

# Naval Audit Service



## Audit Report



### Followup of Managing Sponsored Programs at the Naval Postgraduate School

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**N2009-0039**  
**28 July 2009**

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7510  
N2007-NMC000-0123  
28 Jul 09

MEMORANDUM FOR THE OFFICE OF THE DEPUTY CHIEF OF NAVAL  
OPERATIONS (N1)<sup>1</sup>  
PRESIDENT, NAVAL POSTGRADUATE SCHOOL

Subj: **FOLLOWUP OF MANAGING SPONSORED PROGRAMS AT THE  
NAVAL POSTGRADUATE SCHOOL (AUDIT REPORT N2009-0039)**

Ref: (a) NAVAUDSVC memo N2007-NMC000-0123.000, dated 11 Sep 07  
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. The report provides results of the subject audit announced in reference (a). Section A of this report provides our findings 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 Appendices.

Command	Finding No.	Recommendation No.
Office of the Deputy Chief of Naval Operations (N1)	1, 3	1-6, 26-29
President, Naval Postgraduate School	1, 2, 3	7-25, 30-34

2. Actions taken by the President, Naval Postgraduate School meet the intent of Recommendations 11 and 33, and the recommendations are closed. Actions planned by the Deputy Chief of Naval Operations (Manpower, Personnel, Training, and Education) (N1) and the President, Naval Postgraduate School meet the intent of Recommendations 1 through 10, 12 through 28, 30 through 32, and 34. These recommendations 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 the target completion dates. The Naval Postgraduate School did not concur with Recommendation 29; therefore, Recommendation 29 is considered undecided and is being elevated to Deputy Chief of Naval Operations (Manpower, Personnel, Training, and Education) (N1) for action. Please provide all correspondence to the Assistant Auditor General for Internal Controls, Contacts, and Investigative Support Audits,

<sup>1</sup> Recommendations 1 through 6 and 26 through 28 were originally directed to the Chief of Naval Operations; however, since the Naval Postgraduate School now falls under the Bureau of Naval Personnel (BUPERS) for fiscal authorization, the applicable recommendations have been redirected to the Chief of Naval Personnel (DCNO (N1)/BUPERS). DCNO (N1)/BUPERS has responded to the recommendations, as shown in Appendix 1.

**Subj: FOLLOWUP OF MANAGING SPONSORED PROGRAMS AT THE  
NAVAL POSTGRADUATE SCHOOL (AUDIT REPORT N2009-0039)**

XXXXXXXXXX, by e-mail at XXXXXXXXXXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXXXXXXXXXX. 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 followup in accordance with reference (b).

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



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Assistant Auditor General  
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# Executive Summary

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## Overview

The Naval Postgraduate School's (NPS's) mission is to provide unique, professional, military-relevant graduate education while responding to the educational and research needs of the Department of Defense (DoD), other Federal agencies, and our international allies. One of the major goals of NPS is to provide cost-effective research and unique laboratory facilities that permit students and faculty to support DoD needs. Research is conducted in every academic department within the graduate schools and in the research and education institutes.

The universe of Fiscal Year (FY) 2007 research programs was 944 accounts<sup>2</sup> valued at \$147.5 million. We judgmentally selected the top 25 sponsored programs, containing 57 NPS accounts with the highest dollar value for review, valued at \$69.8 million. We audited documentation related to fund control, minor and pilferable personal property, travel, contracts, and training.

We performed the audit work from 10 October 2007 through 24 February 2009. We conducted this performance audit 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.

## Reason for Audit

The audit objectives were to verify that: (1) internal controls over sponsored programs ensured proper fund control; (2) processes and controls ensured contract labor costs were properly allocated; and (3) agreed-to corrective actions on closed recommendations in our previous sponsored projects audit report were implemented. This audit was requested by the NPS President to conduct a followup audit to Naval Audit Service report N2003-0066, "Managing Sponsored Projects at the Naval Postgraduate School," dated 25 July 2003. Our followup audit analyzed sponsored programs' fund control, contract labor costs, and corrective actions taken as a result of the published audit report.

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<sup>2</sup> Accounts are internal designations created by NPS to manage funds received from sponsors while sponsored programs are those activities undertaken by NPS faculty or staff that are funded by an external agency (sponsor).

## Noteworthy Accomplishments

As a result of this audit, NPS personnel have planned or taken the following actions:

- On 24 January 2008, the Travel Manager revised the Delinquency Report Procedures for individuals with Government Travel Cards to require the Agency Program Coordinator to maintain copies of the delinquency reports. Through the use of historical delinquency reports, travel personnel will be able to identify travelers who repeatedly appear on the delinquency reports and take appropriate disciplinary action.
- During the audit, we were unable to determine the available balance for the Center for Homeland Defense and Security account (R26K). According to the comptroller, this account was reconciled<sup>3</sup> as of 1 July 2008. Also, the next step in the comptroller's plan of action was to meet with NPS Center for Homeland Defense and Security personnel to determine whether the remaining funds for FY 2004, totaling approximately \$569,000, would be returned to the sponsor. Additionally, the comptroller and the NPS Center for Homeland Defense and Security personnel will discuss the available no-year funds, totaling approximately \$5.6 million, and decide whether the center will utilize the funds or return the funds to the sponsor. In a subsequent e-mail dated 24 July 2008, the comptroller provided the Naval Audit Service a copy of a memorandum in which the NPS notified the Department of Justice that approximately \$5 million could be returned because the funds were no longer needed.
- During the audit, we requested NPS comptroller personnel to verify whether the accounts identified in the Departmental Online Reporting System (DORS) Overexpended Report<sup>4</sup> were still overexpended. As a result of the review of overexpended accounts, the Financial Analyst identified accounts with funds that could be returned to the sponsors. There were seven accounts that could be returned to the sponsors, totaling approximately \$17,000. Our analysis during the audit identified \$85,000 that could be returned, in addition to the \$17,000 identified by the analyst.
- During the audit, we identified six purchasing agents in our sample who were required to attain Defense Acquisition Workforce Improvement Act (DAWIA) certifications, but had not completed the requirements and did not have a required waiver. As prescribed in the Department of the Navy (DON) Defense Acquisition

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<sup>3</sup> Reconciled refers to the analysis to determine the availability of funds.

<sup>4</sup> DORS is the NPS accounting system used by principal investigators and other management personnel to monitor and manage their budget funds. One of the reports generated from DORS is the DORS Overexpended Report, which identifies accounts that are overexpended.

Workforce Improvement Act Operating Guide, a waiver may be granted to allow an individual to remain in an Acquisition, Technology, and Logistics (AT&L) position for a specific period without being certified. The Director, Human Resources Office reviewed all purchasing agents' files at NPS and prepared an AT&L Workforce Position Requirements or Tenure Waiver for nine purchasing agents. As of 12 February 2009, the waivers were awaiting signature from the approving official. According to the NPS comptroller, preparing waivers for purchasing agents is the responsibility of the Agency Program Coordinator.

## Conclusions

Our audit identified opportunities for NPS to improve efficiency and effectiveness regarding internal controls and fund control oversight (see Findings 1, 2, and 3).<sup>5</sup> For example, NPS personnel did not follow the required statutory and regulatory procedures for preventing overexpenditures (see Finding 1). During the audit, we identified \$5 million in Department of Homeland Security (DHS) funds that were available for obligation. As a result of our identification, NPS notified DHS that the funds were available for their use. However, DHS decided NPS should retain the funds for expenditures related to continuing the program.

In addition, we found opportunities for NPS to improve personal property management to include the Hazardous Material and Purchase Card Programs (see Finding 2). For example, we found 22 of 27 (81 percent) purchase requests reviewed contained minor and pilferable personal property, valued at \$279,752, which was not entered into the Defense Property Accountability System.

We also found that NPS personnel did not have sufficient controls and provide enough oversight to ensure contract labor costs were properly allocated (see Finding 3). We were unable to obtain the required itemized invoices for two of the three reviewed contracts and one grant; therefore, we were unable to verify labor rates and labor hours charged on that invoice. For example, one of the invoices reviewed was billed in bulk and totaled approximately \$183,000.

Although some improvements were made since the prior Naval Audit Service audit, this audit found conditions similar to those found in the prior audit report. Specifically, we found a repeat condition<sup>6</sup> that addressed areas such as overexpended accounts, certification of expenditures, and annual training certification of accountability. The recommendations presented in this report are written more explicitly than in the prior

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<sup>5</sup> Finding 1 refers to Sponsored Programs Fund Control, Finding 2 refers to Personal Property Management, and Finding 3 refers to NPS Administrative Procedures.

<sup>6</sup> A repeat condition occurs when an issue of noncompliance was previously identified in another audit.

audit report. The recommendations on pages 12 and 27 should correct the identified condition and preclude a repeat condition.

These conditions occurred generally because NPS management did not place a high priority on oversight and accountability. NPS management did not establish sufficient controls and provide enough oversight over the sponsored programs fund control, which includes personal property management and NPS administrative procedures. Specifically, we found internal control weaknesses regarding the NPS fund control process. Also, our review of sponsored accounts identified opportunities to improve the administration of the personal property, Hazardous Material, and Purchase Card Programs. Finally, we found opportunities to improve NPS administrative procedures. For example, certifications of expenditure attestations were not certified as required by local guidance. In our judgment, the corrective actions taken, based on the recommendations in the prior report, were not effective because NPS did not monitor the implementation of the established procedures for sponsored programs on a continual basis. As a result of the conditions noted above, NPS is noncompliant with established guidance.

**Communication with Management.** Prior to and throughout the audit, we kept NPS management informed of the conditions noted. Initially, we met with the NPS President on 31 July 2007 to provide an overview of the Naval Audit Service and discuss the followup audit request. On 23 January 2008, we met with the NPS President and informed him of the issues we found in areas of property management, sponsored project files, annual certification/training, and travel. On 18 March 2008, while we were still onsite at NPS, we met with the NPS President and Chief of Staff and again informed them of the potential issues as of that date. As the audit results were solidified, we continually provided the status of our results to the NPS President and other key personnel at NPS via point papers on 18 April 2008, 13 June 2008, and 23 July 2008. Additionally, we had extensive communication regarding the report findings on 22 October 2008 and 24 February 2009. We were in continuing communication with NPS regarding the recommendations from 10 April 2009 to 8 July 2009. We also had various discussions with Chief of Naval Personnel (DCNO (N1)/BUPERS) during the period 16 June 2009 to 13 July 2009.

## Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act 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. Recommendations 1 through 34 address issues related to the internal controls over sponsored programs. In our opinion, the weaknesses noted in this report may not be systemic and 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 Chief of Naval Operations (CNO) direct NPS to establish and strengthen fund controls over sponsored accounts and to address issues regarding unresolved and overexpended sponsored accounts.

We also recommend that CNO direct NPS President to provide more effective oversight over fund control and sponsored program administrative procedures (specifically, in the areas of the repeat conditions identified in the followup audit).

Finally, we recommend that the NPS President establish controls and provide oversight over sponsored programs fund control, personal property management, and NPS administrative procedures to ensure compliance with laws, instructions, and policy guidance.

Actions taken by the President, Naval Postgraduate School meet the intent of Recommendations 11 and 33, and the recommendations are closed. Actions planned by The Deputy Chief of Naval Operations (Manpower, Personnel, Training, and Education) (N1) and the President, Naval Postgraduate School meet the intent of Recommendations 1 through 10, 12 through 28, 30 through 32, and 34. These recommendations are considered open pending completion of the planned corrective actions. The Naval Postgraduate School did not concur with Recommendation 29, which addresses the need to follow the requirements of the DoD Financial Management Regulation regarding preparation and approval of employee timesheets; therefore, Recommendation 29 is considered undecided and is being elevated to Deputy Chief of Naval Operations (Manpower, Personnel, Training, and Education) (N1) for action.

## Section A:

# Findings, Recommendations, and Corrective Actions

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## Finding 1: Sponsored Programs Fund Control

### Synopsis

Naval Postgraduate School (NPS) personnel did not have effective fund control over sponsored programs. We found that 43 Fiscal Year sponsored accounts totaling approximately \$107,000 had expenditures that exceeded their allowable amounts. NPS used their own direct appropriated funds to cover the overexpenditures in the sponsored accounts. In addition, we found 29 FY 2007 sponsored accounts had excess funds that had expired. Of these 29 expired accounts, NPS personnel determined that 7 of the accounts contained approximately \$85,000 that should have been returned to the providing sponsor prior to expiration. The 22 remaining accounts did not have an unobligated balance or the unliquidated obligations had not cleared. Finally, we found that one account for the Department of Homeland Security did not contain sufficient supporting documentation.

These conditions occurred because NPS personnel did not establish sufficient controls and provide enough oversight over the fund control process. As a result, NPS is in noncompliance with the Department of Defense (DoD) Financial Management Regulation (FMR) provisions covering Economy Act orders and sponsors may not be compliant with the Antideficiency Act (ADA). Additionally, with timely notification, sponsors may have been able to put some funds to better use. Further, without supporting documentation, NPS personnel cannot readily provide reasonable assurance that their fund control over sponsored programs is proper.

## Background

All orders from agencies outside the Department of Defense (DoD) are filled under the Economy Act. Within DoD, orders may be filled under the Economy Act<sup>7</sup> or Project Order Act.<sup>8</sup>

- When sponsor funding was less than actual costs, NPS personnel did not timely bill the sponsors and sometimes used its own funds to cover the excess costs. According to statutory and regulatory guidance, overexpenditures are prohibited. Based on our review of the Departmental Online Reporting System (DORS) Overexpended Report dated 14 March 2008, 43 sponsored accounts for FY 2007, totaling approximately \$107,000, had expenditures that exceeded authorized funds. Statutory and regulatory guidance also requires that appropriated funds be used only for the programs and purposes for which the appropriations were made. According to the NPS comptroller, overexpended reimbursable funds are covered with NPS direct appropriated funds. The Economy Act requires sponsors to fund such costs.
- When sponsor funding was greater than actual costs, NPS did not timely deobligate the excess funds and return them to the sponsor. DoD FMR, Comptroller General Decisions, and local guidance require the NPS comptroller to ensure unused sponsored program funds are returned to the sponsor. Returning the funds in a timely manner allows the sponsors to use the funds for other bona fide needs.

## Audit Results

Sponsored Programs are those research activities undertaken by NPS faculty or staff that are funded by an external agency (sponsor).<sup>9</sup> The Principal Investigator (PI), an NPS faculty member, is responsible for coordinating and/or conducting the sponsored research activity described in an agreed-to proposal. All expenditures of sponsored program funds authorized by the PI should directly support the work agreed to by the PI. Funds are to be used to support the work statement and not for other purposes. When an account is set up, NPS comptroller personnel input financial data into the Standard Accounting and Reporting System (STARS). The information in STARS, the official DoD accounting system, is uploaded into DORS.

<sup>7</sup> An Economy Act Order provides authority for Federal agencies to order goods and services from other Federal agencies and to pay the actual costs of those goods and services.

<sup>8</sup> A Project Act Order is a specific definite and certain order issued under the authority contained in 41 U.S. Code 23. When placed with, and accepted by, a separately managed DoD establishment, the project order serves to obligate appropriations in the same manner as orders or contracts placed with commercial enterprises.

<sup>9</sup> There are three basis types of sponsored programs: Sponsored Research, Sponsored Education, and Sponsored Services.

Our audit of 25 FY 2007 sponsored programs at NPS, for which 57 NPS accounts had been established, identified opportunities for improvement. Specifically, we found NPS had (i) expenditures that exceeded funds authorized; (ii) unused funds that could be returned to the sponsor; and (iii) insufficient supporting documents for the Center for Homeland Security Account (R26K). These conditions, which we concluded were internal control weaknesses, resulted because NPS management did not provide sufficient oversight over the NPS fund control process.

### **Overexpended Accounts**

Based on our review of the DORS Overexpended Report dated 14 March 2008,<sup>10</sup> 43 accounts<sup>11</sup> had expenditures that exceeded the amounts authorized by the sponsors which totaled approximately \$107,000. Title 31 of the United States Code (U.S.C.), section 1517, prohibits the overexpenditure of an appropriation or an amount permitted by a regulation. Similarly, Secretary of the Navy Instruction (SECNAVINST) 7000.27A states all proposed obligations of funds are to be reviewed to ensure that sufficient funds are available to cover the obligations. This internal control requirement applies to all appropriations and funds provided to the command by apportionments, allocations, allotments, reimbursable means, or other means. Finally, Naval Postgraduate School Instructions (NAVPGSCOLINSTs) 3900.1C and 4235.2B provide additional guidance regarding the Comptroller preventing overexpenditures on all sponsored accounts and the PI's responsibility to negotiate a resolution with a sponsor as soon as a funding deficiency is anticipated.

We reviewed and analyzed the DORS Overexpended Report, as of 14 March 2008, which identified 43 overexpended sponsored accounts. Additionally, we reviewed and analyzed the data recorded in STARS. Specifically, our analysis as of 24 May 2008 found:

- 20<sup>12</sup> of 43 (47 percent) accounts, which totaled approximately \$64,000, were overexpended and required resolution. Eight of the 20 accounts were being resolved as a result of our review.
- 23 of 43 (53 percent) accounts, which totaled approximately \$43,000, were resolved during the audit.

### **Direct Appropriated Funds**

The NPS comptroller stated overexpended sponsored accounts (see Exhibit D) are covered with NPS, Direct Funded Research (DFR) funds, and direct appropriated funds

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<sup>10</sup> The DORS overexpended report was obtained on 14 March 2008. The 43 overexpended accounts were identified in the report.

<sup>11</sup> These accounts include DoD and non-DoD sponsors.

<sup>12</sup> These 20 accounts (12 and 8 accounts) still require resolution. See Recommendation 5.

(Operations and Maintenance, Navy (O&M, N)),<sup>13</sup> and the funds are not used to conduct research for sponsors. This procedure is contrary to 31 U.S.C. 1301, which requires that appropriated funds be used only for the programs and purposes for which the appropriation was made. Additionally, SECNAVINST 7000.27A states that the purpose of the obligations should be consistent with the authorized purposes of the funds or accounts. The Funding Authorization Document for the FY 2007 O&M, N appropriation was silent concerning the use of O&M, N funds for sponsored accounts in amounts above those authorized by the sponsor. In addition, the NPS comptroller stated “the funds (DFR) are not used to conduct research for sponsors who provide their funds.”

According to NPS comptroller personnel, sponsored accounts at NPS are considered an Economy Act order or Project Act order. Comptroller General Decision B-260993 (26 June 1996) states the Economy Act requires the ordering agency<sup>14</sup> to reimburse the performing agency the actual cost of providing the item or service to avoid an unauthorized augmentation of the ordering agency’s appropriation.

These conditions occurred because the NPS comptroller did not comply with NAVPGSCOLINST 3900.1C to prevent overexpenditures on all sponsored accounts. Additionally, DFR funds were used to cover overexpended sponsored accounts because internal controls over fund use were not followed. Specifically, when sufficient sponsored funds were not available, NPS comptroller personnel used DFR funds to cover overexpended sponsored accounts because the PIs did not obtain additional funding from the sponsor when a funding deficiency was anticipated as required by NAVPGSCOLINST 4235.2B. As a result, NPS is not assured proper accountability over funding. Furthermore, the sponsors may have incurred ADA violations if they no longer have the proper funds to cover the amount of overexpenditures.

### **Unused Sponsored Program Funds**

We determined there was an opportunity for NPS personnel to improve their procedures for returning funds to the sponsor in a timelier manner. For the Economy Act Orders, DoD FMR states that activities must reconcile obligations status and deobligate unused funds before the end of the funds availability by both the servicing (NPS) and requesting (sponsors) agencies. NAVPGSCOLINST 3900.1C states the comptroller must ensure unused sponsored program funds are returned to the funding activity after completion of the period of performance and clearing of all outstanding obligations. During our audit, we found comptroller personnel were closing accounts for FY 2003. They stated that accounts were normally closed 5 years after the funds expired.

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<sup>13</sup> No analysis was performed to verify the use of direct funds to cover sponsored accounts.

<sup>14</sup> For this report, the ordering agency refers to the sponsors and performing agency refers to NPS personnel.

Based on our review of 57 sponsored accounts, we identified 29 accounts that contained funds that expired in calendar year 2007.<sup>15</sup> Our analysis of the 29 accounts, revealed 20 accounts with an unobligated balance of approximately \$196,000. We requested comptroller personnel to validate the unobligated balances that were identified in our analysis. According to NPS comptroller personnel, there were seven accounts with unobligated balances that could be returned to the sponsor, which totaled approximately \$85,000 (see Figure 1). The remaining 13 accounts with unobligated balances could be returned when all unliquidated obligations were cleared. Additionally, NPS comptroller personnel stated that actions for returning unused funds to the sponsors, for the identified expired accounts, were in progress. DoD FMR, Volume 1, definitions state expired funds may not be used for new obligations, but may fund upward, within scope, adjustments of original obligations. As of 9 June 2008, comptroller personnel had not returned any of the unobligated funds identified during the audit to the sponsor.

No.	Job Order Number	Authorized	Obligated	Unused Funds (Expired)
1	RCLBW/R7BW	\$400,000	\$398,000	\$2,000
2	RIS69/R769	\$250,000	\$245,000	\$5,000
3	RISJB/R7JB	\$33,000	\$33,000	\$1
4	RISTA/R6TA	\$50,000	\$49,000	\$691
5	RISEN/R7EN	\$31,000	\$30,000	\$843
6	RISS3/R6S3	\$700,000	\$625,000	\$75,000
7	R94D5/R6D5	\$200,000	\$199,000	\$581
<b>Total</b>		<b>\$1,664,000</b>	<b>\$1,579,000</b>	<b>\$84,116</b>

Figure 1. Funds Available to Sponsor<sup>16</sup>

This condition occurred because NPS management did not establish sufficient procedures requiring the Director of the Research and Sponsored Programs Office (RSPO), comptroller, sponsored programs financial analysts, and PIs to coordinate in the account closeout process. The PIs were not required to inform the comptroller personnel when funds could be returned to the sponsor. On the contrary, the comptroller contacted the PIs to determine whether funds could be returned to the sponsor. In the future, timely notification could allow sponsors to put funds to better use.

<sup>15</sup> Our analysis of expired funds extended to December 2007 to capture the closeout process at the end of 2007.

<sup>16</sup> All numbers were rounded to the nearest thousands in this figure.

### **Center for Homeland Security Analysis (Account R26K)**

In FYs 2002 through 2004, NPS received approximately \$2 million, \$11 million, and \$20.3 million, respectively, from the Department of Justice and Department of Homeland Security for the Center for Homeland Security account (see Figure 2). These funds consisted of no-year funds and 1-year funds. According to NPS comptroller personnel, the remaining no-year funds were rolled over as funding authorizations for the subsequent years.

During the audit, we interviewed the PI responsible for this account. According to the PI, NPS comptroller personnel retained approximately \$4 million of this account and the PI did not know why the funds were retained.

DoD FMR, Volume 14, Chapter 1, Section 010205(I), states DoD officials, including commanders and supervisors to whom funds are entrusted or apportionments or administrative subdivisions of funds are issued, shall maintain internal control systems to ensure that all available funds are identified with authorized purposes by account and period of availability for new obligations and for the period of availability for expenditure. Title 31 of the United States Code, section 1517, prohibits the overobligation and overexpenditure of an appropriation or an amount permitted by a regulation.

For this analysis, we obtained funding authorization documents and verified the authorization amounts recorded in STARS. (However, we did not obtain supporting documentation for the obligation amounts in STARS.) We found that NPS personnel were unable to readily provide sufficient documentation to support the annual STARS authorized amounts, for FY 2002 through FY 2008 (see Figure 2). In addition, we found this account was overobligated during FY 2008. Specifically, the obligations, which totaled approximately \$149,000, exceeded the funds authorized, which totaled approximately \$608. This resulted in an overobligation of approximately \$148,000.

This condition occurred because NPS comptroller personnel did not provide sufficient oversight to ensure funding authorizations were supported annually. Additionally, comptroller personnel did not sufficiently monitor this account, which led to the overobligation for FY 2008. As a result, the PI for this account did not have all of the funding needed to complete the project, which totaled approximately \$33 million, and thus was required to delay the completion of the project. Strong controls would help track available funding, allow NPS personnel to request additional funds if needed from sponsors in time to complete tasks on schedule, and prevent an overobligation of funds.

FY	Funding Document Amount	STARS Authorized Amount <sup>17</sup>	Variance <sup>18</sup>	STARS Obligated Amount	Unobligated Amount
2002	\$2,000,000	\$971,000	\$1,029,000	\$971,000	\$0
2003	\$11,000,000	\$7,647,000	\$3,353,000	\$7,647,000	\$0
2004	\$20,308,000	\$17,878,000	\$2,430,000	\$17,308,000	\$569,000
2005	-	\$3,844,000	-	\$0	\$3,844,000
2006	-	\$2,430,000	-	\$539,000	\$1,891,000
2007	-	\$538,000	-	\$464,000	\$74,000
2008	-	\$608	-	\$149,000	-
Total	\$33,308,000	\$33,308,608 <sup>19</sup>	\$6,812,000	\$27,078,000	\$6,378,000

Figure 2. Center for Homeland Security (Account R26K) Analysis.<sup>20</sup>

As a result of our audit work, comptroller personnel stated this account was reconciled as of 1 July 2008. They also stated the next plan of action was to meet with NPS Center for Homeland Defense and Security personnel to determine whether the remaining funds for FY 2004, which totaled \$569,000, would be returned to the sponsor. Additionally, they will discuss the available no-year funds, which totaled approximately \$5.6 million and decide whether the center will utilize the funds or return the funds to the sponsor. In a subsequent e-mail dated 24 July 2008, the NPS comptroller provided the Naval Audit Service a copy of a memorandum in which the NPS notified the Department of Justice that approximately \$5 million could be returned because the funds were no longer needed. Any unexpired funding available and returned to the sponsor could allow sponsors to put funds to other use.

<sup>17</sup> The STARS authorized amounts were extracted from STARS on 21 February 2008.

<sup>18</sup> All numbers were rounded to the nearest thousands in this figure.

<sup>19</sup> The Funding Document Amount and the STARS Authorized Amount are not equal, due to rounding.

<sup>20</sup> The "variance" is the difference between the amount authorized on the funding document and the amount authorized in STARS.

## Recommendations and Corrective Actions

Our recommendations are below, along with management responses and our comments on the responses. The complete text of management responses is in the Appendices.

We recommend that the Office of the Chief of Naval Personnel:<sup>21</sup>

**Recommendation 1.** Establish controls and provide oversight to ensure NPS comptroller personnel prevent over obligations/expenditures on all sponsored accounts in accordance with NAVPGSCOLINST 3900.1C.

**Chief of Naval Personnel response to Recommendation 1.** Concur. NPS shall establish controls and provide oversight to ensure NPS comptroller personnel prevent over obligations/expenditures on all sponsored accounts in accordance with NAVPGSCOLINST 3900.1C, SECNAVINST 7000.27A, and Department of Defense Financial Management Regulation (DoD FMR) Volume 14, Chapter 1. Recommend that Program Managers also take the required “Annual Certification on Accountability in the Conduct of Sponsored Activities” training since PIs or Project Managers (PMs) did not certify any of the required quarterly attestations during FY 2007 as stated in SPPGM 06-05. Training shall be conducted for sponsored PIs and PMs assigned to NPS faculty. Research and Sponsored Programs Office (RSPO) shall track all training requirements for PIs and PMs assigned to sponsored programs and take action when necessary. NPS will implement sufficient controls, oversight, and training for sponsored programs and be completed by 30 October 2009.

**Naval Audit Service comment on management response to Recommendation 1.** Actions planned meet the intent of Recommendation 1. This recommendation is considered open pending completion of planned actions.

**Recommendation 2.** Direct NPS president to establish controls, to include periodic reviews, and provide oversight to ensure the PI coordinates with the sponsor(s) to obtain additional funding or reduce the scope of the project when a funding deficiency is anticipated, in accordance with NAVPGSCOLINST 4235.2B.

**Chief of Naval Personnel response to Recommendation 2.** Concur. NPS shall establish controls, to include periodic reviews, and provide oversight to ensure the PI coordinates with the sponsor(s) to obtain additional funding or reduce the scope

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<sup>21</sup> The recommendations were originally directed to the Chief of Naval Operations; however, since the Naval Postgraduate School now falls under the Bureau of Naval Personnel (BUPERS) for fiscal authorization, the applicable recommendations have been redirected to the Chief of Naval Personnel (DCNO (N1)/BUPERS). DCNO (N1)/BUPERS has responded to the recommendations, as shown in Appendix 1.

of the project when a funding deficiency is anticipated, in accordance with NAVPGSCOLINST 4235.2B. The PI or PM shall also coordinate with NPS comptroller personnel when a funding deficiency is anticipated to prevent over obligations/expenditures on all sponsored accounts. Recommend that PMs also take the required “Annual Certification on Accountability in the Conduct of Sponsored Activities” training since PIs or PMs did not certify any of the required quarterly attestations during FY 2007 as stated in SPPGM 06-05. Training shall be conducted for sponsored PIs and PMs assigned to NPS faculty. NPS shall implement sufficient controls, conduct periodic reviews, and provide oversight for sponsored programs by 30 October 2009. Controls, oversight, and periodic reviews shall continue for all sponsored programs.

**Naval Audit Service comment on management response to**

**Recommendation 2.** Actions planned meet the intent of Recommendation 2. This recommendation is considered open pending completion of planned actions.

**Recommendation 3.** Direct NPS comptroller personnel to resolve the 20 unresolved accounts for which sufficient sponsor funds were not available to cover the costs.

**Chief of Naval Personnel response to Recommendation 3.** Concur. NPS comptroller personnel shall resolve all accounts for which sufficient sponsor funds are not available to cover the costs. NPS comptroller personnel shall coordinate with the PI to obtain additional funding or reduce the scope of the project when needed. PIs will coordinate with the sponsor to request additional funds, and re-emphasize to PIs and sponsor program managers that statutory and regulatory guidance prohibits overexpenditures. Eight of the 20 accounts for which sufficient sponsor funds were not available to cover the costs are being resolved. The [remaining 12] unresolved accounts will be resolved by 26 February 2010.

**Naval Audit Service comment on management response to**

**Recommendation 3.** Actions planned meet the intent of Recommendation 3. This recommendation is considered open pending completion of planned actions. Because the target date is more than 6 months from the date of publication of this report, the interim target date will be 16 November 2009.

**Recommendation 4.** Direct NPS comptroller personnel to report to the Naval Audit Service the resolution methodology and whether funds were recouped from the sponsor for each of the 43 accounts.

**Chief of Naval Personnel response to Recommendation 4.** Concur. NPS’ comptroller personnel shall report to Chief of Naval Personnel (PERS 7) before responding to the Naval Audit Service on the resolution methodology and whether

funds were recouped from the sponsor for each of the 43 accounts. Exhibit D of the audit report lists 23 accounts that were resolved. Twenty of the 43 accounts identified are being resolved or still unresolved. NPS shall provide methodology and whether funds were recouped from the sponsor by 30 October 2009.

**Naval Audit Service comment on management response to Recommendation 4.** Actions planned meet the intent of Recommendation 4. This recommendation is considered open pending completion of planned actions.

**Recommendation 5.** Direct NPS comptroller personnel to report to CNO whether funds were recouped from the sponsors for the six accounts identified in Exhibit D.

**Chief of Naval Personnel response to Recommendation 5.** Concur. NPS comptroller personnel shall report to Chief of Naval Personnel (PERS 7) whether funds were recouped from the sponsors for the overexpended accounts identified in Exhibit D by 30 October 2009. If funds were not recouped from the sponsors, identify the funding and source that did pay for overexpenditures of sponsored programs.

Recommend changing CNO to Chief of Naval Personnel (PERS 7) for fiscal matters. Also, recommend changing 6 overexpended accounts referenced in Exhibit D to 12 overexpended accounts identified in Exhibit D.

**Naval Audit Service comment on management response to Recommendation 5.** Actions planned meet the intent of Recommendation 5. This recommendation is considered open pending completion of planned actions. Although we agree that there are 12 overexpended accounts, some accounts were not funded by Department of the Navy (DON) funds. Since NPS utilizes funds from Government and non-Government sources, our audit focused on the DON funds. We agree that NPS should work to resolve all overexpended accounts, even though our audit work and recommendation focuses exclusively on the six DON-funded accounts that were identified in Exhibit D.

**Recommendation 6.** After reviewing the response from NPS regarding the six overexpended accounts identified in Exhibit D, coordinate with the Assistant Secretary of the Navy (Financial Management and Comptroller) (FMB) to determine whether a potential ADA investigation is warranted (the six overexpended accounts referenced are non-O&M, N DON-funded accounts).

**Chief of Naval Personnel response to Recommendation 6.** Concur. After NPS responds to Chief of Naval Personnel (PERS 7) whether funds were recouped

from the sponsors for the overexpended accounts identified in Exhibit D, coordination will commence with the Assistant Secretary of the Navy (Financial Management and Comptroller) (FMB) to determine whether a potential ADA investigation is warranted (the six overexpended accounts referenced are non-O&M, N DON-funded accounts).

Also, recommend changing six overexpended accounts referenced in Exhibit D to 12 overexpended accounts identified in Exhibit D. The estimated completion date for all actions is 30 October 2009.

**Naval Audit Service comment on management response to**

**Recommendation 6.** Actions planned meet the intent of Recommendation 6. This recommendation is considered open pending completion of planned actions. Although, we agree that there are 12 overexpended accounts, some accounts were not funded by DON funds. Since NPS utilizes funds from Government and non-Government sources, our audit focused on the DON funds. We agree that NPS should work to resolve all overexpended accounts, even though our audit work and recommendation focuses exclusively on the six DON-funded accounts that were identified in Exhibit D.

We recommend that the President, NPS:

**Recommendation 7.** Strengthen procedures and internal controls for the PI, Sponsored Programs Financial Analyst (SPFA), RSPO, and comptroller's office responsibilities, regarding fund control, to ensure coordination throughout the fund control process and that funds are returned to sponsors as soon as they are determined to be no longer needed.

**President, NPS response to Recommendation 7.** Concur. The Director, RSPO has established an automated inquiry in coordination with the quarterly attestation process, requiring the PI to review the funding status of their sponsored project account to determine if additional funds are necessary or if there will be excess funds that may be returned to the sponsor. Upon notification of either instance, the RSPO will initiate necessary action to: (1) assure timely request for additional funding by working with the PI to submit a revised budget to the Sponsor requesting additional funds, or (2) notifying the Comptroller to initiate coordination with the sponsor for recoup of excess funds. The Comptroller has established more frequent reviews of the sponsored programs financial records to determine when action notification to PIs is necessary. The automated inquiry tool was completed on 30 March 2009. Monitoring of the process is in place and review is on-going to ensure compliance and effectiveness. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to**

**Recommendation 7.** Actions planned meet the intent of Recommendation 7. This recommendation is considered open pending completion of planned actions.

**Recommendation 8.** Establish controls and provide oversight to ensure the PI conducts a quarterly review of all sponsored accounts for proper fund use and funding needs, and informs the NPS comptroller personnel to return unneeded funds to the sponsor(s). Report the results to the RSPO and the NPS comptroller 5 days after completion.

**President, NPS response to Recommendation 8.** Concur. The Director, RSPO has established an automated inquiry in a formal, written process embedded in the quarterly attestation process, requiring the PI to review the funding status of their sponsored project account to determine if additional funds are necessary or if there will be excess funds that may be returned to the sponsor. Upon notification of either instance, the RSPO will initiate necessary action within five (5) days to: (1) assure timely request for additional funding by working with the PI to submit a revised budget to the Sponsor requesting additional funds or (2) notify the Comptroller to initiate coordination with the sponsor for recoup of excess funds. The Comptroller has established more frequent reviews of the sponsored programs financial records to determine when action notification to PIs is necessary. The automated inquiry tool was completed on 30 March 2009. PIs and SPFA were informed of policy and changes through functional meetings and training beginning in November 2008. Monitoring of the process is in place and review is on-going to ensure compliance and effectiveness. The RSPO will be monitoring personnel to ensure an audit trail is maintained. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to**

**Recommendation 8.** Actions planned meet the intent of Recommendation 8. This recommendation is considered open pending completion of planned actions.

**Recommendation 9.** Establish procedures and internal controls to ensure NPS comptroller personnel maintain an audit trail for all sponsored accounts to include supporting documentation for the annual STARS authorizations.

**President, NPS response to Recommendation 9.** Concur. The Comptroller has reviewed internal procedures, placed process procedures and flow charts into the NPS Managers' Internal Control Program (MICP) database, and ensured the files are properly established as per the Financial Management Regulations, DoD FMR 7000.14R; contain complete documentation on commitments, and obligations;

validated on a periodic basis, maintaining an audit trail, and match FASTDATA, STARS, and other internal and external systems. The process is in place and review is on-going to ensure compliance and effectiveness. The Comptroller will be monitoring personnel to ensure an audit trail is maintained. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 9.** Actions planned meet the intent of Recommendation 9. This recommendation is considered open pending completion of planned actions.

**Recommendation 10.** Reconcile account R26K to determine the available funding. Establish controls and provide oversight to ensure comptroller personnel periodically monitor all sponsored accounts to determine the available funding.

**President, NPS response to Recommendation 10.** Concur. The sponsored program files were reviewed during Naval Audit Service's visits and funds of approximately \$5 million were determined available for return. The Comptroller has reviewed internal procedures, placed process procedures and flow charts into the NPS MICP database, and ensured the files are properly established as per the Financial Management Regulations, DoD FMR 7000.14R; contain complete documentation on commitments, and obligations; validated on a monthly basis, maintaining an audit trail, and match FASTDATA, STARS, and other internal and external systems. The process is in place and review is on-going to ensure compliance and effectiveness. The Comptroller and the RSPO will be monitoring personnel to ensure an audit trail is maintained. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 10.** Actions planned meet the intent of Recommendation 10. This recommendation is considered open pending completion of planned actions.

**Recommendation 11.** Provide the Naval Audit Service the Department of Justice's acceptance of the approximately \$5 million of funds no longer needed.

**President, NPS response to Recommendation 11.** The Department of Homeland Security absorbed the Department of Justice, who originally sponsored the program. Since then, the program was moved to the Federal Emergency Management Agency (FEMA) (also in the Department of Homeland Security). After the sponsored program files were validated, a letter was sent to FEMA, making the funds available. As these are "no-year" funds, FEMA sent a response

stating NPS is to retain the funds and expend in the program. Documentation has been provided. The completion date was 8 September 2008.

**Naval Audit Service comment on management response to Recommendation 11.** Actions taken meet the intent of Recommendation 11. We consider Recommendation 11 closed effective 8 September 2008.

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## Finding 2: Personal Property Management

### Synopsis

We found opportunities for NPS personnel to improve personal property management at NPS. Specifically, NPS personnel did not sufficiently account for personal property, and administer the Hazardous Material and Purchase Card Programs in accordance with DON regulations and NPS instructions. These conditions occurred because NPS personnel did not establish sufficient controls and provide enough oversight over the personal property and purchasing processes. As a result, NPS cannot ensure personal property, to include hazardous materials and purchase card purchases, was accounted for and properly maintained.

### Audit Results

Our audit of 25 sponsored programs for FY 2007 at NPS, containing 57 accounts, identified opportunities for improvement in the areas of personal property and purchase card program administration. Specifically, our review disclosed personal property was not sufficiently accounted for in the Defense Property Accountability System<sup>22</sup> (DPAS); physical inventories were not sufficient; and desktop computers and hazardous materials were not effectively managed. In addition, our review of the purchase card program identified opportunities for improvement in the areas of purchase approvals; purchase justifications; receipt of purchases; purchase card reviews; reporting lost or stolen purchase cards; purchasing personnel training; and purchase card guidance. These conditions, which we concluded were internal control weaknesses, resulted because NPS management did not provide sufficient oversight over personal property and purchasing personnel.

#### Personal Property Administration

##### Defense Property Accountability System

We identified 27 purchase requests valued at \$313,907, which contained property required to be entered into DPAS. According to NAVPGSCOLINST 11016.4C, all capital, minor, sensitive, classified, and pilferable property that meets the definition for personal property, will be recorded and tracked in DPAS. We judgmentally selected purchases containing minor and pilferable property as classified by NAVPGSCOLINST 11016.4C. We found 22 of 27 (81 percent) purchase requests reviewed contained minor and pilferable personal property valued at \$279,752 that were not entered into DPAS as

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<sup>22</sup> Defense Property Accountability System (DPAS) is the official personal property system as established by the Department of Defense and adapted by the Department of the Navy.

required. For example, one purchase request for multiple computer servers contained 17 personal property items valued at \$152,981 that were not entered into DPAS.

This condition occurred because NPS management did not provide sufficient oversight to ensure personal property was recorded and tracked in DPAS. Specifically, the Personal Property Manager (PPM) assigned barcodes to the personal property, but did not enter the assigned barcodes into DPAS as required. In addition, the purchasing agents did not follow established procedures to ensure personal property items were shipped to the warehouse for barcoding upon receipt which would allow the PPM to enter the property into DPAS. As a result, NPS could not rely on DPAS to ensure all personal property was accounted for and maintained.

### **Physical Inventories**

Physical inventories conducted at NPS were not performed in accordance with SECNAVINST 7320.10A. Prescribed guidance requires all physical inventories to include a comparison of all personal property records to the physical asset (i.e. book-to-floor). Additionally, an independent party should perform physical inventories at least once every 3 years; however, we found the responsible custodians conducted the physical inventories of the personal property for which they had responsibility. The process consisted of the PPM providing the custodian a hand receipt inventory report generated from DPAS. The custodian conducted the inventory and provided any necessary corrections to the PPM with a signed and dated hand receipt. Once the report was returned, the PPM updated DPAS with the corrections annotated by the custodian. Additionally, we found the PPM was unable to provide documentation to support whether floor-to-book inventories were conducted. We verified the physical inventory processes by reviewing hand receipt inventory reports and interviewing the PPM. According to SECNAVINST 7320.10A, all physical inventories are required to include a comparison of all the physical assets back to the personal property records (i.e., floor-to-book) to ensure all items are included in a compliant personal property system.

These conditions occurred because, in our judgment, the PPM did not place a high priority on complying with SECNAVINST 7320.10A. As a result, NPS could not be assured Government-owned property was not easily diverted to personal use.

### **Desktop Computers Not on the Network**

Although NPS personnel had visibility of desktop computers that were connected to the NPS network, we determined NPS personnel did not have sufficient visibility of unclassified desktop computers not on the NPS network and not entered into DPAS. NAVPGSCOLINST 11016.4C, "Personal Property Management," requires unclassified desktop computers considered minor property (value equal to or greater than \$5,000), and classified computers, to be entered into DPAS. However, this instruction did not require

unclassified desktop computers less than \$5,000 to be entered into DPAS. We verified this condition through interviews with personal property and Information Technology and Communication Services personnel.

This occurred because NPS personnel had not established sufficient internal controls for tracking unclassified desktop computers not on the NPS network and not entered into DPAS. Additionally, there was not a central point for accounting for desktop computers owned by NPS. As a result, unclassified desktop computers valued under \$5,000 and not on the NPS network, could be easily diverted to personal use. Additionally, these computers may contain personal and official information. The exposure of this information could potentially allow unauthorized access and vulnerability to identify theft.

### **Hazardous Materials**

NPS purchases hazardous materials such as sulfuric acid, muriatic acid, and ferric chloride solution which are very dangerous if not properly controlled. However, we found that the NPS' "Hazardous Material Control and Management Program Process," contained in NAVPGSCOLINST 5100.2F, dated 31 May 2000, NPS "Occupational Safety and Health Program Manual," was not effectively utilized.

- According to the Hazardous Material Control and Management (HMC&M) coordinator and the Departmental Hazardous Materials Program Managers (DHMPMs) interviewed, they were not aware of the Hazardous Material Control and Management Program Process in NAVPGSCOLINST 5100.2F.
- According to DHMPMs, new hazardous materials codes were assigned by the DHMPMs; thus bypassing the HMC&M coordinator. According to NAVPGSCOLINST 5100.2F, the HMC&M coordinator conducts purchase request reviews. Once the request is approved, the HMC&M coordinator assigns a hazardous material code annotates applicable comments; signs, dates, and submits the documentation back to DHMPM.
- The HMC&M coordinator was unable to provide the auditors sufficient training materials used to train the DHMPMs. The DHMPMs are responsible for managing the departmental HMC&M Programs. According to the coordinator, new DHMPMs are provided a binder containing the guidance required to carry out the responsibilities of a DHMPM. However, when the audit team requested to see a copy of the binder used for training DHMPMs, the coordinator provided a table of contents as the only documentation, which did not identify the guidance used for training.

- In addition, the HMC&M coordinator did not maintain a current list of DHMPMs. During interviews with the DHMPMs, the audit team identified two individuals on the current list who were no longer DHMPMs.

These conditions occurred because NPS management did not provide sufficient oversight over the HMC&M coordinator. Also, the HMC&M coordinator did not sufficiently train the DHMPMs. As a result, NPS cannot ensure hazardous materials were effectively managed.

### **Purchase Card Program**

#### **Purchase Approval**

Purchasing Agents (PAs) were not obtaining sufficient approval for purchases by the Approving Officials (AOs). For the 57 sponsored program accounts, we identified 72 purchase requests for FY 2007 which totaled approximately \$523,000. We found 28 (39 percent) of 72 purchase request files reviewed, did not contain buyers' worksheets initialed by the AOs. For example, one buyer's worksheet, which was not initialed by the AO, was for a blackboard learning system valued at \$62,000. According to NAVPGSCOLINST 4410.1A, "Policies and Procedures for the Operation and Management of the Government Commercial Purchase Card Program," each AO approves purchases made by cardholders under his/her purview. The AO must initial every buyer's worksheet in the upper right corner to indicate review and approval not later than at the time of certification of the credit card statement. During the audit, the Agency Program Coordinator (APC) stated NAVPGSCOLINST 4410.1A was miswritten and the AOs should approve purchases prior to the PAs making a purchase. Although the instruction has not been updated, PAs stated they contacted AOs via e-mail for approval of purchases prior to making the purchases. However, PAs stated they accepted a negative response (no response) as approval to make purchases. In our opinion, AOs should approve purchases in writing.

This condition occurred because the APC did not provide sufficient oversight over the AOs to ensure AOs initialed the buyer's worksheets. Also, current guidance does not require the AO to review and approve buyer's worksheets prior to the PA making purchases. As a result, NPS cannot be assured all purchases were supported, reasonable, cost effective, and received by the end-user.

#### **Purchase Justification**

For the 72 purchase requests, we identified 38, valued at approximately \$480,000, which were for purchases that exceeded the \$2,500 micro-purchase amount. We found 26 of 38 (69 percent) purchase files did not contain required sole source justification or quotes from three vendors. According to the Federal Acquisition Regulation (FAR)

Part 8.405-1, ordering activities shall place orders exceeding the micro-purchase threshold with the schedule contractor that can provide the supply or service that represents the best value. Before placing an order, an ordering activity shall consider reasonably available information about the supply or service offered under Multiple-Award Schedule contracts by surveying at least three schedule contractors through the General Services Administration or by reviewing the catalogs or pricelists of at least three schedule contractors. Additionally, Naval Supply Systems Command Instruction (NAVSUPINST) 4200.85D, “Department of the Navy Simplified Acquisition Procedures,” states a purchase request should include all the necessary justifications and signatures approving the requirement, to include sole source.

This condition occurred because the PAs were not receiving sufficient oversight by the AOs. As a result, NPS could not be assured all purchases were supported, reasonable, and cost effective.

### **Receipt of Purchases**

PAs did not verify that all items listed on purchase requests were received by end-users. NAVPGSCOLINST 4410.1A states a cardholder’s responsibilities include ensuring that all ordered items are received on site within 45 days of date ordered, or the item(s) must be cancelled with the vendor with whom the order was placed. On 25 January 2008, we identified nine boxes that were not received by the end-user and were maintained at the warehouse (all nine boxes were dated before 13 September 2007). We could not easily determine the value of the property in the boxes since the audit team did not inspect the contents of each box. Based on the purchase requests, these boxes contained items such as a printer, desktop computers, and computer towers. Specifically, one of the boxes contained a desktop computer that was purchased on 9 September 2007 using sponsored funds.

This condition occurred because the PAs were not receiving sufficient oversight by the AOs and purchasing personnel (PAs and AOs) were not receiving sufficient oversight by the APC. As a result, NPS could not ensure that the end-user received all purchases.

### **Purchase Card Reviews**

We found that the APC did not perform the required quarterly reviews or semiannual reviews of purchase card spending limits. NAVSUPINST 4200.99 requires a quarterly review of credit limits of AOs and cardholders, and a semiannual review of account spending limits (monthly and single transaction limits). Additionally, NAVPGSCOLINST 4410.1A requires the APC to conduct a semiannual review of account spending limits. We utilized Naval Audit Service Datamining personnel to obtain a listing of purchase cardholders located at NPS for FY 2007 that included their respective credit card limits and spending activity. The listing contained 44 purchase

cardholders at NPS. Our analysis identified 17 of 44 purchase cardholders at NPS who had not used approximately \$302,000 (49 percent) of their cumulative \$620,000 of available credit on their purchase cards. For example, we identified a cardholder with a \$10,000 credit card limit who only used \$528 (5 percent) of available credit during FY 2007. We also identified a cardholder with a \$25,000 credit card limit who only used \$2,366 (9 percent) of available credit during FY 2007.

This condition occurred because NPS management did not provide sufficient oversight over the APC to ensure spending limits were reviewed as required. Establishing credit limits consistent with spending patterns reduces the potential liability resulting from potential unauthorized use.

### **Reporting Lost or Stolen Purchase Cards**

We found that an NPS purchase cardholder did not completely comply with NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A when their purchase card was stolen. Although the cardholder contacted the bank, the cardholder did not notify the AO and APC in writing that the purchase card account was stolen. According to NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A, if a purchase card is lost or stolen, the cardholder will notify the bank immediately. In addition, the cardholder will notify the AO and APC in writing as soon as possible.

This condition occurred because the APC did not ensure all cardholders followed procedures for lost or stolen purchase cards as required. Without strong internal controls over the use of purchase cards, NPS is highly vulnerable to fraud, waste, and abuse.

### **Purchasing Personnel Training**

DON training, certification, and appointment designation requirements were not followed by NPS personnel for purchasing personnel. We found purchasing personnel were unable to provide documentation to support whether:

- Mandatory training requirements were met; and
- Defense Acquisition Workforce Improvement Act (DAWIA) certification requirements were met.

We identified 97 training documents related to the 21 purchasing personnel in the audit sample. Purchasing personnel included the APC, Alternate APC, AOs, and PAs. NPS personnel provided 84 of 97 training documents required for purchasing personnel; however, we found 13 of 97 (13 percent) training documents were missing. For example, the APC was missing the “Department of Defense Purchase Card Tutorial” and the Alternate APC was missing “DON Consolidated Card Program Management Division” training courses. NAVSUPINST 4200.99, states all prospective APCs, AOs and

cardholders shall successfully complete mandatory and biennial refresher training in DoD and DON policies and procedures. Additionally, documentation of training from all participants must be maintained by the APC.

This condition occurred because the NPS comptroller did not provide enough oversight over the APC to ensure all training requirements were met. Also, the APC was not monitoring the training received by the Alternate APC, PAs, and AOs. As a result, we could not determine if current purchasing personnel were trained and qualified to effectively manage the Purchase Card Program.

Of the 21 purchasing personnel in the audit sample, we found 6 of 9 (67 percent) PAs who were required to attain DAWIA certifications had not completed the requirements and did not have a required waiver. We reviewed training documentation and interviewed the Human Resources Office and purchasing personnel. According to the DON DAWIA Operating Guide, dated 5 January 2007, Acquisition, Technology, and Logistics (AT&L) workforce members have 24 months from the time assigned to a non-key leadership AT&L position to meet the certification requirements of that position and become certified. If the individual does not obtain certification within 24 months, a waiver is required.

During the audit, the Director, Human Resources Office reviewed all PAs' files at NPS and prepared DAWIA waivers for nine purchasing agents. As of 25 June 2008, the waivers were awaiting signature from the approving official. As prescribed in the DON DAWIA Operating Guide, a waiver may be granted to allow an individual to remain in an AT&L position for a specific period without being certified. According to the Comptroller, preparing waivers for purchasing agents is the responsibility of the APC.

This condition occurred because the APC was not monitoring the PAs' progress and completion of DAWIA requirements. As a result, NPS could not be assured that personnel received the required DAWIA certifications.

### **Purchase Card Guidance**

We found through interviewing Pas that they were not aware of NAVPGSCOLINST 4410.1A, "Policies and Procedures for the Operation and Management of the Government Commercial Purchase Card Program." According to NAVPGSCOLINST 4410.1A, the APC is responsible for developing and communicating command policies and procedures to the AOs and PAs (cardholders).

This occurred because the APC was not effectively communicating command policies to the PAs as required. As a result, NPS could not be assured purchasing personnel were complying with purchasing requirements.

## Recommendations

Our recommendations are below, along with management responses and our comments on the responses. The complete text of management responses is in the Appendices.

We recommend that the President, NPS:

**Recommendation 12.** Establish controls and provide oversight to ensure personal property is recorded and tracked in DPAS in accordance with NAVPGSCOLINST 11016.4C.

**President, NPS response to Recommendation 12.** Concur. Controls have been established through the revision of NAVPGSCOLINST 11016.4C and property management training. Property Management has increased the oversight process through the hiring of additional property management personnel. Property Management is working with the APC and Approving Officials to ensure all accountable property is recorded and tracked within DPAS. Measures have been established to review previous purchase logs and future purchases to validate accountable equipment has been properly recorded within DPAS. The estimated completion date for NAVPGINST 11016.4D is 29 May 2009. The property management training slides are based on the NAVPGINST 11016.4D. After the instruction is finalized, it will take approximately 2-4 weeks to complete the training slides. The estimated completion date is 30 June 2009.

**Naval Audit Service comment on management response to Recommendation 12:** Actions planned meet the intent of Recommendation 12. Based on subsequent communication, the target completion date is 9 September 2009.

**Recommendation 13.** Establish controls and provide oversight to ensure all personnel accountable for personal property, in the personal property management chain, comply with NAVPGSCOLINST 11016.4C.

**President, NPS response to Recommendation 13.** Concur. NAVPGSCOLINST 11016.4c has been revised to reflect all the duties and responsibilities of accountable personnel. General Property Management training has been posted to the NPS intranet. Specialized training for accountable personnel is being developed. Failure to comply triggers remedial training. Repeat offenders lost their purchasing authority and or ability to use, control Government equipment. The estimated completion date for NAVPGINST 11016.4D is 29 May 2009. The property management training slides are based on the NAVPGINST 11016.4D. After the instruction is finalized,

it will take approximately 2-4 weeks to complete the training slides. The estimated completion date is 30 June 2009.

**Naval Audit Service comment on management response to Recommendation 13.** Actions planned meet the intent of Recommendation 13. Based on subsequent communication, the target completion date is 9 September 2009.

**Recommendation 14.** Establish controls and provide oversight to ensure physical inventories, including floor-to-book inventories, are performed in accordance with SECNAVINST 7320.10A.

**President, NPS response to Recommendation 14.** Concur. Final proposals for a book-to-floor/floor-to-book inventory are expected by 22 May 2009. Estimated commencement of inventory is 15 June 2009. The inventory will take approximately 4-8 weeks to complete. The DPAS custodian structure will be altered to allow NPS to conduct timely inventories in accordance with SECNAVINST 7320.10A. Inventory training will be written and posted on the NPS website no later than 30 June 2009. One-on-one training will be given upon commencement of each custodian inventory. The estimated completion date is 1 December 2009.

**Naval Audit Service comment on management response to Recommendation 14.** Actions planned meet the intent of Recommendation 14. This recommendation is considered open pending completion of planned actions.

**Recommendation 15.** Establish controls to ensure sufficient accountability over all desktop computers, regardless of value or classification.

**President, NPS response to Recommendation 15.** Concur. NAVPGSCOLINST 11016.4C has been revised to reflect ADP tracking requirements promulgated from the recent changes to MPTEINST 7320.1A, which incorporates many ADP assets not previously required to be accounted for in the DPAS tracking system. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 15.** Actions planned meet the intent of Recommendation 15. This recommendation is considered open pending completion of planned actions.

**Recommendation 16.** Establish controls for monitoring the HMC&M coordinator and NPS personnel responsible for hazardous materials to ensure HMC&M is aware

of, and the DHMPMs comply with, the Hazardous Material Control and Management Program Process.

**President, NPS response to Recommendation 16.** Concur. The NPS HMC&M Program Instruction is under revision; it will consolidate NAVPGSCOLINST 5100, 4410, and 6280 series documents. This will streamline and consolidate the HAZMAT control process. We have provided first time training to the Purchasing Agents and Approving Officials to ensure compliance with the instruction and ensure Hazardous Material (HM) Code authorization is on all HM Purchase Request Orders. HMC&M Coordinator is working closely with APC and has enforced this process through purchasing controls. The Hazardous Material Program Manager (DHMPM) List is updated and has been submitted to the APC for distribution to all Purchasing Agents and Approving Officials through the NPS intranet. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 16.** Actions planned meet the intent of Recommendation 16. This recommendation is considered open pending completion of planned actions.

**Recommendation 17.** Establish controls and provide oversight to ensure AOs initial buyer's worksheets is in accordance with NAVPGSCOLINST 4410.1A.

**President, NPS response to Recommendation 17.** Concur. Since her arrival in April 2008, the current APC has conducted regular quarterly meetings/training sessions with all AOs as a means of reinforcing their need to comply with all regulations. One of the areas that have been continually addressed is the need to conduct ongoing surveillance of their cardholders' transactions. As an oversight process, the APC initiated and maintains a regular schedule of audits of cardholders' records and AO activities to assure compliance. Findings to date reveal that this situation has been corrected. The estimated completion date is 30 June 2009.

**Naval Audit Service comment on management response to Recommendation 17.** Actions planned meet the intent of Recommendation 17. NPS planned actions should include developing guidance to regulate the duties of the APC. This guidance should be provided to the Naval Audit Service as part of the NPS written status reports on open recommendations to support us closing the recommendation. Based on subsequent communication, the target completion date is 9 September 2009.

**Recommendation 18.** Revise NAVPGSCOLINST 4410.1A to require PAs to obtain written approvals from the AOs prior to making a purchase, and establish controls and provide oversight to ensure the revised guidance is implemented.

**President, NPS response to Recommendation 18.** Concur. In July 2008, the new APC mandated that all AOs would be required to review and approve all purchase requests prior to the cardholder receiving the purchase request for purchase. This had not been done previously. This review, before the fact, would ensure that the proposed purchase had been duly authorized by the AO. It also gave the AO an opportunity to notify the APC of any suspicious or questionable transactions before they were processed, so that a thorough review of the request could be conducted. This eliminated any chance for fraudulent or otherwise improper purchases to be made by any cardholder. The APC continues to monitor this activity via audits; her findings to-date reveal that there is compliance. The process has been in place since October 2008. The mandate will be in the new instruction. The estimated completion date is 30 June 2009.

**Naval Audit Service comment on management response to Recommendation 18.** Actions planned meet the intent of Recommendation 18. Based on subsequent communication, the target completion date is 9 September 2009.

**Recommendation 19.** Establish controls and provide oversight to ensure PAs maintain documentation to support sole source justification, or quotes from three vendors in accordance with NAVSUPINST 4200.85D and NAVPGSCOLINST 4410.1A respectively.

**President, NPS response to Recommendation 19.** Concur. The APC enforced the mandate that cardholders with warrants above the micro purchase limit were required to solicit a reasonable number of quotes (3) from GSA Schedule contracts or other Government vehicle contracts to promote competition to the maximum extent practicable, or that the end-user needed to submit a sole source justification. Under this edict, cardholders must complete a best value determination form indicating three quotes or sole source justification and submit the appropriate document to the APC for reporting to the Federal Procurement Data System-Next Generation (FPOS-NG). The APC conducted monthly meetings with cardholders and quarterly meetings with AOs as a means of enforcing their need to comply with all regulations. The APC continues to monitor this activity via audits; her findings to-date reveals adherence to this edict. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 19.** Actions planned meet the intent of

Recommendation 19. NPS planned actions should include developing guidance to regulate the duties of the APC. This guidance should be provided to the Naval Audit Service as part of the NPS written status reports on open recommendations to support us closing the recommendation. This recommendation is considered open pending completion of planned actions.

**Recommendation 20.** Establish controls and provide oversight to ensure PAs verify receipt of all purchases and maintain documentation to support an audit trail in accordance with NAVPGSCOLINST 4410.1A.

**President, NPS response to Recommendation 20.** Concur. The APC is enforcing the requirement of cardholders to maintain a purchase card log and all documentation for each transaction. When goods and services are received or rendered, the cardholder contacts end-user, turns over the purchase, and ensures that the end-user signs (legible signatures) and dates the receipt or packing slip validating that they received and inspected the materials. The cardholder then is required to file receipts/packing slips in purchase folder. For cell phone service, the cell phone user must sign and certify statement that all calls made were in the course of Government business and that all charges are correct. The APC continues to monitor this activity via audits; her findings to date reveal adherence to this edict. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 20.** Actions planned meet the intent of Recommendation 20. NPS planned actions should include developing guidance to regulate the duties of the APC. This guidance should be provided to the Naval Audit Service as part of the NPS written status reports on open recommendations to support us closing the recommendation. This recommendation is considered open pending completion of planned actions.

**Recommendation 21.** Establish controls and provide oversight to ensure the APC performs quarterly and semiannual reviews of purchase card spending limits in accordance with NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A.

**President, NPS response to Recommendation 21.** Concur. The new APC now submits semiannual reviews of all purchase cardholders' spending limits to assure compliance, as part of her oversight of all other issues related to the purchase card program. These reviews are submitted through the Naval Education and Training Command level IV APC to be forwarded up to the level I APC. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 21.** Actions planned should also incorporate a quarterly

review of credit limits in addition to the semiannual review of spending limits. This guidance should be provided to the Naval Audit Service as part of the NPS written status reports on open recommendations to support us closing the recommendation. This recommendation is considered open pending completion of planned actions.

**Recommendation 22.** Establish controls and provide oversight to ensure procedures for lost or stolen purchase cards are followed in accordance with NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A.

**President, NPS response to Recommendation 22.** Concur. Cardholders have been reminded by the APC to notify her and [the credit card company] immediately when a purchase card is lost or stolen. The APC will initiate procedures to close the account of the lost card and open a new one. To date, cardholders have been following this procedure. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 22.** Actions planned meet the intent of Recommendation 22. This recommendation is considered open pending completion of planned actions.

**Recommendation 23.** Establish controls and provide oversight to ensure purchase card training and DAWIA requirements for applicable purchasing personnel are met in accordance with the NAVSUPINST 4200.99 and DON DAWIA Operating Guide.

**President, NPS response to Recommendation 23.** Concur. The APC reviewed all training and related requirements of each coordinator to confirm which, if any, requirements were not being met. Subsequently, she had all cardholders obtain documentation, and she regularly monitors required training for cardholders. Cardholders and approving officials are notified 30 days prior of training renewal date. In addition, the APC notifies each cardholder's AO if that cardholder is not in compliance with any required training. Training efforts are continuous and on-going. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 23.** Actions planned meet the intent of Recommendation 23. This recommendation is considered open pending completion of planned actions.

**Recommendation 24.** Revise the NAVPGSCOLINST 4410.1A to require the APC to periodically review all PAs' DAWIA requirements, and prepare waivers in

accordance with the DON DAWIA Operating Guide, if necessary. Also, establish controls and provide oversight to ensure the revised guidance is implemented.

**President, NPS response to Recommendation 24.** Concur. Revision of the NAVPGSCOLINST 4410.1A is underway. The APC will submit a revised instruction to approving officials for review and to the Deputy Comptroller and Comptroller for concurrence within 90 days. The APC's goal is to have all cardholders with appropriate training within the next 9 months and eliminate the need for any cardholder waivers. The estimated completion date is December 2009.

**Naval Audit Service comment on management response to Recommendation 24.** Actions planned meet the intent of Recommendation 24. This recommendation is considered open pending completion of planned actions.

**Recommendation 25.** Establish controls to ensure the APC complies with the NAVPGSCOLINST 4410.1A and provides sufficient oversight over PAs.

**President, NPS response to Recommendation 25.** Concur. Since the inception of the Naval Audit visits, the Comptroller hired a full time APC (vice part time collateral duty). As a result, the APC has dedicated efforts to process improvement, to include records, procedures, oversight of credit cardholders and Authorizing Officials. The outstanding NPS internal annual Command Evaluation discrepancies were corrected and NPS passed the biennial Procurement Performance Measurement and Assessment Program (PPMAP). Documentation has been provided. The process is in place and review is on-going to ensure compliance and effectiveness. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 25.** Actions planned meet the intent of Recommendation 25. NPS planned actions should include developing guidance to regulate the duties of the APC. This guidance should be provided to the Naval Audit Service as part of the NPS written status reports on open recommendations to support us closing the recommendation. This recommendation is considered open pending completion of planned actions.

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## Finding 3: NPS Administrative Procedures

### Synopsis

NPS personnel did not have sufficient oversight over NPS administrative procedures.<sup>23</sup> Specifically, Research and Sponsored Programs Office (RSPO) administrative procedures, time and attendance attestations, travel expenses and reports, and contract and grant supporting documentation were not effective in accordance with the FAR, DoD FMR, and local guidance. These conditions occurred because NPS management did not establish sufficient internal controls and did not provide oversight over administrative procedures. As a result, NPS could not be reasonably assured that the administrative procedures were administered effectively and efficiently.

### Audit Results

Our audit of 25 sponsored programs for FY 2007 at NPS, containing 57 accounts, identified opportunities for improvement over the administrative procedures. Specifically, we found weaknesses in the areas of RSPO administrative procedures; NPS faculty time and attendance attestations; travel expenses and reports; and contract and grant supporting documentation. These conditions, which we concluded were internal control weaknesses, resulted because NPS management did not provide sufficient oversight over NPS management personnel.

#### RSPO Administrative Procedures

##### Expenditure Attestations

Based on our analysis, we found that there were insufficient controls over the attestation process for sponsored program expenditures. The attestation verifies expenditures charged to the sponsored programs are appropriate and directly support the sponsored programs. Specifically, 66 of 147 (45 percent) required attestations were not certified. To illustrate, we identified one sponsored program account valued at \$1,841,000 in which the Principal Investigator (PI) or Project Manager (PM) did not certify any of the required quarterly attestations during FY 2007. NPS Sponsored Program Policy/Guidance Memo (SPPGM) No. 06-05, states expenditures must be certified quarterly by the PI or PM, the attestation must be included in the project file, and a refusal to perform an attestation could result in a temporary freeze on the PI's sponsored account. PIs that do not certify attestations cannot ensure the expenditures on their account are valid.

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<sup>23</sup> For the purposes of this finding, administrative procedures refers to certification of expenditures and time, travel expenses and reports, contract administration, and annual training certification on accountability.

## **PI Training**

We identified 27 PIs who were responsible for the 57 sponsored program accounts. We found 6 of 27 (22 percent) PIs did not complete the required “Annual Certification on Accountability in the Conduct of Sponsored Activities” training. NPS SPPGM-05-04, dated 29 October 2004, states all PIs will be required to review the accountability standards in the conduct of sponsored activities on an annual basis.

## **Sponsored Programs Financial Analyst (SPFA) Training**

We identified 11 SPFAs who were responsible for the 57 sponsored programs accounts. We found 6 of 11 (55 percent) SPFAs did not complete the required “Annual Certification on Accountability in the Conduct of Sponsored Activities” training as required. According to the Director, RSPO, the SPFAs are required to complete the accountability standards, and the Director, RSPO had established this requirement via e-mail.

These conditions occurred because the RSPO personnel did not enforce the quarterly attestation policy or the penalty for non-performance as stated in SPPGM No. 06-05. In addition, the RSPO personnel did not maintain sufficient documentation to support that PIs received the required training. Additionally, the SPFA Standard Operating Procedures did not contain written guidance requiring the SPFAs to complete the accountability standards and the RSPO personnel did not sufficiently monitor SPFA training completion. As a result, NPS could not reasonably assure all expenses charged to sponsored accounts were allowable, allocable to the program, and reasonable. Furthermore, NPS could not be assured that SPFAs were aware of, and were in compliance with, fiscal and sponsored programs requirements.

## **Time and Attendance Attestations**

We determined that NPS faculty did not complete attestations of their time and attendance. The certification of time and attendance is an authorization for the expenditure of Government funds. Although we found NPS established a process for recording time and attendance, this process did not include faculty members documenting the correctness for their current pay period. Per DoD FMR, Volume 8, Chapter 2, and NAVPGSCOLINST 7410.3S, employees are required to complete an attestation of the accuracy of their current pay period’s time and attendance. In our opinion, this condition occurred because NPS management did not place a high priority on complying with DoD FMR guidance. Without employees attesting to their hours, NPS could not be assured that the faculty labor hours charged were actually worked and that the employee was entitled to payment.

## **Travel Expenses and Reports**

### **Travel Voucher Analysis**

NPS personnel did not ensure that travel expenses were properly supported as required. The Joint Travel Regulation states that travelers must keep all receipts for lodging and receipts for any individual official travel expense of \$75 or more. Additionally, DoD FMR states that all travelers must fax or scan all records to substantiate certified travel claims (including original receipts for all lodging expenses, and all original receipts for individual reimbursable expenses of \$75 or more) to the Defense Travel System trip record. We identified travel vouchers valued at approximately \$1,129,000 for the 57 sponsored program accounts. For our analysis, we judgmentally selected the 4 highest dollar travel vouchers for each of the 57 accounts. Of the 57 accounts, we reviewed 116 vouchers<sup>24</sup> valued at approximately \$297,000. During our review, we determined 28 of 116 (24 percent) of the travel vouchers were not completely supported. For example, one voucher did not contain receipts for airfare, lodging, and a passport fee, which totaled \$2,856 (see Figure 8). Another voucher did not contain receipts for lodging and hotel sales tax, which totaled \$3,420. During the audit, we were notified that the travel office centralization phase-in began on 30 July 2007 and was completed on 10 September 2007. According to the NPS comptroller, there have been immediate improvements within the travel office. We could not determine if centralizing the travel office was effective, since this action was completed only 3 weeks prior to this audit.

This condition occurred because the AOs did not verify receipts for travel expenses of \$75 or more. Without complete supporting documentation of travel expenses, NPS may be overpaying for individual travel expenses.

### **Travel Card Delinquency Report Analysis**

NPS personnel did not maintain historical travel card Delinquency Reports. These reports are to be used as a management tool to monitor the number of accounts and dollars delinquent for the NPS travel cardholders. DoD FMR, Volume 5, Chapter 21, states that original disbursing office records and associated papers shall be retained as Government property, and shall be readily accessible to the disbursing officer or the designated settlement office, for a 6-year, 3-month period. For example, if the same traveler is delinquent every 2 or 3 months, without historical delinquency reports there is no method of determining that the individual is a habitual offender. As a result of our audit work, the Travel Manager revised the Delinquency Report Procedures on 24 January 2008. These procedures require the APC to maintain copies of the delinquency reports.

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<sup>24</sup> Not all accounts contained four travel vouchers.

This condition occurred because NPS comptroller personnel did not implement controls requiring the APC to maintain historical delinquency reports. Without maintaining the reports, NPS comptroller personnel are unable to review historical delinquency reports and identify travelers who repeatedly appear on the delinquency reports.

### **Travel Card Exceptions Report/Non-travel Activity**

The APC could not provide documentation to support that cardholders and supervisors were contacted when the cardholder's name appeared on the Exceptions Report – Non-travel Activity Report for FY 2007. This report identifies cardholders that may be using their travel card during non-official travel periods. The DON Government Travel Charge Card, APC Desk Guide states, for transactions that appear on the Exception Report - Non-travel Activity report, the APC should contact the cardholder and their supervisor to confirm that the transactions made were for official use. The audit team reviewed the quarterly Exceptions Reports and found nine transactions, such as gas and parking, which totaled approximately \$941, for eight travelers within our audit sample. The audit team requested supporting documentation of notification that was sent to the travelers or their supervisors. The APC stated that although notifications were completed, documentation to support the notifications was not maintained. The APC Desk Guide required the APC to confirm transactions that appear on this report were for official use. Without maintaining supporting documentation of notifications sent to the traveler or their supervisor, NPS personnel may be unable to identify individuals who are continuously abusing their credit card. Maintaining supporting documentation provides NPS with assurance the credit card transactions were appropriate.

### **Contract and Grant Documentation**

NPS personnel were unable to provide sufficient documentation to ensure contract/grant administration was effective. For the 57 sponsored program accounts, we judgmentally selected the 2 contractors/grantees with the highest dollar value contracts/grants. This sample included four contracts and one grant, valued at \$16 million. Specifically, during our review, three of the four contracts and the grant required itemized invoices. Although we received invoices for the three contracts, two of the contracts contained non-itemized invoices and we were unable to obtain any invoices for the grant reviewed. Therefore, we were unable to verify labor rates and labor hours charged on the invoice. For example, one of the invoices reviewed required an itemized invoice; however, it was billed in bulk and totaled approximately \$183,000. In addition, NPS personnel could not provide proof of payment of tuition, textbook fees, student fees, health insurance, and stipends as required in the grant. Lastly, NPS personnel were unable to provide quality assurance documentation in accordance with the FAR for all of the contracts reviewed. NPS personnel documented quality assurance with surveys for training classes and e-mail correspondence. Quality assurance shall be performed to determine that the supplies or services conform to contract requirements. Although NPS does not have guidance or

local instruction on performing quality assurance for grants, in our opinion NPS should establish guidance to perform quality assurance on grants.

These conditions occurred because NPS management did not ensure NPS personnel complied with the individual requirements of the contracts/grant. In addition, NPS management did not ensure quality assurance was performed in accordance with the FAR for contracts. Lastly, NPS does not have written guidance on performing quality assurance for grants. Without sufficient oversight, NPS could not be assured they received the deliverables for which they paid.

## Recommendations

Our recommendations are below, along with management responses and our comments on the responses. The complete text of management responses is in the Appendices.

We recommend that the Office of the Chief of Naval Personnel:<sup>25</sup>

**Recommendation 26.** Direct the President, NPS to establish controls and provide oversight to ensure the RSPO personnel enforce the NPS attestation policy and implement the penalties for PIs that do not perform the attestations in accordance with SPPGM-06-05.

**Chief of Naval Personnel response to Recommendation 26.** Concur. NPS shall establish controls per SECNAVINST 7000.27A; provide oversight to ensure the RSPO personnel enforce the NPS attestation policy; and comply with the penalties for PIs or PMs that do not perform the attestations in accordance with NPS SPPGM No. 06-05. SPPGM 06-05, states that expenditures must be certified quarterly by the PI or PM, the attestation must be included in the project file, and a refusal to perform an attestation could result in a temporary freeze on the PI's sponsored account. NPS shall direct mandatory "Annual Certification on Accountability in the Conduct of Sponsored Activities" training for all PIs, PMs, and SPFAs who must take this training. The RSPO must track training for all sponsored programs, be responsible for ensuring that training has been completed, and where deficiencies exist, implement corrective action. Chief of Naval Personnel (PERS 7) will instruct NPS to take corrective action to comply with Recommendation 26 by 31 July 2009. NPS will report back to PERS 7 on the corrective actions taken.

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<sup>25</sup> The recommendations were originally directed to the Chief of Naval Operations; however, since the Naval Postgraduate School now falls under the Bureau of Naval Personnel (BUPERS) for fiscal authorization, the applicable recommendations have been redirected to the Chief of Naval Personnel (DCNO (N1)/BUPERS). DCNO (N1)/BUPERS has responded to the recommendations, as shown in Appendix 1.

**Naval Audit Service comment on management response to Recommendation 26.** Actions planned meet the intent of Recommendation 26. This recommendation is considered open pending completion of planned actions.

**Recommendation 27.** Direct the President, NPS to establish controls and provide oversight to verify PIs complete training requirements prior to the release of sponsored program accounts as required by SPPGM-05-04.

**Chief of Naval Personnel response to Recommendation 27.** Concur. NPS shall establish controls and provide oversight to verify PIs complete training requirements prior to the release of sponsored program accounts as required by SPPGM No. 05-04. NPS shall direct mandatory “Annual Certification on Accountability in the Conduct of Sponsored Activities” training for all PIs, PMs, and SPFAs who are required to take this training. The RSPO must track training for all sponsored programs, be responsible for ensuring that training has been completed, and where deficiencies exist, implement corrective action. Chief of Naval Personnel (PERS 7) will instruct NPS to take corrective action to comply with Recommendation 27 by 31 July 2009. NPS will report back to PERS 7 on the corrective actions taken.

**Naval Audit Service comment on management response to Recommendation 27.** Actions planned meet the intent of Recommendation 27. This recommendation is considered open pending completion of planned actions.

**Recommendation 28.** Direct the President, NPS to revise the SPFA Standard Operating Procedures to incorporate the SPFA training requirements and establish controls and provide oversight to ensure the revised guidance is implemented.

**Chief of Naval Personnel response to Recommendation 28.** Concur. NPS shall direct the revision of SPFA Standard Operating Procedures to incorporate the SPFA training requirements, establish controls, and enforce the penalty for noncompliance. The RSPO will provide oversight to ensure the revised guidance is implemented. The Director, RSPO, must track training as required for all sponsored programs, be responsible for ensuring that training has been completed, and where deficiencies exist, implement corrective action. Chief of Naval Personnel (PERS 7) will instruct NPS to take corrective action to comply with Recommendation 28 by 31 July 2009. NPS will report back to PERS 7 on the corrective actions taken.

**Naval Audit Service comment on management response to Recommendation 28.** Actions planned meet the intent of

Recommendation 28. This recommendation is considered open pending completion of planned actions.

We recommend that the President, NPS:

**Recommendation 29.** Establish controls and provide oversight to ensure NPS faculty complete and attest to the correctness and accuracy of the data for their current pay period as required by DoD FMR and NAVPGSCOLINST 7410.3S.

**President, NPS response to Recommendation 29.** Nonconcur. NPS faculty has continued to report and attest to time and attendance on a quarterly basis in accordance with previous guidelines. When it was noted that we were no longer in compliance with FMR Volume 8, Chapter 2, Section 0202, we submitted an exception request to Director for Financial Commerce, via Director Resource Management Division (N10) Office of Chief of Naval Operations (MPT&E) on 3 October 2007 based on our university model and our quarterly/annual teaching workload plans. Recent inquiries have highlighted this issue with the approving authority, and we expect an answer to be forthcoming. NPS President will be making time and attendance a special interest item for the command. Command Evaluation will be conducting a time and attendance review the first quarter of FY 2010.

**Naval Audit Service comment on management response to Recommendation 29.** Actions planned do not meet the intent of Recommendation 29 and the recommendation is undecided. In accordance with DoD FMR, employees must attest to the accuracy of their current pay period's time and attendance. The waiver NPS submitted to the Office of the Chief of Naval Operations on 3 October 2007 requests an exemption for the requirement to perform individual *daily* timesheets or sign-in/sign-out sheets for faculty. However, per the DoD FMR, our recommendation addresses the issue of attesting to the accuracy of the total amount of hours in the current pay period's time and attendance. As of 16 June 2009, NPS has not received a response that waives the requirement to attest to their current pay period's time and attendance. Additionally, the original waiver dated 5 February 1990 from the Navy Comptroller (NAVCOMPT) does not clearly state that the requirement to complete an attestation for the current pay period has been waived. The original waiver states "time cards for faculty should reflect the number of hours worked in a pay period, but may not reflect the true number of hours worked in a given day." Further, the original waiver is no longer valid since the NAVCOMPT Manual no longer exists and has not been replaced by any higher-level (i.e., beyond local guidance) DON instruction addressing this issue. Accordingly, the only governing guidance is DoD FMR, which requires the attestations. Recommendation 29 is considered undecided and is being

elevated to Deputy Chief of Naval Operations (Manpower, Personnel, Training, and Education) (N1) for action.

**Recommendation 30.** Establish controls and provide oversight to ensure travel personnel obtain supporting documentation for individual travel expenses more than \$75, in accordance with the Joint Travel Regulation, FMR, and NPS guidance, prior to approving the travel vouchers.

**President, NPS response to Recommendation 30.** Concur. The change in Travel Office management in 2007 and the implementation of the centralized AO review process resulted in a strict review protocol that included mandatory checking of receipts for any claim \$75 or greater. All submittals to the Travel Office are subject to this scrutiny to assure compliance with regulations. The School of International Graduate Studies was exempt from the centralize voucher process; however, internal audits revealed a need to migrate the school to the centralized process. This began in February 2009, with the last department moving in May. The estimated completion date is 30 June 2009.

**Naval Audit Service comment on management response to Recommendation 30.** Actions planned meet the intent of Recommendation 30. NPS response should include documentation to support the implementation of the centralized AO review process. This guidance should be provided to the Naval Audit Service as part of the NPS written status reports on open recommendations to support us closing the recommendation. Based on subsequent communication, the target completion date is 9 September 2009.

**Recommendation 31.** Establish controls and provide oversight to ensure the APC maintains historical Delinquency Reports.

**President, NPS response to Recommendation 31.** Concur. As referenced in the draft audit report, in January 2008 the Travel Manager's revision of the Delinquency Report Procedures for individuals with Government Travel Cards to require the APC to maintain hard-copy copies of the delinquency reports was recognized as a notable accomplishment. The result of this new procedure is that delinquency rates have decreased significantly from July 2007 to present. The Travel Office now has empirical data from which to evaluate repeat offenders and propose appropriate remedies to senior management. The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 31.** Actions planned meet the intent of

Recommendation 31. This recommendation is considered open pending completion of planned actions.

**Recommendation 32.** Establish controls and provide oversight to ensure the APC maintains supporting documentation of the notifications and results when travelers and their supervisors are questioned regarding the appearance of the traveler on the Exceptions Reports - Non-travel Activity report.

**President, NPS response to Recommendation 32.** Concur. The Travel Card APC is responsible for and maintains records of transactions that are noted. Cardholders are contacted to explain each transaction, and those who are guilty of misuse are reported to senior management and subject to termination of Travel Card privileges. The notification process consists of a form letter that is forwarded to the traveler. There is a first, second, and third notice (form letter). After the final (third) notice, we deactivate the account. An electronic version and a hard-copy version of the documentation is maintained (exception reports are maintained in a [credit card company] database, and hard-copies are stored in a locked file cabinet in the APC office). The estimated completion date is 9 September 2009.

**Naval Audit Service comment on management response to Recommendation 32.** Actions planned meet the intent of Recommendation 32. NPS response should include documentation to support a formal process has been established. This recommendation is considered open pending completion of planned actions.

**Recommendation 33.** Establish controls and provide oversight to ensure NPS personnel comply with the requirements of the contract/grant, as well as comply with the requirements of the FAR.

**President, NPS response to Recommendation 33.** Concur. NPS establishes Contracting Officer Representatives as required by NAVSUP regulations on contracts. In addition, NPS provides a memorandum of responsibilities to the Technical Point-of-Contact on task orders awarded against NPS IDIQ support service contracts. The memorandum is attached with each new task order and forwarding of memorandum to all existing technical points-of-contact. The memorandum of responsibility is very clear in delineating the responsibilities of the Technical Point-of-Contact for contracted services. Invoice review is completed by the centralized Contracts/Grant function in coordination with the Technical Point-of-Contact. Review of invoices also assures progress on contracts and completion of deliverables. The Director of Contracts and Grants position was established to provide oversight and provide necessary training for NPS personnel. The completion date was 3 April 2009.

**Naval Audit Service comment on management response to**

**Recommendation 33.** Actions taken meet the intent of Recommendation 33. We consider Recommendation 33 closed effective 3 April 2009.

**Recommendation 34.** Establish guidance to ensure NPS personnel perform quality assurance for grants.

**President, NPS response to Recommendation 34.** Concur. NPS in coordination with its Contracting Office, Fleet and Industrial Supply Center (FISC)-San Diego, has revised and enhanced the Evaluation Form utilized when considering an award of an assistance agreement. NPS will draft overall guidance for the grant process to include roles/responsibilities, process and oversight. It must be noted that grants are considered “assistance” agreements and are under the auspices of the DoDGARS (Department of Defense Grant and Agreement Regulations). The narrative in the report regarding this recommendation states, “...NPS does not have written guidance on performing quality assurance for grants. Without sufficient oversight, NPS could not be assured they received the services for which they paid.” NPS concurs that we currently do not have written guidance, but the second statement is not correct in that grants are not awarded for the procurement of services; a grant is an assistance agreement. With assistance agreements, the grantee must exhibit reasonable progress to the goal outlined in their proposal. NPS will complete written guidance no later than 1 July 2009. NPS hosted a Grants Workshop with personnel from the Office of Naval Research and FISC-San Diego on 2-3 April 2009 to provide additional training to NPS and FISC-San Diego personnel. Attached is the attendee list/agenda from the Office of Naval Research/FISC/Grants Workshop held at NPS on 2-3 April 2009. The estimated completion date is 31 July 2009.

**Naval Audit Service comment on management response to**

**Recommendation 34.** Actions planned meet the intent of Recommendation 34. This recommendation is considered open pending completion of planned actions. We agree with NPS that grants are assistance agreements, and have adjusted the report accordingly to reflect the output of an assistance agreement as a deliverable.

**Section B:**

# Status of Recommendations

RECOMMENDATIONS							
Finding <sup>26</sup>	Rec. No.	Page No.	Subject	Status <sup>27</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date
+1	1	13	Establish controls and provide oversight to ensure NPS comptroller personnel prevent over obligations/expenditures on all sponsored accounts in accordance with NAVPGSCOLINST 3900.1C.	O	DCNO (N1)/BUPERS <sup>28</sup>	10/30/2009	
+1	2	13	Direct NPS president to establish controls, to include periodic reviews, and provide oversight to ensure the PI coordinates with the sponsor(s) to obtain additional funding or reduce the scope of the project when a funding deficiency is anticipated, in accordance with NAVPGSCOLINST 4235.2B.	O	DCNO (N1)/BUPERS	10/30/2009	
+1	3	14	Direct NPS comptroller personnel to resolve the 20 unresolved accounts for which sufficient sponsor funds were not available to cover the costs.	O	DCNO (N1)/BUPERS	2/26/2010	11/16/09
+1	4	14	Direct NPS comptroller personnel to report to the Naval Audit Service the resolution methodology and whether funds were recouped from the sponsor for each of the 43 accounts.	O	DCNO (N1)/BUPERS	10/30/2009	
+1	5	15	Direct NPS comptroller personnel to report to CNO whether funds were recouped from the sponsors for the six accounts identified in Exhibit D.	O	DCNO (N1)/BUPERS	10/30/2009	

<sup>26</sup> / + = Indicates repeat finding

<sup>27</sup> / 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

<sup>28</sup> Recommendations 1 through 6 and 26 through 28 were originally directed to the Chief of Naval Operations; however, since the Naval Postgraduate School now falls under the Bureau of Naval Personnel (BUPERS) for fiscal authorization, the applicable recommendations have been redirected to the Chief of Naval Personnel (DCNO (N1)/BUPERS). DCNO (N1)/BUPERS has responded to the recommendations, as shown in Appendix 1.

RECOMMENDATIONS							
Finding <sup>26</sup>	Rec. No.	Page No.	Subject	Status <sup>27</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date
1	6	15	After reviewing the response from NPS regarding the six overexpended accounts identified in Exhibit D, coordinate with the Assistant Secretary of the Navy (Financial Management and Comptroller) (FMB) to determine whether a potential ADA investigation is warranted (the six overexpended accounts referenced are non-O&M, N DON-funded accounts).	O	DCNO (N1)/BUPERS	10/30/2009	
1	7	16	Strengthen procedures and internal controls for the PI, Sponsored Programs Financial Analyst (SPFA), RSPO, and comptroller's office responsibilities, regarding fund control, to ensure coordination throughout the fund control process and that funds are returned to sponsors as soon as they are determined to be no longer needed.	O	President, NPS	9/9/2009	
1	8	17	Establish controls and provide oversight to ensure the PI conducts a quarterly review of all sponsored accounts for proper fund use and funding needs, and informs the NPS comptroller personnel to return unneeded funds to the sponsor(s). Report the results to the RSPO and the NPS comptroller 5 days after completion.	O	President, NPS	9/9/2009	
1	9	17	Establish procedures and internal controls to ensure NPS comptroller personnel maintain an audit trail for all sponsored accounts to include supporting documentation for the annual STARS authorizations.	O	President, NPS	9/9/2009	
1	10	18	Reconcile account R26K to determine the available funding. Establish controls and provide oversight to ensure comptroller personnel periodically monitor all sponsored accounts to determine the available funding.	O	President, NPS	9/9/2009	

RECOMMENDATIONS							
Finding <sup>26</sup>	Rec. No.	Page No.	Subject	Status <sup>27</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date
1	11	18	Provide the Naval Audit Service the Department of Justice's acceptance of the approximately \$5 million of funds no longer needed.	C	President, NPS	9/8/2008	
2	12	27	Establish controls and provide oversight to ensure personal property is recorded and tracked in DPAS in accordance with NAVPGSCOLINST 11016.4C.	O	President, NPS	9/9/2009	
2	13	27	Establish controls and provide oversight to ensure all personnel accountable for personal property, in the personal property management chain, comply with NAVPGSCOLINST 11016.4C.	O	President, NPS	9/9/2009	
2	14	28	Establish controls and provide oversight to ensure physical inventories, including floor-to-book inventories, are performed in accordance with SECNAVINST 7320.10A.	O	President, NPS	12/1/2009	
2	15	28	Establish controls to ensure sufficient accountability over all desktop computers, regardless of value or classification.	O	President, NPS	9/9/2009	
2	16	28	Establish controls for monitoring the HMC&M coordinator and NPS personnel responsible for hazardous materials to ensure HMC&M is aware of, and the DHMPMs comply with, the Hazardous Material Control and Management Program Process.	O	President, NPS	9/9/2009	
2	17	29	Establish controls and provide oversight to ensure AOs initial buyer's worksheets is in accordance with NAVPGSCOLINST 4410.1A.	O	President, NPS	9/9/2009	
2	18	30	Revise NAVPGSCOLINST 4410.1A to require PAs to obtain written approvals from the AOs prior to making a purchase, and establish controls and provide oversight to ensure the revised guidance is implemented.	O	President, NPS	9/9/2009	

RECOMMENDATIONS							
Finding <sup>26</sup>	Rec. No.	Page No.	Subject	Status <sup>27</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date
2	19	30	Establish controls and provide oversight to ensure PAs maintain documentation to support sole source justification, or quotes from three vendors in accordance with NAVSUPINST 4200.85D and NAVPGSCOLINST 4410.1A respectively.	O	President, NPS	9/9/2009	
2	20	31	Establish controls and provide oversight to ensure PAs verify receipt of all purchases and maintain documentation to support an audit trail in accordance with NAVPGSCOLINST 4410.1A.	O	President, NPS	9/9/2009	
2	21	31	Establish controls and provide oversight to ensure the APC performs quarterly and semiannual reviews of purchase card spending limits in accordance with NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A.	O	President, NPS	9/9/2009	
2	22	32	Establish controls and provide oversight to ensure procedures for lost or stolen purchase cards are followed in accordance with NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A.	O	President, NPS	9/9/2009	
2	23	32	Establish controls and provide oversight to ensure purchase card training and DAWIA requirements for applicable purchasing personnel are met in accordance with the NAVSUPINST 4200.99 and DON DAWIA Operating Guide.	O	President, NPS	9/9/2009	
2	24	32	Revise the NAVPGSCOLINST 4410.1A to require the APC to periodically review all PAs' DAWIA requirements, and prepare waivers in accordance with the DON DAWIA Operating Guide, if necessary. Also, establish controls and provide oversight to ensure the revised guidance is implemented.	O	President, NPS	12/31/2009	
2	25	33	Establish controls to ensure the APC complies with the NAVPGSCOLINST 4410.1A and provides sufficient oversight over PAs.	O	President, NPS	9/9/2009	

RECOMMENDATIONS							
Finding <sup>26</sup>	Rec. No.	Page No.	Subject	Status <sup>27</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date
+3	26	38	Direct the President, NPS to establish controls and provide oversight to ensure the RSPO personnel enforce the NPS attestation policy and implement the penalties for PIs that do not perform the attestations in accordance with SPPGM-06-05.	O	DCNO (N1)/BUPERS	7/31/2009	
+3	27	39	Direct the President, NPS to establish controls and provide oversight to verify PIs complete training requirements prior to the release of sponsored program accounts as required by SPPGM-05-04.	O	DCNO (N1)/BUPERS	7/31/2009	
+3	28	39	Direct the President, NPS to revise the SPFA Standard Operating Procedures to incorporate the SPFA training requirements and establish controls and provide oversight to ensure the revised guidance is implemented.	O	DCNO (N1)/BUPERS	7/31/2009	
3	29	40	Establish controls and provide oversight to ensure NPS faculty complete and attest to the correctness and accuracy of the data for their current pay period as required by DoD FMR and NAVPGSCOLINST 7410.3S.	U	DCNO (N1)/BUPERS	8/27/09	
3	30	41	Establish controls and provide oversight to ensure travel personnel obtain supporting documentation for individual travel expenses more than \$75, in accordance with the Joint Travel Regulation, FMR, and NPS guidance, prior to approving the travel vouchers.	O	President, NPS	9/9/2009	
3	31	41	Establish controls and provide oversight to ensure the APC maintains historical Delinquency Reports.	O	President, NPS	9/9/2009	
3	32	42	Establish controls and provide oversight to ensure the APC maintains supporting documentation of the notifications and results when travelers and their supervisors are questioned regarding the appearance of the traveler on the Exceptions Reports - Non-travel Activity report.	O	President, NPS	9/9/2009	

RECOMMENDATIONS							
Finding <sup>26</sup>	Rec. No.	Page No.	Subject	Status <sup>27</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date
3	33	42	Establish controls and provide oversight to ensure NPS personnel comply with the requirements of the contract/grant, as well as comply with the requirements of the FAR.	C	President, NPS	4/3/2009	
3	34	43	Establish guidance to ensure NPS personnel perform quality assurance for grants.	O	President, NPS	7/31/2009	

## Exhibit A:

# Background

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The Naval Postgraduate School (NPS) was established in 1909. Currently, the mission of NPS is to provide unique, professional, military-relevant graduate education while responding to the educational and research needs of the Department of Defense (DoD), other Federal agencies, and our international allies. One of the major goals of NPS is to provide cost-effective research and laboratory facilities that permit students and faculty to support Navy/DoD needs. Nearly 1,500 students attend NPS, which consists of students from the five U.S. uniformed armed services, officers from more than 30 different countries, and several civilian employees.

NPS has four graduate schools: the Graduate School of Business and Public Policy; the Graduate School of Engineering and Applied Sciences; the Graduate School of Operational and Information Sciences; and the School of International Graduate Studies. NPS also has four research institutes: the Modeling, Virtual Environments, and Simulation (MOVES) Institute for Defense Modeling and Simulation; the Wayne E. Meyer Institute for Systems Engineering; the Cebrowski Institute for Innovation and Superiority; and the National Security Institute. Additionally, NPS has several research centers, which are groups of faculty and staff with a significant concentration of expertise in a particular area of practical applications.

The Board of Advisors (BOA) provides independent advice and recommendations on organization management, curricula, and methods of instruction, facilities, and other matters of interest to the Naval Graduate Education Programs to the NPS President. The BOA members are composed of not more than 19 authorities in academia, business, and the defense industry. The Secretary of Defense appoints 13 non-Federal officers or employees to the NPS BOA; the additional 6 members consist of Federal officers and employees.

During Fiscal Year (FY) 2007, the budget at NPS was approximately \$276 million, which consisted of direct and reimbursable funds. The direct funds are sent to NPS from the Department of the Navy (DON); the funds are Operations and Maintenance funds. The research reimbursable funds are those funds received on a cost reimbursable basis in support of faculty research projects (sponsored programs). The reimbursable funds received for FY 2007 were approximately \$102.95 million. Sponsored programs are programs undertaken by NPS faculty or staff that are funded by an external sponsor agency (sponsor). There are several different sponsors that provide funds to NPS. Some of the main sponsors at NPS are DoD agencies, the National Science Foundation, Cooperative Research and Development Agreements, and other Federal agencies.

The Naval Audit Service published “Managing Sponsored Projects at the Naval Postgraduate School” (Audit Report N2003-0066) on 25 July 2003, with four recommendations. As of 4 August 2004, NPS responded that corrective actions were taken and the recommendations were closed. The previous audit indicated the sponsored research and education projects reimbursable funding for FY 2002 was approximately \$57 million.

Sponsored programs at NPS involve various individuals. The sponsored programs are executed and administered by the Principal Investigator (PI), with the assistance of the Research and Sponsored Programs Office (RSPO) and the Sponsored Programs Financial Analyst (SPFA). The PI is the NPS faculty member responsible for coordination and/or conducting the sponsored research activity described in the proposal. The RSPO serves as the central administrative office for the Dean of Research and the Dean of Academic Affairs. The RSPO assists the PI by processing the outgoing proposals, monitoring budget modifications, monitoring the PI attestations, and maintaining final project attestation with the project file. The SPFA assists the PI with the administrative support during the project proposal and execution of the sponsored program. This includes financial support and analysis on sponsored programs.

### NPS Funding

The budget at NPS is divided by funds controlled by the comptroller and RSPO. The funds controlled by the comptroller include the direct budget, the indirect budget, and a portion of the reimbursable funds, the Foreign Military Training funds (FMT), and the Directed Funded Research (DFR) funds. The reimbursable funds administered by the comptroller are transferred to other commands and agencies, and then the funds are used for various purposes such as services and/or commodities. FMT are funds that are in support of the international students. DFR are direct funds allocated to NPS and used for various research programs.

The planned budget administered by the comptroller, for FY 2007, was approximately \$276 million, but the actual costs for the year totaled approximately \$232 million. The difference between the planned amount and the actual amount was approximately \$44.6 million. The budget amounts for the individual schools are depicted in the following charts:

<b>Comptroller Funds: FY 2007 Planned Budget</b>					
Funding	NPS	GSEAS <sup>29</sup>	GSOIS <sup>30</sup>	GSBPP <sup>31</sup>	SIGS <sup>32</sup>
Direct Funds	\$94,182,000	\$20,204,000	\$13,438,000	\$10,612,000	\$4,096,000
Reimbursable	\$157,429,000	\$37,486,000	\$25,073,000	\$6,232,000	\$47,335,000
Indirect	\$12,427,000	\$2,021,000	\$1,499,000	\$345,000	\$1,189,000
FMT	\$4,354,000	\$66,000	\$18,000		\$3,134,000
DFR	\$8,305,000	\$1,141,000	\$1,102,000	\$656,000	\$2,071,000
<b>Total</b>	<b>\$276,697,000</b>	<b>\$60,918,000</b>	<b>\$41,130,000</b>	<b>\$17,845,000</b>	<b>\$57,825,000</b>

Figure 3. FY 2007 Comptroller Funds: Planned Budget.

<b>Comptroller Funds: FY 2007 Actual Cost</b>					
Funding	NPS	GSEAS	GSOIS	GSBPP	SIGS
Direct Funds	\$97,454,000	\$21,072,000	\$12,867,000	\$10,309,000	\$4,613,000
Reimbursable	\$113,986,000	\$26,656,000	\$16,603,000	\$4,111,000	\$40,952,000
Indirect	\$9,984,000	\$1,652,000	\$1,266,000	\$318,000	\$1,051,000
FMT	\$3,870,000	\$61,000	\$18,000		\$3,158,000
DFR	\$6,753,000	\$1,108,000	\$1,101,000	\$641,000	\$1,879,000
<b>Total</b>	<b>\$232,047,000</b>	<b>\$50,549,000</b>	<b>\$31,855,000</b>	<b>\$15,379,000</b>	<b>\$51,653,000</b>

Figure 4. FY 2007 Comptroller Funds: Actual Costs.

<b>Comptroller Funds: FY 2007 Balance</b>					
Funding	NPS	GSEAS	GSOIS	GSBPP	SIGS
Planned Budget	\$276,697,000	\$60,918,000	\$41,130,000	\$17,845,000	\$57,824,000
Actual Cost	\$232,047,000	\$50,549,000	\$31,855,000	\$15,379,000	\$51,653,000
Balance	\$44,650,000	\$10,369,000	\$9,275,000	\$2,466,000	\$6,171,000

Figure 5. FY 2007 Comptroller Funds: Remaining Balance.

The sponsored programs funding expended was approximately \$102.95 million, which included the four schools, the Institutes, and other additional funding:

<sup>29</sup> GSEAS means Graduate School of Engineering and Applied Sciences

<sup>30</sup> GSOIS means Graduate School of Operational and Information Sciences

<sup>31</sup> GSBPP means Graduate School of Business and Public Policy

<sup>32</sup> SIGS means School of International Graduate Studies

RSPO: FY 2007 Reimbursable Funding						
Reimbursable Funds	NPS	GSEAS	GSOIS	GSBPP	SIGS	Other <sup>33</sup>
<b>Total</b>	<b>\$102.950 M</b>	<b>\$30.907M</b>	<b>\$19.827M</b>	<b>\$4.757 M</b>	<b>\$22.076M</b>	<b>\$25.383M</b>

Figure 6. FY 2007 RSPO Reimbursable Funding.

The total FY 2007 NPS actual budget and the reimbursable budget was approximately \$335 million.

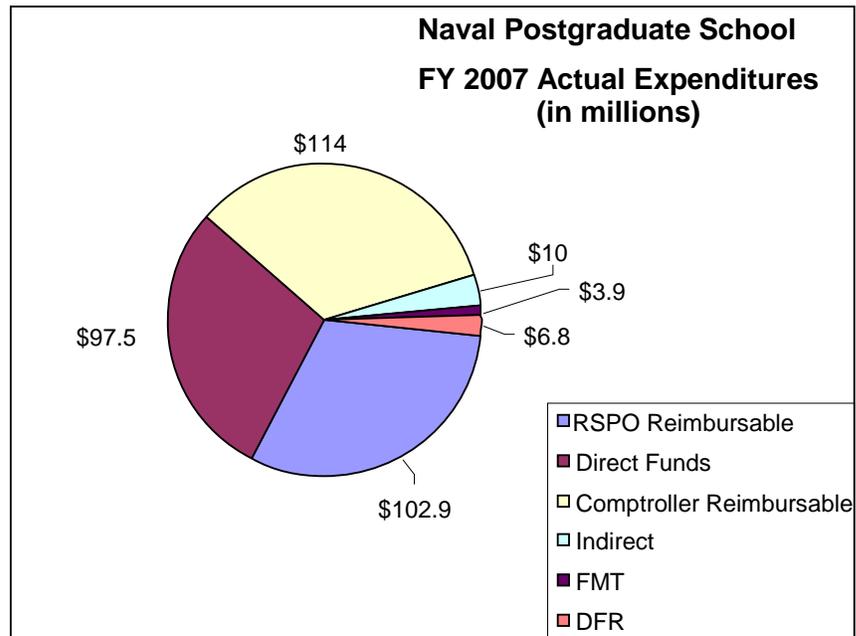


Figure 7. FY 2007 NPS Actual Expenditures.

<sup>33</sup> The "Other" amount includes the funds for the Institutes at NPS.

**Exhibit B:****Scope and Methodology**

We performed the followup of “Managing Sponsored Projects at the Naval Postgraduate School” in Monterey, CA from 10 October 2007 to 24 February 2009. We conducted this performance audit 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.

During the audit, we obtained a list of 2007 research programs which contained 944 accounts valued at \$147.5 million. We judgmentally selected the top 25 programs with the highest dollar value for review. There were 57 accounts valued at \$69.8 million, which made up the 25 sponsored projects. Once the audit sample was selected, the audit team then conducted analysis in the areas of Sponsored Programs Fund Control, Property Management, and NPS Administrative Procedures.

We reviewed the overexpended reports, from Departmental Online Reporting System (DORS), for 14 November 2007, 25 January 2008, and 14 March 2008. The reports were reviewed to determine whether the overexpended accounts were resolved, or whether there was a change in the overexpended balance, during the audit.

We interviewed Naval Postgraduate School (NPS) personnel to obtain an understanding of the project closeout process. We reviewed 38 of the 57 accounts in our sample, which contained funds that expired in calendar year 2007, to determine whether there was an unobligated balance that could be returned to the sponsor. We interviewed the executive director of the Center for Homeland Defense who expressed concerns relating to the funding level for one of the Center for Homeland Defense accounts. We reviewed account R26K to determine the account balances throughout the life of the project.

We obtained DORS Transaction Reports – Equipment and Supplies for each sponsored program account. We judgmentally selected the purchases containing minor, pilferable, and hazardous material purchases as classified by the NPS Instruction. We then determined whether personal property was entered into Defense Property Accountability System (DPAS). Additionally, we verified whether the processes used for conducting physical inventories of personal property were in compliance with the Secretary of the Navy Instruction.

We interviewed Principal Investigators (PIs), Sponsored Programs Financial Analysts (SPFAs), the Agency Program Coordinator (APC), and Purchasing Agents (PAs) to discuss the processes and internal controls used in regard to purchasing, managing, and safeguarding property at NPS.

To determine if hazardous materials were effectively managed in accordance with the NPS Instruction, we obtained and reviewed hazardous material documentation and conducted interviews with the Hazardous Material Control and Management Coordinator and the Departmental Hazardous Material Program Managers.

To determine whether internal controls over purchasing were sufficient, we evaluated the approval process for purchases and we obtained and reviewed 72 purchase requests related to the sponsored programs. We reviewed the purchase files to determine if an Approving Official (AO) signed buyer's worksheets and procedures were followed and documented as required.

We obtained NPS purchase card transactions for FY 2007 from the Naval Audit Service Data Analysis Team personnel. The data was extracted from Citibank's Custom Reporting System (CCRS). We reviewed the transactions to determine the amount of unused credit limits. Additionally, we verified whether quarterly and semiannual reviews of purchase card spending limits were completed as required by Naval Supply Systems Command and NPS Instructions. We also verified cardholder and APC compliance with the established compromised purchase card procedures.

We obtained and reviewed the program files for the 25 sponsored projects within our sample to determine whether the required documents were included in the project files. Specifically, we verified the program files contained attestations, Statement of Works, Proposal Budgets, Proposal Routing Forms, Standard Accounting and Reporting System (STARS) reports, and funding documents. In addition, we compared the contract data with the contract information in the DORS/Departmental Memorandum Accounting System (DMAS) to determine if the accounting system data and the contract documents reconciled.

To determine if internal controls over faculty labor costs ensured that fund control was sufficient, we judgmentally selected the highest valued program total for each of the four schools. We interviewed the respective PIs and their timekeepers to obtain the processes used for faculty labor, and evaluated the faculty labor documentation.

We obtained and reviewed 116 travel vouchers for FY 2007, and the required receipts. Specifically, we reviewed all expenses more than \$75 on travel vouchers, and verified the required receipts were available.

To determine whether there were travelers with delinquent accounts that were continuously delinquent, we obtained and reviewed the Delinquency Report dated 17 October 2007 from the APC.

We reviewed the quarterly Exceptions Reports - Non-travel Activity for FY 2007, which identifies cardholders that may be using their travel card during non-official travel periods. We identified the names of individuals within our sample and the value of the transactions.

We judgmentally selected the two highest valued contractors/grantees within our sample to review. We evaluated the labor rates in the contracts to ensure that labor rates on the invoices were accurate. In addition, we reviewed the quality assurance measures for the contracts and grant to ensure the Government received the services for which they paid.

We obtained and reviewed the NPS required Sponsored Programs Accountability and Fiscal Law training documentation for 27 PIs and 11 SPFAs within our sample of 25 sponsored programs. Additionally, we obtained and reviewed training documentation for the APC, Alternate APC, 5 AOs and 14 PAs within our sample, in order to verify compliance with Naval Supply Systems Command and NPS Instructions. We also obtained Department of the Navy Defense Acquisition Workforce Improvement Act certificates for the PAs in our sample.

We used data obtained from the DORS/Departmental Memorandum Accounting System (DMAS). Although we did not test the reliability of the data, we performed limited testing of the systems data. As a result, we determined that the data received from DORS/Departmental Memorandum Accounting System was adequate for use in the audit.

**Exhibit C:**

# Acronyms

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AO	Approving Official
APC	Agency Program Coordinator
DMAS	Departmental Memorandum Accounting System
DORS	Departmental Online Reporting System
DPAS	Defense Property Accountability System
NPS	Naval Postgraduate School
PI	Principal Investigator
RSPO	Research and Sponsored Programs Office
SPFA	Sponsored Programs Financial Analyst

**Exhibit D:**

# Overexpended Accounts Chart

14 March Overexpended Accounts <sup>34</sup>					
Account #	Account	Authorization	Expenditure	Overexpenditure	24 May Status
1	MAM04	\$ 46,205.97	\$ 46,325.97	(\$120.00)	Overexpended
2	MCM39	\$ 250,523.02	\$ 252,753.32	(\$2,230.30)	Resolved
3	MCM80	\$ 970,417.88	\$ 970,656.38	(\$238.50)	Being Resolved
4	MCMC2	\$ 54,650.00	\$ 55,235.93	(\$585.93)	Resolved
5	R013R	\$ 7,220.50	\$ 11,006.00	(\$3,785.50)	Overexpended
6	R05AT	\$ 274,324.89	\$ 274,930.81	(\$605.92)	Resolved
7	R957X	\$ 125,000.00	\$ 125,038.48	(\$38.48)	Resolved
8	R95LV	\$ 370,000.00	\$ 371,367.10	(\$1,367.10)	Overexpended
9	R9611	\$ 200,000.00	\$ 200,782.10	(\$782.10)	Resolved
10	R96FN	\$ 200,000.00	\$ 201,882.68	(\$1,882.68)	Being Resolved
11	R97DW	\$ 21,685.53	\$ 22,300.62	(\$615.09)	Overexpended
12	R97WM	\$ 17,105.63	\$ 17,780.36	(\$674.73)	Overexpended
13	RCLR6	\$ 39,948.41	\$ 40,039.93	(\$91.52)	Overexpended
14	RCM54	\$ 7,726.33	\$ 7,813.91	(\$87.58)	Resolved
15	RCM89	\$1,512,353.55	\$ 1,515,101.40	(\$2,747.85)	Resolved
16	RCM91	\$ 142,809.62	\$ 148,041.82	(\$5,232.20)	Being Resolved
17	RCMB2	\$ 397,457.43	\$ 397,738.43	(\$281.00)	Resolved
18	RCSH7	\$ 5,000.00	\$ 6,538.31	(\$1,538.31)	Being Resolved
19	RCSTZ	\$ 98,428.85	\$ 104,360.59	(\$5,931.74)	Being Resolved
20	RECJ9	\$ 7,000.00	\$ 7,700.00	(\$700.00)	Resolved
21	RGB7G	\$ 175,000.00	\$ 177,590.80	(\$2,590.80)	Resolved
22	RIS9B	\$ 748,000.00	\$ 752,046.98	(\$4,046.98)	Resolved
23	RISKD	\$ -	\$ 3,804.77	(\$3,804.77)	Resolved
24	RMA82	\$ 100,000.00	\$ 100,609.68	(\$609.68)	Being Resolved
25	RME34	\$ 9,131.51	\$ 11,655.35	(\$2,523.84)	Overexpended
26	RME3Q	\$ 5,169.02	\$ 5,246.04	(\$77.02)	Resolved
27	RMEAH	\$ 30,000.00	\$ 30,298.16	(\$298.16)	Resolved
28	RMEGL	\$ 99,917.00	\$ 104,373.67	(\$4,456.67)	Being Resolved
29	RMEGN	\$ 170,000.00	\$ 177,117.49	(\$7,117.49)	Overexpended
30	RMEN3	\$ 65,000.00	\$ 72,754.54	(\$7,754.54)	Resolved
31	RMEPU	\$ 42,429.74	\$ 43,388.22	(\$958.48)	Overexpended
32	ROC3C	\$ 40,776.32	\$ 41,831.96	(\$1,055.64)	Overexpended
33	RORDF	\$ 21,036.58	\$ 21,285.04	(\$248.46)	Being Resolved
34	RORJW	\$ 172,768.95	\$ 173,316.31	(\$547.36)	Resolved
35	RORQG	\$ 175,000.00	\$ 176,672.51	(\$1,672.51)	Resolved
36	RPH39	\$ 400,000.00	\$ 402,301.76	(\$2,301.76)	Resolved
37	RSEE9	\$ 12,670.64	\$ 28,563.02	(\$15,892.38)	Overexpended
38	RSEQV	\$ 82,178.68	\$ 91,480.38	(\$9,301.70)	Overexpended
39	RTR05	\$ 51,410.91	\$ 51,658.04	(\$247.13)	Resolved
40	T95X3	\$ -	\$ 285.20	(\$285.20)	Resolved
41	TAM02	\$ -	\$ 5,209.50	(\$5,209.50)	Resolved
42	TCMA3	\$ -	\$ 42.49	(\$42.49)	Resolved
43	TNSXH	\$ -	\$ 6,129.93	(\$6,129.93)	Resolved
<b>Total</b>		<b>\$ 7,148,346.96</b>	<b>\$ 7,255,055.98</b>	<b>(\$106,709.02)</b>	

<sup>34</sup> The highlighted accounts refer to the six overexpended accounts that are funded by DON, non OM&N appropriations.

**Exhibit E:****Travel Voucher Chart**

<b>FY 2007 Travel Voucher Analysis</b>			
<b>Voucher #</b>	<b>Total Voucher Amount</b>	<b>Description and value of expenses not supported</b>	<b>Total value of expenses not supported</b>
1	\$2,971.30	Airfare \$1,000.90, Lodging \$903.00, Hotel Tax \$103.00, Parking \$105.00	\$2,111.90
2	\$621.49	Airfare \$373.20	\$373.20
3	\$848.30	Airfare \$693.20	\$693.20
4	\$1,547.88	Visa \$138.00	\$138.00
5	\$13,864.18	Airfare \$519.20	\$519.92
6	\$5,974.44	Lodging \$3,040.00, Hotel Sales Tax \$380	\$3,420.00
7	\$10,283.47	Rental Car, \$411.28, Rental Car \$411.28	\$822.56
8	\$3,630.26	Airfare, \$1,349.10	\$1,349.10
9	\$3,315.22	Airfare, \$998.00	\$998.00
10	\$2,808.76	Airfare, \$751.00, Taxi \$285.00	\$1,036.00
11	\$2,359.14	Airfare, \$1,032.60	\$1,032.60
12	\$2,010.84	Air Fare \$1,099.00, Gas \$76.49	\$2,184.89
13	\$1,697.95	Airfare \$1,095.60, Lodging \$274.00	\$1,369.60
14	\$3,404.04	No receipts were provided for the voucher. The voucher amount represents the amount charged to the individual job order number within the sponsored programs sample. The voucher is for a trip for multiple sponsored programs, totaling \$8,610.78.	\$3,404.04
15	\$3,628.74	Car Rental \$248.00	\$248.00
16	\$2,987.80	Airfare \$567.70	\$567.70
17	\$2,074.84	Airfare \$1,537.00, Car Rental \$100.00, Lodging \$222.00	\$1,859.00
18	\$1,762.13	Car Rental \$225.53	\$225.53
19	\$1,127.58	Airfare \$387.90, Car Rental \$165.18, Lodging \$208.00	\$728.22
20	\$1,064.34	Airfare \$786.00	\$786.00
21	\$966.85	Airfare \$120.40	\$120.40
22	\$498.01	Car Rental \$310.40	\$310.40
23	\$7,502.31	Taxi \$100.00	\$100.00
24	\$1,803.47	Airfare \$1,249.60, Lodging \$190.00	\$1,439.60
25	\$3,968.75	Airfare \$1,722.90, Lodging \$961.89, Passport Fee \$172.00	\$2,856.79
26	\$3,394.62	Airfare \$954.30, Car Rental \$84.21	\$1,038.51
27	\$1,514.81	Airfare \$1,015.60	\$1,015.60
28	\$978.30	Airfare \$791.10	\$791.10
	<b>\$88,609.82</b>		<b>\$31,539.86</b>

**Appendix 1:**

# Management Response from the Office of the Chief of Naval Operations (N1)



DEPARTMENT OF THE NAVY  
OFFICE OF THE CHIEF OF NAVAL OPERATIONS  
2000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-2000

7000  
Ser N1/ 12062  
25 Jun 09

From: Deputy Chief of Naval Operations (Manpower, Personnel, Training and Education) (N1)  
To: Assistant Auditor General for Internal Controls and Command Support Affairs Audits

Subj: MANAGEMENT RESPONSE TO DRAFT AUDIT REPORT N2007-NMC000-0123, "FOLLOWUP OF MANAGING SPONSORED PROGRAMS AT THE NAVAL POSTGRADUATE SCHOOL" DATED 24 FEBRUARY 2009

Ref: (a) NAVAUDSVC memo 7500/N2007-NMC000-0123 of 24 Feb 09

Encl: (1) Management Response to Subject Draft Report

1. As required by reference (a), enclosure (1) provides responses to recommendations 1 through 6 and 26 through 28 of subject report.

2. This report does not contain information that is to be exempt from release under the Freedom of Information Act.

3. DCNO(N1)/BUPERS Audit Liaison is [REDACTED], [REDACTED], e-mail [REDACTED].

FOIA (b)(6)

[REDACTED]

FOIA (b)(6)

Copy to:  
CHNAVPERS (BUPERS-00IG)

**NAVAUDSVC DRAFT AUDIT REPORT NO. N2007-NMC000-0123 OF 24 FEBRUARY 2009,  
"FOLLOWUP OF MANAGING SPONSORED PROGRAMS AT THE NAVAL  
POSTGRADUATE SCHOOL"**

**GENERAL COMMENTS:** Since Naval Postgraduate School now falls under the Bureau of Naval Personnel (BUPERS) for fiscal authorization, recommendations 1-6 and 26-28 should be redirected in the final report to Chief of Naval Personnel (CNP) for action. Also, recommend changing six overexpended accounts referenced in Exhibit D to 12 overexpended accounts identified in Exhibit D.

**FINDING 1: SPONSORED PROGRAMS FUND CONTROL**

**Recommendation 1:** Establish controls and provide oversight to ensure NPS comptroller personnel prevent over obligations/expenditures on all sponsored accounts in accordance with NAVPGSCOLINST 3900.1C.

**DCNO(N1)/BUPERS Management Response:** **Concur.** NPS shall establish controls and provide oversight to ensure NPS comptroller personnel prevent over obligations/expenditures on all sponsored accounts in accordance with NAVPGSCOLINST 3900.1C, SECNAVINST 7000.27A, and Department of Defense Financial Management Regulations (DOD FMR) Volume 14, Chapter 1. Recommend that Program Managers (PM) also take the required "Annual Certification on Accountability in the Conduct of Sponsored Activities" training since Principal Investigators (PI) or Project Managers (PM) did not certify any of the required quarterly attestations during FY 2007 as stated in SPPGM 06-05. Training shall be conducted for sponsored PIs and PMs assigned to NPS faculty. Research and Sponsored Programs Office (RSPO) shall track all training requirements for PIs and PMs assigned to sponsored programs and take action when necessary. NPS will implement sufficient controls, oversight, and training for sponsored programs and be completed by 30 October 2009.

**Recommendation 2:** Direct NPS president to establish controls, to include periodic reviews, and provide oversight to ensure the Principal Investigator (PI) coordinates with the sponsor(s) to obtain additional funding or reduce the scope of the project when a funding deficiency is anticipated, in accordance with NAVPGSCOLINST 4235.2B.

**DCNO(N1)/BUPERS Management Response:** **Concur.** NPS shall establish controls, to include periodic reviews, and provide oversight to ensure the PI coordinates with the sponsor(s) to obtain additional funding or reduce the scope of the project when a funding deficiency is anticipated, in accordance with NAVPGSCOLINST 4235.2B. The PI or Project Manager (PM) shall also coordinate with NPS comptroller personnel when a funding deficiency is anticipated to prevent over obligations/expenditures on all sponsored accounts. Recommend that Program Managers (PM) also take the required "Annual Certification on Accountability in the Conduct of Sponsored Activities" training since PIs or PMs did not certify any of the required quarterly attestations during FY 2007 as stated in SPPGM 06-05. Training shall be conducted for sponsored PIs and PMs assigned to NPS faculty. NPS shall implement sufficient controls, conduct periodic reviews, and provide oversight for sponsored programs by 30 October 2009. Controls, oversight, and periodic reviews shall continue for all sponsored programs.

**Recommendation 3:** Direct NPS comptroller personnel to resolve the 20 unresolved accounts for which sufficient sponsor funds were not available to cover the costs.

**DCNO(N1)/BUPERS Management Response:** **Concur.** NPS' comptroller personnel shall resolve all accounts for which sufficient sponsor funds are not available to cover the costs. NPS comptroller personnel shall coordinate with the Principal Investigator (PI) to obtain additional funding or reduce the

scope of the project when needed. Pls will coordinate with the sponsor to request additional funds. Re-emphasize to PI's and sponsor program managers that statutory and regulatory guidance prohibits overexpenditures. 8 of the 20 accounts for which sufficient sponsor funds were not available to cover the costs are being resolved. The unresolved accounts will be resolved by 26 February 2010.

**Recommendation 4:** Direct NPS comptroller personnel to report to the Naval Audit Service the resolution methodology and whether funds were recouped from the sponsor for each of the 43 accounts.

**CNO/BUPERS Management Response: Concur.** NPS' comptroller personnel shall report to Bureau of Naval Personnel (PERS-7) before responding to the Naval Audit Service on the resolution methodology and whether funds were recouped from the sponsor for each of the 43 accounts. Exhibit D of the audit report lists 23 accounts that were resolved. 20 of the 43 accounts identified are being resolved or still unresolved. NPS shall provide methodology and whether funds were recouped from the sponsor by 30 October 2009.

**Recommendation 5:** Direct NPS comptroller personnel to report to CNO whether funds were recouped from the sponsors for the six overexpended accounts identified in Exhibit D.

**CNO/BUPERS Management Response: Concur.** NPS' comptroller personnel shall report to Bureau of Naval Personnel (PERS-7) whether funds were recouped from the sponsors for the overexpended accounts identified in Exhibit D by 30 October 2009. If funds were not recouped from the sponsors, identify the funding and source that did pay for overexpenditures of sponsored programs.

**Recommendation 6:** After reviewing the response from NPS regarding the six overexpended accounts identified in Exhibit D, coordinate with the Assistant Secretary of the Navy (Financial Management and Comptroller) (FMB) to determine whether a potential ADA investigation is warranted. (The six overexpended accounts referenced are non-O&MN Department of the Navy (DON) funded accounts.)

**CNO/BUPERS Management Response: Concur.** After NPS responds to Bureau of Naval Personnel (PERS-7) whether funds were recouped from the sponsors for the overexpended accounts identified in Exhibit D, coordination will commence with the Assistant Secretary of the Navy (Financial Management and Comptroller) (FMB) to determine whether a potential ADA investigation is warranted. (The six overexpended accounts referenced are non-O&MN Department of the Navy (DON) funded accounts.). Also, recommend changing six overexpended accounts referenced in Exhibit D to 12 overexpended accounts identified in Exhibit D. Estimated completion date for all actions is 30 October 2009.

### **FINDING 3: NPS ADMINISTRATIVE PROCEDURES**

**Recommendation 26:** Direct the President, NPS to establish controls and provide oversight to ensure the RSPO personnel enforce the NPS attestation policy and implement the penalties for PIs that do not perform the attestations in accordance with SPPGM-06-05.

**CNO/BUPERS Management Response: Concur.** NPS shall establish controls per Secretary of the Navy Instruction (SECNAVINST) 7000.27A; provide oversight to ensure the RSPO personnel enforce the NPS attestation policy; and comply with the penalties for Principal Investigators (PI) or Project Managers (PM) that do not perform the attestations in accordance with NPS Sponsored Program Policy/Guidance Memo (SPPGM) No. 06-05. SPPGM-06-05, states that expenditures must be certified quarterly by the PI or PM, the attestation must be included in the project file, and a refusal to perform an attestation could result in a temporary freeze on the PIs sponsored account. NPS shall direct mandatory "Annual Certification on Accountability in the Conduct of Sponsored Activities" training for all PIs, PMs, and Sponsored Programs Financial Analyst (SPFA) who must take this training. The RSPO must

track training for all sponsored programs, be responsible for ensuring that training has been completed, and where deficiencies exist, implement corrective action.

Bureau of Naval Personnel (PERS-7) will instruct NPS to take corrective action to comply with recommendation 26 by 31 July 2009. NPS will report back to PERS-7 on the corrective actions taken.

**Recommendation 27:** Direct the President, NPS to establish controls and provide oversight to verify PIs complete training requirements prior to the release of sponsored program accounts as required by SPPGM-05-04.

**CNO/BUPERS Management Response:** **Concur.** NPS shall establish controls and provide oversight to verify Principal Investigators (PI) complete training requirements prior to the release of sponsored program accounts as required by Sponsored Program Policy/Guidance Memo (SPPGM) No. 05-04. NPS shall direct mandatory "Annual Certification on Accountability in the Conduct of Sponsored Activities" training for all PIs, PMs, and Sponsored Programs Financial Analyst (SPFA) who are required to take this training. The RSPO must track training for all sponsored programs, be responsible for ensuring that training has been completed, and where deficiencies exist, implement corrective action.

Bureau of Naval Personnel (PERS-7) will instruct NPS to take corrective action to comply with recommendation 27 by 31 July 2009. NPS will report back to Bureau of Naval Personnel (PERS-7) on the corrective actions taken.

**Recommendation 28:** Direct the President, NPS to revise the SPFA Standard Operating Procedures to incorporate the SPFA training requirements and establish controls and provide oversight to ensure the revised guidance is implemented.

**CNO/BUPERS Management Response:** **Concur.** NPS shall direct the revision of Sponsored Programs Financial Analyst (SPFA) Standard Operating Procedures to incorporate the SPFA training requirements, establish controls, and enforce the penalty for non-compliance. The Research and Sponsored Programs Office (RSPO) will provide oversight to ensure the revised guidance is implemented. The Director, RSPO, must track training as required for all sponsored programs, be responsible for ensuring that training has been completed, and where deficiencies exist, implement corrective action.

Bureau of Naval Personnel (PERS-7) will instruct NPS to take corrective action to comply with recommendation 28 by 31 July 2009. NPS will report back to Bureau of Naval Personnel (PERS-7) on the corrective actions taken.

Appendix 2:

# Management Response from the President, Naval Postgraduate School



DEPARTMENT OF THE NAVY  
NAVAL POSTGRADUATE SCHOOL  
1 UNIVERSITY CIRCLE  
MONTEREY CA 93943-5000

IN REPLY REFER TO:

7500  
Ser 00/117  
10 Apr 09

From: President, Naval Postgraduate School  
To: Naval Audit Service  
Subj: NAVAL POSTGRADUATE SCHOOL RESPONSE TO FOLLOW-UP OF  
MANAGING SPONSORED PROGRAMS AT THE NAVAL POSTGRADUATE  
SCHOOL (DRAFT AUDIT REPORT N2007-NMC000-0123)  
Ref: (a) Naval Audit Draft Audit Report N2007-NMC000-0123 of  
24 Feb 09  
Encl: (1) NPS Mgt Responses to Naval Audit Service Report  
N2007-NMC000-0123

1. Reference (a) provided subject draft report for Naval Postgraduate School review and comment. Upon review of the draft report, we concur with the recommendations. With each recommendation, we have commented on the corrective action taken or planned.

2. Please address any questions to my Chief of Staff, [REDACTED], email: [REDACTED], phone: [REDACTED].

[REDACTED]  
[REDACTED]

FOIA (b)(6)

FOIA (b)(6)

### Management Responses

Naval Audit Services Report (N2007-NMC000-0123, 24 February 2009)  
Managing Sponsored Programs at the Naval Postgraduate School

Finding	Recommendation	Responsible Party	Mgt. Response
<b>Finding 1:</b> Sponsored Programs Fund Control	<b>Recommendation 7.</b> Strengthen procedures and internal controls for the PI, Sponsored Programs Financial Analyst (SPFA), RSPO, and comptroller's office responsibilities, regarding fund control, to ensure that coordination throughout the fund control process and that funds are returned to sponsors as soon as they are determined to be no longer needed.	██████████ & ██████████  <b>This column contains information that is exempt from release under the Freedom of Information Act paragraph (b)(6).</b>	Concur. The Director, RSPO has established an automated inquiry in coordination with the quarterly attestation process, requiring the PI to review the funding status of their sponsored project account to determine if additional funds are necessary or if there will be excess funds that may be returned to the sponsor. Upon notification of either instance, the RSPO will initiate necessary action to 1) assure timely request for additional funding by working with Principal Investigator to submit a revised budget to the Sponsor requesting additional funds or 2) notifying the Comptroller to initiate coordination with the sponsor for recoup of excess funds. The Comptroller has established more frequent reviews of the sponsored programs financial records to determine when action notification to PIs is necessary. The automated inquiry tool was completed on 30 Mar 09.

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			Monitoring of the process is in place and review is on-going to ensure compliance and effectiveness.  Estimated completion date: 09 Sept 2009
<b>Finding 1:</b> Sponsored Programs Fund Control	<b>Recommendation 8.</b> Establish controls and provide oversight to ensure the PI conducts a quarterly review of all sponsored accounts for proper fund use and funding needs, and informs the NPS comptroller personnel to return unneeded funds to the sponsor(s). Report the results to the RSPO and the NPS comptroller 5 days after completion.		Concur. The Director, RSPO has established an automated inquiry in a formal, written process embedded in the quarterly attestation process, requiring the PI to review the funding status of their sponsored project account to determine if additional funds are necessary or if there will be excess funds that may be returned to the sponsor. Upon notification of either instance, the RSPO will initiate necessary action within five (5) days to 1) assure timely request for additional funding by working with Principal Investigator to submit a revised budget to the Sponsor requesting additional funds or 2) notify the Comptroller to initiate coordination with the sponsor for recoup of excess funds. The Comptroller has established more frequent reviews of the sponsored programs financial records to determine when action notification to PIs is necessary. The automated inquiry tool was

			<p>completed on 30 Mar 09. PIs and SPFA were informed of policy and changes through functional meetings and training beginning in Nov 08. Monitoring of the process is in place and review is on-going to ensure compliance and effectiveness. The RSPO will be monitoring personnel to ensure an audit trail is maintained.</p> <p>Estimated completion date: 09 Sept 2009</p>
<p><b>Finding 1:</b> Sponsored Programs Fund Control</p>	<p><b>Recommendation 9.</b> Establish procedures and internal controls to ensure NPS comptroller personnel maintain an audit trail for all sponsored accounts to include supporting documentation for the annual STARS authorizations.</p>	<p>██████████</p>	<p>Concur. The Comptroller has reviewed internal procedures, placed process procedures and flow charts into the NPS MICP database, and ensured the files are properly established as per the Financial Management Regulations, DoD FMR 7000.14R; contain complete documentation on commitments, and obligations; validated on a periodic basis, maintaining an audit trail, and match FASTDATA, STARS and other internal and external systems. The process is in place and review is on-going to ensure compliance and effectiveness. The Comptroller will be monitoring personnel to ensure an audit trail is maintained.</p>

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			Estimated completion date: 09 Sept 2009
<b>Finding 1:</b> Sponsored Programs Fund Control	<b>Recommendation 10.</b> Reconcile account R26K to determine the available funding. Establish controls and provide oversight to ensure comptroller personnel periodically monitor all sponsored accounts to determine the available funding.	██████████ & ██████████	Concur. The sponsored program files were reviewed during Naval Audit Service's visits and funds of approximately \$5M were determined available for return.  The Comptroller has reviewed internal procedures, placed process procedures and flow charts into the NPS MICP database, and ensured the files are properly established as per the Financial Management Regulations, DoD FMR 7000.14R; contain complete documentation on commitments, and obligations; validated on a monthly basis, maintaining an audit trail, and match FASTDATA, STARS and other internal and external systems. The process is in place and review is on-going to ensure compliance and effectiveness. The Comptroller and the RSPO will be monitoring personnel to ensure an audit trail is maintained.  Estimated completion date: 09 Sept 2009
<b>Finding 1:</b> Sponsored Programs Fund	<b>Recommendation 11.</b> Provide the Naval Audit Service the Department of Justice's acceptance of the approximately \$5 million of	██████████	The Department of Homeland Security (DHS) absorbed the Department of Justice, who

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Control	funds no longer needed.		originally sponsored the program. Since then the program was moved to the Federal Emergency Management Agency (also in DHS). After the sponsored program files were validated, a letter was sent to FEMA, making the funds available. As these are "no-year" funds, FEMA sent a response stating NPS is to retain the funds and expend in the program. Documentation provided (attached: DHS-DOJ-FEMA Reversion Funds Letter 22 Jul 08.pdf, DHS-DOJ-FEMA Reversion Funds Response 8 Sep 08.pdf). Completed 8 Sep 08.
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 12.</b> Establish controls and provide oversight to ensure personal property is recorded and tracked in DPAS in accordance with NAVPGSCOLINST 11016.4C.	██████████ (██████████)	Concur. Controls have been established through the revision of NAVPGINST 11016.4C and property management training.  Property Management has increased the oversight process through the hiring of additional property management personnel.  Property Management is working with the APC and Approving Officials to ensure all accountable property is recorded and tracked within DPAS.

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			<p>Measures have been established to review previous purchase logs and future purchases to validate accountable equipment has been properly recorded within DPAS.</p> <p>The estimated completion date for NAVPGINST 11016.4D is 29 May 2009. The property management training slides are based on the NAVPGINST 11016.4D. After the instruction is finalized it will take approximately 2-4 weeks to complete the training slides.</p> <p>Estimated completion date: 30 June 2009</p>
<p><b>Finding 2:</b> Personal Property Management</p>	<p><b>Recommendation 13.</b> Establish controls and provide oversight to ensure all personnel accountable for personal property, in the personal property management chain, comply with NAVPGSCOLINST 11016.4C.</p>	<p>██████████ (██████████)</p>	<p>Concur. NAVPGSCOLINST 11016.4c has been revised to reflect all the duties and responsibilities of accountable personnel.</p> <p>General Property Management training has been posted to the NPS intranet. Specialized training for accountable personnel is being developed.</p> <p>Failure to comply triggers remedial training. Repeat offenders lost their purchasing authority and or ability to use, control government</p>

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			<p>equipment.</p> <p>The estimated completion date for NAVPGINST 11016.4D is 29 May 2009. The property management training slides are based on the NAVPGINST 11016.4D. After the instruction is finalized it will take approximately 2-4 weeks to complete the training slides.</p> <p>Estimated completion: 30 June 2009</p>
<p><b>Finding 2:</b> Personal Property Management</p>	<p><b>Recommendation 14.</b> Establish controls and provide oversight to ensure physical inventories, including floor-to-book inventories, are performed in accordance with SECNAVINST 7320.10A.</p>	<p>██████████ (██████████)</p>	<p>Concur. Final proposals for a book-to-floor / floor-to-book inventory are expected by 22 May 2009. Estimated commencement of inventory is 15 June 2009. The inventory will take approximately 4-8 weeks to complete.</p> <p>The DPAS custodian structure will be altered to allow NPS to conduct timely inventories iaw SECNAVINST 7320.10A.</p> <p>Inventory training will be written and posted on the NPS website NLT 30 June 2009. One-on-one training will be given upon commencement of each custodian inventory.</p> <p>Estimated completion date: 1 Dec</p>

			2009
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 15.</b> Establish controls to ensure sufficient accountability over all desktop computers, regardless of value or classification.	██████████ (██████████)	Concur. NAVPGSCOLINST 11016.4c has been revised to reflect ADP tracking requirements promulgated from the recent changes to MPTEINST 7320.1A which incorporates many ADP assets not previously required to be accounted for in the DPAS tracking system.  Estimated completion date: 09 Sept 2009
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 16.</b> Establish controls for monitoring the HMC&M coordinator and NPS personnel responsible for hazardous materials to ensure HMC&M is aware of, and the DHMPMs comply with, the Hazardous Material Control and Management Program Process	██████████ (██████████)	Concur. The NPS HMC&M Program Instruction is under revision; it will consolidate NAVPGSCOLINST 5100, 4410 & 6280 series documents. This will streamline and consolidate the HAZMAT control process.  Provided first time training to the Purchasing Agents and Approving Officials to ensure compliance with the instruction and ensure Hazardous Material (HM) Code authorization is on all HM Purchase Request Orders. HMC&M Coordinator is working Closely with APC and has enforced this process through purchasing controls.  The Hazardous Material Program

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			Manager (DHMPM) List is updated and has been submitted to the APC for distribution to all Purchasing Agents and Approving Officials through the NPS intranet.  Estimated completion date: 09 Sept 2009
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 17.</b> Establish controls and provide oversight to ensure AOs initial buyer's worksheets in accordance with NAVPGSCOLINST 4410.1A.	██████████ (██████████)	Concur. Since her arrival in April 2008, the current APC has conducted regular quarterly meetings/trainings sessions with all approving officials (AOs) as a means of reinforcing their need to comply with all regulations. One of the areas that have been continually addressed is the need to conduct ongoing surveillance of their cardholders' transactions. As an oversight process, the APC initiated and maintains a regular schedule of audits of cardholders' records and AO activities to assure compliance. Findings to-date reveal that this situation has been corrected.  Estimated completion: 30 June 2009
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 18.</b> Revise NAVPGSCOLINST 4410.1A to require PAs to obtain written approvals from the AOs prior to making a purchase, and establish controls and	██████████ (██████████)	Concur. In July 2008, the new APC mandated that all AOs would be required to review and approve all purchase requests prior to the

	provide oversight to ensure the revised guidance is implemented.		cardholder receiving the purchase request for purchase. This had not been done previously. This review, before the fact, would ensure that the proposed purchase had been duly authorized by the AO. It also gave the AO an opportunity to notify the APC of any suspicious or questionable transactions before they were processed, so that a thorough review of the request could be conducted. This eliminated any chance for fraudulent or otherwise improper purchases to be made by any cardholder. The APC continues to monitor this activity via audits; her findings to-date reveals that there is compliance. The process has been in place since Oct 2008. The mandate will be in the new instruction.  Estimated completion date: 30 June 2009
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 19.</b> Establish controls and provide oversight to ensure PAs maintain documentation to support sole source justification, or quotes from three vendors in accordance with NAVSUPINST 4200.85D and NAVPGSCOLINST 4410.1A respectively.	██████████ (██████████)	Concur. The APC enforced the mandate that cardholders with warrants above the micro purchase limit were required to solicit a reasonable number of quotes (3) from GSA Schedule contracts or other Government vehicle contracts to promote competition to the

			<p>maximum extent practicable, or that the end user needed to submit a sole source justification. Under this edict, cardholders must complete a best value determination form indicating three quotes or sole source justification and submit the appropriate document to the APC for reporting to the Federal Procurement Data System-Next Generation (FPOS-NG). The APC conduct monthly meetings with cardholders and quarterly meetings with AOs as a means of enforcing their need to comply with all regulations. The APC continues to monitor this activity via audits; her findings to-date reveals adherence to this edict.</p> <p>Estimated completion date: 09 Sept 2009</p>
<p><b>Finding 2:</b> Personal Property Management</p>	<p><b>Recommendation 20.</b> Establish controls and provide oversight to ensure PAs verify receipt of all purchases and maintain documentation to support an audit trail in accordance with NAVPGSCOLINST 4410.1A.</p>	<p>██████████ (██████████)</p>	<p>Concur. The APC is enforcing the requirement of cardholders to maintain a purchase card log and all documentation for each transaction. When goods and services are received or rendered; the cardholder contacts end user, turns over the purchase, and ensures that the end user signs (legible signatures) and dates the receipt or packing slip validating</p>

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			<p>that they received and inspected the materials. The cardholder then is required to file receipts/packing slips in purchase folder. For cell phone service, the cell phone user must sign and certify statement that all calls made were in the course of government business and that all charges are correct. The APC continues to monitor this activity via audits; her findings to-date reveal adherence to this edict.</p> <p>Estimated completion date: 09 Sept 2009</p>
<p><b>Finding 2:</b> Personal Property Management</p>	<p><b>Recommendation 21.</b> Establish controls and provide oversight to ensure the APC performs quarterly and semiannual reviews of purchase card spending limits in accordance with NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A.</p>	<p>██████████</p>	<p>Concur. The new APC now submits semi-annual reviews of all purchase cardholders' spending limits to assure compliance, as part of her oversight of all other issues related to the purchase card program. These reviews are submitted through the NETC level IV APC to be forwarded up to the level I APC.</p> <p>Estimated completion date: 09 Sept 2009</p>
<p><b>Finding 2:</b> Personal Property Management</p>	<p><b>Recommendation 22.</b> Establish controls and provide oversight to ensure procedures for lost or stolen purchase cards are followed in accordance with NAVSUPINST 4200.99 and NAVPGSCOLINST 4410.1A.</p>	<p>██████████ (██████████)</p>	<p>Concur. Cardholders have been reminded by the APC to notify her and Citibank immediately when a purchase card is lost or stolen. The APC will initiate procedures to close the account of the lost card and</p>

			open a new one. To date, cardholders have been following this procedure  Estimated completion date: 09 Sept 2009
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 23.</b> Establish controls and provide oversight to ensure purchase card training and DAWIA requirements for applicable purchasing personnel are met in accordance with the NAVSUPINST 4200.99 and DON DAWIA Operating Guide.	██████████ (██████████)	Concur. The APC reviewed all training and related requirements of each coordinator to confirm which, if any, requirements were not being met. Subsequently, she had all cardholders obtain documentation, and she regularly monitors required training for cardholders. Cardholders and approving officials are notified 30 days prior of training renewal date. In addition, the APC notifies each cardholder's AO if that cardholder is not in compliance with any required training. Training efforts are continuous and on-going.  Estimated completion date: 09 Sept 2009
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 24.</b> Revise the NAVPGSCOLINST 4410.1A to require the APC to periodically review all PAs' DAWIA requirements, and prepare waivers in accordance with the DON DAWIA Operating Guide, if necessary. Also, establish controls and provide oversight to ensure the revised guidance is implemented.	██████████ (██████████)	Concur. Revision of the NAVPGSCOLINST 4410.1A is underway. The APC will submit a revised instruction to approving officials for review and to the Deputy Comptroller and Comptroller for concurrence within 90 days. The APC's goal is to have

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			all cardholders with appropriate training within the next nine months and eliminate the need for any cardholder waivers.  Estimated completion: Dec 2009.
<b>Finding 2:</b> Personal Property Management	<b>Recommendation 25.</b> Establish controls to ensure the APC complies with the NAVPGSCOLINST 4410.1A and provides sufficient oversight over PAs.	██████████	Concur. Since the inception of the Naval Audit visits, the Comptroller hired a full time APC (vice part time collateral duty). As a result, the APC has dedicated efforts to process improvement, to include records, procedures, oversight of credit cardholders and Authorizing Officials. The outstanding NPS internal annual Command Evaluation discrepancies were corrected and NPS passed the biennial Procurement Performance Measurement and Assessment Program (PPMAP). Documentation provided. The process is in place and review is on-going to ensure compliance and effectiveness.  Estimated completion date: 09 Sept 2009
<b>Finding 3:</b> NPS Administrative Procedures	<b>Recommendation 29.</b> Establish controls and provide oversight to ensure NPS faculty complete and attest to the correctness and accuracy of the data for their current pay period as required by DoD FMR and NAVPGSCOLINST 7410.3S.	Deans & Chairs	Non-concur. NPS faculty has continued to report and attest to time and attendance on a quarterly basis in accordance with previous guidelines. When it was noted that we were no longer in compliance

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			<p>with FMR Volume 8, Chapter 2, Section 0202, we submitted an exception request to Director for Financial Commerce, via Director Resource Management Division (N10) Office of Chief of Naval Operations (MPT&amp;E) on 3 Oct 07 based on our university model and our quarterly/annual teaching workload plans. Recent inquiries have highlighted this issue with the approving authority, and we expect and answer to be forthcoming.</p> <p>NPS President will be making time and attendance a special interest item for the command. Command Evaluation will be conducting a time and attendance review Q1 2010.</p>
<p><b>Finding 3:</b> NPS Administrative Procedures</p>	<p><b>Recommendation 30.</b> Establish controls and provide oversight to ensure travel personnel obtain supporting documentation for individual travel expenses more than \$75, in accordance with the Joint Travel Regulation, FMR, and NPS guidance, prior to approving the travel vouchers.</p>	<p>(b) (6)</p>	<p>Concur. The change in Travel Office management in 2007 and the implementation of the centralized AO review process resulted in a strict review protocol that included mandatory checking of receipts for any claim \$75 or greater. All submittals to the Travel Office are subject to this scrutiny to assure compliance with regulations. The School of International Graduate Studies was exempt from the centralize voucher process, however internal audits revealed a</p>

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			<p>need to migrate the school to the centralized process. This began in February 2009, with the last department moving in May.</p> <p>Estimated completion: 30 June 2009</p>
<p><b>Finding 3:</b> NPS Administrative Procedures</p>	<p><b>Recommendation 31.</b> Establish controls and provide oversight to ensure the APC maintains historical Delinquency Reports.</p>	<p>(██████████)</p>	<p>Concur. As referenced in the draft audit report, in January 2008 the Travel Manager's revision of the Delinquency Report Procedures for individuals with Government Travel Cards to require the Agency Program Coordinator to maintain hard-copies copies of the delinquency reports was recognized as a notable accomplishment. The result of this new procedure is that delinquency rates have decreased significantly from July 2007 to present</p> <p>The Travel Office now has empirical data from which to evaluate repeat offenders and propose appropriate remedies to senior management.</p> <p>Estimated completion date: 09 Sept 2009</p>
<p><b>Finding 3:</b> NPS Administrative Procedures</p>	<p><b>Recommendation 32.</b> Establish controls and provide oversight to ensure the APC maintains supporting documentation of the notifications</p>	<p>(██████████)</p>	<p>Concur. The Travel Card APC is responsible for and maintains records of transactions that are</p>

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	and results when travelers and their supervisors are questioned regarding the appearance of the traveler on the Exceptions Reports - Non-travel Activity report.		<p>noted. Cardholders are contacted to explain each transaction, and those who are guilty of misuse are reported to senior management and subject to termination of Travel Card privileges.</p> <p>The notification process consists of a form letter that is forwarded to the traveler. There is a first, second, and third notice (form letter). After the final (third) notice, we deactivate the account. An electronic version and a hard-copy version of the documentation is maintained (exception reports are maintained in a Citibank database, and hard-copies are stored a locked file cabinet in the APC office).</p> <p>Estimated completion date: 09 Sept 2009</p>
<b>Finding 3:</b> NPS Administrative Procedures	<b>Recommendation 33.</b> Establish controls and provide oversight to ensure NPS personnel comply with the requirements of the contract/grant, as well as comply with the requirements of the FAR.		<p>Concur. NPS establishes Contracting Officer Representatives as required by NAVSUP regulations on contracts. In addition, NPS provides a memorandum of responsibilities to the Technical Point-of-Contact on tasks orders awarded against NPS IDIQ support service contracts. The memorandum is attached with each</p>

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			<p>new task order and forwarding of memorandum to all existing technical points-of-contact The memorandum of responsibility is very clear in delineating the responsibilities of the Technical Point-of-Contact for contracted services. Invoice review is completed by the centralized Contracts/Grant function in coordination with the Technical Point-of-Contact. Review of invoices also assures progress on contracts and completion of deliverables. The Director of Contracts and Grants position was established to provide oversight and provide necessary training for NPS personnel.</p> <p>Estimated completion date: 03 April 2009</p>
Finding 3: NPS Administrative Procedures	Recommendation 34. Establish guidance to ensure NPS personnel perform quality assurance for grants.		<p>Concur. NPS in coordination with its Contracting Office, FISC-San Diego, has revised and enhanced the Evaluation Form utilized when considering an award of an assistance agreement. Attached is the revised Technical Evaluation Form utilized for grant review. NPS will draft overall guidance for the grant process to include roles/responsibilities, process and</p>

			<p>oversight. It must be noted that grants are considered "assistance" agreements and are under the auspices of the DODGARS (Department of Defense Grant and Agreement Regulations). The narrative in the report regarding this recommendation states, "...NPS does not have written guidance on performing quality assurance for grants. Without sufficient oversight, NPS could not be assured they received the services for which they paid." NPS concurs that we currently do not have written guidance, but the second statement is not correct in that grants are not awarded for the procurement of services; a grant is an assistance agreement. With assistance agreements, the grantee must exhibit reasonable progress to the goal outlined in their proposal. NPS will complete written guidance no later than 1 July 2009. NPS hosted a Grants Workshop with personnel from the Office of Naval Research and FISC-San Diego on 2-3 April 2009 to provide additional training to NPS and FISC-San Diego personnel. Attached is the attendee list/agenda from the ONR/FISC/Grants Workshop held</p>
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			at NPS on 2-3 April 2009. Estimated completion: 31 July 2009
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