

Naval Audit Service



Audit Report



Bureau of Medicine and Surgery Management of Sustainment Funds to Repair and Maintain Real Property Facilities

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N2009-0020
26 February 2009

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MEMORANDUM FOR CHIEF, BUREAU OF MEDICINE AND SURGERY

Subj: **BUREAU OF MEDICINE AND SURGERY MANAGEMENT OF SUSTAINMENT FUNDS TO REPAIR AND MAINTAIN REAL PROPERTY FACILITIES (AUDIT REPORT N2009-0020)**

Ref: (a) NAVAUDSVC ltr N2007-NIA000-0060.000 of 21 Dec 07
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. The report provides our results of the subject audit announced in reference (a). Section A of this report provides our finding and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of management responses is included in the Appendix.

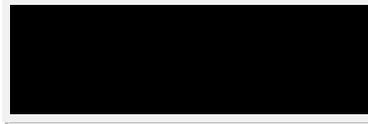
2. The Chief of Bureau of Surgery and Medicine concurred with Recommendations 1-12, and actions taken or planned meet the intent of the recommendations. Recommendation 12 is closed. Recommendations 1-11 are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations within 30 days after each target completion date. As evidence of your corrective actions taken, we request that you include, as part of the status report, revised policy and procedures that incorporate your planned corrective actions as stated in your management responses. Please provide all correspondence to the Assistant Auditor General for Installations and Environment Audits, [REDACTED], by e-mail at [REDACTED], with a copy to the Director, Policy and Oversight, [REDACTED] by e-mail at [REDACTED]. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.

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3. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to follow up in accordance with reference (b).

Subj: **BUREAU OF MEDICINE AND SURGERY MANAGEMENT OF
SUSTAINMENT FUNDS TO REPAIR AND MAINTAIN REAL
PROPERTY FACILITIES (AUDIT REPORT N2009-0029)**

4. We appreciate the cooperation and courtesies extended to our auditors.



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Table of Contents

EXECUTIVE SUMMARY	1
Overview	1
Reason for Audit.....	1
Conclusions	2
Federal Managers’ Financial Integrity Act	3
Corrective Actions.....	3
SECTION A: FINDING, RECOMMENDATIONS, AND CORRECTIVE ACTIONS	5
Finding: Sustainment of Real Property Facilities.....	5
Synopsis.....	5
Discussion of Details	6
Background	6
Facility Assessment Contract	6
Responsibilities Regarding the Contractor Created Database and for Defense Medical Logistics Standard Support (DMLSS) Facility Management software (DMLSS-FM).....	7
Pertinent Guidance	7
Audit Results	9
Accuracy of the Database of Real Property Maintenance and Repair Deficiencies	10
Facilities assessment supporting wounded warriors	12
Reasons for the Inaccuracies in the Database of Real Property Maintenance and Repair Deficiencies	13
Impact of Inaccuracies in the Database of Real Property Maintenance and Repair Deficiencies	15
Use of Defense Medical Logistics Standard Support Facility Management (DMLSS-FM) Software	16
BUMED Planning, Programming, Budgeting and Executing of SRM Funds.....	16
Recommendations and Corrective Actions	18
SECTION B: STATUS OF RECOMMENDATIONS.....	23
EXHIBIT A: BACKGROUND.....	25
EXHIBIT B: SCOPE AND METHODOLOGY.....	26
Scope	26
Methodology.....	26
EXHIBIT C: ACTIVITIES VISITED.....	28
APPENDIX: MANAGEMENT RESPONSE FROM BUREAU OF MEDICINE AND SURGERY	29

Executive Summary

Overview

The Bureau of Medicine and Surgery (BUMED) is the headquarters command for Department of the Navy (DON) medicine. In support of its mission to safeguard the health of Navy and Marine Corps personnel, BUMED directs the worldwide medical and dental services and facilities maintained by DON. BUMED operates 16 Naval Hospitals (9 in the Continental United States (CONUS) and 7 outside of the Continental United States (OCONUS)), 9 Ambulatory Care Clinics (8 CONUS and 1 OCONUS), and 3 Naval Medical Centers. To maintain their real property facilities, BUMED spent approximately \$140 million per fiscal year of sustainment, restoration, and modernization (SRM) funds in Fiscal Years (FYs) 2005-2007. Of the \$140 million per fiscal year that BUMED spent for SRM, an average of about \$97 million per fiscal year was spent for sustainment (maintenance and/or repair) of deficiencies. To assist in the management of maintenance and repair of their real property facilities, BUMED awarded a contract in FY 2003 for inspection of their facilities and the creation of a database containing all deficiencies found during the inspections.

We selected five CONUS Naval Hospitals, six Ambulatory Care Clinics, three Naval Medical Centers, and the Naval Support Command for site visits. We subsequently selected for detailed audit work all 622 of the outstanding sustainment deficiencies from the 15 selected activities that were categorized as “critical” in the deficiency database as of 18 March 2008. A critical deficiency is identified as a critical or immediate concern and should be addressed immediately (within 1 year).

We conducted most of our audit work from 18 March 2008 through September 2008. Therefore, the conditions noted in this report were current as of the date of our site visits. We provided periodic briefings to BUMED throughout the audit to keep them apprised of what we were finding. Specifically, we met with the BUMED Facilities Director, and the SRM Manager, on 9 June, 18 August, and 17 November 2008 to inform them of the areas of concern that we found with the SRM funding process.

Reason for Audit

The audit of BUMED’s management of SRM was identified as an area of concern by Navy Medicine Region East in the FY 2007 and 2008 Department of the Navy Risk Assessment, and was agreed to by Senior BUMED leadership.

The objective of the audit was to verify that critical sustainment requirements at BUMED facilities were being accurately and sufficiently identified, and whether critical and non-deferrable sustainment requirements were being budgeted and executed in a timely manner. To accomplish this, we evaluated BUMED's management of SRM processes, accountability, and responsibility, and efficiency of operations.

Conclusions

Critical sustainment requirements at BUMED individual activities were not being accurately and sufficiently identified in the management information systems (MIS) and critical and non-deferrable sustainment requirements were not being budgeted and executed in a timely manner. The facility inspection results and MIS provided by BUMED Deputy Chief, Installations and Logistics, (BUMED M4) for BUMED activities to manage real property facilities were not being effectively used by BUMED activities and regions for requirements funded at the local level. Although the management of the repair and maintenance of facilities needs improvement, we do not believe uncorrected deficiencies in BUMED's facilities present catastrophic health or safety risks to its patients. This conclusion is based on our visual validation of facilities and on-going sustainment projects at the 15 facilities audited and the Navy's response to the Senior Oversight Committee in regard to the Deputy Secretary of Defense Memo dated 18 September 2007. We did not identify reportable conditions for the process used by BUMED M4 to identify and fund SRM special projects, those costing over \$200,000.

Of the 622 critical sustainment deficiencies outstanding as of 18 March 2008, 354 critical non-deferrable sustainment deficiencies estimated to cost \$53 million to repair had remained uncorrected from 4 to 59 months, and for an average of 48 months. Of those 354 uncorrected critical deficiencies, 246 (69 percent) had been outstanding for more than 4 years. These deficiencies included items for inpatient care such as the replacement of nurse call systems; non-compliance with the Americans with Disabilities Act; and plumbing, electrical, structural, and mechanical deficiencies that represent safety concerns.

The remaining 268 critical sustainment deficiencies, with an estimated repair cost of \$31.7 million, had been incorrectly shown as uncorrected in the database on 18 March 2008. These included items such as deficiencies corrected prior to 18 March 2008, buildings that were no longer owned by BUMED, and buildings that had been demolished – all of which should have been removed from the database. Facility Managers (FMs) at activities maintaining real property are not using the required systems to their full capabilities. BUMED has spent nearly \$1.6 million annually for the contract for inspection of facilities and creation of the deficiency database. Although the contractor inspected the facilities and entered deficiencies into the database as required by the contract, the FMs were not using the inspections or database to manage their

facilities. The FMs did not reconcile and correct deficiency data. They also did not use the data to prioritize requirements and projects, nor prepare budget requests to correct the outstanding critical requirements. In addition, BUMED activities were not using the Defense Medical Logistics Standard Support Facility Management (DMLSS-FM) software, although BUMED was paying about \$283,000 per year for the software program. As a result, BUMED and its regions are not aware of the true condition of their real property facilities and the resource requirements to correct the deficiencies and reports prepared using the data from the requirements database may be significantly inaccurate and misleading. In addition, over \$1.8 million is being spent annually on systems designed to manage real property maintenance and repair deficiencies that are not being used, while duplicative systems are being created and used at the activity level to identify deficiencies and track the progress made in correcting these deficiencies.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal Agency head to annually certify the effectiveness of the agency's internal and accounting system controls. In our opinion, the conditions noted in this report do not warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

Corrective Actions

We recommend that the Office of the Chief, BUMED add the SRM process as an assessable unit in the command Headquarters and Regions' Managers Internal Control Program.

We recommend that BUMED M4 establish guidance that defines, communicates, and enforces business rules and identifies accountable officials and their responsibilities regarding the purpose, application, and usage of the real property facility inspection process and the database of SRM discrepancies. We also recommend that BUMED M4 identify and require training programs that will enable staff with diverse responsibilities to utilize the database and the results of the real property facility inspections.

We recommend that BUMED M4 establish internal controls and provide oversight at the Headquarters level to ensure that the actions in the recommendations are taken by the regions, and that the improvements are corrected and sustained. We also recommend that BUMED M4 require the BUMED Regional Commanders provide oversight, monitoring and evaluation of FMs in prioritizing activity level requirements and projects, and for budget requests for outstanding identified critical requirements. This would include

holding the FMs responsible and accountable, for the use, accuracy, completeness, and timeliness of the Facility requirements database and DMLSS-FM. In addition, we recommend that BUMED M4 establish controls to ensure that all responsible personnel complete BUMED M4 established training by a specific date.

We recommend that BUMED M4, through its Regions, require BUMED Activity Commanding Officers (COs) establish a plan of action and milestones for correcting the outstanding critical facilities deficiencies, request expedited funding to correct them, and prioritize patient care related unfunded requirements first. We also recommend that BUMED M4 establish procedures of budgeting and funding local level requirements by priority versus historical use, and require FMs to verify and reconcile the facility and DMLSS databases and discontinue using legacy tracking systems (Excel, white boards, etc.)

We recommend that BUMED M4 and BUMED Deputy Chief Resource Management / Comptroller (M8) require and verify the use of the Facilities Sustainment Model (FSM) results in preparing sustainment budgets.

BUMED concurred with the recommendations and agreed to establish the SRM process as an assessable unit in its FY09 Management Internal Control Plan. In addition, BUMED agreed to write an instruction that will address Recommendations 2-6 and Recommendations 7-11. BUMED also agreed to require Activity Commanding Officers to establish a plan of action and milestones for correcting activity level deficiencies. BUMED agreed to use the Facilities Sustainment Model to develop its overall sustainment budget.

Section A:

Finding, Recommendations, and Corrective Actions

Finding: Sustainment of Real Property Facilities

Synopsis

BUMED activities and regions are not effectively using the facility inspection results and management information systems (MIS) the Bureau of Medicine and Surgery (BUMED) Deputy Chief, Installations and Logistics, (M4) provided for activities to use in managing real property facilities. Critical sustainment requirements at BUMED facilities were not being accurately and adequately identified by BUMED activities and critical and non-deferrable sustainment requirements were not being budgeted and executed in a timely manner. BUMED began using a contractor on 3 April 2003 to inspect its real property facilities and create a requirements database of real property maintenance and repair deficiencies for BUMED M4 and all BUMED regions and activities to manage its real property facilities. As of 18 March 2008, the database created by the contractor contained 622 critical outstanding non-deferrable sustainment deficiencies for 15 activities selected for audit estimated to cost \$84.7 million (See Table 1). Of the 622 deficiencies, 354 critical non-deferrable sustainment deficiencies estimated to cost \$53 million to repair had remained uncorrected for from 4 to 59 months, and for an average of 48 months. Of those 354 uncorrected deficiencies, 246 had been outstanding for over 4 years. These deficiencies included items for inpatient care such as the replacement of nurse call systems; non-compliance with the Americans with Disabilities Act; and plumbing, electrical, structural, and mechanical deficiencies that represent safety concerns.

The remaining 268 critical sustainment deficiencies with an estimated repair cost of \$31.7 million had been incorrectly shown as uncorrected in the database as of 18 March 2008. These included items such as deficiencies corrected prior to 18 March 2008, buildings no longer owned by BUMED, and buildings that had been demolished. Department of the Navy (DON) and BUMED guidance require BUMED, its regions, and military treatment facilities (MTFs) to identify facility-related resource requirements for the material condition, safety, and appearance of the facilities, and to correct deficiencies deemed to be critical. The inaccuracies in the database and the uncorrected deficiencies were caused by a lack of policies, procedures, training, controls, and oversight to require the database be verified, reconciled, and used to identify and plan for the correction of critical deficiencies. As a result, BUMED and its regions are not aware of the true condition of their real property facilities and the resource requirements

to correct the deficiencies and reports prepared using the data from the requirements database may be significantly inaccurate and misleading. In addition, over \$1.8 million is being spent on systems (designed to manage real property maintenance and repair deficiencies) that are not being used, while duplicative systems are being created and used at the activity level to identify deficiencies and track the progress made in correcting these deficiencies.

Discussion of Details

Background

BUMED is the headquarters command for Department of the Navy medicine. In support of its mission to safeguard the health of Navy and Marine Corps personnel, BUMED manages the worldwide medical and dental services and facilities maintained by the Department of the Navy. BUMED operates 16 Naval Hospitals (9 in the Continental United States (CONUS) and 7 outside of the Continental U.S. (OCONUS)), 9 Ambulatory Care Clinics (8 CONUS and 1 OCONUS), and 3 Naval Medical Centers. These facilities encompass approximately 45.6 million square feet and BUMED spends about \$140 million per fiscal year to maintain and repair these facilities.

Facility Assessment Contract

To assist in assessing the overall condition of its building inventory and developing the necessary plans to restore and maintain this inventory, BUMED began using a contract for engineering evaluations of its real property facilities, and creation and maintenance of a database of building maintenance deficiencies. The contractor was to conduct a complete visual (non-destructive) inspection of all the roofs, architectural, civil, structural, mechanical, and electrical components of the facilities. The inspection was to be conducted in accordance with guidance provided in Inspection of Shore Facilities, Naval Facilities Engineering Command MO-322 Volume II, January 1993. The inspections were to be accomplished with a view toward identifying all Sustainment and Restoration deficiencies. Each observed deficiency was to be recorded in a database that included a unique record for each deficiency identified or validated by the facility inspector. The record was to include all of the data required to describe the deficiency and the recommended corrective action. The contractor inspected the facilities as required by the contract and recorded the deficiencies identified during the inspection in a web based database for use by BUMED to manage the repair and maintenance of its real property facilities.

Responsibilities Regarding the Contractor Created Database and for Defense Medical Logistics Standard Support (DMLSS) Facility Management software (DMLSS-FM)

The contractor was only responsible for the inspections of the facilities and creation of the database. It became BUMED activities' responsibility to maintain the database and make use of the data. The contractor's inspections occur once every three years; however, activities have facility managers (FMs) examining its facilities frequently. These observations would lead to the identification of emerging deficiencies that the FMs should enter into the database. In addition, corrective actions are also on-going between contractor inspections. It is also the responsibility of the activities and their FMs to remove completed projects from the database, or to correct the database for demolished facilities or facilities that BUMED no longer owns or is responsible for. BUMED M4 has responsibility to ensure that personnel at the activities are trained in reconciliation, correction, and use of the facility database. The facility database of deficiencies should be used by the FMs to prioritize and budget funds to correct identified deficiencies. In August 2006, the contractor was contracted to examine and make recommendations for the current capital planning and management process supporting sustainment and restoration/modernization of BUMED facilities. The contractor provided its final report with recommendations to BUMED in March 2007.

In addition to the contractor database, BUMED has a contract for DMLSS-FM. According to BUMED personnel, the DMLSS automated information system was developed and deployed to enhance health care delivery in peacetime and to promote wartime readiness and sustainability. DMLSS provides automation support of reengineered medical logistics business practices and delivers a comprehensive range of materiel, equipment, and facilities management information systems (i.e. DMLSS-FM). The DMLSS-FM module is a key management tool for the FM to control workload, monitor work, successfully manage budgets, and globally access data for use in planning and programming. The DMLSS-FM module also incorporates computer-aided drawing capabilities and integrates digital blueprints and floor plans into the application. The Computer Assisted Facility Management System (CAFM) can produce the scheduled Preventive Maintenance programs and provide substantial compliance of Environment of Care standards for facility management Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) accreditation. The CAFM also ensures that facilities are acquired, operated, repaired, maintained, altered and cleaned in a manner which provides for an optimum productive environment for health care operations.

Pertinent Guidance

Naval Facilities Engineering Command Manual (NAVFAC) MO-322, "Inspection of Shore Facilities," dated March 1993, contains policy and criteria for inspection and condition assessment of shore facilities and preventive maintenance of equipment. Volume I provides guidance to implement and maintain an inspection/assessment system. Comprehensive inspection by technically qualified personnel is the key to helping protect

real property investment. Volume II, provides a system and recommended procedures to permit cost effective, quality, and responsive real property inspections. It assures economical maintenance and maximum reliability of facilities and equipment.

Chief of Naval Operations Instruction 11010.20G, “Facilities Project Manual,” dated 14 October 2005, defines facilities sustainment as the maintenance and repair activities necessary to keep a typical inventory of facilities in good working order. Sustainment includes regularly scheduled maintenance as well as cyclical major repairs or replacement of components that occur periodically over the expected service life of the facilities (i.e., roof or heating, ventilating, and air conditioning (HVAC) replacement). Due to obsolescence, sustainment alone does not keep facilities “like new” indefinitely, nor does it extend their service lives. A lack of full sustainment results in a reduction in service life that is not recoverable in the absence of recapitalization funding.

Chief of Naval Operations Instruction 11000.16A, “Command Responsibility for Shore Activity Land and Facilities,” dated 28 April 1987, established command responsibility for shore facilities. It states that major claimants are responsible for issuing guidance and instructions for management of facilities; maintaining a qualified staff for administering facility matters; and providing adequate training for personnel whose decisions affect facilities and the resources used to maintain them. Commanding officers are responsible for prudent facilities planning, for identifying facility-related resource requirements, for the material condition, safety, and appearance of facilities.

NAVMED P-117, “Manual of the Medical Department,” Change 109, Chapter 1, U.S. Navy, dated 16 February 1994, requires the Assistant Chief for Logistics (M4) direct, manage, and coordinate health care services contracting policy and procedures within the BUMED claimancy. In addition, it directs them to serve as the focal point for management concerning the scope, location, design, construction, maintenance, and equipage of medical and dental shore facilities. Section 24 (c) also directs the Assistant Chief for Logistics to provide oversight of the Facilities Division, which is tasked to develop health care and support facilities requirements and maintenance, repair, and construction programs for BUMED and serve as the focal point for management of shore facilities.

BUMED Instruction 11010.6, “Maintenance of Real Property Program Guidance,” dated 12 August 1992, provides specific BUMED guidance on preparing and submitting the Annual Inspection Summary (AIS).

Chief of BUMED, “Inventory, Property Record Card Review,” dated 30 October 2001, states that, beginning in Fiscal Year (FY) 2002, the Facilities Sustainment Model (FSM) will be the basis used to provide the resource amounts for the maintenance and repair actions necessary to keep the inventory of medical facilities and installations in good working order. BUMED is requiring all activities within the claimancy to verify and

update their property record cards by the end of calendar year 2001, and to continue to validate the same cards on a regular year-end basis.

Chief of BUMED, “Defense Medical Logistics Standard Support MLSS Facility Management (DMLSS-FM) Module Mandate,” dated 04 September 2001, states that “DMLSS-FM is mandated for your activity and must be in use for work and project management beginning 1 January 2002.”

Public Law 110-28 - 25 May 2007 (U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Section 3307 - Inspection of Medical Treatment Facilities, Military Quarters Housing Medical Hold Personnel, and Military Quarters Housing Medical Holdover Personnel) requires the inspection of specified medical facilities by 21 November 2007 and annually thereafter. The purpose of the inspections is to ensure that the facility, or quarters concerned, meets acceptable standards for the maintenance and operation of the facilities. The legislation requires that, when a deficiency is identified as a result of a facility inspection, the respective military component must identify and report to Congress a plan for corrective action and re-inspect the facility not less than every 180 days thereafter or until that deficiency is corrected.

BUMED Instruction 5200.13, “Review and Improvement of Management Control Systems,” dated 6 November 1991, states that, “Effective and efficient management controls must be established and maintained over all naval medical department resources.” It also states that, “actual performance of risk assessments and management control reviews must be performed by the responsible manager.” It defines the establishment, maintenance, responsibilities, and accountabilities for management control systems.

Audit Results

Although the Bureau of Medicine and Surgery (BUMED) began using a contractor on 3 April 2003 to inspect its real property facilities and create a requirements database of real property maintenance and repair deficiencies, 354 critical non-deferrable sustainment deficiencies estimated to cost \$53 million to repair remained uncorrected for an average of 48 months; and about 43 percent of the outstanding critical sustainment deficiencies with a repair cost of \$31.7 million were incorrectly shown as uncorrected in the database as of 18 March 2008.

We obtained the data contained in the real property maintenance and repair deficiencies database on 18 March 2008. We selected five Naval Hospitals, three Naval Medical Centers, six Ambulatory Care Clinics, and a support command for detailed audit work (See Exhibit C for the list of activities visited). We selected the activities based on the

size and location of the facility, to include activities from each Navy Medicine Region. For the 15 activities selected, we selected for detailed audit work all 622 critical sustainment deficiencies, with a total estimated repair cost of \$84.7 million, that were listed in the database on 18 March 2008. We visited the selected sites; determined through interviews, observations, and supporting documentation which critical sustainment deficiencies were accurately reported; and determined how long the outstanding deficiencies remained in the database without being corrected.

Accuracy of the Database of Real Property Maintenance and Repair Deficiencies

A critical deficiency is identified as a critical or immediate concern that should be addressed immediately (within 1 year). Of the 622 critical sustainment deficiencies worth \$84.7 million shown as outstanding on 18 March 2008, 354 deficiencies with estimated repair costs of \$53 million were correctly shown as outstanding. Table 1 displays the 622 deficiencies with estimated repair costs of \$84.7 million broken down by BUMED region.

Table 1. Outstanding Critical Sustainment Deficiencies by Region

Region	Total Critical Sustainment Deficiencies as of 18 March 2008	
	Number	Estimated Cost to Correct Deficiency (\$000)
Capital	223	17,704
East	210	42,988
West	160	23,282
Support	29	760
Total	622	84,734

However, 354 critical deficiencies had been identified and remained uncorrected in the database for an average of 48 months as of 18 March 2008. We could not determine when or if these outstanding critical deficiencies would be corrected. Table 2 displays the average months a critical deficiency remained uncorrected in the database and the estimated repair cost for the deficiencies.

Table 2. Length of Time Critical Sustainment Deficiencies remained Uncorrected

Number of Months Deficiency Remained Uncorrected	Number of Deficiencies	Estimated cost to Repair Deficiencies (\$000)
Less than 12 Months	8	12,494
Between 13-24 Months	7	2,989
Between 25-36 Months	22	1,207
Between 37-48 months	71	4,816
More than 49 months	246	31,525
Total Uncorrected Deficiencies	354	53,031

We have determined that the eight critical deficiencies that had been in the database for less than 12 months as of 18 March 2008 were still uncorrected as of 20 October 2008.

We found that the 354 total uncorrected deficiencies included:

- Items for patient care, including replacement of nurse call systems;
- Americans with Disabilities Act items, such as making sure there is proper space for handicapped accessibility;
- Plumbing items, such as replacing hot water heaters and replacing piping;
- Electrical items, such as cleaning switchgear and replacing wiring;
- Structural items, which include proper flashing or repairing/replacing windows; and
- Mechanical items such as heating, ventilation, and air conditioning (HVAC) systems.

We determined 25 deficiencies specifically addressing Americans with Disabilities Act deficiencies that were in the database an average 49.3 months with estimated repair costs of \$1.45 million remain uncorrected. The range of time items were uncorrected varied from 33 to 57 months.

Table 3 displays the 268 deficiencies with estimated repair costs of \$31.7 million that were incorrectly shown as outstanding, by BUMED region.

Table 3. Invalid Critical Sustainment Deficiencies by BUMED Region as of 18 March 2008.

Region	Invalid Critical Sustainment Deficiencies as of 18 March 2008	
	Number	Estimated Cost to Correct Deficiency (\$000)
Capital	103	3,223
East	97	11,471
West	66	16,961
Support	2	50
Total	268	31,705¹

The 268 invalid deficiencies included 224 for \$31 million that had already been corrected. Table 4 shows a breakdown of the reasons why the deficiencies were invalid.

Table 4. Reasons Outstanding Critical Sustainment Deficiencies were determined to be Invalid as of 18 March 2008.

Reason the Deficiency was invalid	Critical Sustainment Deficiency	
	Number of Deficiencies	Estimated Cost to Correct
Deficiencies corrected prior to 18 March 08	224	\$31,005,000
BUMED does not own the building	28	\$454,000
Building has been demolished	12	\$201,000
BUMED does not own the system	3	\$25,000
Building being replaced	1	\$19,000
Total Invalid Deficiencies	268	\$31,704,000¹

Facilities assessment supporting wounded warriors

In response to Public Law 110-28, BUMED MTFs were advised to perform a visual inspection of each MTF after reviewing requirements generated from various databases and reports, including the requirements database. In all cases, when an MTF did not meet the standard, the activity had to provide an estimate to correct the deficiency or indicate that corrections were under way.

Based on the report of SRM deficiencies sent to Assistant Secretary of the Navy for Manpower and Reserve Affairs (ASN (MRA)) on 25 October 2007, most BUMED MTFs indicated that they met the standard and that, as a result, no actions or estimates were

¹ Due to rounding, the estimated cost to correct for the Total Number of Invalid Deficiencies are different.

required. The report estimated that ADA and Facility Operations and Maintenance deficiencies would cost \$61 million to correct for the 15 MTFs selected for audit. Although we did not verify the accuracy of that information in the report, the requirements database contained deficiencies that would cost about \$84.7 million to correct as of 18 March 2008. We were unable to reconcile the \$23.7 million difference between the report and the deficiency database.

Reasons for the Inaccuracies in the Database
of Real Property Maintenance and Repair Deficiencies

The inaccuracies in the database and the uncorrected deficiencies were caused by a lack of policies, procedures, training, and controls to require that the database be verified, reconciled, and used to identify and plan for the correction of critical deficiencies. As described previously, the contractor periodically inspects BUMED facilities and records the deficiencies found during the inspections into the web-based database. The contractor does not update the database between facility inspections; it is the activities' responsibility to maintain the integrity of the database between facility inspections.

Although the activities are responsible for maintaining the accuracy and completeness of the database between inspections, BUMED M4, Regional Commanders, or Commanding Officers had not directed nor provided oversight to ensure that FMs are identifying and recording real property maintenance and repair deficiencies. Although the database may have been accurate when it was created, it quickly became outdated because BUMED M4 and Regional Commanders had not issued policies and procedures to describe how FMs should be using the database or assigning responsibility to FMs to update and maintain the database. At most activities visited, the FMs were aware that inspections were being done and the database of deficiencies was being created, but they were not sold on the concept of them managing their facilities using the database. For example:

- The FM at 1 of the 15 activities visited stated that they do not have inspections and he has not seen inspectors in the last 4 years;
- The FMs at 2 of the 15 activities stated that they were not given adequate instructions for the database to allow them to fully utilize the system;
- The FMs at 5 of the 15 activities audited stated that they use their own inspections as a main tool to identify deficiencies;
- The FM at 1 of the 15 activities audited stated that they do not believe the deficiencies listed in the database are accurate; and
- The FMs at 6 of the 15 activities audited stated that they believe it is too time-consuming to enter in data in the database and entering data in the database is a

duplicate of other records that they maintain locally to identify and track maintenance and repair deficiencies.

BUMED M4 officials provided sufficient oversight of special projects costing over \$200,000. However, they did not provide sufficient oversight to the regional commands or establish internal controls to ensure that procedures for locally funded requirements were established and were sufficiently and effectively maintained. BUMED M4 did not develop performance measures and metrics to track the correction of local facility deficiencies by priority or timeliness, nor did they hold the regions accountable for correcting the deficiencies.

BUMED M4 personnel stated that their focus was to provide oversight for special projects. A special project is a project for which the requirement(s) are in excess of \$200,000 for existing structures or \$100,000 for new construction. They stated that it is up to the local activity commanders to prioritize and fund less costly local requirements because, in their view: (1) BUMED M4 has no authority over the personnel at the local level, and (2) guidance for the local level personnel must come from the regional or local Commanding Officer. However, M4 can provide oversight and use performance measurement to assess the effectiveness of regional and local efforts to meet the goals of the SRM program, and identify weaknesses. Additionally, M4 can effect change when needed by informing the BUMED Commander of problems with program execution and convincing the BUMED Commander to use his or her authority bring regional and local activities into compliance when they do not respond to M4 guidance. The audit showed that, based on requirements identified in BUMED Instruction 5200.13,² BUMED M4 has not met the requirements of establishing and maintaining sufficiently effective and efficient management controls, as required by BUMED Instruction 5200.13.³ In addition, Section 24 (c) of NAVMED P117, chapter 1, directs M4 to provide oversight of the Facilities Division, which is tasked to develop health care and support facilities requirements and maintenance, repair, and construction programs for BUMED, and serve as the focal point for management of shore facilities.

BUMED M4 personnel stated that they understood that there are policy gaps between BUMED and the Commanding Officer of each activity, especially since the Medical Regions were created recently as a command layer between MTFs and BUMED. In addition, the BUMED sustainment, restoration, and modernization program was not reviewed as an assessable unit in the 2008 Managers' Internal Control Program.

Also, BUMED M4 has not required training necessary for the facility and command personnel to properly use the MIS tools. The FMs have not received adequate training to

² BUMED Instruction 5200.13 was in effect throughout the field work of the audit, but has subsequently been canceled as of 28 October 2008 and replaced with BUMED Instruction 5200.13A, dated 29 October 2008, which further clarifies the responsibility and accountabilities for managers within each echelon of Navy Medicine.

³ BUMED Instruction 5200.13 was in effect throughout the field work of the audit, but has subsequently been canceled as of 28 October 2008 and replaced with BUMED Instruction 5200.13A, dated 29 October 2008, which further clarifies the responsibility and accountabilities for managers within each echelon of Navy Medicine.

ensure that they understand what the inspections and the database can do for them. As a result, they do not use them. In addition, others who have an impact on the success of BUMED's SRM program (e.g. commanding officers, executive officers, comptrollers, etc.) should be given awareness training to be sure they understand the database, the software, and the report capabilities.

Impact of Inaccuracies in the Database
of Real Property Maintenance and Repair Deficiencies

BUMED M4 and its Regional Commanders are not aware of the true condition of their real property facilities, and the resource requirements to correct the deficiencies and reports prepared using the data from the requirements database may be inaccurate and misleading. BUMED M4 uses the database for planning and budgeting for special projects that they manage. Although BUMED M4 was made aware that the database was not being reconciled or updated for new deficiencies or corrected for corrected deficiencies, BUMED M4 was not fully aware of the significance of the errors in the database.

During our audit, we found that the activities visited did not have an auditable process developed to track their backlogs. FMs were using locally developed spreadsheets to manage projects identified during assessments, instead of the database of Real Property Maintenance and Repair Deficiencies that had been developed by the contractor for BUMED. In some cases, these local spreadsheets were simply projects identified and listed on a white board. In other cases, spreadsheets were used to identify the projects. Requirements were not identified on the spreadsheets, but instead projects and work orders were identified as areas to correct or complete. BUMED M4 and its Regional Commanders were not aware of what the activities were showing as real property maintenance and repair deficiencies.

BUMED activities are not correcting many of the critical deficiencies in a timely manner. The 354 critical requirements identified in real property facility database on 18 March 2008, with an estimated cost to correct of \$53 million, remained unfunded and uncorrected for an average of 48 months.

BUMED was spending over \$1.8 million for facility inspections and database software that that was not being fully used by the BUMED community. BUMED spent about \$1.6 million per year for a contractor to inspect its facilities and create the database of deficiencies. BUMED also spends about \$283,000 million annually for DMLSS-FM software that is not fully utilized.

Reports created using the data in the requirements database may be inaccurate and misleading because of the errors in the database.

Use of Defense Medical Logistics Standard
Support Facility Management (DMLSS-FM) Software

BUMED mandates all activities to use DMLSS-FM for work and project management as of January 2002. DMLSS-FM has three basic components: facility inventory, daily maintenance work requests, and project planning. We determined that for the activities using DMLSS-FM, five of the audited activities used DMLSS-FM for tracking maintenance and repair projects, and 11 of the audit activities used DMLSS-FM for tracking work requests. However, the audited activities have not used DMLSS-FM software to its full capability to manage the maintenance and repairs of their real property facilities. None were using DMLSS-FM for project planning due to the lack of interface with the requirements database. The requirements database is a web-based application while DMLSS is an enterprise system. DMLSS-FM is a key management tool for the FM to control workload, monitor work, successfully manage budgets, and globally access data for BUMED's use in planning and programming.

BUMED Planning, Programming, Budgeting and Executing of SRM Funds

BUMED is not using the Facilities Sustainment Model (FSM) as the basis to provide the resource amounts for the maintenance and repair actions necessary to keep the inventory of medical facilities and installations in good working order as required by BUMED guidance. FSM projects annual facility sustainment costs for the DoD facilities inventory. According to BUMED guidance for Inventory Property Record Card Review, beginning in Fiscal Year (FY) 2002, the FSM will be the basis used to provide the resource amounts for the maintenance and repair actions necessary to keep the inventory of medical facilities and installations in good working order. FSM includes the Facility Condition Index, which can be obtained from the database. In addition, according to a contractor report dated March 2007, BUMED uses budget models developed by DoD to evaluate budget needs for facilities capital planning. Using information from the defense programming data warehouse regarding the inventory of BUMED buildings, and commercial and internally developed cost factors, BUMED is able to calculate their budgetary needs for operational, sustainment, and modernization functions. The models used to calculate these needs are referred to as FSM, the Facilities Operations Model (FOM), and the Facilities Modernization Model (FMM).

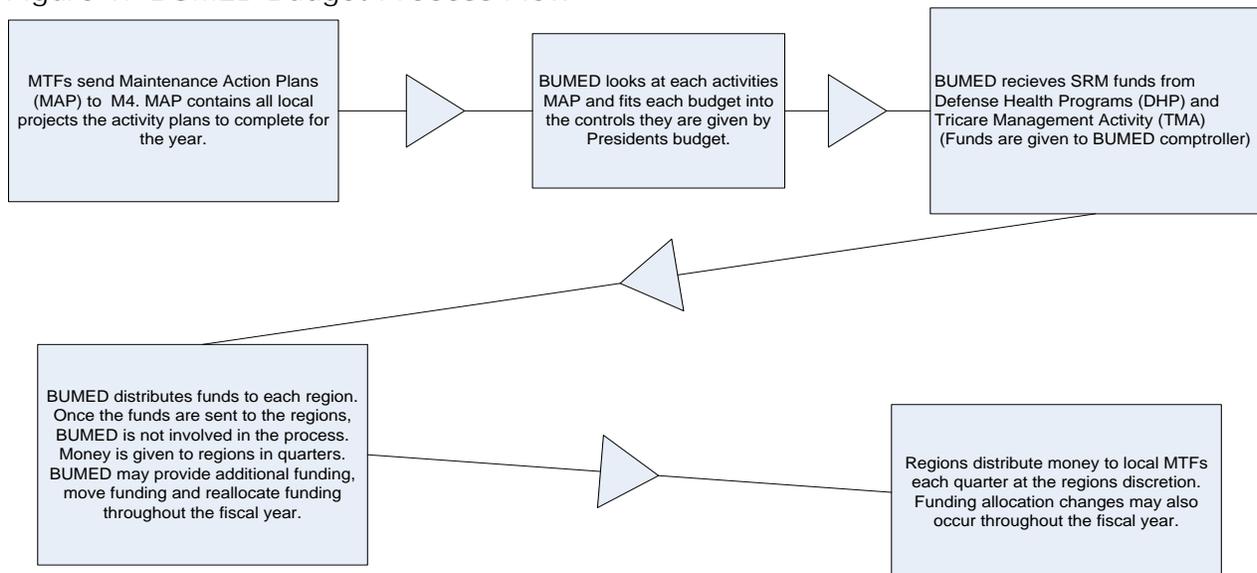
However, through testimony and observation, we found that for budgeting purposes, BUMED uses budget controls from the TRICARE Management Activity (TMA), historical data, and Maintenance Action Plans (MAPs)⁴ from each subordinate activity to determine the level of funding required for maintaining and repairing its real property facilities. BUMED M4 and the activities do not use the data generated in the requirements database as a method of prioritizing and requesting funds for critical requirements, nor do they use the length of time a requirement has been identified as a

⁴ A MAP contains all local projects that are currently being executed and what major projects the MTF wants to accomplish during the current and upcoming years

factor in planning their budget.

TMA provides an overall control amount for BUMED to distribute to its subordinate commands. Using this amount as a limit, BUMED allocates sustainment funds to regions based on historical sustainment expenditures at the activities subordinate to the region. In addition, BUMED obtains the MAP from each subordinate command. The MAP contains all the subordinate commands' local projects that are expected to be completed that year, as well as the estimated project cost and planned completion date. BUMED M4 reviews each MAP and, with the use of historical data, determines the amount that each MTF will receive for the coming fiscal year. BUMED does not provide funds directly to the MTF, but provides the funds to the appropriate region for distribution. BUMED personnel stated that funds are put in seven different Defense Health Program (DHP) Operation and Maintenance (O&M) Budget Activity Groups (BAGs), and allocations and distribution of funds are based on historical trends. Funds can be transferred among BAGs 3, 4, 5, 6, and 7 for emergent requirements during the execution phase. SRM funds are located in BAG 7, which is responsible for the funds for O&M of DHP facilities. According to facility management personnel, when funds are received by the MTF comptroller, the funds that are identified as SRM funds can be used to fund other programs. FMs are not aware of the actual funds they should receive each year, and they must wait on their respective MTF comptrollers to provide adequate funding to complete critical requirements. Figure 1 shows the Budget Process Flow. By not using the FSM and the requirements database to budget funds to sustain its facilities, BUMED could be under- or overfunding its sustainment requirements at individual medical activities.

Figure 1: BUMED Budget Process Flow



Recommendations and Corrective Actions

The Office of the Chief of Bureau of Medicine and Surgery provided management responses to the recommendations. Summarized responses are below, with our comments. The full text of the management responses is in the Appendix.

We recommend that the Office of the Chief of Bureau of Medicine and Surgery:

Recommendation 1. Add the SRM process as an assessable unit in the command Headquarters and Regions Managers Internal Control Program.

BUMED response to Recommendation 1: Concur. BUMED will establish SRM as an assessable unit in its FY09 MICP plan and provide assessment methodology to the regions. The intent is for regions and activities to review this assessable unit in the third quarter and report results, as appropriate, in the FY09 Annual Statement of Assurance. The planned completion date is 31 March 2009.

NAVAUDSVC comment on response to Recommendation 1. BUMED's planned action meets the intent of the recommendation, which is considered open pending establishment of the SRM assessable unit and methodologies.

We recommend that BUMED Deputy Chief, Installations and Logistics (M4):

Recommendation 2. Establish guidance that defines, communicates, and enforces business rules and identifies accountable officials and their responsibilities regarding the purpose, application, and usage of the real property facility inspection process and the database of SRM discrepancies.

BUMED response to Recommendation 2: Concur. BUMED will develop an instruction that will accomplish this recommendation. The planned completion date is 31 July 2009.

NAVAUDSVC comment on response to Recommendation 2. BUMED's planned action meets the intent of the recommendation, which is considered open pending development of the instruction.

Recommendation 3. Identify and require training programs that will enable staff with diverse responsibilities to utilize the database and the results of the real property facility inspections.

BUMED response to Recommendation 3: Concur. BUMED has various forms of training in existence. In addition, the current support contract

requires the contractor to develop a comprehensive training program. These training opportunities and their required frequency will be published in the instruction referenced in Recommendation 2. Planned completion date of 31 July 2009.

NAVAUDSVC comment on response to Recommendation 3.

BUMED's planned action meets the intent of the recommendation, which is considered open pending issuance of the instruction referenced in Recommendation 2.

Recommendation 4. Require BUMED Regional Commanders to provide oversight, monitoring, and evaluation of FMs in prioritizing activity level requirements and projects, and for budget requests for outstanding identified critical requirements.

BUMED response to Recommendation 4: Concur. The instruction referenced in Recommendation 2 will identify the Regional Commanders as the accountable official to provide oversight, monitoring, and evaluation of FMs in meeting this recommendation. Regional Commanders will utilize the Maintenance Action Plans (MAPs) to execute this requirement. The planned completion date is 27 February 2009.

NAVAUDSVC comment on response to Recommendation 4.

BUMED's planned action to meets the intent of the recommendation, which is considered open pending issuance of the instruction referenced in Recommendation 2.

Recommendation 5. Require BUMED Regional Commanders to hold the FMs responsible and accountable, for the use, accuracy, completeness, and timeliness of the Facility requirements database and DMLSS-FM.

BUMED response to Recommendation 5: Concur. The instruction referenced in Recommendation 2 will identify the Regional Commanders as the accountable official to hold the FMs responsible and accountable for the use, accuracy, completeness, and timeliness of the Facility Requirements Database and DMLSS-FM. The regional commanders will be required to provide a plan of action to enable execution of this requirement. The planned completion date is 31 July 2009.

NAVAUDSVC comment on response to Recommendation 5.

BUMED's planned action meets the intent of the recommendation, which is considered open pending completion of the development of plans following issuance of the instruction referenced in Recommendation 2.

Recommendation 6. Require BUMED Regional Commanders to establish controls to ensure that all responsible personnel complete BUMED M4 established training by a specific date.

BUMED response to Recommendation 6: Concur. The instruction referenced in Recommendation 2 will identify the Regional Commanders as the accountable official to establish controls to ensure that all responsible personnel complete BUMED M4 established training by a specific date in concert with Recommendation 3. The regional commanders will be required to provide a plan of action to enable execution of this requirement. The planned completion date is 31 October 2009.

NAVAUDSVC comment on response to Recommendation 6. BUMED's planned actions meet the intent of the recommendation, which is considered open pending development of plans following issuance of the instruction referenced in Recommendation 2.

Recommendation 7. Through its Regions, require BUMED Activity Commanding Officers to establish a plan of action and milestones for correcting the outstanding critical facilities deficiencies, request expedited funding to correcting them, and prioritize patient care related unfunded requirements first.

BUMED response to Recommendation 7: Concur. Activity Commanding Officers will establish the plan of action and milestones for correcting activity level deficiencies (less than \$200,000) prioritizing patient care related unfunded requirements first. Activities will be required to fund corrections by 30 September 2009. Special Project Level deficiencies (over \$200,000) shall be presented at the FY 2010 Special Projects Board in May 2009 for the end of year FY 2009 funding or FY 2010 funding, depending on the executability of the requirement. The planned completion date is 30 September 2009.

NAVAUDSVC comment on response to Recommendation 7. BUMED's planned action meets the intent of the recommendation, which is considered open pending establishment of the plan of action and milestones.

Recommendation 8. Through its Regions, require BUMED Activity Commanding Officers to establish procedures of budgeting and funding local level requirements by priority versus historical use.

BUMED response to Recommendation 8: Concur. The instruction referenced in Recommendation 2 will identify the Activity Commanding Officers as the accountable official to establish procedures of budgeting and funding local level requirements by priority versus historical use. Activity

COs will utilize VFA for establishing priority of requirements. The planned completion date is 31 July 2009.

NAVAUDSVC comment on response to Recommendation 8.

BUMED's planned action meets the intent of the recommendation, which is considered open pending development of plans following issuance of the instruction referenced in Recommendation 2.

Recommendation 9. Through its Regions, require BUMED Activity Commanding Officers to require FMs to verify and reconcile the facility and DMLSS databases.

BUMED response to Recommendation 9: Concur. Following the execution of Recommendation 7, the instruction referenced in Recommendation 2 will identify the correct frequency for verification and reconciliation of the facility and DMLSS databases by the Activity Commanding Officers. The planned completion date is 30 September 2009.

NAVAUDSVC comment on response to Recommendation 9.

BUMED's planned action meets the intent of the recommendation, which is considered open pending the execution of Recommendation 7 and the development of plans following issuance of the instruction referenced in Recommendation 2.

Recommendation 10. Through its Regions, require BUMED Activity Commanding Officers to discontinue using legacy tracking systems (Excel, white boards, etc.).

BUMED response to Recommendation 10: CONCUR. The instruction referenced in Recommendation 2 will require BUMED Activity Commanding Officers discontinue using legacy tracking systems (Excel, white boards, etc). The planned completion date is 30 September 2009.

NAVAUDSVC comment on response to Recommendation 10.

BUMED's planned action meets the intent of the recommendation. Recommendation is considered OPEN pending requirement of BUMED Activity Commanding Officers to discontinue using legacy tracking systems in the instruction referenced in Recommendation 2. In its response, BUMED recognized that the use of legacy tracking systems is a matter of personal preference for FMs. In subsequent communication, BUMED clarified this position to indicate that FMs' possible continued use of white boards, Excel sheets, etc., at the local level would be in addition to required use of the supplied tools for basic facility operations.

Recommendation 11. Establish internal controls and provide oversight at the Headquarters level to ensure that the actions in Recommendations 4-10 are taken by the regions, and that the improvements are corrected and sustained.

BUMED response to Recommendation 11: Concur. The current DMLSS-VFA Support Contract requires a VFA and DMLSS utilization report. These reports will serve as the Headquarters level oversight providing utilization information on an activity's use of both FM databases. The instruction referenced in Recommendation 2 will require the Regional Commanders to review the utilization reports and provide oversight to ensure overall usage of the FM databases by the activities. The planned completion date is 31 July 2009.

NAVAUDSVC comment on response to Recommendation 11. BUMED's planned action meets the intent of the recommendation, which is considered open pending development of plans following issuance of the instruction referenced in Recommendation 2.

We recommend that BUMED M4 and M8:

Recommendation 12. Require the use of the FSM results in preparing sustainment budgets.

BUMED response to Recommendation 12: Concur. In accordance with DUSD I&E policy, BUMED uses the FSM to develop its overall sustainment budget.

NAVAUDSVC comment on response to Recommendation 12. BUMED began using FSM at the local level in accordance with a memo issued 29 January 2009, after our official draft report was issued. The completed action satisfies the intent of the recommendation, which is closed.

Section B:

Status of Recommendations

RECOMMENDATIONS						
Finding ⁵	Rec. No.	Page No.	Subject	Status ⁶	Action Command	Target or Actual Completion Date
1	1	18	Add the SRM process as an assessable unit in the command Headquarters and Regions Managers Internal Control Program.	O	Chief, BUMED	3/31/2009
1	2	18	Establish guidance that defines, communicates, and enforces business rules and identifies accountable officials and their responsibilities regarding the purpose, application, and usage of the real property facility inspection process and the database of SRM discrepancies.	O	BUMED M4	7/31/2009
1	3	18	Identify and require training programs that will enable staff with diverse responsibilities to utilize the database and the results of the real property facility inspections.	O	BUMED M4	7/31/2009
1	4	19	Require BUMED Regional Commanders to provide oversight, monitoring, and evaluation of FMs in prioritizing activity level requirements and projects, and for budget requests for outstanding identified critical requirements.	O	BUMED M4	7/27/2009
1	5	19	Require BUMED Regional Commanders to hold the FMs responsible and accountable, for the use, accuracy, completeness, and timeliness of the Facility requirements database and DMLSS-FM.	O	BUMED M4	7/31/2009
1	6	20	Require BUMED Regional Commanders to establish controls to ensure that all responsible personnel complete BUMED M4 established training by a specific date.	O	BUMED M4	10/31/2009
1	7	20	Through its Regions, require BUMED Activity Commanding Officers to establish a plan of action and milestones for correcting the outstanding critical facilities deficiencies, request expedited funding to correcting them, and prioritize patient care related unfunded requirements first.	O	BUMED M4	9/30/2009
1	8	20	Through its Regions, require BUMED Activity Commanding Officers to establish procedures of budgeting and funding local level requirements by priority versus historical use.	O	BUMED M4	7/31/2009
1	9	21	Through its Regions, require BUMED Activity Commanding Officers to require FMs to verify and reconcile the facility and DMLSS databases	O	BUMED M4	9/30/2009
1	10	21	Through its Regions, require BUMED Activity Commanding Officers to discontinue using legacy tracking systems (Excel, white boards, etc.)	O	BUMED M4	9/30/2009

⁵ / + = Indicates repeat finding

⁶ / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress

RECOMMENDATIONS						
Finding ⁵	Rec. No.	Page No.	Subject	Status ⁶	Action Command	Target or Actual Completion Date
1	11	22	Establish internal controls and provide oversight at the Headquarters level to ensure the actions in Recommendations 4-10 are taken by the regions, and that the improvements are corrected and sustained.	O	BUMED M4	7/31/2009
1	12	22	Require the use of the FSM results in preparing sustainment budgets.	C	BUMED M4/M8	1/29/2009

Background

BUMED is the headquarters command for Department of the Navy (DON) medicine. In support of its mission to safeguard the health of Navy and Marine Corps personnel, BUMED directs the worldwide medical and dental services and facilities maintained by DON. BUMED provides health care to 700,000 active duty Navy and Marine Corps members and 2.6 million retired service and family members while supporting contingency, humanitarian, and joint operations around the world.

Since the first casualties from the Global War on Terrorism (GWOT), the Department of Defense (DoD) has focused on the need to provide adequate facilities for medical treatment and housing of wounded warriors. The importance of this effort was highlighted by Secretary of Defense Dr. Robert M. Gates on 2 May 2007: "... Our nation is truly blessed that so many talented and patriotic young people have stepped forward to serve. They deserve the very best facilities and care to recuperate from their injuries and ample assistance to navigate the next step in their lives, and that is what we intend to give them. Apart from the war itself, this department and I have no higher priority."

BUMED's Sustainment, Restoration, and Modernization (SRM) program consists of management over the maintenance and upkeep of medical treatment and support facilities. Both sustainment and restoration work is funded with Operations and Maintenance, Navy appropriation.

The SRM program is key to sustaining a strong Navy installations foundation and is the platforms from which the Navy successfully executes its mission. Therefore, Navy installations must be properly maintained so that their facilities do not undermine readiness, compromise missions, or reduce quality of life.

BUMED uses a contractor to inspect its facilities and create the real property facility database of repair and maintenance deficiencies. In addition, BUMED uses the Defense Medical Logistics Standard Support automated information system Facility Management module (DMLSS-FM) software to help manage the repair and maintenance of its real property facilities.

In 1994, the development of the first phase of DMLSS-FM began. DMLSS-FM provides a powerful computer-aided facility management tool for standardizing facility management programs throughout the DoD health care industry. It provides a comprehensive automated management capabilities ranging from scheduled maintenance and project tracking to regulatory compliance and space management.

Exhibit B:

Scope and Methodology

Scope

We performed the audit at the locations listed in Exhibit C from January 2008 through September 2008 in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve the audit objective, we judgmentally selected the 15 activities listed in Exhibit C that included five wounded warrior facilities from all 4 regional areas of BUMED based on the number of outstanding critical sustainment deficiencies in the database as of 18 March 2008, and the estimated cost to correct the deficiencies.

The scope of the audit included all 622 total critical sustainment deficiencies for the 15 activities selected for audit as of 18 March 2008; the deficiencies require an estimated \$84.7 million to correct as of 18 March 2008.

Methodology

To accomplish our audit, we audited applicable BUMED SRM policies, procedures, guidelines, and directives at the 15 selected activities. We conducted interviews with key personnel in order to answer the audit objective and obtained supporting documentation.

During the 15 site visits, we determined if and how the activities were using facility inspections, the real property facility database of repair deficiencies and DMLSS-FM by analyzing policies and procedures. We evaluated the accuracy and the completeness of the real property facility database of repair and maintenance deficiencies. In doing this, we interviewed Facility Managers (FMs) at regions and the activities visited, compared critical sustainment requirements in real property facility database of repair and maintenance deficiencies to Maintenance Action Plans (MAPS) maintained by the activities and reconciled differences between the MAPs and the real property facility database of repair and maintenance deficiencies to identify errors.

We determined if the MTFs were using DMLSS-FM by comparing the real property facility database of repair and maintenance deficiencies to the DMLSS-FM database as

well as interviewing appropriate personnel. If it was determined that the MTFs were not using the real property facility database of repair and maintenance deficiencies, and DMLSS-FM, we determined why they were not using the systems by analyzing policies and procedures and reviewing the training provided. We reviewed and obtained contract documents for both the facility inspections, real property facility database of repair and maintenance deficiencies and DMLSS-FM from BUMED to determine cost, statement of work, and oversight requirements.

We determined if the real property facility database of repair and maintenance deficiencies was used to budget for SRM funds by identifying SRM budget and execution for Fiscal Years 2005, 2006, and 2007. (We identified the BUMED budget submission process, as well as how they distribute funds to each MTF.

We evaluated the overall condition of the facilities for the activities visited by visually inspecting 15 selected activities, accompanied by the FMs, to verify whether critical sustainment deficiencies in the real property facility database of repair and maintenance deficiencies had been corrected.

We verified whether critical sustainment deficiencies were identified and corrected at the activities visited by interviewing FMs, reconciling the MAP with the real property facility database of repair and maintenance deficiencies and obtaining supporting documentation. We also determined if non-critical or deferrable sustainment deficiencies were being corrected by evaluating criticality codes listed for completed projects.

We worked with Naval Audit Service Data Mining group to assess completeness and accuracy of the following:

- Software used to create and manage the real property facility database of repair and maintenance deficiencies and the data in the database; and
- DMLSS-FM software and the data in its database.

Exhibit C:

Activities Visited

NAVAL MEDICAL COMMANDS	
Bureau of Medicine and Surgery (BUMED)	Washington, DC
Navy Medicine Capital	Bethesda, MD
Navy Medicine East	Portsmouth, VA
Navy Medicine Support Command (NMSC)**	Jacksonville, FL
Navy Medicine West	San Diego, CA
MEDICAL CENTERS	
National Naval Medical Center (NNMC) Bethesda *,**	Bethesda, MD
Naval Medical Center (NMC) Portsmouth *,**	Portsmouth, VA
Naval Medical Center (NMC) San Diego *,**	San Diego, CA
NAVAL HOSPITALS	
Naval Hospital Jacksonville**	Jacksonville, FL
Naval Hospital Camp Lejeune *,**	Camp Lejeune, NC
Naval Hospital Oak Harbor**	Oak Harbor, WA
Naval Hospital Bremerton **	Bremerton, WA
Naval Hospital Camp Pendleton *,**	Camp Pendleton CA
AMBULATORY CARE CLINICS	
U.S. Naval Academy, Naval Health Clinic, Annapolis**	Annapolis, MD
Naval Health Clinic Cherry Point**	Cherry Point, NC
Naval Health Clinic Corpus Christi**	Corpus Christi, TX
Naval Health Care New England, NACC Groton**	Groton, CT
Naval Health Clinic Quantico**	Quantico, VA
Naval Health Clinic Patuxent River**	Patuxent River, MD

*Facilities where wounded warriors traverse

** Activities Selected for detailed audit work

Appendix:

Management Response from Bureau of Medicine and Surgery



DEPARTMENT OF THE NAVY

BUREAU OF MEDICINE AND SURGERY
2300 E STREET NW
WASHINGTON DC 20372-7300

IN REPLY REFER TO

11019
Ser M41/E09UN093000016
12 February 2009

MEMORANDUM FOR ASSISTANT AUDITOR GENERAL, INSTALLATIONS AND ENVIRONMENT, NAVAL AUDIT SERVICE

SUBJECT: Bureau of Medicine and Surgery Management of Sustainment Funds to Repair and Maintain Real Property Facilities (Draft Audit Report N2008-NIA000-0060)

Ref: (a) NAVAUDSVC ltr N2008-NIA000-0060 12 Dec 08

Encl: (1) BUMED Response to Draft Audit Report N2008-NIA000-0060 (Tabular Form)

1. We have completed our review of the subject audit report submitted with ref (a). Our written response to each of the 12 recommendations can be found at enclosure (1). We concur with each of the recommendations, and the corrective actions taken or planned and dates of completion are delineated in the table enclosed. The majority of actions will be completed within 6 months. It will take through the end of this fiscal year, September 30, 2009, to complete three actions as indicated in enclosure (1).

2. In our review of the report, we find no need for any portions of the report to be withheld from release under the Freedom of Information Act.

3. My point of contact is [REDACTED] CEC, USN, M41 at DSN [REDACTED]

[REDACTED]

Deputy Chief, Installations and Logistics

FOIA (b)(6)

**BUMED Response to Draft Audit Report N2008-NIA000-0060):
BUMED Management of Sustainment Funds to Repair and Maintain Real Property
Facilities**

Recommendation	BUMED Response	Corrective Action	Responsibility	Actual /Target Date
Navy Audit recommended that the Office of the Chief of Bureau of Medicine and Surgery				
1. Add Sustainment Restoration and Modernization (SRM) process as an assessable unit in the command Headquarters and Regions Managers Internal Control Program	CONCUR	BUMED will establish SRM as an assessable unit in its FY09 MICP plan and provide assessment methodology to the regions. Intent is for regions and activities to review this assessable unit in Q3 and report results, as appropriate, in FY09 Annual Statement of Assurance.	BUMED M8/M4	31 March 2009
Navy Audit recommended that BUMED Deputy Chief, Installations and Logistics (M4)				
2. Establish guidance that defines, communicates, and enforces business rules and identifies accountable officials and their responsibilities regarding the purpose, application, and usage of the real property facility inspection process and the database of SRM discrepancies.	CONCUR	BUMED will develop an instruction that will accomplish this recommendation.	BUMED M4	31 July 2009
3. Identify and require training programs that will enable staff with diverse responsibilities to utilize the database and the results of the real property facility inspections.	CONCUR	Various forms of training for both VFA and DMLSS exist currently. Besides the initial training that was provided when VFA and DMLSS were deployed to each activity, BUMED has sponsored VFA and DMLSS training at the yearly Facility Manager (FM) Symposium, Navy Medicine West offers VFA training quarterly at its Facility Manager Training Course, VFA offers training from its corporate offices in Boston and both NAVFAC and the current DMLSS-VFA support contractor provide one on one training if requested. In addition, the current DMLSS-VFA support contract requires (section 3.1.3, subtask 1.3) the contractor to develop a comprehensive training program. These training opportunities and their required frequency will be published in the instruction referenced for recommendation # 2 above.	BUMED M4	Although training opportunities exist currently, training requirements will not be established until the instruction is completed and published 31 July 2009

Enclosure (1)

**BUMED Response to Draft Audit Report N2008-NIA000-0060):
BUMED Management of Sustainment Funds to Repair and Maintain Real Property
Facilities**

Recommendation	BUMED Response	Corrective Action	Responsibility	Actual /Target Date
4. Require BUMED Regional Commanders to provide oversight, monitoring, and evaluation of FMs in prioritizing activity level requirements and projects and for budget requests for outstanding identified critical requirements.	CONCUR	The instruction referenced in recommendation #2, will identify the Regional Commanders as the accountable official to provide oversight, monitoring, and evaluation of FMs in meeting this recommendation. Regional Commanders utilize the Maintenance Action Plans (MAPs) to execute this requirement.	BUMED M4/Regional Commanders	FY 2010 MAPs are due to BUMED by 27 Feb 2009
5. Require BUMED Regional Commanders to hold the FMs responsible and accountable, for the use, accuracy, completeness, and timeliness of the Facility requirements database and DMLSS-FM.	CONCUR	The instruction referenced in recommendation #2, will identify the Regional Commanders as the accountable official to hold the FMs responsible and accountable, for the use, accuracy, completeness, and timeliness of the Facility requirements database and DMLSS-FM. Regional Commanders will be required to provide a plan of action to enable execution of this requirement.	BUMED M4/Regional Commanders	Requirement will be identified in instruction 31 July 2009. Regional Commanders will develop plan of action 3 months after execution of the instruction.
6. Require BUMED Regional Commanders to establish controls to ensure that all responsible personnel complete BUMED M4 established training by a specific date.	CONCUR	The instruction referenced in recommendation #2, will identify the Regional Commanders as the accountable official to establish controls to ensure that all responsible personnel complete BUMED M4 established training by a specific date in concert with recommendation #3. Regional Commanders will be required to provide a plan of action to enable execution of this requirement.	BUMED M4/Regional Commanders	Requirement will be identified in instruction 31 July 2009. Regional Commanders will develop plan of action 3 months after execution of the instruction.
7. Through its Regions; require BUMED Activity Commanding Officers (COs) to establish a plan of action and milestones for correcting the outstanding critical facilities deficiencies, request expedited funding to correcting them, and prioritize patient care related unfunded requirements first.	CONCUR	Activity Cos will establish the plan of action and milestone for correcting activity level deficiencies (<\$200K) prioritizing patient care related unfunded requirements first. Activities will be required to fund corrections by 30 September 2009. Special Project Level deficiencies (>\$200) shall be presented at the FY 10 Special Projects Board in May 2009 for end of year FY 09 funding or FY 10 funding depending on the executability of the requirement.	Activity Commanding Officers	All activity level deficiencies shall be funded by 30 Sep 2009

Enclosure (1)

**BUMED Response to Draft Audit Report N2008-NIA000-0060):
BUMED Management of Sustainment Funds to Repair and Maintain Real Property
Facilities**

Recommendation	BUMED Response	Corrective Action	Responsibility	Actual /Target Date
8. Through its Regions; require BUMED Activity COs to establish procedures of budgeting and funding local level requirements by priority versus historical use.	CONCUR	The instruction referenced in recommendation #2, will identify the Activity COs as the accountable official to establish procedures of budgeting and funding local level requirements by priority versus historical use. Activity COs will be utilize VFA for establishing priority of requirements.	BUMED M4/Activity Commanding Officers	Requirement will be identified in instruction 31 July 2009
9. Through its Regions; require BUMED Activity COs to require FMs to verify and reconcile the facility and DMLSS databases.	CONCUR	Following the execution of recommendation # 7, the instruction referenced in recommendation # 2 will identify the correct frequency for verification and reconciliation of the facility and DMLSS databases by the Activity COs	Activity Commanding Officers	30 Sept 2009
10. Through its Regions; to require BUMED Activity COs discontinue using legacy tracking systems (Excel, white boards, etc)	CONCUR	The instruction referenced in recommendation #2 will require BUMED Activity COs discontinue using legacy tracking systems (Excel, white boards, etc). BUMED does recognize that the use of these different programs and methods is a personal choice of the FMs.	Activity Commanding Officers	FMs will require time to phase out the use of other requirement databases, therefore the cut off date is 30 Sept 2009
11. Establish internal controls and provide oversight at the Headquarters level to ensure that the actions in Recommendations 4-10 are taken by the regions, and that the improvements are corrected and sustained	CONCUR	The current DMLSS-VFA Support Contract requires a VFA and DMLSS utilization report. These reports will serve as the Headquarters level oversight providing utilization information on an activity's use of both FM databases. The instruction referenced in recommendation #2 will require the Regional Commanders to review the utilization reports and provide oversight to ensure overall usage of the FM databases by the activities.	BUMED M4/Regional Commanders	Requirement will be identified in instruction 31 July 2009
Navy Audit recommended that BUMED M4 and M8				
12. Require the use of the FSM results in preparing sustainment budgets.	CONCUR	In accordance with DUSD I&E policy, BUMED uses the FSM to develop its overall sustainment budget.	BUMED M4/M8	Complete

Enclosure (1)

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