



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
9301 CHAPEK ROAD, FORT BELVOIR, VA 22060-5527

AMCIR (11-2a)

13 August 2004

MEMORANDUM THRU Assistant Secretary of the Army, (Financial Management and Comptroller), 109 Army Pentagon, Washington, DC 20310-0109

FOR Secretary of the Army, 101 Army Pentagon, Washington, DC 20310-0101

SUBJECT: FY 04 U.S. Army Materiel Command Annual Statement on Management Controls

1. The management control process throughout the Army Materiel Command provides reasonable assurance that:
 - a. We safeguard assets against waste, loss, unauthorized use, or misappropriation.
 - b. Obligations and costs comply with applicable law.
 - c. We properly record and account for revenues and expenditures to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets.
 - d. We efficiently and effectively carry out programs and administrative functions in accordance with applicable law and management policy.
 - e. The military and civilian managers who meet the criteria outlined in paragraph 2-10 of Army Regulation 11-2 are required to have explicit management control responsibilities in their performance agreements.
2. I based my determination on a general understanding and adherence to the General Accountability Office Standards for Internal Controls. I verified my determination by methods believed necessary to evaluate the adequacy and effectiveness of management controls. The following actions support my determination:
 - a. Performance of all specifically required management control evaluations by applicable organizational elements.
 - b. Performance of other management control evaluations warranted by local circumstances.
 - c. Consideration of audit, inspection, and other independent review reports.
 - d. Assurances by principals of subordinate organizations.

AMCIR (11-2a)

SUBJECT: FY 04 U.S. Army Materiel Command Annual Statement on Management Controls

e. Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers

f. Performance of the management control process in the areas of leadership emphasis, training and execution (Encl 1).

3. The application of management control evaluations and other methods of evaluation throughout the Army Materiel Command detected no other management control problems that I consider material weaknesses except as included in this report (Encl 2).

4. We identified the following areas of concern:

a. DOD Internet Protocol Version 6 (IPV6) Transition. Current HQDA operations systems will only read IPv6. The Enterprise IPV6 Plan doesn't adequately address replacement or modification to the current operating systems. Funds are needed to implement IPv6 in a phased approach to minimize disruption in computers and communications networks forming the foundation for the Global Information Grid (GIG).

b. The Implementation of the Army Active Directory as Applicable to the Army Materiel Command (AMC). The migration will provide for an Army-wide directory identifying all assets utilizing the NIPRNET or Army Global Information Grid (GIG). Failure to complete transition could result in diminished Army management credibility.

c. The management plan for using the Army's Information Assurance Vulnerability Alert (IAVA) Compliance and Reporting Database, Version 2 (CRD2) for IAVA reporting and IA Training. Failure or delays in implementing the policies and procedures in the plan may have information security ramifications.

FOR THE COMMANDER:

2 Encls
as



RICHARD A. HACK
Lieutenant General, USA
Deputy Commanding General

HOW THE ASSESSMENT WAS CONDUCTED

TAB A

A-1 AMC BASIS FOR REASONABLE ASSURANCE

The determination of reasonable assurance is based on a general understanding of the General Accountability Office's Standard for Internal Controls. Army Materiel Command (AMC) has taken a combination of actions to ensure there is a reasonable level of confidence that management controls are in place and operating as intended. Actions taken include:

- Completion of command-wide reviews and evaluations.
- Performance of all specifically required management control evaluations by applicable organizational elements.
- Performance of other management control evaluations warranted by local Circumstances.
- Consideration of audit, inspection, and other independent review reports.
- Assurances by Principals of Staff organizations.
- Assurances by senior leadership of my subordinate organizations.
- Revenues and expenditures applicable to this operation are properly recorded and reviewed to maintain accountability over the assets and permit the preparation of accounts and reliable financial and statistical reports.
- Heightened awareness and formal responsibility for the adequacy of management Controls by military and civilian managers.
- Specific responsibility for the adequacy of management controls assigned to civilian and military managers; e.g., functional managers for completing management control evaluations, a POC for coordinating all management control matters within my organization, etc.
- Evaluation of subordinate managers on their management control responsibilities.

- Programs and administrative functions assigned to us are successfully completed in accordance with applicable laws and regulations.
- Assets assigned to us are appropriately safeguarded against waste, loss, unauthorized use, or misappropriation of funds.
- Certification by senior functional managers and verified by methods necessary to evaluate the adequacy and effectiveness of management controls.
- Revenues and expenditures applicable to this operation are properly recorded and reviewed to maintain accountability over the assets and permit the preparation of accounts and reliable financial and statistical reports.
- Augmentation by additional internal control measures for the Government Travel Card program.
- Functional management reviews and training sessions within the IT organization revealed specific mission task and areas of concern and areas requiring developing key controls to mitigate risk to mission operations.
- Results of annual property inventories, security inspections, budget reconciliation/tracking and results of billing official's review of card holder records.
- Adherence to applicable regulations and policies governing the following standard managerial functions, whose heightened visibility, sensitivity, or potential for abuse make them areas of special management control interest: use of Government purchase cards and Government travel cards; time and attendance, including leave approval and oversight and timecard procedures, overtime; hours of work, including credit hours and flexible work schedules; training; TDY; and property management, including property book and property passes.

MAJOR SUBORDINATE COMMANDS (MSCs):

The MSC's determination is based on a general understanding and adherence to the General Accountability Office Standards for Internal Controls. Also, several actions and methods of evaluations were conducted to provide reasonable assurance that management controls are in place and operating as intended. The following actions support the determination:

- Performance of all specifically required management control evaluations by applicable organizational elements.
- Performance of other management control evaluations warranted by local circumstances.
- Consideration of audit, inspection, and other independent review reports.
- Assurances by managers of my subordinate organizations.
- Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers.
- Assigning specific responsibility for the adequacy of management controls to civilian and military managers; e.g., functional managers for completing management control evaluations, a POC for coordinating all management control matters within my organization, etc.
- Evaluating subordinate managers on their management control responsibilities.
- Assurances by principals of subordinate organizations.
- Consideration of internal and external audit reports, inspections, investigations, statutory and regulatory requirements, and other independent review reports,
- Utilization of alternative evaluation processes within specific organizations to determine if there are material weaknesses or related problems.
- Assurances the internal accounting and administrative control systems within the MSC and subordinate project/product managers and/or offices provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use or misappropriation; obligations and costs comply with applicable laws.
- Revenues and expenditures applicable to our operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and maintain accountability over assets.
- Performance of other reviews warranted by local circumstances at individual functional areas, demilitarization facilities and/or sites.
- Assurances by principles of subordinate levels within the organization.
- Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers.

- Consideration of audit, inspection, and other independent review reports.
- Establishment of sound policies and specific required actions in regulations and other directives.
- Prevention and detection measures, such as internal or external audits, inspections, investigations and quality assurance reviews.
- General knowledge of command operations derived from weekly staff meetings, status reports, and other forms of command oversight.
- Various functional management reviews, such as: program evaluations, system reviews, and management reviews.
- Actions taken to mitigate or eliminate risk as part of the Command's risk management program.
- Annual performance plans and reports.
- Establishment of an Organizational Inspection Program (OIP) which is targeted for execution in FY 05 in coordination with our Inspector General (IG) and Internal Review and Audit Compliance (IRAC) offices. This OIP process will be used to assist the Assessable Unit Managers (AUMs) identify risk areas for attention during the year and will serve as a forum to identify and correct any deficiencies within the assessable units before they become issues/concerns.
- Development and use of a structured management control process through the use of an automated management control reporting tool (MCRT) to capture a Command-level five-year inventory of evaluations and results. This assists the AUMS by providing maximum oversight of their controls.
- Introduction to all AUMs of the overall management control process, Commander's management control philosophy and use of an automated Management Control Reporting Tool (MCRT) to administer the management control process.
- Use of Inspector General (IG) and Internal Review & Audit Compliance (IRAC) assistance visits, Board of Directors' meetings, physical security surveys/inspections, Antiterrorism Committee meetings, computer security reviews, financial reviews, and other internal assessable units' initiated reviews/meetings conducted on a continuous basis to ensure all issues, risks, deficiencies, and/or any potential weaknesses are surfaced and corrective action taken at the Command and assessable unit levels.

- The Command Executive Council (TEC) meets on a regular basis. Major TEC meetings are convened quarterly, which brings together senior leaders from each site to discuss issues of strategic importance to Command and the Army. In addition to the quarterly TEC, a shorter TEC session is held via VTC on a biweekly basis.
- Formulation of a Strategic Transformation Plan which describes how a Command will support the war fighter and enable Army Transformation. It consists of: Part 1 (Mission, Situation & Goals), Part 2 (Goals & Objectives) and Part 3 (Crosswalk Matrix). The matrix links TACOM's goals and objectives with Transformation goals and institutionalizes continuous improvement.
- Implementation of many Lean projects/initiatives, each of which focuses on rapidly improving the effectiveness and efficiency of an important command process. Results of these projects can be directly measured in terms of improved quality, speed of service, or cost savings.
- Establishment of a Leadership Competencies Program. The goal of the Leadership Competencies Program is to give managers, supervisors, team leaders and future leaders the skills and tools they need to develop the personal characteristics and working environment desired at Command in the areas of Leadership, Communications, Strategic Thinking, Employee Support, Teaming, and Organizational Climate.

A-2 OTHER INFORMATION REQUIRED

This Annual Statement of Assurance is based on a combination of actions taken to ensure there is a reasonable level of confidence that management controls in AMC are in place and operating as intended. The following actions outlined in the categories (i) Leadership Emphasis, (ii) Training and (iii) Execution demonstrate AMC's commitment to safeguard our entrusted assets.

AMC LEADERSHIP EMPHASIS:

HQ AMC:

- Commanding General Memorandum distributed to HQ AMC Senior Leaders and Major Subordinate Commanders stressing the importance of the Command-wide Management Control Process. This memorandum urged managers at all levels to continue development of key controls and make every effort to integrate controls into our already existing review processes.
- Commanding General Memorandum to HQ AMC Senior Leaders and Major Subordinate Commanders issuing the command-wide policy on the Government Purchase Card Program. The purpose of the memorandum was to update the policy, emphasize the necessity to include management controls on their purchase card holders' spending limits and to ensure purchase card holders' and billing officials' performance standards included their purchase card responsibilities.
- The Deputy Commanding General Memorandum redesignating Assessable Unit Managers (AUMs) within HQ, AMC after the headquarters relocation to FT Belvoir, VA. This memorandum re-emphasized the AUMs duties as part of their day-to-day management responsibilities.
- Use of Senior Management Review Councils, Executive Steering Groups, Executive Conferences, Executive Video Teleconferences and Senior Level Management Reviews to discuss management control issues.
- Senior level meetings conducted to address how each Assessable Unit Manager was addressing management controls and obtain leadership guidance and approval on all new and existing material weaknesses (MW). These meetings were used to improve the management control process, management control training, review of material weaknesses and to address important management controls. Also, Command used the Annual Statement cover memorandums to raise other

important management control concerns that do not qualify as material weaknesses.

- Managers conducted weekly staff meetings to cover a variety of topics to include status of resources (funding and personnel) and to surface any management deficiencies from other areas of the staff.
- Information Management memorandum on mission critical role of internal management controls in regards to the AMC relocation to Fort Belvoir included a session on internal management controls in the CIO off-site considerations forum.
- Annual Guidance issued to Division Chiefs on implementing their Management Control Plan, reporting material weakness, providing feeder assurance statements and preparation of a revised FY04-09 MCP that is more supportive of the CIO/G-6 role in the Army's transformation process.
- Directed several training sessions for all Division Chiefs, supervisory staff and program managers who have management control responsibilities. Opened all formal training with the emphasis on the need for leaders to identify internal areas subject to fraud, abuse and to engage in a conscientious effort to identify any problem areas which may qualify as material weaknesses.
- Conducted an internal management control in-progress-reviews on identifying programs/procedures where improvements to internal control management process within fiscal constraints could be realized; potential areas of concern that would meet the guidelines for a material weakness and other operational issues that although may not qualify as material weaknesses would require further investigation in DCS, Information Management.
- Required prompt evaluation of and response to all audit and inspection findings and recommendations related to the functional responsibilities of this office; maintained a framework for pinpointed responsibility and to achieve Integrity Act objectives; and annually updated the list of employees who are required to have management control statement responsibilities in their performance standards. This requirement was also at the division chiefs and Executive Officer level.
- Conducted a Chief Counsel Workshop and scheduled six Chief Counsel videoconferences. Discussions were held to review current legal issues and material weaknesses. No material weaknesses were identified.

- Conducted two management off site visits, focusing on Command Counsel Office practices and procedures. It was also an impetus for several significant innovations in the AMC legal practice.
- Developed a civilian Leadership Program for every leadership level and grade in AMC. The program includes a comprehensive plan and policy guidance for leadership development. Measures of effectiveness were developed to evaluate the Major Subordinate Command (MSC) leadership training compliance and performance, stratified by MSC and grade/level. A baseline has been established to compare our present status to our future performance in each area against these metrics. This leadership-training plan will be included in the Commanding General's Annual Training Guidance and Training Calendar.

MAJOR SUBORDINATE COMMANDS:

- Commanding Generals Memorandum stressing the importance of the Management Control Process were distributed to their Senior Leaders. Some memorandums were distributed worldwide and published on the Army Knowledge Centers.
- Commanding General formally appointed assessable unit managers (AUMs) within the command and outlined their management control responsibilities and his expectations. At the direction of the CG, an Executive Steering Group (ESG) on Management Controls was established. It was comprised of senior level managers. The ESG reviews potential material weaknesses and makes recommendations to the Commanding General.
- Commanding General stressed the importance of the Management Control Process by continued emphasis being placed on controls to ensure that all responsible officials have contribution goals or performance standards on management control responsibilities and are rated on these goals/standards.
- Conducted a Management Control Executive Conference for organizational directors or designees. This process is used as a forum to discuss organizational efforts in MCP to include training, checklist completion, and corrective action plans for new and prior year material weaknesses.
- Senior Leadership placed emphasis on internal management using weekly staff meetings, monthly management review meetings, quarterly in process reviews and quarterly Installation Commanders Conferences where the status of the program, pending issues, and the financial position are reviewed and discussed.

- Management control responsibilities are included in the performance agreements of managers responsible for the execution/oversight of effective management controls, down to subordinate assessable unit manager levels. Designated managers are rated on these standards.
- AUMs addressed senior functional managers at staff meetings to establish/maintain support for stewardship throughout the organization.
- Command Group approved the use of a proactive automated Management Control Process that provided oversight capability to monitor the status of management control evaluations.
- Command Group stressed the importance of imbedded management controls as part of daily operations throughout their diversified empowered assessable units. This philosophy is reiterated at the Command's annual Management Control (MC) workshop, when the AUMs are appointed before the beginning of the fiscal year, and at other Command meetings and reviews throughout the year. A personal memorandum highlighting the value of proactive management controls and the requirement to review training presentations for the overall process are issued to each AUM every year.
- Commander continues to reiterate the MC philosophy that includes identification and correction of deficiencies before they become a finding/weakness.
- During the past year of transition, subordinate commanders hosted video teleconferences on the MC process to ensure all our new AUMs understood the importance of MC and the Commander's MC policy/philosophy, along with the basic MC process used at this Command.
- Established a Force Protection (FP) Program with a Working Group and An Executive Committee to meet on a regular basis to present low, medium and high threat FP briefings to all personnel in an OCONUS travel status.

- The Strategic Readiness Systems (SRS) Balanced Score Card (BSC) is an annual performance plan used to measure the success of the organization's performance objectives. The objectives were established by the leadership/Executive Steering Committee and are deemed essential to the survival and success of the organization.

AMC MANAGEMENT CONTROL TRAINING:

- Management Control Process training is conducted on a wide scale and at all levels of this command. Subordinate commands have their own Management Control Process Training Programs established. They conducted training using various methods (classroom presentations, desk-side briefings, training CDs, web-based training products, USDA classes, and workshops, etc.). Training sessions included Assessable Unit Managers, management control administrators and other managers too.
- HQ, AMC has a management control section on the Internal Review and Audit Compliance Office website. It provides subordinate command MCA and HQ, AMC MCAs instant access to management control guidance, other important management control websites, and various training materials. In addition, HQ AMC MCA created a Shared Drive with HQ AMC Staff MCAs and managers to use for easy access to management control information.
- There are several on-going initiatives the command's resource management community aimed at the avoidance and investigation of Antideficiency Act (ADA) violations. The HQAMC DCSRSM assisted HQDA (Office of the Assistant Secretary of the Army (Financial Management and Comptroller) in the researching, writing, organization, editing, and publishing of the USDA Antideficiency Act (ADA) Investigation Manual in 1998. This 150-page manual, the first of its kind in DOD, is both a training aid and an all-encompassing guide for ADA investigating officers and their appointing officials on the ADA itself and on the ADA investigation processes and requirements. Since its publication, the ODCSRSM has been assembling notes toward the next edition of the manual, based on AMC's experiences with the use and practical application of the manual in actual ADA investigations. HQDA has advised that it intends to begin work on the second edition and has again requested ODCSRSM assistance in the effort.
- Maintains the AMC Executive Training Guide for Financial Management, a comprehensive manual on financial management processes peculiar to AMC in the DCS, Resource Management. This publication is designed as a primer and desk side reference primarily for AMC executives and action officers who

occupy positions involving management of AMC's financial resources. This 100-page manual describes all the principal appropriations and funds managed by AMC and the programming, budgeting and execution process at directorate, MSC and major command level. It addresses management's responsibilities regarding the administrative control of funds and related topics including management controls, internal review and audit compliance, cost and economic analysis and automated accounting systems. This manual is available on the HQ AMCRM homepage.

- Provided the Department of the Army's requirement for annual Ethics training for over 300 military and civilian AMC employees.
- Required Management Control Process training for all supervisors, team leaders, and MCP coordinators; however, all employees are encouraged to take this training.
This course is divided into three 25 minutes sections that can be completed at one's convenience; however, in order to receive credit for the training, one must complete all sections. In addition, this training provides one hour of continuous learning points for those employees in the Acquisition Workforce.
- Total personnel trained during FY 04: 3,483
 - a. Classroom Presentations: 704
 - b. Desk-side Briefings: 79
 - c. Telephonic Briefings: 3
 - d. Training videos: 29
 - e. Training CDs: 84
 - f. Web-based Training: 2,375
 - g. Electronic Briefing Charts: 131
 - h. HQDA Conference: 3
 - i. USDA Course: 72
 - j. AMSC: 3

EXECUTION OF MANAGEMENT CONTROLS:

HQ AMC:

- Assessable Unit Managers (AUMs) were designated command-wide. An update was provided to HQDA. AUMs addressed senior functional managers at staff meetings to establish and maintain support for stewardship throughout the organization. Some subordinate commands issued policy memorandums related specifically to Management Controls and Stewardship.
- AMC MCAs distributed guidance, established individual five-year management control plans, scheduled required evaluations for completion and required feeder statements from subordinate commands/activities.
- Numerous AMC elements conducted more evaluations than required by HQDA inventory of key controls. Several conducted them more often than required by HQDA.
- Assessed management controls in reviews; provided policy guidance on management control issues; evaluated external audit findings for potential material weaknesses and participated in the Annual Statement of Assurance process.
- Utilized the Strategic Readiness System (SRS) to provide meaningful data for assessing success across the staff. Definitized objectives were developed and progress was measured using the Army Basic Scorecard system under SRS. This system was shared with field offices to ensure parallel efforts. Daily, informal training and cross-training ensured a ready-set-go team that could handle the wide range of communication challenges and crises, especially during a time of war.
- Created a weekly five minute news show, *AMC News Dispatch*, that is provided via video streaming to each headquarters person as well as being placed on the Internet for public dissemination and viewing.
- Published a weekly, simplistic email, *Eye on AMC*, to provide concise information about a wide range of subjects, to include sound bites from senior leaders as well as members of the workforce engaged in critical missions.
- Initiated several actions to improve the performance within the financial management arena. One of these initiatives has been the continual strengthening of the Joint Reconciliation Program within AMC. Accomplished under a contract with CACI, Inc., the data collection and presentation for this project is fully automated and has reduced the formerly labor intensive effort involved in keying data into spreadsheets and creating charts, from several days to a matter of minutes, to

produce the same output products. This has allowed more time for critical staff analysis. As a result, unliquidated balances for canceling year accounts are at an all time low for AMC.

- U.S. Government Travel Card (GTC) Program. HQ AMC continued as the best Army Program Coordinator (APC) in terms of GTC delinquency rate. AMC GTC delinquencies have dropped below 2% (Army Goal: 4%) as AMC continued its zero tolerance policy for delinquencies. AMC provided HQDA a "Best Practices" model for presentation at the 4th annual GSA Smart Pay Conference. Additionally, all DCSR personnel have been required to complete the web-based training "Upholding the Integrity of the Charge Card Program". This refresher training will become an annual requirement for all DCSR personnel.
- Initiated actions to execute the Chief Financial Officer's Act (CFO) Implementation and Strategic Plan. The CFO Strategic Plan is a DA initiative developed to comply with the CFO Act by obtaining a clean audit opinion on DA annual financial statements. The CFO Strategic Plan was re-energized in FY02 by DA: establishing a program management cell to actively manage the Army CFO Strategic Plan, including all OSD staff components in the CFO process; establishing a Help Desk and providing accounting assistance; and personally engaging the ASA (FM&C) in the quarterly CFO IPRs. The milestone date to achieve an opinion has been extended to FY07 and the date to achieve an unqualified opinion has been extended to FY10. As part of the re-energizing process, direction was re-focused to identify and complete noncompliant tasks. Completed, cancelled and merged tasks were removed from the list of open tasks. The majority of AMC's open tasks are related to financial or feeder systems, many of which will be replaced by the Logistics Modernization Program (LMP) system. As a result, the successful implementation of LMP will effectively complete AMC's CFO compliance responsibilities.
- Conducted a careful review and implemented stricter guidance related to the Government Travel Card Program. This has increased the awareness of the program and issued new control measures to expand the notification procedures and timelines for delinquent accounts.
- Conducted monthly IMPAC Cardholders meetings to discuss future IMPAC Card purchase requirements and updates cardholders on items that are considered as illegal purchases. During the meeting all cardholders submit their vouchers, with their purchase lists to the APC. All new policies and procedures implemented by DCC-W are also discussed and briefed. This enables a better management control with the purchase card program.

- Developed Human Resource Revitalization Strategic Planning document and integrated planning efforts with Army and AMC functional proponents. These documents include: AMC Strategic Plan and AMC Transformation Campaign Plan. Developed HR portion of the Level 1 Balanced Scorecard and the Level 2 G1 Balanced scorecard.
- Collaborated with the Department of Defense Travel System (DOD DTS) Program Management Office and HQ DA to begin DTS fielding throughout AMC. The DTS not only streamlines travel processing but also provides a singular budget and accounting reporting mechanism for Command stewardship of scarce travel resources.
- To avoid future depot maintenance cost overruns, AMC re-issued fixed price work order guidance and Corpus Christi Army Depot has established pre-inspection procedures to validate incoming orders and ensure that all work remains in scope.
- The methods and standards programs were reestablished at all five maintenance depots and these procedures have been melded into the LEAN initiative to study workflow, propose process improvements and document the validity of cost and time saved.
- Increased efforts to assure the preparation and validation of credible estimates for the PPBE in accordance with AMC R 37-4. These efforts enhance documentation and definition of total program requirements, funded and unfunded. The MSC Cost Analysis offices were also provided significant cost validation and estimation assignments for AMC projects. Finally, economic analyses were being held to higher, more rigorous standards for approval, to include proper and complete documentation, alternative analyses, beneficial payback results, and validation reviews. These internal control activities are intended to continue into future years.
- Reduced Aged In-Transit Inventories. Past USAAA audits have determined that AMC's Integrated Materiel Management Centers (IMMC) and the Defense Finance and Accounting Service (DFAS) were not adequately reconciling financial and logistical inventory records. As of 30 Apr 04, DFAS and AMC have effectively reduced these 90 day in-transits. AMC is continuing to work closely with its IMMCs via the Joint Reconciliation Program to vet these remaining in-transits, validate all transactions with supporting documentation and monitor the status of aging in-transits.

- Conducted a staff review of one AMC legal office to ensure accomplishment of the legal mission by providing direct assistance to the MSC and assisting with the resolution of organizational, management and technical legal issues.
- Conducted management review of the IMPAC Credit Card purchasing program revealed a materiel weakness regarding proper designation of personnel. This was due to the transitioning of personnel and no replacements in place. The card holder was serving in a dual capacity as Hand Receipt Holder. These duties were separated, resulting in resolution of the conflict. A 100% inventory of all Government property was conducted with full accountability of property annotated on the hand receipts and property book.
- Developed a User's Guide for the GSA SMARTPAY Purchase Card Program to assist purchase card holders and billing officials to apply myriad purchase card rules and regulations to HQ, AMC purchases. The user's Guide includes a checklist required for all HQ billing officials to complete and submit to AMCCP every October.
- Performed rigorous reviews of all requests for services, obtained command approval for high dollar actions, and reviewed field CAAS programs. In addition, all contract requirements (including CAAS) in excess of \$100,000 are personally reviewed and approved by the AMC Chief of Staff. Army studies were reviewed in order to eliminate duplication and optimize resource use.
- Provided policy guidance and oversight for the Purchase Card Program from two perspectives, the AMC MSC program and the HQ AMC program.
- Advised HQ AMC proponents of changes to regulations and directives; information was then passed on to staff members through electronic mail. Monthly reports prepared for review by the Command Group on such items as travel card delinquency and budget obligations. Monthly reconciliation of Purchase Card Program. Inventory conducted of gifts and budget review conducted of financial records of Representation Funds.
- Collaborative efforts between Office of Command Contracting, Defense Contracting Command-Washington and AMCIR to conduct spot checks and a comprehensive review (February 04) of HQ AMC's purchase card holder and billing official accounts. AMCCP prepared lessons learned based on the findings of the reviews for distribution to all purchase card holders and billing officials.

MAJOR SUBORDINATE COMMANDS:

- Included the use of various alternative evaluation processes in addition to the use of standardized checklists. Many organizations also completed internal checklists on administrative issues within their individual offices, which are not reflected on our five-year plan.
- Prepared monthly Review and Analysis Report that is presented to all LAISO managers and team leaders. The report consists of key managerial information relating to budget/funds status, manpower status, contract execution, credit card purchases, overtime/leave/training status, etc. This report is used as a key management control to highlight conditions needing immediate attention and as an indicator of program status.
- The MCA participated in the Command Assessment program at the following installations: (1) Iowa Army Ammo Plant; (2) Radford Army Ammo Plant; (3) Lone Star Army Ammo Plant; (4) Tooele Army Depot; (5) AMC CEG-Afloat. The MCA reviewed each installation's management control process for compliance with the requirements of AR 11-2, provided training as requested by the installation, and reviewed and provided feedback on the installations' previous two fiscal years' management control evaluations.
- Utilized an audit database developed to identify and track to correction all audit and inspection findings. While higher headquarters elements (AMC/HQDA) are responsible for corrective actions on a number of the audit findings, the database provides an excellent tool for monitoring weaknesses within the command.
- Developed and executed an Inspector General assistance program to support MSC IG offices and Separate Reporting Activities (SRAs). Visits are being conducted in accordance with Army Management Controls identified in AR 20-1 and AR 11-2. Conducted inventories of IG Activity hand receipts prior to and after AMC's relocation to Fort Belvoir and to ensure 100% accountability of all property. Reviewed Chemical Surety Inspection corrective action responses to ensure they were complete and in the required format. Reviewed corrective action responses to systemic inspections to determine if deficiencies were corrected.

- The MCA worked closely with the Internal Review and Audit Compliance Office so that pertinent audit findings are quickly disseminated.
- Designed a MCP "Splash" page found under the Special Features section of the Knowledge Center (KC). This page contains a myriad of information useful to all Assessable Unit Managers, (AUMs), supervisors, MCP coordinators and all Government employees.
- Performed 193 formal evaluations and certified by the AUM using DA Form 11-2-R. There were 53 alternative review checklists used in varying frequencies. Emphasis was placed on evaluating key controls. Of special emphasis throughout the year was the conduct of chemical surety inspections, which serve as the key evaluation tool for management control of the CMA mission. Site field offices continued to conduct assessments by developing individual site plans, conducting evaluations, reviewing applicable checklists and other evaluation processes to provide reasonable assurance that management controls are in place and operating. Some of the alternative methods utilized for conducting assessments at demilitarization sites and various non-stockpile sites included annual site evaluations. Multiple site evaluators perform safety program reviews, pre-operational or operational readiness reviews, surety assistance visits, and external site evaluations by AMC, DA, DDESB, and Federal/State OSHA.
- Maintained an automated Command central data base file called the Management Control Reporting Tool (MCRT) developed by the RDECOM that is the repository for our five-year inventory schedule of evaluations. This tool provides the AUMs a mechanism to monitor the status of evaluation completions and certifications on a real time basis as the evaluation results are posted for their assessable units. Thus, data to support the AUM's annual assurance feeder statement is more centralized for review and use. Our Command is in the third year of execution for this automated MC process. Enhancements to the automated MCRT this fiscal year included adjustments so all our new Center sites have access to the central database. The links to our MCRT and all our MC tools are readily available for AUM/MCA use from the Command's internal MC web page. The APG Garrison, under the Installation Management Agency (IMA) control, continues to use our automated MCRT pending any new required IMA process, and Guardian Brigade that stood up this fiscal year. The MCRT is used to monitor the status of the Command's five-year inventory of scheduled evaluations

and the evaluation results. A list of our FY 04 completed and certified evaluations.

- Conducted vigorous and intensive inspections of the Risk Programs by AMC, DA IG and other outside agencies. These investigations of our risk programs are documented with any identified deficiencies. The results are used to improve our processes and to initiate/complete all corrective actions. Environmental compliance is assessed through internal audits and inspections as well as using a similar process of corrective measures and follow up. An example of Command compliance in this area is reflected with the success of our Edgewood Chemical Biological Center's (ECBC) chemical, radiological, biological surety and environmental inspections this fiscal year.
- Required APCs to conduct a 100 percent review of the Government Travel Charge Card transaction and delinquency reports on a monthly basis. Cardholders are continually reminded to file their vouchers timely and to use split-disbursement. A status report is generated monthly for Command emphasis to help keep focus on the assigned zero tolerance goal for delinquencies.
- Implemented risk management policies and procedures to address risks for systems where there is long-term reliance on contractor for post-production tactical software maintenance support. The AAA audit of Tactical Software Maintenance results highlighted the importance of risk management policies and procedures that address risks for systems where there is long-term reliance on contract for post-production software support, as well as other risks the program may encounter; promoting Army as a "smart buyer". Centers are ensuring compliance with these procedures.
- Assisted assessable unit develop capabilities and obtain the necessary passwords for PERNET, e-MILPO, e-TOPMIS-11, and other needed systems. Once the unit is proficient in using system tools, it will be capable of monitoring strength status (gains/losses) and/or personnel assets inventory. The unit will also be able to manage its training requirements once it has someone trained in ATRRS.
- Performed many actions across the command which ensured good controls are in place and being used effectively. Control measures like management review and analysis sessions, Lean initiatives, Town Halls meetings, Staff Meetings, and much more. TACOM uses existing management review processes.
- Requested IRAC validate that a material weakness can be closed. In addition, IRAC investigates issues related to having effective management controls in place, and

makes recommendations on establishing these controls.

- Circulated potential findings from General Accounting Office (GAO), U.S. Army Audit Agency (USAAA), and DOD Inspector General (DODIG). Reports were circulated to the appropriate personnel across the Command. In addition, Early Bird News articles, IT Newsletters, Government Computer News (GCN) articles, Government Executive, E-week Newsletters and more were scanned daily for relevance to our situation.
- Continued to enhance the management control certification of separation of duties and accountability in the Purchase Card Management System.
- Developed a cooperative, partnership working relationship with the Logistics Modernization Program development team on Chief Financial Officer reporting and other critical logistics issues. This has worked to the benefit of the Army as a whole by insuring wholesale data and logic used to prepare the report meets basic accounting standards.
- Developed a data cleansing tool that allows PBOs to download their legacy property book asset balance files directly in our pre-conversion tool. Our application will scan the data looking for inaccurate situations such as missing or invalid serial/registration numbers or unknown/unregistered Unit Identification Codes (UIC) and DODAACs. Identification of these issues allows the PBO to fix their data and ensure accurate information is available prior to actual migration to Property Book Users System Enhanced.
- Used results of the Inspector General Activity individual Major Subordinate Command (MSC) IG Assistance and Assessment Program (IGAAP) surveys to improve use of personnel resources and reduce travel costs. The IGAAP assessed eight areas (leadership, work group, supervision, readiness, care of people, organizational effectiveness, quality of life, and human relations). Continued to place strong emphasis on whether management controls were compiled with during systemic inspections and made recommendations. Ensured that management control problems and/or potential weaknesses discovered during inspections, investigations or inquiries were briefed to the appropriate manager.

A-3 MANAGEMENT CONTROL PROGRAM AND RELATED ACCOMPLISHMENTS

ACCOMPLISHMENTS (COMMAND-WIDE):

Issue: Relocation to Fort Belvoir – Organizational Changes that Impacted HQ, AMC Assessable Unit Managers (AUMs)

Accomplishment:

- In Mar 04 IRAC prepared a memorandum to designate HQ, AMC AUMs after the relocation to Fort Belvoir, VA.
- The HQ, AMC Command Group requested IRAC add four new AUMs to the existing designees.
- Fifteen AUMs were redesignated on 22 Mar 04.
- HQ, AMC MCA met with the new AUMs to quickly establish new management control processes in their functional areas. Feeder statements were received from them in FY 04.

Issue: Automated Management Control Reporting Tool (MCRT), developed by RDECOM provides Assessable Unit Managers (AUMs) and Management Control Administrators (MCAs) a mechanism to monitor the status of their Management Control Processes.

Accomplishment:

- HQ, AMC MCA and RDECOM MCA conducted three VTC demonstrations of the MCRT to representatives from OSD, HQDA ASAFM, USAAA, CIO (G-6), G-8 and HQ, IRAC.
- Provided details on the uses of this automated management tool for possible adoption Army-wide. The tool automatically generates the required DA Form 11-2-R, monitors the status of scheduled evaluations, maintains oversight of evaluation results and deficiency corrective action plans and serves as a repository for signed annual statements.
- All attendees gave positive feedback to AMC about the features of this tool

Issue: HQ, AMC Midyear Senior Management Review of AMC Prior Year Material Weaknesses.

Accomplishment:

- HQ, AMC MCA setup a meeting to establish a Senior Level Managers' Review of all AMC prior year material weaknesses. HQ, AMC Deputy Chief of Staff chaired the meeting.
- All HQ, AUMs were required to attend or appoint a knowledgeable representative. AUMs were tasked by IRAC to provide a current status of their uncorrected material weaknesses reported from prior years.
- HQ, AMC Deputy Chief of Staff stressed the importance of management controls within HQ, AMC and requested AUMs think about reporting new material weaknesses for FY 04. He emphasized the fact that finding your own problems and fixing them is better.

Issue: U.S. Government Purchase Card (GPC) delinquencies are a problem throughout the Army and receive a great deal of Congressional and media scrutiny – G-8

Accomplishment:

- The Command identified GPC delinquencies throughout AMC, as well as respond to various internal/external audit inquiries regarding the GPC Program.
- During FY04, HQ AMC significantly reduced GPC delinquencies and used the PCMS/C.A.R.E. reporting mechanisms to avoid instances of GPC fraud throughout AMC.
- USAAA continues a collaborative effort with HQ, AMC Internal Review on behalf of the DODIG to review GPC purchases at AMC sites based on a "data mining" technique USAAA used with the Defense Management Data Center Data Base.
- The DCSRM, G-8 disseminated the GAO Purchase Card Guide to AMC MSCs for distribution to all MACOM Agency Program Coordinators (APC). This guide outlines the statutory and regulatory bases of the card programs and includes checklists for APCs and managers to identify and eliminate problem areas where there may be the potential for fraud or misuse.

Issue: CECOM Management Control Process (MCP) Splash Page.

Accomplishment:

- The CECOM Deputy Chief of Staff for Resource Management (DCSRM), Operations Team designed an MCP "Splash" page found under the Special Features section of the Knowledge Center (KC).
- Contains a myriad of information useful to all Assessable Unit Managers, (AUMs), supervisors, MCP coordinators and all Government employees.
- Some areas covered on this page include: MCP regulatory and statutory guidance, memos from General Officers defining the MCP; CECOM Annual Assurance Statements, CECOM MCP Executive Conferences, MCP Checklists, examples of Material Weaknesses and links to DA/DOD Management Control web-sites.
- Contains a link to the newly developed MCP automated training program.

Issue: CECOM Deputy Chief of Staff for Resource Management, Operations Team, Annual Management Control Process Innovator Award.

Accomplishment:

- Established an annual Management Control Process award to recognize CECOM employees who have contributed significantly to the improvement of the MCP during the last MCP cycle.
- Devised to renew emphasis on the participative process at all levels of CECOM worldwide and communicate the best Management Control Process achievements throughout the command. The MCP Innovator Award symbolizes creative problem solving, monitoring for continuous improvement and commitment to efficient and effective internal controls.
- Award recipients receive a Department of the Army Certificate of Achievement and a \$500 on-the-spot cash award funded by the nominating activity.

Issue: CECOM Earned Value Management (EVM) Process.

Accomplishment:

- The CECOM DCSRM, Cost Analysis Division developed an Earned Value Management (EVM) Process which is used as a means of management control of acquisition contracts. This process provided support to performance of approximately 25 contractor Integrated Baseline Reviews (IBRs), Staff Assists and Surveillance reviews.
- The Cost Analysis Division prepared and presented 12 training programs on this subject and provided monthly evaluations of contractor Cost Performance Reports (CPRs) and Cost/Schedule Status Reports (C/SSRs) on 12 command high risk contracts. The evaluations provided trend analysis and identified poor cost and schedule performance for program management followup and risk mitigation efforts.

Issue: Natick Soldier Center's Mechanical Prototype Shop experienced difficulty tracking cost accounts for customer-based projects against work hours for their fee-for-service operation.

Accomplishment:

- Established a new work order system to automate tasks and maintain cost accounting controls, significantly simplifying shop operations and resource management support.
- New system tracks work hours against cost codes ensuring the codes are not depleted before project completion (a common problem previously).
- Shop Manager/Director can view jobs in progress as well as improving the ability to provide customer utilization data to management.
- Immediate and in-process charges are made to customer cost codes, smoothing funding flow and eliminating funding "gaps" that were previously common on lengthy projects.

Issue: RDECOM Government Travel Charge Card (GTCC) Program.

Accomplishment:

- Stood up new centers and thousands of new travel charge card accounts; with the new accounts we inherited delinquencies causing our delinquency rate to escalate.
- With intense management by the HQ RDECOM primary APC and the Center APCs, the RDECOM delinquency rates dropped. Our account delinquencies dropped from 2.23 percent in January 2004 to .35 percent, and the dollar delinquencies dropped from 5.91 percent in January 2004 to .42 percent by the end of March 2004.
- The goal for zero GTCC delinquencies is reiterated within the RDECOM GTCC program policy. Monthly status, by individual RDECOM assessable units, keeps focus on delinquencies.
- The HQ RDECOM Primary Agency Program Coordinator (APC) maintains a detailed GTCC web site to assist fifth and sixth level APCs, managers, and cardholders. Web site includes bulletin to reiterate GTCC requirements.
- The GTCC delinquency rates are highlighted in RDECOM's significant activities report. One hundred percent reviews of delinquency and transaction reports are mandatory for APCs.
- Mandatory training requirement issued to all APCs and all employees; Assessable Unit Managers were required to consider compliance with the 100 percent training requirement as part of the annual assurance feeder statement assessment. New cardholders are required to review GTCC training. The RDECOM GTCC web site includes mandatory training data/video along with GTCC refresher training. Emphasized APCs training. The RDECOM APC scheduled GTCC training at the HQ RDECOM site the last week in May 2004 and brought the training on site last year.
- Heads-up messages are sent each month to delinquent cardholders. Managers and cardholders are advised on delinquent accounts and asked to identify corrective action taken.
- Internal audits of the transaction reports help increase focus; initial audit indicated no findings.

Issue: RDECOM Automated Management Control Process

Accomplishment:

- Uses a proactive "automated" MC process to provide AUMs/MCAs an oversight capability to monitor/view the status of inventory evaluations in compliance with the AR 11-2, Management Controls, 1 Aug 94.
- . Senior Responsible Official (SRO) initiated a combination of actions to help ensure controls are in place and working. They did this in addition to providing an action plan of MC key milestones at the beginning of each fiscal year, continuous guidance and direction throughout RDECOM to keep focus on the importance of management controls.
- A condensed process diagram, policy, desk guide, proactive annual action plan of key requirements, and a local web site (links to our MCRT) are tools supporting our MC process. This tool contains an automated five-year inventory of evaluations; updated annually and modified as changes in scheduled events are known. It provides a real-time Suspense Report reflecting the status of scheduled evaluations for a designated period.

Issue: RDECOM Information Assurance Awareness and Enforcement.

Accomplishment:

- Educating employees on the importance to observe and maintain the security of the Army's computer systems and networks is clearly elevated to a critical level with the rapid growth in technology and the elevated use of computers and the internet to accomplish job performance and to communicate with others on line.
- Enhanced overall network security by eliminating vulnerability entries:
 - Created an online training module on Information Assurance with a review and test section. This module automatically sends an email notification to the Network Information Assurance Officer to indicate the material was reviewed and the test results.
 - Additional monitoring software was instituted to block certain web activity and to stop all IM/Chat and peer-to-peer sessions.

Issue: Focus the attention of managers on the MC Process at USASAC.

Accomplishment:

- USASAC MCA developed and disseminated an electronic Management Control Newsletter. It was provided to all managers.
- Emphasized program goals, examples of failed controls, excerpts from DODIG and GAO Audits and USASAC performance.

MATERIAL WEAKNESSES

TAB B

B-1 LIST OF MATERIAL WEAKNESSES (FY 04 – AMC)

<u>USAMC NUMBER</u>	<u>TITLE</u>	
<u>PROPONENT</u>		
<i><u>New in FY 04</u></i>		
USAMC-04-003 RM	Unreliability of Financial Data in Logistics Modernization Program (LMP)	G-8, DCS
USAMC-04-002 DCSOPS	Policies Governing the Use of Radio Frequency Identification (RFID) and Unique Item Identification (UID) Policy	G-3,
USAMC-04-001 RM	Lack of Sufficient Indicators to Foresee an Over Obligation in Cash Flow Environment and Ensure Corrective Actions are Taken	G-8, DCS
<i><u>Prior Years</u></i>		
USAMC-03-004 OPS	Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence	G-3, DCS
USAMC-03-003 OPS	Lack of Accountability for Assets in Theater	G-3, DCS
USAMC-03-002 PER	Deployment Pay Cap Limitations	G-1, DCS
USAMC-03-001 PER	Senior Executive Service (SES) Recruitment Process	G-1, DCS
USAMC-02-003 PER	Civilian Personnel System	G-1, DCS
USAMC-01-010 OPS	Spares	G-3, DCS

USAMC-01-009 OPS	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS
USAMC-01-008	Law Enforcement and Security Operations	G3, DCS OPS
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS

12

B-2 UNCORRECTED MATERIAL WEAKNESSES (FY 04 – AMC)

<u>USAMC NUMBER</u>	<u>TITLE</u>	
<u>PROPONENT</u>		
<i><u>New in FY 04</u></i>		
USAMC-04-003 RM	Unreliability of Financial Data in Logistics Modernization Program (LMP)	G-8, DCS
USAMC-04-002 DCSOPS	Policies Governing the Use of Radio Frequency Identification (RFID) and Unique Item Identification (UID) Policy	G-3,
USAMC-04-001 RM	Lack of Sufficient Indicators to Foresee an Over Obligation in Cash Flow Environment and Ensure Corrective Actions are Taken	G-8, DCS
<i><u>Prior Years</u></i>		
USAMC-03-004 OPS	Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence	G-3, DCS
USAMC-03-003 OPS	Lack of Accountability for Assets in Theater	G-3, DCS
USAMC-03-001 PER	Senior Executive Service (SES) Recruitment Process	G-1, DCS
USAMC-02-003 PER	Civilian Personnel System	G-1, DCS
USAMC-01-010 OPS	Spares	G-3, DCS
USAMC-01-009 OPS	Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel	G-3, DCS

USAMC-01-008	Law Enforcement and Security Operations	G3, DCS OPS
USAMC-01-005	Industrial Base (IB) Management, Analysis, and Planning	G3, DCS OPS

11

Date: 30 Jul 04

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-003

Title and Description of Material Weakness: Unreliability of Financial Data in Logistics Modernization Program (LMP).

Conversion to Logistics Modernization Program (LMP) presents a serious challenge to the resource community due to potential loss of financial situational awareness. First pilot site users reporting problems associated with duplicate postings not caught by the system, commingling of revenue numbers across fiscal years, overstatement of unfilled orders and unverifiable obligation data. Users are also unable to validate inventory numbers reported by LMP. Inventory numbers are overstated because of unit of issue/measure problems. The cumulative effect of carrying over unverifiable inventory numbers will cause soundness of other financial data to be called into question. To size the overstatement, CSC scanned the problem items on 21 Jun and found they were overstated on that day by \$1,068,799,108.

Functional Category: Finance/Resource Management

Pace of Corrective Action:

Year Identified: FY 2004

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report:
N/A

Current Target Date: FY 2005

Reason for Change in Date(s): N/A

Component/Appropriation/Account Number: OMA/RDTE/Procurement
Appropriations AWCF

Validation Process: Independent review and audit

Results Indicators: Successful completion of the Financial Operations Review on 15 Dec 04. Following completion of this 45 day review, we will be in a better position to evaluate the effectiveness of system changes in LMP and reassess the reliability of LMP financial data.

Source(s) Identifying Weakness: Management

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-04-003

Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestones
Aug 02	HQAMC developed the construct of Internal Work Performed to replace traditional inter-AWCF activity sales, thus permitting the logistics community to realize efficiencies in business process reengineering.
Mar 03	Stabilization Integration Plan approved

B. Planned Milestones (Fiscal Year 2004 and 2005):

Date	Milestones
Sep 04	Together with DFAS, the G-8 is developing the financial changes required to adopt the One Company Code configuration of the ERP solution. The G-8 has already convinced HQDA and OSD(C) to accept these changes.
1 Nov 04	To evaluate the functionality of the LMP solution, the G-8 has built a solid team of DFAS, HQAMC, CECOM and TYAD senior leaders to focus on concerns of the financial community. This team is holding weekly IPRs to address data migration, interface, training, functionality and CFO compliance, while identifying areas that pose excessive financial risk and potential loss of financial situational awareness.
15 Dec 04	The 45-day Financial Operations Review which will test and evaluate system changes in LMP is scheduled to begin 1 Nov 04. Following completion of this review on 15 Dec, we will be in a better position to determine the reliability of LMP financial data.
7 Feb 05	Second site deployment
31 Mar 05	IRAC, AMCIR review completed milestones.

C. Planned Milestones (Beyond Fiscal Year 2005):

Date	Milestones
None.	

OSD or HQDA Action Required: N/APoint of Contact:

Name: Mr. Steve Trimble

HQAMC, ATTN: AMCRM-F
9301 Chapek Road, Ft. Belvoir, VA 22060
strimble@hgamc.army.mil
Telephone: Commercial (703) 806- 8870 DSN: 656-8870

UNCORRECTED MATERIAL WEAKNESS

Local ID# USAMC-04-002

Title and Description of Material Weakness: Policies Governing the Use of Radio Frequency Identification (RFID) and Unique Item Identification (UID) Automatic Identification Technology (AIT)

AIT is an enabler which facilitates data capture, aggregation, transfer, and transmission. AIT includes a variety of read/write data storage technologies that are used to process asset identification information. RFID and UID are forms of AIT. Although AIT plans have been developed at the DOD and DA levels, policies for RFID and UID are still evolving. These draft policies and already existing procurement guidance from DOD are not in sync. The final DOD RFID policy is not due to be published until 4QTR04. In addition, the Defense Federal Acquisition Regulation Supplement (DFARS) which requires passive RFID tagging to begin for all new solicitations issued after 1 Oct 04 (with delivery after 1 Jan 05) has been submitted but not yet approved. Overarching Army AIT Policy, which includes RFID and UID, will be published by the end of calendar year 2004. Army RFID policy cannot be written until the DOD RFID policy is finalized. AMC G3 Enterprise Integration (EI) has a representative on the Army RFID Working Group and is working with G-4.

As written, the DOD policies are unexecutable. The Services cannot comply within the given timeframes. There are significant issues with funding, standardization and evolutionary stage of the technologies involved, AIT systems modification timelines, user training, and business process reengineering. Final requirements need to be assessed based on the total investment required and the impact to the logistics domain. It is essential that further refinement, resource planning and technical coordination take place among DoD, the Assistant Secretary of the Army for Acquisition, Logistics and Technology ASA(ALT), HQDA G4, AMC, and the Services to ensure we have a plan that (1) supports the War fighter (2) is integrated into the Logistics Enterprise and (3) is clear and executable.

Functional Category: RFID and UID Policies may affect all of the following functional areas: Acquisition, Finance, Product Lifecycle Management, Major Subordinate Command Maintenance Management, Supply Chain Planning, Sales & Distribution/Warehouse Management/Inventory Management, and Depot Operations

Pace of Corrective Action:

Year Identified: FY 2004

Original target date: N/A

Targeted Date in Last Year's Report: N/A

Current Target Date: FY 2008 (date is contingent upon OSD/HQDA guidance)

Page 2
04

Date: 26 Jul

UNCORRECTED MATERIAL WEAKNESS

Local ID# USAMC-04-002

Reason for change: N/A

Component/Appropriation: All appropriations, AWCF, OMA and APA.

Validation Process: Independent Review and Audit.

Source(s) Identifying Weakness: Management, AMC G3 EI.

Major Milestones in Corrective Action:

A. Completed Milestone Dates:

Date	Milestone:
Mar 00	DOD AIT Implementation Plan
Mar 01	DLA AIT Implementation Plan
Oct 01	Army AIT Implementation Plan
Mar 03	AMC AIT Implementation Plan
Oct 03	Initial DOD RFID Policy
Dec 03	DOD UID of Tangible Items Policy
Feb 04	DOD RFID Policy Update
Apr 04	Army Draft UID Policy
May 04	DOD Draft UID Policy Update
Jun 04	AMC Evaluation and Analysis of DOD UID Policy
Jun 04	AMC Evaluation and Analysis of Army UID Policy
Jul 04	AMC AIT IPT
Jul 04	Draft AMC AIT IPT Charter
Jul 04	AMC AIT IPT
Jul 04	Draft Revised AMC AIT Implementation Plan

UNCORRECTED MATERIAL WEAKNESS

Local ID# USAMC-04-002

B. Planned Milestones: (Fiscal Year 2004 and 2005):

Date:	Milestone:
Aug 04	AMC AIT IPT
Aug 04	Final AMC AIT Charter
Aug 04	AMC UID IPT
Aug 04	UID/RFID Working Group (HQ DA Army Policy)
Aug 04	DOD UID IPT
Aug 04	AMC AIT Work Group
Aug 04	Begin RFID/UID Blueprinting in GCSS-Army
Sep 04	Draft Final Revised AMC AIT Implementation Plan
4QTR 04	Final OSD RFID Policy
4QTR04	Final OSD RFID CONOPS
1QTR05	Revised AMC AIT Implementation Plan approved
1QTR05	RFID DFARS Change
1QTR05	UID DFARS Change
1QTR05	Final Army RFID and UID Policies published
1 Jan 05	DOD begins passive RFID implementation (CL I, II, VI, IX)
1 Jan 05	DOD requires UID on vendor deliveries

C. Planned Milestones: (Beyond Fiscal Year 2005):

Date:	Milestone:
1 Jan 06	DOD begins passive RFID implementation for all classes of supply
FY07	Only RF enabled AIT will be acquired
FY07	All DOD logistics automated information systems will use RFID
1 Jan 07	DOD completes passive RFID implementation on all classes of supply
FY08-FY09	Army Depots begin UID marking on manufactured items

UNCORRECTED MATERIAL WEAKNESS

Local ID# USAMC-04-002

OSD or HQDA Action Required: DOD Functional Proponent Participating in Corrective Action: OADUSD (L&MR)MPP&R (LTC Linwood Clark, (703) 695-5315, Linwood-clark@us.army.mil) staff element POC responsible for DOD RFID and UID Policy; HQDA Functional Proponent Participating in Corrective Action: HQ DA DALO-SMI (LTC Timothy Thurmond, (703) 692-9582, Tim.Thurmond@us.army.mil) staff element POC responsible for HQDA RFID and UID Policy. AMC G3, EI is coordinating with DOD, HQDA and DLA staffs with the evolving RFID and UID technologies. DOD is expected to release an RFID policy update in 4QTR04. In addition, HQDA is expected to release the DA RFID and UID policies by the end of FY 2004.

Note: G3 EI will continue to work with AMC MSCs, LAISO, LOGSA, and Army G-4, PM-AIT and DOD to provide recommendations on evolving DOD/HQDA policies and regulations. In addition, AMC EI is working closely with HQ AMC functional representatives, LAISO, LOGSA, and AMC MSCs to develop an AIT implementation plan, and policies and procedures that will incorporate RFID/UID into the Single Army Logistics Architecture.

Results Indicator: Army Working Capital Fund (AWCF).

Point of Contact:

Name: Ms. Suzanne Poorker

Office Address: HQ, AMC, ATTN: AMCOPS-ES
9301 Chapek Road, Fort Belvoir, VA 22060-5527

Email: Suzanne.poorker@us.army.mil

Telephone: Commercial (703) 806-9456

DSN 656-9456

Date: 9

Aug 04

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-

04-001

Title and Description of Material Weakness: Lack of Sufficient Indicators to Foresee an Over Obligation in Cash Flow Environment and Ensure Corrective Actions are Taken.

Resourcing the Global War on Terrorism (GWOT) presents a serious challenge to the resource management community. Cash flowing critical requirements increases the risk of over obligation. Sufficient indicators are not established to prevent an over obligation of resources at the Major Subordinate Command (MSC) level. An over obligation occurred at an MSC during the FY 04.

Functional Category: Budget/Resource Management

Pace of Corrective Action:

Year Identified: FY 2004

Original Targeted Correction Date: N/A

Targeted Correction Date in Last Year's Report: N/A

Current Target Date: FY 2005

Reason for Change in Date(s): N/A

Component/Appropriation: Operation and Maintenance, Army (OMA)

Validation Process: Independent review and audit.

Results Indicators: Successful completion of the review and audit of the financial execution

process at HQ AMC. Following completion of this review, audit and identification of sufficient indicators, management will be in a better position to evaluate financial execution data and take corrective action prior to an actual over obligation.

Page 2
04

Date: 9 Aug

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-

04-001

Source(s) Identifying Weakness: Management, G-8

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
28 Jul 04	Over obligation corrected at an MSC.

B. Planned Milestones (Fiscal Year 2004 and FY 2005):

Date:	Milestone:
22 Jul 04-	HQ AMC conducts daily financial execution reviews and weekly video
30 Sep 04	teleconferences with MSC resource management and functional personnel in order to review actual obligations and analyze deviations from the obligation plan for the remainder of FY04. In FY05 these reviews will continue on a weekly basis.
15 Sep 04	Chief, AMCRM-F will conduct an independent review of the financial execution and the cash flowing process at AMC. Chief AMCRM-B will develop key financial indicators of potential over obligations and evaluate established MSC cash flow internal controls.
1 Oct 04 action	Implement proper financial indicators in order to ensure corrective takes place prior to occurrence of an over obligation.
31 Jan 05	IRAC, AMCIR review of completed milestones.

C. Planned Milestones (Beyond Fiscal Year 2005):

Date: Milestone:

None.

OSD or HQDA Action Required: N/A

Note:

Point of Contact:

Name: Robert J. Turzak

Office Address: HQ AMC, ATTN: AMCRM-B

3901 Chapek Road, Ft. Belvoir, VA 22060-5527

Telephone: Commercial (703) 806-9182; DSN: 656-9182

Date: 3 Aug 04

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

Title and Description of Material Weakness: Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Obsolescence

Army Wholesale Logistics is currently supported by an obsolete, inefficient automation system that lacks the dynamic, flexible responsiveness necessary to supporting the Army into the 21st Century.

The Army's current Wholesale Logistics systems are the Commodity Command Standard System (CCSS) and Standard Depot System (SDS). These thirty-year-old systems are based on outdated business practices, hardware, and software. These systems, written primarily in Common Business Oriented Language (COBOL) 74 code, have evolved into a complex, tightly integrated system that is difficult to maintain and adapt to changing needs. Though continuously modified and revised, these systems remain essentially batch-process oriented, card-image driven non-relational database structured, and user-unfriendly processes. This approach to information management renders CCSS and SDS incapable of supporting future Army objectives in the logistics area, such as total asset visibility, reducing inventory stock through supply chain management, and the Future Logistics Enterprise (FLE). In light of the current commercial environment of Commercial Best Business Practices and Commercial Off-the-Shelf (COTS) software that exemplifies an integrated enterprise dealing in real-time information and dynamic integrated processes managed by Enterprise Resource Planning (ERP) software, CCSS and SDS are woefully antiquated systems.

The Army will not be prepared for the future unless it completes an unprecedented transformation in how it supplies and sustains the total Army. It must conduct business process reengineering (BPR) that eliminates activities that do not add value and develop processes that expedite sound decision making, both on the battlefield and at home. To this end, the Logistics Modernization Program (LMP) was conceived in 1997 and created to ensure the Army's combat readiness by modernizing the Army's wholesale logistics processes through the implementation of Commercial Best Business Practices that includes an ERP solution. The LMP will purchase a service, not a system, to replace the Army's current thirty-year-old system.

Functional Category: Supply Operations - Commodity Command Standard System (CCSS) and Standard Depot System (SDS) Replacement

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-03-004

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: FY 2004

Targeted Correction Date in Last Year's Report: FY 2004

Current Target Date: FY 2005

Reason for Change in Date(s): Initial Pilot deployment occurred in July 2003. Stabilization of critical functional capability for Pilot deployment is expected to continue through end of 04. Target for completion of LMP deployment (2nd and 3rd fielding) expected to occur in FY05.

Component/Appropriation: Army, AWCF

Validation Process: Independent Review and Audit

Results Indicators: At completion of LMP fielding, the Army Wholesale Logistics system will consist of a streamlined, integrated, state-of-the-art system that will provide significantly improved responsiveness to sustain the War fighter.

Source(s) Identifying Weakness: Management, Deputy Commanding General of AMC.

Major Milestones in Corrective Action:

Completed Milestones:

Date:	Milestone:
Dec 99	LMP Contract awarded to CSC.
Jul 00	Transfer of legacy system support for CCSS and SDS to CSC.
Nov 00	LMP Business Process Reengineering (BPR) and Analysis (BPR&A) recommendation report approved: SAP recommended as ERP for LMP.
Jun 01	Proof of Concept, business process Blueprint version 1.0 and initial Services Description Document and Implementation Plan completed.
May 02	Blueprint version 2.0 baselined.
Jan 03	Systems Integration Testing (SIT) Initiated.
May 03	“Go-Live” Decision made.
Jul 03	LMP Pilot (First Deployment) initiated.

Dec 03

Pilot Stabilization efforts initiated, per AMC CG guidance. Corrective action being worked through Tiger Teams (consisting of LMP Service Provide contractors and MSC government personnel). Target for Pilot Stabilization completion is end of 04.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-

03-004

Major Milestones in Corrective Action:

B. Planned Milestones (FY 2005):

Date:	Milestone:
TBD – Target FY05	Initiate Second Deployment.
TBD – Target FY05	IRAC Verification of Completed Milestones.
TBD – Target FY05	Initiate Third Deployment
TBD – Target FY05	IRAC, AMCIR review of completed milestones.

OSD or HQDA Action Required: Name: COL Tommy L. Rich, DALO-SMI,
Telephone: 703-695-7828, Pentagon, tommy.rich@us.army.mil

Point of Contact:

Name: Dan Porter
HQ AMC, ATTN: AMCOPS-EB
9301 Chapek Road, Ft. Belvoir, VA 22060
PorterD@hqamc.army.mil

Telephone: 703-806-9150

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-

03-003

Title and Description of Material Weakness: Lack of Accountability for Class IX Material in Theater

Lack of communication lines and fluidity of the battlefield hampered efforts to perform basic supply transactions initially. There are still millions of dollars in Class IX inventory that have not been able to be definitively accounted for. A bottoms up reconciliation has been scheduled and will begin this FY and be completed in late FY 05. However, due to the operating conditions that Supply Support Activity (SSA) personnel are operating in, we remain concerned.

Functional Category: Supply Operations

Pace of Corrective Action:

Year Identified: FY 2003

Original Target Date: FY 2004

Target Date in Last Year's Report: FY 2004

Current Target Date: FY 2005

Reason for Change in Date(s): Milestones changed.

Component/Appropriation: Army/N/A

Validation Process: Independent Review and Audit.

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-03-003

Results Indicators: Army Working Capital Fund (AWCF) sales matching receipt/issue documents, reconciliation of Depot Level Reparables (DLR) repair D6M/D6A transactions with ILAP/LIDB.

Source(s) Identifying Weakness: Operations (OEF/OIF) Situation Reports, metrics for AWCF-owned materiel with non-matching receipts/issues, ILAP/LIDB sales documents not matching materiel that was “pushed” to theater, Found-on-Installation (FOI) transactions, Automated Information Technology (AIT) not fully utilized.

Major Milestones in Corrective Action:

A. Completed Milestones:

<u>Date:</u>	<u>Milestone:</u>
30 Sep 03 Fund	Validate legacy system processes with appropriate Single Stock Fund (SSF) Business Rules, submit system change requests, if required.
30 Sep 03	Initial Materiel Weakness identified unreliable communications and connectivity problems. SARSS units in the AOR have been issued new Very Small Aperture Terminal (VSAT) communications systems. VSAT Help Desk at Camp Arifjan indicated 38 of 42 VSATs operational (March update).

B. Planned Milestones (Fiscal Year FY 2004 and FY 2005):

<u>Date:</u>	<u>Milestone:</u>
31 Dec 04	FORSCOM implemented SARSS/SSF training for units deploying to AOR. Monitored and validated metrics for AWCF sales/receipts, monitor AWCF inventory adjustments at Forward Storage Activities; updated monthly.
31 Jan 04	Conducted first of several CCSS/SARSS reconciliations with DA/AMC and FORSCOM. First reconciliation was between ILAP and FORSCOM Unliquidated Obligations (ULOs). Next reconciliation included matching FORSCOM ULOs to SARSS

Document History. Closed cycle reconciliations have netted \$42.3M of ULOs that have been billed to FORSCOM.

Page 3
04

Date: 3 Aug

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-03-003

B. Planned Milestones (Fiscal Year FY 2004 and FY 2005):

<u>Date:</u>	<u>Milestone:</u>
Jun FY 04	Contract for Bottoms-Up Reconciliation (BUR) Team to reconcile at home station and in the AOR the SARAA-1 and CTASC files. Lastly reconciliation from CTASC to CCSS/LMP will be accomplished. BUR Team will conduct training and assistance to SARSS-1 sites.
31 Oct 05	BUR Team continues same process for FY 05 data.
31 Dec 05	IRAC, AMCIR review of completed milestones.

C. Planned Milestones (Beyond Fiscal Year 2005):

<u>Date:</u>	<u>Milestone:</u>
None.	

OSD or HQDA Action Required: HQ, DA DALO-SMP staff element responsible for securing funding for VSAT fielding.

Note: HQ, AMC review/revision of current policy and regulations, analysis of supply and maintenance documentation reports from Army STAMIS, onsite visits to installations

and activities, supply class IX summit meetings/conferences, analysis of budget data.

Point of Contact:

Name: Ms. Lauren Reyes

Office Address: AMCOPS-SLR

9301 Chapek Road, Ft. Belvoir, VA 22060-5527

Telephone: (703)-806-8324, DSN 656-8324

UNCORRECTED MATERIAL WEAKNESS

LOCAL ID # USAMC-03-001

Title and Description of Material Weakness: Senior Executive Service (SES) Recruitment Process

The SES recruitment process requires extensive coordination that often time is lengthy and duplicative to coordination occurring at the major command level. Recommend HQDA review current policy and make every attempt to reduce the recruitment to entrance of duty time to no more than 90 calendar days.

Functional Category: Personnel and/or Organization Management

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Date: FY 2004

Targeted Corrected Date in Last Year's Report: FY 2004

Current Target Date: FY 2005

Reason for Change in Date: The plan is on hold waiting for the Acting Secretary of the Army for approval.

Component/Appropriation: Army

Validation Process: Managerial judgment; independent review and audit.

Page 2
04

Date: 30 Jul

UNCORRECTED MATERIAL WEAKNESS

LOCAL ID #: USAMC-03-001

Results Indicator: Reduction in SES recruitment time to a maximum of 90 days.

Source(s) Identifying Weakness: Management, AMC ADC G1.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
30 Apr 03	Conducted Lean Value Stream Analysis.
1 Jul 03	Followed up with a Lean Rapid Improvement Event that will result in considerable shortening of the recruitment time within AMC.
15 Jul 03	Memo from CG, AMC (GEN Kern) to Mr. Brown, The ASA M&RA requesting delegation of certain authorities in order to streamline and expedite the SES recruitment process.
9 Feb 04	Inception of the Senior Executive Service (SES) Staffing Priority Review Board (SPRB) Charter
Mar 04	Memo from CG AMC (GEN Kern) to Mr. Brown, Inception of Standing Panels and Review Boards

B. Planned Milestones: (Fiscal Year 2004 and FY 2005):

Date:	Milestone:
31 Dec 04	AMCIR verify documentation on completed milestones.

C. Planned Milestones: (Beyond Fiscal Year 2005):

Date:	Milestone:
None.	

OSD or HQDA Action Required: Ms. Elizabeth Phillips, Deputy Chief, SES Office, Office of the Assistant Secretary of the Army for Manpower and Reserve Affairs (730) 693-1126.

Page 3
04

Date: 30 Jul

UNCORRECTED MATERIAL WEAKNESS

LOCAL ID #: USAMC-03-001

Note: The Assistant Secretary of the Army for Manpower & Reserve Affairs is working a plan for consolidating the SES management at HQDA that proposed collocating the SES functions with the General Officers Management Office (GOMO) and the phased approach to implementing a new senior executive management concept. The proposed plan was briefed to the ASA on 6 April 04. The plan is on hold waiting for the Acting Secretary of the Army's approval. Currently, AMC has 21 SES vacancies, 7 of the 21 SES vacancies have tentative selections. Some recruitment actions have taken up to 1,100 days before appointment of an SES member.

Point of Contact:

Name: Ms. Edie Coutcher

Office Address: HQ AMC, Office of the DCS G1, ATTN: AMCPE-T
9301 Chapek Rd., Fort Belvoir, VA 22060,
coutchere@hqamc.army.mil

Telephone: Commercial (703) 806-8738, DSN 656

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-

02-003

Title and Description of Material Weakness: Civilian Personnel System

In 2001, the President's Management Agenda set strategic management of human capital as one five government-wide goals, and GAO identified human capital management as a high risk area for federal activities. Effective human capital management entails accurately forecasting workforce and skill needs; training employees in emerging as well as legacy skills and functions; retaining valuable personnel; and staffing up a successor force to experienced employees who will leave. It also includes leading the workforce effectively, strengthening results orientation and consequences for individual performance, and providing for a supportive and simpler personnel system which attracts talented people to work for the government.

AMC has concerns about the overall civilian personnel system in terms of responsiveness and timeliness; and flexibility in recruitment, development and retention programs; and good links between performance, compensation, and placement. Even with continuing improvements in average fill time, the hiring process takes too long, particularly in a competitive market for outstanding college graduates. Other hiring actions can take several months, such as those for senior executives with their redundant approval processes. The latter is self-imposed by Army internal policies on approval authorities and levels of review.

FY04 National Defense Authorization Act gives the Department authority to establish its own personnel system, National Security Personnel System (NSPS). AMC G1 staff actively engaged with DOD, Department of Army and other military departments and defense agencies to implement NSPS.

Functional Category: Personnel and organization management.

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: FY 2005

Targeted Correction Date in Last Year's Report: FY 2007

Current Target Date: FY 2007

Reason for Change in Date: N/A

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-02-003

Component/Appropriation: Army

Validation Process: Managerial judgment; independent review and audit.

Results Indicators: Establish revitalized workforce (interns, apprentices, and fellows) numbers relative to requirements; key occupation loss rates; job fill timeliness; retirement eligibility distribution; numbers/conversions for college students in career experience programs; trained personnel in key professional, leadership, and integrating competencies.

Source(s) Identifying Weakness: Deputy Commanding General, U.S. Army Materiel Command

Major Milestones in Corrective Action:

A. Completed Milestones:

Date: Milestones:

B. Planned Milestones (Fiscal Year 2004 and FY 2005):

Date: Milestones:

26 Jul 04 – Participate in NSPS HR design team with representatives from all
military
17 Sep 04 departments, defense agencies, Office of Personnel Management.

Summer 2005 Implement NSPS pilot at two AMC locations

C. Planned Milestones (Beyond Fiscal Year 2005):

Date: Milestones:

None.

OSD or HQDA Action Required: N/A

Note: At MACOM and MSC levels, AMC has undertaken a vigorous set of program activities to shape its workforce for the future including interns, apprentices and multi-disciplinary fellows. Development includes: Executive education in logistics and technology, college work-study programs, training in lean management techniques and

enterprise system environment, and planned training for key employee based on individual strength assessments.

Page 3
04

Date: 3 Aug

UNCORRECTED MATERIAL WEAKNESS

Local ID # USAMC-

02-003

The ability to sustain such activities is increasingly tied to the state of Army's civilian personnel system. Weaknesses lead to degradation of AMC's and Army's capability to accomplish our work. Command investment resources come out of increasingly tight line mission assets such as by reengineering mid and senior level vacancies to trainee levels, and by restricting operations so we can train staff adequately. AMC Commanders' capability to project force, skill, retention, and hiring needs is altered by realignment of major Army functions to stovepipes, and by Army intentions for The Third Wave and other outsourcing initiatives.

The Army has not yet fielded a strong civilian job marketing campaign to capture the imagination of quick-paced, technology savvy people outside traditional governmental channels. Prolonged vacancies, an applicant pool which is not all it can be, unnecessarily bureaucratic processes affect our ability to carry out our mission by diverting managers and cutting into our workforce, which works longer and harder to pick up the slack.

AMC will continue to work with Army to streamline and improve the civilian personnel system and Army business processes, and strongly supports Department of Defense plans to move to an alternate personnel system. We shall continue to work with Army to plan for, justify, and make full use of central intern and training assets. AMC will continue to propose legislation for change and to volunteer as a test bed for innovative personnel programs, tools, and systems.

Revised implementation schedule by Department of Defense. The originally proposed October 04 implementation has been pushed to summer of 2005. AMC is proposing two sites as pilots for the initial implementation. The schedule for implementation across the Department extends to FY2007.

Point of Contact:

Name: Ms. Beth Baird

Office Address: HQ, AMC, ATTN: AMCPE
9301 Chapek Rd., Fort Belvoir, VA 22060
bairdb@hqamc.army.mil

Telephone: Commercial (703) 806-8176 DSN: 656

Date: 3 Aug 04

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-010

Title and Description of Material Weakness: Spares (Class IX)

Since FY00, Army requirements for Class IX Spares have been under funded causing supply pipeline problems. Though much has been done to correct the shortfall, especially in late FY03 and throughout FY04, there remains an unfinanced requirement (UFR).

Functional Category: Force Readiness

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: FY 2004

Current Target Date: FY 2005

Reason for Change in Date(s): Unfinanced requirements in FY01, FY02 and FY03 were substantial. This lack of replenishment stocks resulted in depleted stocks, increased back orders, and interrupted the supply pipeline. Contingency operations in FY03 and FY04 with significantly higher customer demands (2.5 to 10 times normal) for spares compounded earlier stock shortfalls. Although initial FY04 requirements have been funded, continued high OPTEMPO resulted in \$682M new requirements. These new requirements will have to be carried into FY05.

Component/Appropriation: Army AWCF

Validation Process: Independent Review and Audit

Results Indicators: Improved force readiness. Sufficient funding to support optimal supply availability for all commodities resulting in: no NMCS downtime for SORT Systems; improved stock position to support future contingency operations; reduced back orders and customer wait time.

Source(s) Identifying Weakness: Management - Directed by the CG, AMC

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-010

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
FY 02	Received \$2868M OA for 65% of total requirements.
FY 03	Received \$6316M OA for and \$562M TOA for 84% of total requirements.
FY04	Received \$7009M OA, 91% if the FY04 spares requirements; FY04 carryover to FY05 will be \$682M

B. Planned Milestones (Fiscal Year FY 2004 and FY 2005):

Date:	Milestone:
4Q04	Justify FY05 Supplemental funding to offset cost of contingency operations, and increase supply availability for selected systems.
1Q05	Justify FY04 carryover and FY05 requirements, seek full funding.
3Q05	IRAC, AMCIR review of completed milestones.

C. Planned Milestones (Beyond Fiscal Year FY 2005):

Date:	Milestone:
None.	

OSD or HQDA Action Required: G4, G8 and ASA-FM

Note: The supply pipeline continues to be frustrated by inadequate and untimely funding. The inability to acquire materiel in the right quantities at the right times frequently results in out of stock conditions for critical items. In the first half of FY04, the Department released less than 60% of the OA needed to meet AWCF-SMA requirements. The effect on readiness was, and is, staggering. High contingency OPTEMPO, the need to Reset the Force, and several years of unfinanced requirements greatly increased backorders for critical items. Administrative and production lead times artificially increased because Procurement Work Directives (PWD) stacked awaiting funds. Stacking PWDs draws out the lead time needed to place items in the soldiers' hands. Facilities, personnel, tools and expertise are lined up to support the force but without a steady flow of parts, tactical success is in jeopardy. For example, orders for the digital control assembly for the

Bradley Fighting Vehicle are on hold for funds. The assembly controls the TOW launcher and other important vehicle systems. Without the assembly, the vehicle is defenseless and could sustain damage and catastrophic loss of life.

Page 3
04

Date: 3 Aug

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-010

Note (Continued):

AMC receives 10 NMCS backorders per month for this assembly. Because higher priority orders are being processed, this and many other critical requirements are being stacked.

Tying replacement of inventory to current customer orders, whose near term funding has been reduced, compounds problems for the supply pipeline and impacts readiness. To mitigate this problem, MSC commanders are taking several initiatives. Pre-commitment to increase capacity is one such initiative. Commercial manufacturers are willing to commit their dollars to get parts lines started in anticipation of government acquisition. Failure to follow through will result in deeper entrenchment by the industrial base. For example: Blackhawk rotor blades are being consumed at rates in excess of 100 per month. The only supplier produces 12 blades per month. After negotiation they intend to produce 50 per month and may reach 75. Funding the increase in capacity is essential to the readiness of the fleet.

With over \$500M in stacked PWDs, delays in Reset requirements, continued OIF/OEF increased OPTEMPO, and \$682M in known unfunded requirements in FY04; it is imperative that AWCF-SMA be fully funded to insure uninterrupted Class IX supply support to the war fighter.

.

Point of Contact:

Name: Mr. Robert King

Office Address: HQ, AMC, ATTN: AMCOPS-SLR-SR
9301 Chapek Road, Ft. Belvoir, VA 22060-5527

Telephone: (703) 806-8323 DSN: 656-8323

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-

01-009

Title and Description of Material Weakness: Lack of Physical Security, Law Enforcement, and Force Protection Equipment and Materiel

The Army Materiel Command has a serious shortfall in force protection (law enforcement and physical security) operations. Requirements have been requested annually to procure and sustain physical security equipment and materiel in support of Force Protection; however, PBG is limited in its ability to support. Furthermore, since 9/11, HQDA (OPMG) has initiated physical security equipment standardization packages, i.e. gates, without complete scheduled identifiable application of resources and minimum coordination with MACOM proponents. Also, many of the AMC installations intrusion detection systems (IDS) are aging and having difficulty with replacement parts and continued maintenance. As other costs for out years increase, i.e. CSGs, manpower, training, etc., a further drain on equipment funding is anticipated. This weakness is projected across BASOPS, AWCF and Chemical Surety sites within AMC.

Functional Category: Force Protection (Physical Security and Law Enforcement Operations)

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2005

Current Target Date: FY 2007

Reason for Change in Date(s): To stay in resource management cycle for identification and submission of requirements. Also, pending final determination on CSG services under DNAA02.

Component/Appropriation: Various, to include Operations Maintenance, Army (OMA) and Army Working Capital Fund.

Validation Process: Independent Review and Audit

Page 2
04

Date: 3 Aug

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-
01-009

Results Indicators: Installations performance of physical security and protection of Army assets at the installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. Higher FPCON would require additional support.

Source(s) Identifying Weakness: Management - Directed by CG, AMC

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Jan 02	Worked with AMC G8 (OMA, Army Working Capital Fund (AWCF)), G3 (Chemical Biological) and G3 (ammunition) on Schedule 75 and POM submission requirements.
Jan 03	Worked with AMC G8 (OMA, Army Working Capital Fund (AWCF)), G3 (Chemical Biological) and G3 (ammunition) on Schedule 75 and POM submission requirements.
Jan 04	Work with AMC G8 (OMA, Army Working Capital Fund (AWCF)), G3 (Chemical Biological) and G3 (ammunition) on Schedule 75 and POM submission requirements

B. Planned Milestones (Fiscal Year 2004 and FY 2005):

Date:	Milestone:
Jan 05	Work with AMC G8 (OMA, Army Working Capital Fund (AWCF)), G3 (Chemical Biological) and G3 (ammunition) on Schedule 75 and
POM	submission requirements.

C. Planned Milestones (Beyond Fiscal Year 2005):

Date:	Milestone:
Jan 06 (AWCF), G03 POM	Work with AMC G8 (OMA, Army Working Capital Fund (Chemical Biological) and G3 (Ammunition) on Schedule 75 and submission requirements.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-
01-009

OSD or HQDA Action Required: HQDA, OPMG, LTC Samuel Mansberger/Mr. Richard Patrick, Telephone: Commercial (703) 695-4210/614-2597, DSN: 225.

Note: Continue to address milestones above to HQDA.

Point of Contact:

Name: Ms. Sandra Wilson / COL Douglas Baker

Office Address: ATTN: AMCOPS-CS
 9301 Chapek Road

 Fort Belvoir, VA 22060-5527

Telephone: Commercial (703) 806 -9306 DSN: 656-9306

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-
01-008

Title and Description of Material Weakness: Law Enforcement and Security Operations

The Army Materiel Command has a serious shortfall in law enforcement operations. The Army has not received sufficient funds to procure adequate staffing for police and guard services for AMC sites, inclusive of BASOPS, AWCF and Chemical Surety Sites. AMC installation cannot support other than minimal requirements under normal operating conditions. The problem is compounded when staffing procurement is addressed. Low pay, low morale, overtime requirements, inadequate equipment and minimum training are only a few of the issues related to retention of personnel. Civilian service recruitment and retention initiatives are another area of concern. Furthermore, government police and guard positions are not salary competitive with industry. Retaining individuals when they reach full employment and operations status is questionable. Furthermore, and with only a few exceptions, there are no alternative solutions to this weakness because it continues to be compounded by the prohibition on contracts for performance of security functions at military installations and facilities (Title 10, Section 2465). Since 9/11, HQDA has mandated the securing of all gates with security personnel to perform 100% identification checks and random vehicle inspection programs. This was mandated without adequate time or opportunity to address the new manpower requirements to perform this now "normal" FPCON operation. Although the DNAA02 authorized the utilization of CSCs where augmentation forces would be utilized, the authorization act is only a short-term fix to a long-term problem. Currently, DNAA02 is scheduled to expire on 2 Dec 05; an extension until Oct 07 is in process.

Functional Category: Personnel - Force Protection (Law Enforcement Operations)

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2002

Targeted Correction Date in Last Year's Report: FY 2003

Current Target Date: FY 2007

Reason for Change in Date(s): Recognition of DAMO-ODL/USAMPS ACP Study manpower requirements and anticipated TDA modification. Also, pending final determination on CSG services under DNAA02.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-
008

Component/Appropriation: Various, to include Operations Maintenance, Army (OMA) and Army Working Capital Fund.

Validation Process: Independent Review and Audit

Results Indicators: Installations performance of police and guard functions at installation levels can be met through sustaining Force Protection Condition (FPCON) level Bravo per requirements determination. Higher FPCON would require additional support.

Source(s) Identifying Weakness: Management - Directed by CG, AMC

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Sep 01 and 02	Worked with FORSCOM to acquire AC and RC units to support force Operations on AMC sites during heightened FPCON
May 03	Submmitted contract guard requirements to HQDA (DAMO-ODL) under provisions of Defense National Authorization Act of 2002 signed b the President on 1 Dec 02
May 03	G1, G2, and G3 completed IPR on expeditious actions for hiring of guards and disseminated guidance to the field.

B. Planned Milestones (Fiscal Year 2004 and FY 2005):

Date:	Milestone:
Nov 04	Re-validate manpower requirements from DAMO-ODL/USAMPS ACP Study in manpower requirements drill.
FY05	HQDA (DAMO-ODL is establishing a Civilian Police Academy at US Army Military Police School, Fort Leavenworth, MO – Under

TAA011 initiative actions to incorporate additional manpower in FY04 (USAMPS action on Police Academy pending.)

Oct 05 –Oct 07

Re-validate manpower requirements from DAMO-ODL/USAMPS ACP Study in manpower requirements drill and pending final policy determination on DNAA02 CSGs.

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-
01-008

C. Planned Milestones (Beyond Fiscal Year 2005):

Date: Milestone:
None.

OSD or HQDA Action Required: HQDA, OPMG, LTC Samuel Mansberger/Mr. Richard Patrick, Telephone: Commercial (703) 695-4210/614-2597.

Note: Continuing to address this issue with HQDA because the weakness still exists.

Point of Contact:

Name: Ms. Sandra Wilson / COL Douglas Baker
Office Address: ATTN: AMCOPS-CS
9301 Chapek Road
Fort Belvoir, VA 22060-5527

Telephone: Commercial (703) 806 -9306 DSN: 656-9306

Date: 3 Aug
04

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-005

Title and Description of Material Weakness: Industrial Base (IB) Management, Analysis, and Planning

Army lacks sufficient IB planning capability to efficiently and effectively support contingency operations and the transformation.

Headquarters (HQ) staff management has been reduced over the last several years such that there is inadequate management level expertise to effectively manage the Army's IB Program. There is no systematic mechanism across the Army Materiel Command (AMC) to perform industrial base planning. There is no coordination mechanism in AMC to develop guidance, coordinate, analyze, prioritize, and elevate readiness issues from the Program Managers (PM's) and the Major Subordinate Commands (MSCs) to cultivate a consistent analysis approach, identify priority issues from a common perspective, and address those issues. This includes the lack of ability to identify industrial base issues that would prevent us from meeting contingency or replenishment requirements. There is no systematic approach among the PM's/Acquisition Category (ACAT) systems to perform IB planning.

Functional Category: Industrial Base Planning/Management

Pace of Corrective Action:

Year Identified: FY 2001

Original Targeted Correction Date: FY 2003

Targeted Correction Date in Last Year's Report: FY 2004

Current Target Date: FY 2006

Reason for Change in Date(s): (1) AR 700-90 is currently being revised and staffed by ASAALT. (2) PEOs, PMs, and MSCs have begun the process of establishing Industrial Base Support Agreements (IBSAs) per current version of AR 700-90. (3) AMC is attempting to restore Industrial Preparedness Operations (IPO) Funding FY06-11; HQDA

has divested IPO funding for POM 6-11 and 54 manning slots are adversely impacted. (4) AMC is performing an Army Business Initiative Council (ABIC) Business Case Analysis (BCA) on establishing DMSMS as a best business practice for the Army; ABIC Initiative is titled “Reverse Engineering’ of Obsolete Parts”. (5) Army and AMC are preparing to address quality assurance as a result of a GAO Audit of DOD on lack of quality assurance enforcement. (6) AMC is in the process of developing and implementing an Industrial Enterprise concept. (7) AMC is currently undergoing a USAAA audit of “Impact of Warranties on Weapons Systems Maintenance Costs” and requires resources to implement AR 700-139, Army Warranty Program, 9 Feb 04.

Page 2
04

Date: 3 Aug

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-005

Component/Appropriation: Industrial Preparedness Operations (IPO) Account

Validation Process: Independent Review and Audit

Results Indicators: Industrial Base Office at AMC and MSCs staffed with ability to identify production base capabilities, issues and shortfalls, coordinating across all levels of the Army.

Source(s) Identifying Weakness: Issue raised by the Commanding General of AMC.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestone:
Sep 01	HQDA Approved Army IB Strategy.
Oct 01	Provide resources to HQ, AMC & MSC's.
Nov 01	Support HQDA update of AR 700-90.
Aug 02	Provided preliminary assessment approach, response to PBD 407 and GAO Report 02-650.
Oct 02	Provide resources to HQ, AMC & MSCs. Continue refining common analysis
(Deleted)	approach.
Feb 03	Updated AR 700-90 approved (Change to Chap 2, Responsibilities, approved May 03).
Apr 03	AMC-R, Missions and Functions with attendant TDA approved.
Sep 03	Developed Army Proactive DMSMS Resourcing Requirements.
Dec 03	1 st Army IB Conference conducted.
Feb 04	CG AMC – ASAALT Joint IBSA established.
Mar 04	Plus-up IPO POM submitted to Army G4 PEG Manager.

May 04 ASAALT staffs revised AR 700-90 for review.
Jun 04 2nd Army IB Conference Scheduled.
Jul 04 DCMA-IAC delivers Army IB Transformation Study Report to AMC.

B. Planned Milestones (Fiscal Year 2004 and FY 2005):

Date:	Milestone:
Aug 04	Army finalizes POM 6-11.
Sep 04	3 rd Revision of AR 700-90 published by ASAALT.

Page 3
04

Date: 3 Aug

UNCORRECTED MATERIAL WEAKNESS

Local ID #: USAMC-01-005

C. Planned Milestones (Beyond Fiscal Year 2005):

Date:	Milestone:
Mar 06	Out-brief ABIC on “Reverse Engineering’ of Obsolete Parts” BCA Study.

OSD or HQDA Action Required:

Note: Coordinate strategy with HQ Department of the Army. Coordinate with, fund and staff AMC and MSCs. Establish planning procedures. Implement analysis and planning procedures.

Point of Contact:

Name: LTC Alan Lee

Office Address: HQ, AMC, ATTN: AMCOPS-IEB
3901 Chapek Road, Ft. Belvoir, VA 22060-5527

Telephone: (703) 806-9231, DSN: 656-9231

B-3 CORRECTED MATERIAL WEAKNESS (AMC FY 04)

**USAMC
NUMBER**

TITLE

PROPONENT

**03-002
PERS**

Deployment Pay Cap Limitation

G-1, DCS

CORRECTED MATERIAL WEAKNESS

Local ID # USAMC-

03-002

Title and Description of Material Weakness: Deployment Pay Cap Limitations

AMC has critical issues relative to pay cap limitations on deployed employees, which is affecting the continuity of operations critical in SWA where the stability of the workforce and the Combatant Commander's need to control the numbers and frequency of personnel into and out of The AOR is vital. There are two pay caps involved: (1) THE PREMIUM PAY CAP which limits the amount of salary and overtime to GS-15/10, \$130,305.00 (Title 5, US CODE,

Section 5547). (2) ANNUAL CALENDAR YEAR LIMITATION which limits total monies

Received from all government sources in one calendar year to Executive Level I or \$171,900

(Title 5, U>S> Code, Section 5307). Under the premium pay cap, an employee's salary and

overtime is limited to GS-15/10. Because deployed employees frequently work an excessive

amount of overtime, when they reach the premium pay cap, which caps the total amount of

dollars received for basic pay and overtime in any one calendar year at the maximum rate of a

GS-15/10, they can no longer draw overtime. This does not limit basic pay (including locality

Adjustments as appropriate) or foreign differentials or allowances, so long as all monies received

In one calendar year (salary, overtime, differentials and awards) do not exceed the maximum rate

Of Executive Level I or \$175,700.00 under the annual calendar year limitation.

Due to the limited number of volunteers with needed skills available to deploy and the need for

continuity of personnel in key positions; the pay cap limitations create a significant material

weakness.

Functional Category: Personnel and organization management.

Pace of Corrective Action:

Year Identified: FY 2003

Original Targeted Correction Date: FY 2005

Targeted Correction Date in Last Year's Report: FY 2005

Current Target Date: FY 2004

Reason for Change in Date: Recommend closure because the pay cap limitation has not affected operations in SWA. There are sufficient volunteers and emergency essential (EE) personnel to effectively manage deployments within the pay cap. No employees have had tours curtailed due to the pay cap.

Component/Appropriation: Army

Validation Process: Managerial judgment; independent review and audit.

Page 2

30 Jul 04

CORRECTED MATERIAL WEAKNESS

LOCAL ID # USAMC-03-

002

Results Indicators: Statutory change lifting the premium pay cap for those deployed in overseas areas in emergency situations will ensure continuity of operations in critical times.

Source(s) Identifying Weakness: Deputy Commanding General, U.S. Army Materiel Command

Major Milestones in Corrective Action:

A. Completed Milestones:

Date:	Milestones:
1 Oct 04 Defense (Deleted)	Propose statutory change during ULB 06 process for FY 06 Authorization Act.

B. Planned Milestones (Fiscal Year 2005):

Date:	Milestones:
-------	-------------

None.

C. Planned Milestones (Beyond Fiscal Year 2005):

None.

OSD or HQDA Action Required: N/A

Note: No verification needed. Planned milestone deleted during a senior management review of AMC material weaknesses 23 Jul 04. Recommend closure.

Point of Contact:

Name: Mr. Pat Gentry

Office Address: HQ, AMC, ATTN: AMCPE

9301 Chapek Rd., Fort Belvoir, VA 22060

gentryp@[hqamc.army.mil](mailto:gentryp@hqamc.army.mil)

Telephone: Commercial (703) 806-8176 DSN: 656-8176