoring is even greater. The DMA Director should appoint an individual to coordinate its MIC Program. In addition, based on the size and complexity of the new organization as well as the need to address the issues we identified in this report, we believe DMA needs a senior management council to assess and monitor MIC Program efforts.

Designating Assessable Units

AFIS did not consistently designate assessable units to ensure that it evaluated controls over the entire organization’s missions, functions, and programs. DoD Instruction 5010.40 requires DoD Components to segment all organizational parts in its chains of command into assessable units so that the units as a whole assess the entire DoD Component. AFIS Operating Procedure – 0020 allowed the AFIS components to identify and designate assessable units for their portion of the organization. However, the MIC Program Coordinator did not ensure that AFIS components assigned similar assessable units and had limited assurance that AFIS assessed its entire organization. The list of FY 2007 assessable units showed that the AFIS components assigned units inconsistently. For example,

- the Directorate of Administration and Management assigned its subordinate offices as assessable units;

- DINFOS assigned its functions and tasks (such as copiers, telephones, and safety) as assessable units; and
- DMC assigned a combination of its offices and functions as assessable units.

In addition, the list showed Stars and Stripes as a DMC assessable unit, instead of a separate AFIS component with multiple assessable units. The MIC Program Coordinator and the Deputy Director should have ensured that AFIS assessed all organizational parts. To ensure AFIS segmented all organizational parts into assessable units, AFIS should have aligned its assessable units to correlate with its organizational structure. As of April 16, 2008, the MIC Program Coordinator had not requested that AFIS components revise assessable units to ensure consistency and proper alignment. As the DMA subsumes AFIS and the other Military Department media activities, the DMA Director should align assessable units to evaluate the controls of the entire organization.

Assigning Assessable Units Managers

AFIS failed to appoint the appropriate individuals as assessable unit managers and the MIC Program Coordinator did not maintain documentation supporting their appointment, performance accountability, and training. DoD Instruction 5010.40 states that assessable unit managers must be the heads of organizational segments, and they must have a critical element in their performance appraisal plan that addresses MIC Program responsibilities. It also requires the head of a DoD Component to ensure that the assessable unit managers receive training on planning, directing, and implementing the program. AFIS Operating Procedure – 0020 assigned the MIC Program Coordinator responsibility to designate and train the assessable unit managers. However, AFIS was able to provide appointment letters for only 56 of the 93 assessable unit managers. When we reviewed the 56 appointment letters, we identified the following problems.

- Appointment letters were outdated for 16 assessable unit managers.
- Six managers did not have appointment letters created until after the date of our request.
- AFIS Headquarters appointed an individual as an assessable unit manager 2 months after he had left the organization.
- A majority of the individuals appointed were not the head of their assessable unit.

The MIC Program Coordinator also could not provide documentation showing that the AFIS assessable unit managers had MIC Program responsibilities included in their performance appraisal plans or had completed the required training. Many of the AFIS components listed the training accomplished by assessable unit managers in their annual statements of assurance. However, without adequate documentation, the MIC Program Coordinator had limited assurance that assigned individuals were qualified to serve as assessable unit managers. In the future, the DMA Director should require that the MIC Program Coordinator verify and document that assessable unit managers are properly appointed, trained, and have a critical element in their performance plans addressing internal control responsibilities.

Process for Testing Controls and Identifying Deficiencies

AFIS did not implement an adequate process to test controls and identify deficiencies. Office of Management and Budget Circular No. A-123 states that agency managers and employees should identify deficiencies in internal control from the results of their assessment process and other external evaluations to the next supervisory level. This allows managers in the chain-of-command to determine the relative significance of each deficiency. The process culminates with the AFIS Director determining whether the deficiencies are significant enough to report as material weaknesses in the AFIS Annual Statement of Assurance. AFIS had developed an internal control handbook that directed assessable unit managers to assess the risk present in the assessable unit, implement controls to mitigate the risk, and test the effectiveness of the controls. However, assessable unit managers did not correctly implement all of the procedures it described. In addition, AFIS Operating Procedure – 0020 did not reference or provide details for implementing the guidance in the internal control handbook.

AFIS assessable unit managers performed vulnerability assessments to identify the assessable unit risk levels, but incorrectly used management control review checklists and command assistance visits as the only methods of testing assessable unit controls. The checklists were simply a series of questions, sometimes unrelated to the assessed area. The assessable unit managers did not have to test controls to answer the questions. Our review of the checklists also showed that annotated comments on the checklists did not support the responses given and provided little or no information about the strengths, weaknesses, recommendations, and followup actions needed. AFIS also incorrectly used the command assistance visits to replace control testing by assessable unit managers. AFIS Operating Procedure – 0020 should have provided additional guidance on implementing and testing controls. The DMA should rescind the operating procedure and issue DMA guidance detailing the MIC Program.

Developing the Annual Statement of Assurance

AFIS did not have a documented process in place to show how it assessed the significance of reported deficiencies and determined whether AFIS should report them in the AFIS Annual Statement of Assurance. DoD Instruction 5010.40 requires the AFIS Director to submit an annual statement of assurance based on a general assessment of the effectiveness of AFIS internal controls. The annual statement of assurance should identify material weaknesses and the plans to correct them. In addition, AFIS Operating Procedure – 0020 requires component directors to submit annual statements of assurance for their areas of responsibility to the MIC Program Coordinator who then develops the annual statement of assurance for the AFIS Director. In both FY 2006 and FY 2007, the AFIS component directors reported numerous deficiencies to the MIC Program Coordinator in their annual statements of assurance. However, the FY 2006 and FY 2007 AFIS Annual Statements of Assurance did not report any material weaknesses, but included over 30 accomplishments each year. We concluded that the MIC Program Coordinator did not adequately assess the significance of reported deficiencies so the AFIS Director could make an appropriate determination as to whether they were material and required reporting to a higher level. The following are examples of significant deficiencies that we believe AFIS should have reported to a higher level.

- DMC reported that the AFIS financial systems used to formulate and account for financial transactions were inadequate and needed replacement with a new financial management system. Because all AFIS components used the same financial systems, the MIC Program Coordinator should have identified this as an entity-wide deficiency and considered it for reporting as a material weakness.
- DMC reported that property accountability officers were not reconciling inventories to DPAS. We identified similar problems at AFIS Headquarters.

Our audit also identified deficiencies in the AFIS budget and personnel management areas (finding A), implementation and management of the AFIS personal property program (finding B), and AFIS purchasing practices (finding C) that AFIS components should have reported to the MIC Program Coordinator and considered for reporting to a higher level.

AFIS Operating Procedure – 0020 also requires the MIC Program Coordinator to incorporate all DoD Inspector General (IG) findings when reporting on internal control. The FY 2007 AFIS Annual Statement of Assurance reported that there were no special concerns addressed in DoD IG reports regarding management controls, process, program needs, or problems. However, DoD IG Report No. D-2006-117, “American Forces Network Radio Programming Decisions,” September 27, 2006, identified control weaknesses in the review procedures and documentation that support AFRTS radio programming decisions. As of May 15, 2008, AFIS had not updated its regulation to address the recommended changes that the DASD for Internal Communications agreed to make. DMA needs to develop and document a process for consolidating the deficiencies identified in the internal and external assessments of the AFIS components and determining the materiality of each deficiency. AFIS should report all material weaknesses in the annual statement of assurance.

Client Actions

During FY 2008, the new OASD(PA) Director of Administration and Management recognized the need to maintain a MIC Program apart from AFIS. In May 2008, the acting ASD(PA) appointed a new OASD(PA) MIC Program Coordinator. However, the appointed individual was in an AFIS personnel billet. The ASD(PA) should realign the OASD(PA) MIC Program Coordinator position from AFIS to the OASD(PA). In December 2007, the acting ASD(PA) also formally appointed an AFIS MIC Program Coordinator to conduct the FY 2008 program. In developing the FY 2008 Annual Statement of Assurance, the MIC Program Coordinator should consider the recommendations made in this report to ensure proper reporting of significant deficiencies and material weaknesses. The ASD(PA) will not establish a separate MIC Program for DMA until FY 2009 when all the personnel, funding, and other resources budgeted for AFIS and Military Departments’ media operations transfer to DMA. The DMA Transition Team’s draft concept of operations for DMA as of March 31, 2008, indicated that the team is considering placing the DMA MIC Program Coordinator in the

DMA Inspector General Office. These are all steps in the right direction and management should consider our recommendations as part of this effort to establish and implement MIC Programs for OASD(PA) and DMA.

Recommendations, Client Comments, and Our Response

D.1. We recommend that the Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer update DoD Instruction 5010.40 to require each DoD Component to appoint a program coordinator to be responsible for designing, establishing, and implementing the component's Managers' Internal Control Program.

USD(C)/CFO Comments

The Acting Deputy Chief Financial Officer agreed and stated that by July 2009 his office would update DoD Instruction 5010.40 to require that each DoD Component appoint a Program Coordinator to be responsible for designing, establishing, and implementing the component's MIC Program.

Our Response

The USD(C)/CFO comments are responsive. No further comments are required.

D.2. We recommend that the Assistant Secretary of Defense (Public Affairs) realign the Office of the Assistance Secretary of Defense (Public Affairs) Managers' Internal Control Program Coordinator position from the American Forces Information Service to the Office of the Assistance Secretary of Defense (Public Affairs).

ASD(PA) Comments

The Acting ASD(PA) partially agreed and stated that the OASD(PA) needs to establish a position for the MIC Program Coordinator. However, he stated that OASD(PA) will use an existing OASD(PA) position for the MIC Program Coordinator rather than transfer a position from AFIS.

Our Response

The ASD(PA) comments are responsive. The Acting ASD(PA) agreed that OASD(PA) should have a MIC Program Coordinator, but did not want to transfer a position from AFIS to OASD(PA). Instead, he preferred to use an existing position available in OASD(PA) for the MIC Program Coordinator position. This action meets the intent of the recommendation. No further comments are required.

D.3. We recommend that the Assistant Secretary of Defense (Public Affairs) direct the Director, Defense Media Activity, to improve compliance with the Federal Managers' Financial Integrity Act of 1982 by implementing a Managers' Internal Control Program for the Defense Media Activity that incorporates the requirements of DoD Instruction 5010.40. Specifically:

a. Develop Defense Media Activity guidance that establishes the Managers' Internal Control Program, and rescind American Forces Information Service Operating Procedure – 0020.

b. Appoint an individual, assigned to the Defense Media Activity, to serve as the Managers' Internal Control Program Coordinator.

c. Segment the organization into assessable units to ensure all organizational parts are contained in at least one assessable unit.

d. Assign assessable unit managers for each unit and maintain documentation to support their internal control responsibilities.

e. Provide training to the Managers' Internal Control Program Coordinator and assessable unit managers for planning, directing, and implementing the Managers' Internal Control Program.

f. Review deficiencies identified in internal and external assessments of the American Forces Information Service and other Defense Media Activity components, including those in this audit report; determine the status of corrective actions taken and the significance of each remaining deficiency; and report all material weaknesses in the annual statement of assurance.

g. Establish a senior management council to assess and monitor the Managers' Internal Control Program.

ASD(PA) Comments

The Acting ASD(PA) agreed and stated that DMA is in the process of establishing a DMA Office of the Inspector General, which will be part of the Command Group and will report directly to the DMA Director. The DMA MIC Program Officer will work for the Office of the Inspector General. The MIC Program Officer will develop a DMA Operating Instruction to implement the requirements of DoD Instruction 5010.40 by January 31, 2009, and will segment the organization into assessable units. The MIC Program Officer will also be responsible for developing and implementing a training program to provide all assessable unit managers with the necessary tools to plan, direct, and implement their MIC Program responsibilities.

Our Response

The ASD(PA) comments are partially responsive. The Acting ASD(PA) did not address the need to review deficiencies identified in internal and external assessments of AFIS and other DMA components; determine the status of corrective actions taken and the significance of each remaining deficiency; and report all material weaknesses in the

annual statement of assurance. He also did not address the need to establish a senior management council to assess and monitor the MIC Program or the need to rescind AFIS Operating Procedure – 0020.

We request that the ASD(PA) provide comments on the final report addressing the need to take these additional actions.

Appendix A. Scope and Methodology

We conducted this performance audit from June 2007 through August 2008 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We evaluated the organizational structures and effectiveness of the Managers' Internal Control (MIC) Program established at OASD(PA) and AFIS. To understand the organizational structure and the mission and functions of the OASD(PA) and AFIS, we interviewed key senior managers in the OASD(PA), including the five DASDs, the Directors for Communications Outreach, Administration and Management, and the Advance Office, and several AFIS managers. We reviewed OASD(PA) operations in the Pentagon; Alexandria, Virginia; Washington D.C.; and Fort Meade, Maryland. We also reviewed governing DoD guidance for each organization and pertinent organizational design and personnel information, such as organizational charts, Authorized Manpower Requirements and Alignment Documents, and position descriptions of key managers. We compared the OASD(PA) organizational design to the authorized staff levels and identified discrepancies. We also interviewed the Director or Chief of Public Affairs for each Military Service concerning the implementation of the FY 2005 Defense Base Realignment and Closure recommendations. In addition, we reviewed the planning documents for establishing DMA.

We also evaluated the effectiveness of the OASD(PA) and AFIS MIC Programs. We interviewed the MIC Program Coordinator for OASD(PA) and AFIS to determine how he implemented the MIC Program. We obtained MIC Program documentation and reviewed the processes for developing risk analysis, testing internal controls, and preparing annual statements of assurance to evaluate compliance with DoD Instruction 5010.40 in FYs 2006 and 2007. Based on our analysis of high-risk areas, we chose to review selected controls over contracting, budget formulation, Government purchase cards, and personal property. We compared the FY 2006 and FY 2007 OASD(PA) and AFIS budget amounts to the budget formulation and execution documentation we obtained from WHS and AFIS. We interviewed the AFIS Chief of Contracting and budget personnel in AFIS and OSD to understand the processes, procedures, and controls in their areas. We evaluated controls over Government purchase cards by analyzing the hierarchies listing approving officials and program coordinators used by AFIS personnel.

The Data Mining Directorate, Office of the Deputy Inspector General for Policy and Oversight used Audit Command Language software to perform a limited review of the 3,793 Government purchase card transactions that occurred from October 1, 2006, through December 28, 2007. Specifically, the Data Mining Directorate analyzed the universe of AFIS Government purchase card transactions to find questionable vendors, cardholders not assigned to AFIS, cardholders with multiple cards, duplicate or split

transactions, and unusual transactions. We obtained explanations for these anomalies from the purchase cardholders and the approving officials. We performed a more extensive review over personal property.

We tested controls over AFIS personal property at AFIS Headquarters and DINFOS. We interviewed property accountability personnel to determine how they maintained control over accountable property from initial acquisition through authorized disposal. We obtained a listing of all AFIS personal property in DPAS as of February 27, 2008, to test the completeness and accuracy of AFIS personal property records. Using Microsoft Access, we analyzed 37,311 AFIS property records for duplicate property records, outdated inventories, incomplete data elements, and potential excess items. With the exception of property hand-receipted to AFRTS (including the Pentagon Channel and the News Center), we conducted a 100-percent inventory of personal property at AFIS Headquarters in December 2007. For AFRTS, we performed a more limited inventory of personal property. AFRTS had contracted for the purchase of a Radio Frequency Identification system for personal property. The contract required the contractor to perform a 100-percent physical inventory. We used the list developed by the contractor because it included assessments as to the existence and completeness of AFRTS personal property. We verified the list was accurate based on our review of 25 randomly selected personal property items from the list. Using Microsoft Access, we developed a database that compared the contractor's list with the DPAS data to test for anomalies in the AFRTS inventory. At DINFOS, we interviewed property accountability personnel and conducted a walkthrough of the property accountability process. Based on our assessment of the controls in place, we randomly selected 90 personal property items from a November 29, 2007, DPAS list to test for the physical existence of the items. At both AFIS Headquarters and DINFOS, we randomly selected five personal property items to test for the availability of adequate supporting documentation.

Review of Internal Controls

We identified material internal control weaknesses for OASD(PA) and AFIS as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. OASD(PA) and AFIS did not have the necessary internal controls for organization management to ensure proper separation of duties. OASD(PA) and AFIS also had not established an effective MIC Program, and AFIS did not have adequate internal controls over its procurement, contract administration, and property management operations. Specifically, AFIS controls did not ensure that procurements met necessary expense rules, proper contract support, and personal property accountability records were accurate and complete. Implementing Recommendations A.1., B.2., C.2., C.3., C.4., and D.3. will improve OASD(PA) and AFIS internal controls. We will provide a copy of this report to the senior OSD official responsible for internal controls.

Use of Computer-Processed Data

The Data Mining Directorate, Office of the Deputy Inspector General for Policy and Oversight conducted limited tests of the AFIS Government purchase card transactions obtained from the Defense Manpower Data Center. We relied on additional evidence to validate data reliability. We compared the Government purchase card transactions to

documentation and interviewed purchase cardholders to explain anomalies identified in the data. We also compared DPAS data for personal property with physical documentation used to establish records, and we conducted physical inventories of property at AFIS Headquarters and DINFOS. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that the data were sufficiently reliable to use in conjunction with physical documentation to test controls over AFIS personal property.

Use of Technical Assistance

Two directorates of the Office of the Deputy Inspector General for Policy and Oversight assisted on this audit. Senior auditors of the Data Mining Directorate imported data from the DoD Office of Inspector General copy of purchase card transactional data into ACL software and pulled data based on purchase card hierarchies for AFIS. An operations research analyst from the Quantitative Methods Directorate, Office of the Deputy Inspector General for Policy and Oversight assisted in developing the personal property test by determining the selection size necessary to review existence at DINFOS.

Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) has issued two reports related to the OASD(PA) and AFIS. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

DoD IG

DoD IG Report No. D-2006-117, “American Forces Network Radio Programming Decisions,” September 27, 2006

DoD IG Report No. D-2005-050, “American Forces Information Service’s Data Call Submissions and Internal Control Processes for Base Realignment and Closure 2005,” April 13, 2005

Appendix B. Major Responsibilities and Functions

DoD Directive 5122.5

DoD Directive 5122.5 is the OASD(PA) organization charter and assigns the following responsibilities and functions to the ASD(PA):

- Develop policies, plans, and programs supporting DoD public affairs objectives and operations, the National Media Pool, public relations, and international public information programs.
- Promote coordination and cooperation and develop a mutual understanding among the DoD Components, other Federal, State, and local agencies, and the public.
- Serve on boards, committees, and other groups as the public and media representative of the Secretary of Defense and as the spokesperson and release authority for DoD information and audiovisual materials.
- Ensure the free flow of information to DoD personnel, the general public, and the news media, including the preparation of materials for public release (such as speeches, public statements, congressional testimony, and articles for publication) and respond to inquiries from the media and the general public.
- Provide liaison for requests to provide DoD speakers and support entertainment-oriented motion picture, television, and video productions.
- Perform such other functions as the Deputy Secretary of Defense may prescribe.

The ASD(PA) appointed DASDs and Directors to help perform some of these functions. The position descriptions outlined the major responsibilities for the DASDs for Internal Communications and Joint Communication.

DASD for Internal Communications

The DASD for Internal Communications contributes to the operational readiness and combat effectiveness of the DoD through development of policies, guidelines, standards, and centralized management of DoD internal information programs. The position description of the DASD for Internal Communications listed the following major duties.

- Establish and provide DoD policy and guidance concerning the conduct and support of internal information programs.
- Develop and issue operational and procedural policy and guidance for the operation and support of AFRTS outlets, including the acquisition, duplication, distribution, and transmission of radio and television program materials.
- Provide overall policy and guidance to establish DoD visual information and audiovisual activities standards.

- Provide policy, guidance, and direction for managing DoD public affairs programs, internal information programs, radio and television programs, combat camera operations, print and visual information media products that support DoD public affairs internal information and other programs, and DoD audiovisual and visual information activities.
- Provide policy, guidance, and direction for the provision of broadcast and visual information equipment system design, engineering, and procurement services through the Television-Audio Support Activity.
- Oversee and provide policy guidance for the business operations and financial management of the Stars and Stripes Newspaper.
- Approve and submit an annual budget for internal communications programs.
- Provide policy, guidance, and direction to senior DoD officials for resolving complex, joint-Service, and DoD Component issues involving state-of-the-art audiovisual and visual information.

DASD for Joint Communication

On January 6, 2005, the ASD(PA) created the position of the DASD for Joint Communication to shape DoD-wide processes, policy, doctrine, organization, and training for DoD communications. The ASD(PA) created this position to maximize its capability to communicate in an aggressive and synchronized manner. The communication capabilities included public affairs, Defense Support for Public Diplomacy, visual information, and information and psychological operations. The DASD for Joint Communication also manages the OASD(PA) transformation program. The position description of the DASD for Joint Communication listed the following major duties:

- Lead the Quadrennial Defense Review Strategic Communication Working Group ongoing efforts focusing on improving and integrating primary communication capabilities supporting policy and operational planning.
- Coordinate DoD communication efforts that ensure the communication environment is included in future plans, policies, programs, and operations.
- Represent the ASD(PA) to the Strategic Communication Integration Group (SCIG).
- Coordinate and synchronize interagency communication efforts by maintaining liaison with the National Security Council, State Department, Central Intelligence Agency, and the White House.
- Oversee joint proponenty for primary communication capabilities supporting Combatant and Joint Task Force Commanders to ensure DoD is structured to best organize, train, and equip communicators for the joint warfighter.
- Supervise the establishment and implementation of communication education and training programs, including DINFOS.
- Maximize and enhance Combatant Command and Service public communication collaboration and DoD's public communication capability.
- Oversee visual information policy, funding, operating, training, and maintenance of DoD-wide visual information systems.

DoD Directive 5122.10

DoD Directive 5122.10, “American Forces Information Service (AFIS),” November 21, 2000, is the organization charter for AFIS. DoD Directive 5122.10 listed the following major functions for AFIS:

- Train DoD public affairs, broadcast, and visual information professionals.
- Provide communication services to support the requirements of Combatant Commanders.
- Develop policies, guidelines, and standards for its program management
- Provide broadcasting, visual information, and audiovisual equipment and systems life-cycle logistics management.
- Sustain information technology systems.
- Operate and maintain the DefenseLINK Website.
- Provide, in coordination with the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence, policy oversight and guidance to ensure effective dissemination of DoD information to the public on the Internet.
- Maintain a central DoD World Wide Web site registration system.
- Consolidate OSD public Web site operations.
- Exercise policy and program oversight for DoD internal information programs.

DoD Directive 5105.74

DoD Directive 5105.74, “Defense Media Activity,” December 18, 2007, is the organization charter for the DMA. DoD Directive 5105.74 listed the following major responsibilities for the DMA Director:

- Organize, direct, and manage DMA and all assigned resources.
- Develop, acquire, produce, manage, distribute, and archive media products.
- Convey DoD-wide and Military Service unique messages consistent with the strategic communications objectives.
- Coordinate and integrate the utilization of media product in a manner that most effectively relates and distributes DoD and Military Service themes and messages to their target audiences.
- Provide public affairs, broadcast, print, journalism, and visual information common core training through DINFOS.
- Administer Stars and Stripes Newspaper, respecting editorial independence consistent with the First Amendment.
- Administer the AFRTS.
- Develop and oversee the implementation of DoD wide policies and procedures for DoD Internal Information Program, Hometown News Program, DoD Visual Information, publication of DoD newspapers and magazines, and related training.

- Provide central DoD receipt, access, distribution, asset and life-cycle management, storage and preservation of DoD still and motion imagery.
- Manage and operate the consolidated DoD Public Web Program.
- Support the command information requirements of the Secretaries of the Military Departments, the Combatant Commanders, and combat forces.
- Provide life-cycle logistics and commodity management support for broadcasting, visual information, audiovisual, and related Web systems and equipment for DoD Components.

Appendix C. DMA Management Positions

The DMA will provide a streamlined organizational structure and opportunities for additional economies of scale in the execution of DoD media functions. The DMA organizational structure should create opportunities for cost savings through consolidation of common business enterprise services and cooperation among the various DoD media functions. The DMA Director, in coordination with the DMA Transition Team, will develop the DMA organizational structure and consider recommendations from the ongoing organizational analysis. Based on discussions with OASD(PA) DASDs and Directors and Military Service Public Affairs Chiefs, we identified key management positions helpful in the development of the DMA. In developing the DMA organizational design, DMA leadership should all consider the following key management positions and advisors as the direct reporting staff to the DMA Director.

Chief of Staff and Chief Enlisted Advisor

The DMA will incorporate the Military Service internal communication programs and must be equipped to meet the needs of the 1,038 Service members assigned to DMA as of FY 2008. A Chief of Staff provides the Military command and control and assists in the day-to-day management of business matters on behalf of the Director. A Chief Enlisted Advisor advises the Director on issues pertaining to the integration, utilization, and development of Military Service members. Both positions are necessary to ensure that DMA meets the needs of the Military Commanders and effectively communicate messages and themes from the Secretary of Defense, Service Secretaries, Joint Chiefs of Staff, and other military leaders.

Director of Operations and Director of Training

The DMA missions defined in DoD Directive 5105.74 fall into two distinct business areas. The first business area is operations: operations includes providing information products to the DoD family; communicating messages and themes from DoD leaders; providing U.S. radio and television programs, news, and information to the DoD family; and providing visual information products. The programs that support these missions include such current AFIS entities as Stars and Stripes, AFRTS, Defense Visual Information Center, DMC, Joint Visual Information Service Distribution Agency, and the internal communication function assigned to Military Departments. These programs provide a wide variety of information products to the entire DoD family and external audiences. The second business area is training: the DMA will provide joint education and training to DoD military and civilian personnel in public affairs, broadcasting, and the visual information career fields. Both business areas require strong management to communicate their needs to the DMA Director. Because of the complexity of DMA and its distinct business areas, the DoD should consider creating a DMA Director of Operations to administer broadcast, Web-based, visual, and print media activities and a DMA Director of Training to administer DINFOS and any other related training.

The incumbents of these positions should report directly to the DMA Director and have equal weight in making management decisions to alleviate some of the concerns of whether both business areas will have appropriate representation within the new structure.

Business Enterprise Services

An effectively managed organization centralizes its common business enterprise services in order to streamline its business processes, reduce redundancy, and gain greater economies of scale. To implement the new DMA successfully, it is imperative that the DMA Director have a support staff to manage common business enterprise services. This would ensure that all components implement common business practices and enable DMA managers to have a complete overview of resource allocation. A key position in this effort would be a DMA Director of Business Enterprise Services. The Business Enterprise Services office would provide administrative services such as human resources office, supplies and services, printing, mail services, records management, forms management, conference room management, regulation management, and travel and transportation. The Business Enterprise Services should also provide uniform oversight and management over support functions whose personnel are located within the DMA components. Functions that require centralized oversight at the Business Enterprise Service level include acquisition management, personnel management, and property management.

Acquisition Management

Centralized acquisition management helps to ensure that purchases of goods and services fulfill the requirements of the organization. The acquisition management office should develop and control entity-wide contract management practices, manage the DMA Government purchase card program, and oversee the DMA purchasing requirements. Through centralized acquisition management, the DMA can realize greater efficiencies through combined purchases and ensure compliance with Federal and DoD acquisition regulations.

Personnel Management

Another important function to the success of the new DMA is the need for a consolidated personnel management function. The personnel management office should be responsible for all aspects of military and civilian personnel management and work closely with the Chief Financial Officer, DoD Civilian Personnel Management Service, the Military Departments, and the DMA Senior Enlisted Advisor. The need to centralize personnel functions will increase as Military Departments' resources transfer in.

Property Management

The DMA will need a centralized property management function to provide construction and space utilization planning and execution. Because the DMA will assume control over extensive resources at Ft. Meade and other locations throughout the world, it will need this function to administer control over all DMA property. The property management function would develop the systems and processes for acquiring, maintaining, and disposing resources at DMA facilities.

Key Area Advisors

An effectively managed organization benefits from having an individual in control of such areas as financial management, information resource management, and internal review. Because of the complex requirements, one individual should oversee each of these functions and provide information directly to the DMA Director.

Chief Financial Officer

The Chief Financial Officer is an important position to ensure the proper allocation, accountability, and execution of financial resources. This individual would be responsible for oversight of all financial management activities; developing and maintaining accounting and budget systems; providing financial and budget reports; and directing, managing, and providing policy and oversight of financial management personnel, activities, and operations. A Chief Financial Officer is necessary to ensure that DMA properly accounts and safeguards financial resources.

Chief Technology Officer

A Chief Technology Officer would provide overall management of DMA information technology resources. DMA provides a variety of information products using emerging technologies. A Chief Technology Officer would formulate technical visions and strategies and have visibility of all information technology resources. This position is necessary to ensure that the DMA maintains an effective life cycle management program and provides accountability and safeguarding of information technology resources.

Inspector General

An Inspector General would provide an independent and objective advice to the DMA Director through audits and investigations relating to DMA programs and operations. The DMA Inspector General would report on the status of DMA; perform investigative, inspection, and evaluation functions as instructed by the Director; and maintain liaison functions with the Government Accountability Office and the DoD OIG. In addition, the Inspector General office could also oversee the DMA Managers' Internal Control Program and prepare the DMA Annual Statement of Assurance for the Director. This position is important to ensure effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Legal Counsel

A key advisor to the Director should be the legal counsel who advises the organization on legal requirements. The legal counsel should provide support for all DMA areas and be involved in the implementation of program and activities. The legal counsel would ensure that DMA policies, programs, and transactions comply with public law.

Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

SEP - 8 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL,
DEFENSE FINANCIAL AUDITING SERVICE PROGRAM
DIRECTOR

SUBJECT: Response to Draft Audit Report, Organizational Structure and Managers
Internal Control Program for the Assistant Secretary of Defense (Public
Affairs) and American Forces Information Service
(Project No. D2007-D000FI-0215.000)

This memorandum forwards the Office of the Under Secretary of Defense
(Comptroller) response to the subject draft audit report. A copy of the response is
attached.

The Department appreciates the opportunity to comment on the subject report.
My staff points of contact on this matter are Peggy Johnson and Jodie Fisher. They may
be contacted by email at peggy.johnson@osd.mil and jodie.fisher@osd.mil or by
telephone at (703) 607-0300, ext. 111 and (703) 602-0371, respectively.

A handwritten signature in black ink, appearing to read "D. Smith".

David P. Smith
Acting Deputy Chief Financial Officer

Attachment:
As stated

**DOD OIG DRAFT REPORT DATED AUGUST 8, 2008
PROJECT NO. D2007-D000FI-0215.000**

**ORGANIZATIONAL STRUCTURE AND MANAGERS INTERNAL CONTROL
PROGRAM FOR THE ASSISTANT SECRETARY OF DEFENSE (PUBLIC
AFFAIRS) AND AMERICAN FORCES INFORMATION SERVICE**

**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)
COMMENTS TO THE DOD OIG RECOMMENDATIONS**

RECOMMENDATION A.2: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer perform an independent assessment and determine whether:

a. the use of American Forces Information Service appropriated funding and personnel to support Office of Assistant Secretary of Defense (Public Affairs) administered programs augmented the Office of the Secretary of Defense (Public Affairs) in violation of public law, and

b. the use of Office of Assistant Secretary of Defense (Public Affairs) contract services to support the strategic communication efforts was appropriate. Take appropriate actions to ensure the proper allocation of funding and program administration responsibilities.

OUSD(C) RESPONSE: Partially Concur. The Deputy Chief Financial Officer concurs that an independent assessment must be performed, however; the recommendation must be addressed to the Washington Headquarters Services as the administrator of funds provided to the Office of the Assistant Secretary of Defense (Public Affairs).

Redirected
Recommendation

RECOMMENDATION B.1: We recommend that the Assistant Secretary of Defense (Public Affairs), in coordination with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, conduct report of survey investigation of all lost or missing property occurring at American Forces Information Service based on recent inventories and determine whether any individual liability exists.

OUSD(C) RESPONSE: Partially Concur. The Deputy Chief Financial Officer concurs that a report of survey investigation must be conducted, however; the Assistant Secretary of Defense (Public Affairs) must work in coordination with the Washington Headquarters Services to complete the survey.

Revised
Recommendation

RECOMMENDATION C.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, in conjunction with the Assistant Secretary of Defense (Public Affairs), perform an assessment and determine whether a formal investigation into the three questionable equipment purchases is warranted. If it is determined that the purchases were unnecessary or a potential violation many have

occurred, perform a formal investigation and take appropriate collection and disciplinary actions. Specifically,

a. Review the purchase of 151 laptop computers to determine whether the expense fulfilled a valid requirement of the FY 2006 Defense Procurement appropriation.

b. Review the purchase of the equipment for the Pentagon studio to determine whether the purchases fulfilled valid requirements of the FY 2005 Defense Procurement appropriation.

c. Determine whether the purchase of \$71,770 in additional equipment for the Pentagon studio represented a necessary expense and whether follow on contracting actions were legitimate. If the equipment fulfilled a valid requirement for the American Forces Information Service at the time of obligation, then ensure that the American Forces Information Service performed the necessary accounting and contract actions to ratify the commitment and properly fund the equipment.

d. Review the American Forces Radio and Television Service purchase of \$74,839 in equipment for the Hawaii Bureau and determine whether the purchase violated section 1301, title 31, United States Code and section 1502(a), title 31, United States Code.

OUSD(C) RESPONSE: Partially Concur. The Deputy Chief Financial Officer concurs that an assessment into the questionable equipment purchases must be performed to determine whether a formal investigation is warranted, however; the Assistant Secretary of Defense (Public Affairs) must work in coordination with the Washington Headquarters Services to complete the assessment.

RECOMMENDATION D.1: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer update DoD Instruction 5010.40 to require each DoD Component to appoint a program coordinator to be responsible for designing, establishing, and implementing the Component's Managers' Internal Control Program (MICP).

OUSD(C) RESPONSE: Concur. DoD Instruction 5010.40 "Managers' Internal Control Program Procedures," and the FY 2009 Guidance for Preparation of the Statement of Assurance will be revised to require each DoD Component to appoint a program coordinator to be responsible for designing, establishing, and implementing the Component's MICP. (ECD: July 2009)

Revised
Recommendation

Assistant Secretary of Defense (Public Affairs) Comments



PUBLIC AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
1400 DEFENSE PENTAGON
WASHINGTON, DC 20301-1400

September 12, 2008

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL
AUDITING SERVICE, OFFICE OF THE
INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE

SUBJECT: Organizational Structure and Managers' Internal Control Program for
the Assistant Secretary of Defense (Public Affairs) and American
Forces Information Service (Project No. D2007-D000FI-0215.000)

As the Acting Assistant Secretary of Defense for Public Affairs, I appreciate the opportunity to comment on the subject draft report. The following represents the actions my office has taken to date regarding the recommendations included in the report:

Recommendation A.1. We recommend the DoD Director of Administration and Management, in coordination with the Assistant Secretary of Defense (Public Affairs), evaluate the current functions and programs administered by the Office of the Assistant Secretary of Defense (Public Affairs) and define the mission and functions of the office. Specifically,

- a. Reissue DoD Directive 5122.5 to define the roles and responsibilities of the Office of the Assistant Secretary of Defense (Public Affairs), including the relationship to the Defense Media Activity and other DoD organizations. In defining the roles and responsibilities, ensure proper segregation of duties between the policy and oversight functions administered by the office and the operational function assigned to the Defense Media Activity.
- b. Update the position Descriptions of the Deputy Assistant Secretaries of Defense and Directors within the Office of Assistant Secretary of Defense (Public Affairs) based on the revisions to DoD Directive 5122.5.
- c. Reevaluate the Authorized Manpower Requirements and Alignment Document and the budget requirements of the Office of the Assistant Secretary of Defense (Public Affairs) and include these requirements as part of the annual Office of the Secretary of Defense budget formulation process.

Response to Recommendation A.1. Concur. Office of the Assistant Secretary of Defense for Public Affairs (OASD(PA)) will coordinate with DA&M.



- b. The review process has already begun and should be completed by end of the first quarter of FY 09.
- c. The review process has already begun and should be completed by end of the first quarter of FY 09.

Target Implementation date for A.1. – December 31, 2008

Recommendation A.3. We recommend that the Assistant Secretary of Defense (Public Affairs):

- a. Identify the funding requirements necessary to support Office of Assistant Secretary of Defense (Public Affairs) programs and include the requirements in its annual budget.
- b. Expedite the selection of key managers within the Defense Media Activity to include the Director, Defense Media Activity and the direct reporting staff. Based on the organizational study consider hiring a Chief of Staff, Chief Enlisted Advisor, Directors for the operations and training missions, a Director for Enterprise Business Services, and key advisors in the areas of finance, information technology, and legal services.

Response for Recommendation A.3. Concur.

- a. In FY 08 a Lean Six Sigma (LSS) project was initiated and completed on the budget process within OASD(PA). The lack of process was identified and corrected to ensure input was submitted for the FY10-FY15 POM. There has also been an Executive Resource Board (ERB) established that meets monthly to discuss any issues and/or concerns. Significant progress has been made in FY 08 by reaching out to Washington Headquarters Service (WHS) and Under Secretary of Defense for Comptroller (USD(C)) to correct the severe funding shortfall in OASD(PA). The new process that was identified through the LSS project was implemented in August 08.
- b. Several key Defense Media Activity (DMA) positions are already filled. They include: Chief of Staff, Senior Enlisted Advisor, Director of Procurement and Acquisition/Chief of Contracting; CFO/ Director of Resource Management; Director of Human Resources and the Enterprise-wide Facilities Manager. The selection process is underway for the Deputy Director of Enterprise Services and Security Officer. Job announcements are active for the DMA Director and Building Management Specialist and positions descriptions are under review for the Chief of Military Personnel, Strategic Planning and Analysis Specialist, DMA Attorney, Chief of Information and Technology Officer and Inspector General. Other key positions such as a Director of Training,

Director of Operations and Director of Enterprise Services are pending completion of the organizational design study. Decisions on transitional and final organizational structures for the DMA will be made in the 1st quarter of FY 09. It is the intent of the ASD(PA) to use the final DoD IG report to guide this decision-making.

Target Implementation Date for Recommendation A.3. – March 31, 2008

Recommendation B.1. We recommend that the Assistant Secretary of Defense (Public Affairs), in coordination with the Under Secretary of Defense (Comptroller)/Chief Financial Officer, conduct report of survey investigation of all lost or missing property occurring at the American Forces Information Service based on recent inventories and determine whether any individual liability exists.

Response for Recommendation B.1. Concur. The Assistant Secretary of Defense (Public Affairs) processed a Financial Liability Investigation for Property Loss (FLIPL), DD Form 200 for all lost, missing and unaccounted for property discovered at the Headquarters (HQ), American Forces Information Service (AFIS). The DD Form 200 included property discovered lost over a several year period through February 2008, to include inventories conducted as part of this project. The extent of the property accountability problems at HQ AFIS were so rampant and extended over such a lengthy period that the integrity of the Defense Property Accountability System (DPAS) database could not be relied upon; this combined with the lack of any centralized accountability processes and procedures as detailed in this report made it impossible to assign liability to any individuals. The processing of this FLIPL has however created a baseline database from which HQ AFIS can move forward to fully establish accountability over the assigned equipment moving into the DMA and hold individuals and managers accountable should future losses occur.

Target Implementation Date for Recommendation B.1. – Implemented

Recommendation B.2. We recommend that the Assistant Secretary of Defense (Public Affairs) direct the Defense Media Activity to implement DoD Instruction 5000.64. Specifically:

- a. Appoint, in writing, an Accountable Property Officer for the Defense Media Activity. This individual should assign custodial areas within the Defense Media Activity and appoint property custodians, in writing for each custodial area.
- b. Conduct a 100-percent inventory of all AFIS accountable personal property and reconcile the results with the personal property accountability records in the Defense Property Accountability System to ensure the accuracy and completeness of the information.

Correct date is
March 31, 2009 per
ASD(PA)

- c. Consolidate all American Forces Information Service and Military Department personal property records transferring to the Defense Media Activity in a single Defense Property Accountability System database.
- d. Limit access to personal property storage areas to only authorized personnel and properly air condition the server room.
- e. Develop Defense Media Activity guidance for managing personal property and rescind the American Forces Information Service Operating Procedure – 0022, “Property Management and Accountability.” This new guidance should:
 - (1) Designate centralized receiving points for the Defense Media Activity deliveries.
 - (2) Establish the personal property accountability threshold consistent with DoD guidance, and identify pilferable and other items requiring accountability that do not meet the accountability threshold.
 - (3) Develop standard procedures for the custodial areas to use during inventory testing, and track compliance to ensure the custodial areas conduct inventories timely and accurately.
 - (4) Establish a single bar coding methodology for identifying personal property accountable items. Consider using radio frequency identification in the bar coding methodology.

Response for Recommendation B.2. Concur. The Defense Media Activity will fully implement the requirements outlined in DoDI 5000.64 by taking the following actions:

- a. The DMA will appoint in writing accountable property officers (APOs) for the elements of the military services and AFIS which will make up the DMA.
- b. A 100% inventory of all personal property at the HQ AFIS is underway and will be concluded no later than 17 Oct 2008. The results of the inventory will be reconciled with the DPAS records. This will validate the baseline database established through previous inventories and the processing of the consolidated FLIPL as described in Recommendation B.1. above.
- c. The DMA will establish a single DPAS Site ID under which all accountable DMA UICs will be managed. All existing DPAS databases

will be moved under the new Site ID by 31 October 2008. The Air Force News (AFNEWS) does not currently maintain their personal property records in DPAS instead using an internally developed software product. This database will be converted to DPAS and assigned under the consolidated DMA Site ID no later than 30 November 2008. The DMA transition team is currently developing a DMA Chief of Logistics position description (PD), this PD will include responsibility for over seeing the operation of the DMA property management system and ensuring this system provides total asset visibility to DMA financial and program life cycle managers.

- d. AFIS has taken the following steps to protect the personal property at the AFIS HQ:
- (1) The Director of AFIS Information Resource Management (IRM) was directed to relocate the unsecured laptop computers described in this report. The laptops were relocated in May 2008 to a secure storeroom in suite 225 in the AFIS HQ. Access to the storeroom is restricted to IRM personnel who are actively engaged in the fielding of these systems to AFIS offices.
 - (2) AFIS Operations and Logistics personnel met with representatives from the General Service Administration (GSA) and Washington Headquarters Service (WHS) to request emergency assistance in developing Heating Ventilation and Air Conditioning (HVAC) and electrical power infrastructure solutions to meet the demands of all installed and projected systems. The contracted HVAC maintenance provider adjusted the temperature of the supply air in the AFIS HQ server room reducing the temperature in the space by 10 degrees. Additionally GSA contracted Guffey Engineering to conduct an analysis of all current and projected heat and power loads. Guffey was further tasked to compare the requirements to current infrastructure capacity and propose solutions and cost estimates to resolve these issues. The Guffey report was delivered to AFIS in August 2008 and is currently being reviewed by AFIS managers to determine which recommendations will be implemented. This decision will be made in September 2008 and the DMA will initiate contract actions through GSA to implement in the first quarter Fiscal Year 2009 upon the receipt of required funding.
- e. The DMA will publish an enterprise wide Personal Property Operating Instruction (OI) no later than November 30, 2008. Upon publication AFIS Operating Procedure 0022 will be rescinded as well as any other Operating Procedures currently in use by the former military service and AFIS components moving into DMA. The DMA OI will include:

- (1) Designation of central receiving points and receiving and issuing procedures. Effective 2 September 2008 AFIS consolidated central receiving operations with the Soldiers Media Center (SMC) at the SMC warehouse at Ft. Belvoir Virginia. DMA anticipates consolidating all receiving in the National Capitol Region at Ft. Belvoir by 31 December 2008.
- (2) Reinforce the DoD personal property threshold of \$5000 as the basic standard. The OI will further identify specific pilferables for which accountable records must be maintained and will identify Federal Supply Classes for which DMA requires lower dollar thresholds to accomplish life cycle management by program managers in broadcasting, engineering and information technology.
- (3) Specify standard procedures for property custodians to conduct change of hand receipt, annual and command directed inventories. The OI will further provide procedures for accountable property officers to validate the custodian's inventories.
- (4) Direct that a standard bar coding methodology be used throughout the DMA. Bar coding will be conducted at the central receiving point prior to issue to custodians and offices. AFIS has initiated a contract to test Radio Frequency Identification (RFID) in the American Forces Radio and Television Service to determine the effectiveness of this technology and whether additional investment is justified to establish RFID as the technology of choice for DMA bar coding. A determination will be made no later than December 31, 2008.

Target Implementation Date for Recommendation B.2. – December 31, 2008

Recommendation C.1.: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer, in conjunction with the Assistant Secretary of Defense (Public Affairs), perform an assessment and determine whether a formal investigation into the three questionable equipment purchases is warranted. If it is determined that the purchases were unnecessary or a potential violation may have occurred, perform a formal investigation and take appropriate collection and disciplinary actions. Specifically:

- a. Review the purchase of 151 laptop computers to determine whether the expense fulfilled a valid requirement of the FY 2006 Defense Procurement appropriation.

- b. Review the purchase of the equipment for the Pentagon studio to determine whether the purchases fulfilled valid requirements of the FY 2005 Defense Procurement appropriation.
- c. Determine whether the purchase of \$71,770 in additional equipment for the Pentagon studio represented a necessary expense and whether follow on contracting actions were legitimate. If the equipment fulfilled a valid requirement for the American Forces Information Service at the time of obligation, then ensure that the American Forces Information Service performed the necessary accounting and contract actions to ratify the commitment and properly fund the equipment.
- d. Review the American Forces Radio and Television Service purchase of \$74,839 in equipment for the Hawaii Bureau and determine whether the purchase violated section 1301, title 31, United States Code and section 1502(a), title 31, United States Code.

Response for Recommendation C.1.: Concur. OASD(PA) will work with Under Secretary of Defense (Comptroller)/Chief Financial Officer to perform an assessment and determine whether a formal investigation is required for all three questionable purchases.

Target Initiation Date for Recommendation C.1. – December 31, 2008

Recommendation C.2: We recommend that the Assistant Secretary of Defense (Public Affairs), in conjunction with the Director, Defense Logistics Agency, review the purchasing authority and contracting practices at the American Forces Information Service to ensure adequate controls exist to promote efficient and effective contracting actions that are legally compliant. The Director, Defense Logistics Agency should consider limiting or rescinding the American Forces Information Service contracting warrants based on the results of the review and implementation of any corrective actions.

Response for Recommendation C.2.: Concur. In coordinating with Defense Logistics Agency, we agree in limiting the AFIS contracting warrants through exercise of increased oversight by DLA and DMA.

Target Implementation Date for Recommendation C.2. – October 1, 2008

Recommendation C.3: We recommend that the Assistant Secretary of Defense (Public Affairs) improve controls over purchasing and contracting practices, train contracting personnel on contracting requirements, and take necessary disciplinary actions for individuals involved in inappropriate contracting actions.

Response for Recommendation C.3.: Concur. Effective July 20, 2008, the DMA has appointed a Director of Acquisition and Procurement (DAP) for the DMA. In that capacity, she serves as the organization's Chief of Contracting Officer, with responsibility for establishing and managing the world-wide procurement and acquisition program, and the associated workforce, for the DMA. Effective August 6, 2008, the DAP was also designated as the Chief of Contracting Officer for the AFIS. As such, she shall exercise full authority for the direction and oversight of all procurement and acquisition functions and personnel in AFIS pending the consolidation of that organization into the DMA in FY 2009.

Target Implementation Date for Recommendation C.3. – December 31, 2008

Recommendation C.4.: We recommend that the Assistant Secretary of Defense (Public Affairs), in conjunction with the Director, Defense Media Activity, establish adequate oversight and control over Defense Media Activity acquisition planning and purchases. Specifically:

- a. Establish a Defense Media Activity contracting office to oversee entity-wide acquisition practices and purchasing requirements.
- b. Publish guidance and implement standard operating procedures for acquiring goods and services through the use of Government purchase cards and contracts.
- c. Rescind American Forces Information Service's Operating Procedure – 0037, "Supplies and Services."

Response for Recommendation C.4.: Concur. Effective July 20, 2008, the DMA has appointed a DAP for the DMA. In that capacity, she serves as the organization's Chief of Contracting Officer, with responsibility for establishing and managing the world-wide procurement and acquisition program, and the associated workforce, for the DMA. As part of that management, the DAP will:

- a. Develop and control entity-wide acquisition practices and oversee the DMA purchasing requirements, including the use of Government purchase cards. A DMA OI detailing DMA contracting policies and procedures shall be provided to the DMA Deputy Director/Chief of Staff for approval not later than September 30, 2008.
- b. Establish a new DMA Government purchase card (GPC) program hierarchy identifying the DLA GPC Program Manager as the Level III Agency/Organization Program Coordinator (A/OPC) for the DMA. This hierarchy shall identify two Level IV A/OPCs to manage the day-to-day operation of the GPC Program from the Defense Media Center Riverside and from the DMA Anacostia locations, respectively. The new program

hierarchy will take effect on October 1, 2008. Government purchase cards from organizations subsumed by the DMA will be cancelled and DMA cards will be issued as determined appropriate under the new DMA GPC hierarchy and in compliance with the applicable DoD and DLA policy.

- c. Rescind the American Forces Information Service's Operating Procedure – 0037, "Supplies and Services." A DMA Operating Instruction detailing DMA contracting policies and procedures shall be provided to the DMA Deputy Director/Chief of Staff for approval not later than September 30, 2008.
- d. The DAP will perform a continuous and comprehensive assessment of past acquisition policies and practices to determine currency, suitability, efficiency and effectiveness. Policies and practices deemed to have merit will be updated to reflect the DMA organization. Policies and practices deemed inadequate will be rescinded. New policies and practices shall be instituted where applicable.

Recommendation D.2. We recommend that the Assistant Secretary of Defense (Public Affairs) realign the Managers' Internal Control Program Coordinator position from the American Forces Information Service to the Office of the Assistant Secretary of Defense (Public Affairs).

Response for Recommendation D.2. Concur in part. Agree a position needs to be established in OASD(PA) for the Managers' Internal Control Program Coordinator. After consulting with DA&M, it was decided a position within OASD(PA) would be utilized to establish this position.

Recommendation D.3. We recommend that the Assistant Secretary of Defense (Public Affairs) direct the Director, Defense Media Activity, to improve compliance with the Federal Managers' Financial Integrity Act of 1982 by implementing a Managers' Internal control Program for the Defense Media Activity that incorporates the requirements of DoD Instruction 5010.40. Specifically:

- a. Develop Defense Media Activity guidance that establishes the Managers' Internal Control Program, and rescind American Forces Information Service Operating Procedure - 0020
- b. Appoint an individual, assigned to the Defense Media Activity, to serve as the Managers' Internal Control Program Coordinator.
- c. Segment the organization into assessable units to ensure all organizational parts are contained in at least one assessable unit.

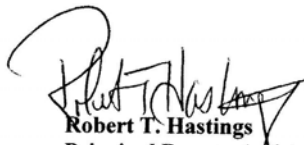
- d. Assign assessable unit managers for each unit and maintain documentation to support their internal control responsibilities.
- e. Provide training to the Manager's internal control program Coordinator and assessable unit managers for planning, directing, and implementing the Managers' Internal Control Program.

Response for Recommendation D.3. Concur. The DMA is in the process of establishing a DMA Office of the Inspector General. The DMA Transition Team is developing a PD for the Inspector General which will include responsibilities for overseeing the implementation of the MICP program. Additionally a second PD is under development for a fulltime MICP Officer assigned to the DMA IG Office. The MICP Officer and IG will be part of the DMA Command Group reporting directly to the Director, DMA. Placement in the Command Group will give the MICP the leadership visibility and command emphasis that was lacking in the program's placement in AFIS A&M. The PD for the MICP Officer will include the following responsibilities:

- a. Develop a DMA Operating Instruction to implement the requirements of DoDI 5010.40.
- b. Segment the organization into assessable units ensuring all organizational components are included in at least one unit. Develop a tracking system to monitor assessable units and the corresponding assessable unit manager (AUM). Maintain documentation for each AUM to support their internal control responsibilities.
- c. Develop and implement a DMA MICP training program to provide all AUMs the necessary tools to plan direct and implement their MICP responsibilities.

Target Implementation Date for Recommendation D.3. – January 31, 2009

We will continue to work on improving our organization by implementing the recommendations, as indicated above, and we will keep your staff apprised of our progress.



Robert T. Hastings
Principal Deputy Assistant Secretary
of Defense for Public Affairs

DoD Director of Administration and Management Comments



ADMINISTRATION AND
MANAGEMENT

OFFICE OF THE SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1950

SEP 11 2008

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING
SERVICE, OFFICE OF THE INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE

SUBJECT: Organizational Structure and Managers' Internal Control Program for the Assistant
Secretary of Defense (Public Affairs) and American Forces Information Service
(Project No. D2007-D000FI-0215.000)

Thank you for the opportunity to comment on the subject draft report. The following
represents the actions my office has taken to date regarding the recommendations included in the
report:

Recommendation A.1.a.: Concur. Subsequent to the release of the draft report, an
updated Department of Defense Directive 5122.05, "Assistant Secretary of Defense for
Public Affairs" was signed by the Deputy Secretary on September 2, 2008. This reflects
the first update of the charter Directive since 2000 and includes robust provisions related
to policy and program oversight of the DMA. Specifically, the Directive states that the
ASD(PA) shall:

- "Exercise authority, direction, and control over the Director, Defense Media Activity, consistent with DoDD 5105.74."
- "Monitor, evaluate, and develop public affairs systems, standards, and procedures for the administration and management of DoD approved policies, plans, and programs."
- "Ensure that public affairs policies and programs are designed and managed to improve performance standards, economy, and efficiency and that the Defense Media Activity is attentive and responsive to the requirements of their organizational customers, both internal and external to the Department of Defense."

Additionally, on December 17, 2007, the Deputy Secretary signed DoDD 5105.74, "Defense Media Activity (DMA)." In addition to outlining the DMA mission, responsibilities, and functions, the Directive cites and thereby reinforces the ASD(PA)'s responsibilities for oversight of the DMA in numerous instances. Specifically, DoDD5105.74 states that:

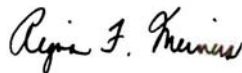
- "The DMA is a DoD Field Activity under the authority, direction, and control of the ASD(PA), consistent with responsibilities assigned to the ASD(PA) under DoD Directive 5122.5."

- “The ASD(PA) shall select the Director, DMA” who will “report directly to the ASD(PA).”
- “The ASD(PA) shall provide policy, operational direction, and oversight to the Director, DMA.”
- The ASD(PA) shall either serve as the chair or select a chair of the Defense Media Oversight Board and consult with that Board in the development of DMA policies, priorities, and plans that impact Military Service audiences or messages.

Recommendation A.1.b: Nonconcur. My staff has consulted with the ASD(PA) Director of Administration and Management who indicated that all position descriptions for the Deputy Assistant Secretaries of Defense and Directors are current and accurate. In the future, if revisions are required, these will be effected by Washington Headquarters Services (a DoD Field Activity under the DA&M’s authority, direction, and control), in consultation with the White House Liaison Office as appropriate.

Recommendation A.1.c: Concur. Consistent with the responsibilities identified in DoD Directive 5105.53, “Director of Administration and Management,” the DA&M has responsibility for analyzing, programming, advising, and controlling manpower resources for the OSD and maintaining the authoritative data source for all OSD manpower. To that end, my staff has been working closely with the ASD(PA) Director of Administration and Management to rebaseline current personnel information against the authorized OASD(PA) manpower allocations and established organizational structure. This is an important first step to differentiating the organizational structures and rationalizing the appropriate functions between ASD(PA) and the American Forces Information Services (AFIS).

Based on the recommendations provided in this draft report, the ASD(PA) is currently evaluating a number of potential internal realignments as well as identifying functions for transfer from AFIS to OASD(PA). My staff will continue to work with the ASD(PA) staff on this matter and will develop a recommendation for Deputy Secretary decision on any transfers of functions and/or resources between OASD(PA) and AFIS.



Regina F. Meiners
Acting Deputy Director

Defense Logistics Agency Comments



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
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IN REPLY
REFER TO
J-7

AUG 20 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Organizational Structure and Managers' Internal Control Program for the Assistant Secretary of Defense (Public Affairs) and American Forces Information Service (Project No. D2007-D000FI-0215.000)

In accordance with the subject draft report, attached is the Defense Logistic Agency's response to recommendation C.2. A recent review, conducted in response to the discussion draft, was conducted by DLA. As a result of the review, the contracting officers' authority will be limited until American Forces Information Service can implement corrective actions. DLA will continue to work closely with the newly appointed Director of Acquisition and Procurement for the Defense Media Activity to insure that contracting actions are awarded using efficient and effective methods and that the resulting agreements are legally compliant.

Should you or your staff have questions regarding this response, the point of contact is Kevin Conneen, J-73, at DSN: 427-1472, commercial (703) 767-1472, or e-mail: kevin.conneen@dla.mil.


CLAUDIA S. KNOTT
Director, Acquisition Management

Attachment

Subject: Organizational Structure and Managers' Internal Control Program for the Assistant Secretary of Defense (Public Affairs) and American Forces Information Service Project No. D2007FI-0215

Recommendation C.2: We recommend that the Assistant Secretary of Defense in conjunction with the Director, Defense Logistics Agency, review the purchasing authority and contracting practices at the American Forces Information Service to ensure adequate controls exist to promote efficient and effective contracting actions that are legally compliant. The Director, Defense Logistics Agency should consider limiting or rescinding the American Forces Information Service contracting warrants based on the results of the review and implementation of any corrective actions.

DLA Comments: Concur. A review of the contracting practices at the Defense Media Center was conducted by DLA on July 15-16, 2008. Results of the review did not reveal any recurring issues of unauthorized commitments as outlined in the report, however, DLA did uncover several regulatory and procedural shortcomings. DLA has discussed these findings with the recently appointed Director of Acquisition and Procurement for the Defense Media Agency and has determined that although rescinding of warrants is not required, DLA will be limiting the contracting officers' authority by increasing its oversight of contract actions issued by the Defense Media Center until corrective actions can be enacted.

Disposition: Action is considered complete

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Business Operations prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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