

Naval Audit Service



Audit Report



Poison Pay at Fleet Readiness Center Southwest

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N2009-0040
30 July 2009

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30 July 09

**MEMORANDUM FOR COMMANDER, FLEET READINESS CENTER
SOUTHWEST**

**Subj: POISON PAY AT FLEET READINESS CENTER SOUTHWEST
(AUDIT REPORT N2009-0040)**

Ref: (a) NAVAUDSVC memo 7510/N2008-NMC000-0128.000, dated 24 Jan 08
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. The report provides our results of the subject audit announced in reference (a). Section A of this report provides our 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.
2. Recommendations 1-11 are directed to the Office of the Commander, Fleet Readiness Center Southwest (FRCSW). The Office of the Commander, Naval Air Systems Command, provided the management responses on behalf of FRCSW. Management concurred with the recommendations, which are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations within 30 days after each target completion date.
3. Please provide all correspondence to the Assistant Auditor General for Internal Controls, Contracting, and Investigative Support Audits, XXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXXXXXX. 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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Subj: **ENVIRONMENTAL DIFFERENTIAL PAY AT FLEET READINESS
CENTER SOUTHWEST (AUDIT REPORT N2009-0040)**

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



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Executive Summary

Overview

Fleet Readiness Center Southwest¹ (FRCSW) is a Naval Air Systems Command (NAVAIRSYSCOM) field activity under the operational control of the Office of the Commander, Fleet Readiness Centers. FRCSW overhauls, repairs, and modifies aircraft, aircraft engines, avionics, and aeronautical components for the Navy and Marine Corps. FRCSW is located at Naval Air Station North Island in San Diego, CA and is one of six Fleet Readiness Centers (FRCs) located in the continental United States² providing intermediate and industrial level services.

The Office of Personnel Management states that civilian wage grade employees are entitled to receive environmental differential pay (EDP) for exposure to various degrees of hazards, physical hardships, and working conditions of an unusually severe nature. FRCSW paid employees \$395,000 and \$407,000 in EDP payments during calendar years 2006 and 2007, respectively. Certain EDPs, such as “dirty pay,” are paid on a direct exposure basis, whereby the employee is paid in 15-minute increments while actually exposed to the hazard or work condition. Other EDPs, such as “poisons pay” (toxic chemicals), are paid on a full-shift basis, with the employee being paid for an entire shift regardless of the amount of actual time the employee is exposed to the hazard or work condition. If there is any exposure during a shift for any amount of time, the employee receives the differential for the entire shift.

Reason for Audit

The objective of the audit was to verify that policies, procedures, and practices were in place to ensure that environmental and hazardous differential pay³ was provided only for work performed in accordance with applicable laws and regulations at FRCSW.

The audit of the EDP process at FRCSW was requested by the Office of the Naval Inspector General in January 2008 as a result of a complaint filed to the Office of Special

¹ Formerly known as “Naval Air Depot North Island.”

² The other five Fleet Readiness Centers (FRCs) that provide intermediate and industrial level services are FRC East, located at Marine Corps Air Station Cherry Point, NC; FRC Southeast, located at Naval Air Station Jacksonville, FL; FRC Mid-Atlantic, located at Naval Air Station Oceana, VA; FRC West, located at the Commander Strike Fighter Wing U.S. Pacific Fleet at Lemoore, CA; and FRC Northwest, located at Naval Air Station Whidbey Island, WA.

³ For purposes of this audit report, hazardous differential pay will be included as “environmental differential pay” because hazardous differential pay made up less than .04 percent of all environmental differential pay and thus is immaterial.

Counsel. The subject audit was conducted at FRCSW between 1 February 2008 and 17 April 2009.

Noteworthy Accomplishments

FRCSW effectively monitored the 2007 Industrial Hygiene Survey and provided it to each workshop in a timely manner. These surveys informed personnel of potential exposure to certain hazards and prescribed controls to eliminate them. We suggest that FRCSW include the review of Industrial Hygiene Surveys as part of their formal process to determine the appropriateness of paying EDP.

Conclusions

We found an opportunity for FRCSW to improve internal controls over its EDP and time-and-attendance practices. FRCSW paid employees who were not entitled to EDP even though the Annual Industrial Hygiene Survey concluded that employees were protected from known contaminants through the use of their personal protective equipment. This occurred because FRCSW did not take into consideration the federal laws and regulations pertaining to when EDP should be approved. Additionally, the most basic internal controls to ensure that time-and-attendance information was accurately recorded and reported in order to compute pay were not effective. The time-and-attendance weakness occurred because FRCSW did not update its local instructions to reflect the applicable changes initially prescribed in the DoD regulation dated February 2002. FRCSW should develop formal procedures for controlling EDP in which supervisors approve EDP based on the results of the Annual Industrial Hygiene Survey. Such a process will help management ensure that only those employees who are entitled to EDP receive it. Further, FRCSW needs to improve its time-and-attendance process by developing procedures that require employees to attest to their hours worked, and supervisors to verify their employees' time reports at the end of the pay period. This will help management ensure accurate labor costs, proper accountability, and compliance with applicable laws and regulations. If effective controls over EDP and time and attendance had been established, FRCSW could have avoided approximately \$228,000 paid to employees who are not entitled to receive EDP in calendar year 2007. As a result, FRCSW could potentially save \$1.37 million over a 6-year budget cycle.

Communications with Management. We informed FRCSW management of the results we found throughout the audit. We also informed them of our proposed findings and recommendations in August 2008. We met with the Commanding Officer of the FRCSW on 31 October 2008 to resolve any concerns with the Pre-Utilization Draft Report. In November 2008, we met with responsible personnel to discuss specific audit findings. During these meetings, management informed us of their plan for corrective actions.

This included a training plan and informing the employees' union representatives of the findings in the audit report.

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 2, 5 and 6 address issues related to the internal control over EDP and time and attendance practices. In our opinion, the weaknesses noted in this report may warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

Corrective Actions

To strengthen controls over EDP, we recommend that the Office of the Commander, FRCSW establish formal procedures for managers and supervisors to approve EDP. This should include the review of the Annual Industrial Hygiene Survey. FRCSW should also provide periodic training on the EDP approval process.

We also recommend that FRCSW strengthen controls over time-and-attendance practices. This should include oversight to ensure that employees attest to their hours and supervisors certify them, and periodic time and attendance training is provided.

By implementing these recommendations, we project that FRCSW can potentially avoid approximately \$228,000 annually, or \$1.37 million over a 6-year budget cycle, in EDP payments made to employees who are not entitled to receive it.

The Office of the Commander, Naval Air Systems Command, responded on behalf of FRCSW, and concurred with the recommendations. Responses to the recommendations are summarized below, with our comments on the responses. The full text of the management response is in the Appendix. Actions planned by FRCSW meet the intent of Recommendations 1-11. The recommendations are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b).

Section A:

Findings, Recommendations, and Corrective Actions

Finding 1: Environmental Differential Pay

Synopsis

Fleet Readiness Center Southwest (FRCSW) paid employees Environmental Differential Pay (EDP) that they were not entitled to receive. The Office of Personnel Management (OPM) authorizes EDP payments to employees who are exposed to a hazard, physical hardship, or severe working condition; and where protective facilities, devices, or clothing do not practically eliminate the potential for personal injury. FRCSW had neither documented procedures nor a formalized process for managers or supervisors to control EDP. As a result, they relied on informal “pass down” information and practices for approving EDP. We determined that these internal control weaknesses existed as far back as calendar year (CY) 2000. However, we focused our analysis on EDP paid during CY 2007 to determine the effects of the most current year completed. If formal EDP policies and procedures had been established and implemented during CY 2007, FRCSW could have avoided approximately \$228,000 in EDP payments made to employees who were not entitled to receive it. If what we found in CY 2007 is representative of these prior and later years (through CY 2009 to date), the amount of unwarranted EDP paid could be significant.

Discussion of Details

Background

EDP is an additional pay authorized to wage grade employees for work conditions involving exposure to a hazard, physical hardship, or working condition of an unusually severe nature. Examples of EDP include flying, high work, shipboard work, “dirty” work beyond that normally expected, working with poisons (toxic chemicals), and exposure to hazardous terrain or weather. Payment of an environmental differential can be based on hours in a pay status: full-shift, when the employee is paid EDP for the full work shift; or actual-exposure (intermittent), when the employee is paid only for the time during the work shift when he/she is exposed to the EDP-eligible work condition.

Each installation or activity must evaluate its situations against the guidelines issued by OPM to determine whether any local situation is covered by one or more of the defined categories of environmental differentials. Further, negotiations, through the collective bargaining process, may take place to determine the coverage and application of local situations to the appropriate categories of the OPM guidance. When a local situation is not covered under the categories of an environmental differential, a differential may not be paid. Even though EDP is authorized, there is an agency responsibility to initiate continuing positive action to eliminate dangers and risks that contribute or cause the hazards, physical hardships, or working conditions of an unusually severe nature. When those hazards are eliminated, the agency also has a responsibility to discontinue the EDP payments.

Full-Shift and Actual-Exposure EDP

When an employee is exposed to a work condition for which an environmental differential is authorized on the full-shift basis, that employee will be paid for all hours in a pay status on the day he or she is exposed to the situation. The top three full-shift EDP types used at FRCSW during CY 2007 were (see Exhibit C for a list of all EDP charged in CY 2007):

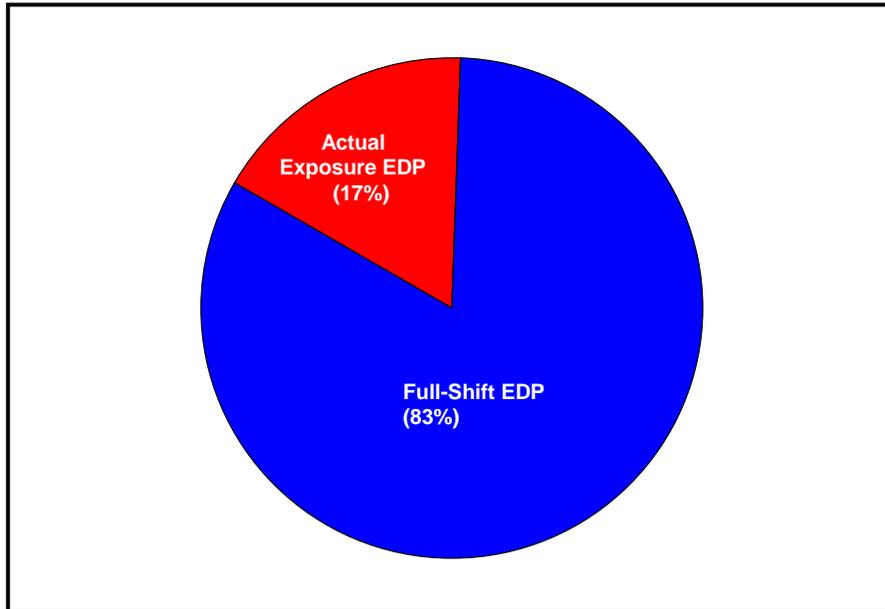
- Poisons (Toxic Chemicals) – High Degree;
- Poisons (Toxic Chemicals) – Low Degree; and
- Work in Fuel Storage Tanks.

When an employee is entitled to a differential, which is paid on an actual-exposure basis, he or she will be paid a minimum of 1 hour of differential pay for each exposure, plus increments of 15 minutes after the first full hour. Actual-exposure EDP types used at FRCSW during CY 2007 were:

- Dirty Pay;
- Micro-Soldering or Wire Welding and Assembly;
- High Voltage Electricity Energy; and
- Hot Work.

All EDP charged by wage grade employees is paid at the OPM-prescribed EDP percentage of the WG-10, step 2 pay grade, and is provided in addition to their hourly rate. During CY 2007, FRCSW paid employees \$70,000 in actual-exposure EDP and \$337,000 in full-shift EDP. Figure 1 shows the distribution of full-shift and actual-exposure EDP paid to FRCSW employees in CY 2007.

Figure 1: Percentage of Full-Shift and Actual-Exposure EDP Paid in CY 2007



Poison (Toxic Chemicals) Pay

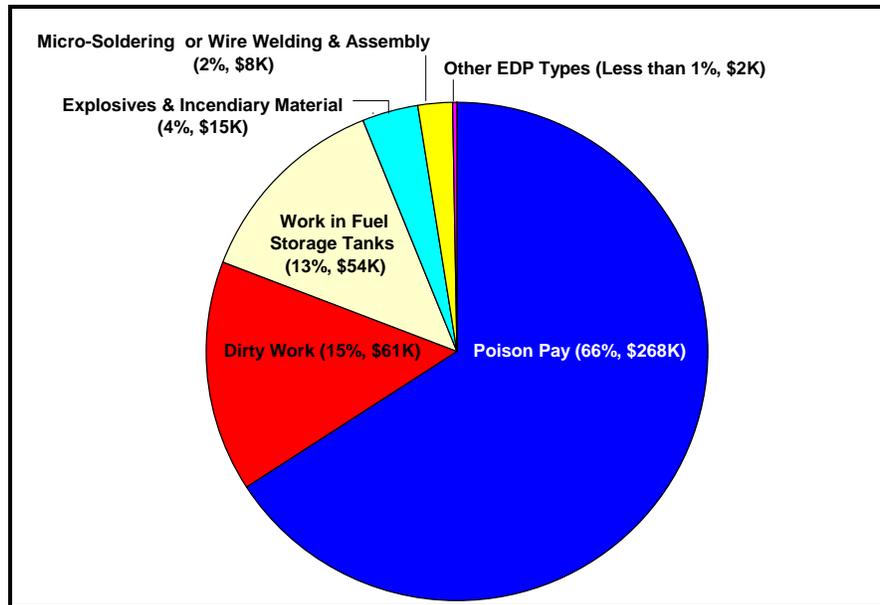
OPM identifies two categories of poisons (toxic chemicals) pay to which employees may be entitled:

Poisons (toxic chemicals) – “high-degree hazard.” Eight percent EDP. Working with, or in close proximity to, poisons (toxic chemicals other than tear gas or similar irritants), which involves potential serious personal injury, such as permanent or temporary, partial or complete loss of faculties, and/or loss of life. This includes exposure of an unusual degree to toxic chemicals, dust, or fumes of equal toxicity generated in work situations by processes required to perform work assignments wherein protective devices and/or safety measures have been developed, but have not practically eliminated the potential for such injury. During CY 2007, FRCSW paid \$195,400 in high-degree poison pay.

Poisons (toxic chemicals) – “low-degree hazard.” Four percent EDP. Working with, or in close proximity to, poisons (toxic chemicals other than tear gas or similar irritating substances) in situations for which the nature of the work does not require the individual to be in as direct contact with, or as exposed to, the more toxic agents, as in the case with the work described under high-hazard for this class of hazardous agents, and wherein protective devices and/or safety measures have not practically eliminated the potential for personal injury. During CY 2007, the FRCSW paid \$72,400 in low-degree poison pay.

Figure 2 shows the types of EDP paid to FRCSW employees in CY 2007. Poisons (toxic chemicals) pay,⁴ which is paid on a full-shift basis, was by far the largest EDP type (66 percent) paid in CY 2007.

Figure 2: Percentage of EDP Types Paid in CY 2007



Pertinent Guidance

Title 5 of the United States Code (USC), Section 5343 (c)(4), requires that EDP “shall be determined by applying the occupational safety and health standards consistent with the Permissible Exposure Limit (PEL) promulgated by the Secretary of Labor under the Occupational Safety and Health Act of 1970,” as determined by the Office of Personnel Management (OPM).

OPM Operating Manual Federal Wage System – Appropriated Fund (OMFWS-AF), Subchapter S8-7 states the following:

- **Paragraph a** prescribes that each agency should eliminate or reduce all hazards, physical hardships, and working conditions of an unusually severe nature to the lowest level possible. “When the agency action does not overcome the unusually severe nature of the hazard, physical hardship, or working condition, an environmental differential is warranted.”
- **Paragraph d** states that some EDP listed in the OPM OMFWS-AF Appendix J are payable whenever the criteria or definition for an EDP type is met. Other EDP, such as poison pay, “are payable only if protective facilities, devices, or

⁴ Poisons (Toxic Chemicals) Pay will be referred to as “Poison Pay” throughout the remainder of the report.

clothing have not **practically eliminated** the hazard, physical hardship, or working condition of an unusually severe nature.”

- **Paragraph f(2)** further prescribes that an employee entitled to actual exposure EDP, such as dirty pay, be paid a minimum of 1-hour’s differential pay for the exposure, and in 15-minute increments for each portion of an hour thereafter.

OPM OMFWS-AF, Appendix J, authorizes poison pay of high- and low-degree when protective devices and/or safety measures have been developed but have not practically eliminated the potential for such personal injury.

Collective Bargaining Agreement (CBA)⁵ recognizes OPM OMFWS-AF as the official guidance, and is congruent with Subchapter S8-7 and Appendix J. The CBA states the following:

- **Section 23** instructs managers to obtain expert assistance from the Occupational Safety and Health Manager to determine if the hazard can be controlled by personal protective devices or engineering controls prior to approving or disapproving EDP.
- **Section 18** states that EDP will be withdrawn when personal protective devices or engineering controls are later provided or developed that will **effectively control** a previously authorized pay situation.

Occupational Safety and Health Administration (OSHA) Standard 29 CFR 1910.132(a) requires that protective equipment be provided, used, and maintained.

Office of the Chief of Naval Operations (OPNAV) Instruction 5100.23G, dated 30 December 2005, “Navy Safety and Occupational Health Program Manual,” paragraph 4 of the cover sheet, instructs Navy commands to implement and manage the Navy Safety Occupational Health (SOH) Program. Section 0802 requires that occupational exposure assessments be completed for each work space at all shore commands.

⁵ The CBA is between the Naval Air Depot North Island and International Association of Machinists and Aerospace Workers, Local 726; effective June 5, 2002.

Audit Results

Poison Pay

EDP payments for poison pay were made to FRCSW employees who were adequately protected from known contaminants by the use of their personal protective equipment (PPE). The OPM OMFWS-AF authorizes payment for poison pay when protective devices or safety measures have not practically eliminated the potential for personal injury.

We obtained FRCSW time-and-attendance data from the Naval Air Systems Command (NAVAIR) Depot Maintenance System Time and Attendance (NDMS-TAA), and reviewed all employees who received poison pay during CY 2007. We identified the 10 shops that incurred the most hours charged to poison pay, and reviewed the FRCSW 2007 Annual Industrial Hygiene Survey for these 10 shops to determine if current controls were effective to protect employees from the identified exposure of known contaminants. We found that employees who charged hours for poison pay were not entitled to receive it in 8 of the 10 shops reviewed (see Exhibit B for a list of these shops). The 2007 Annual Industrial Hygiene Survey indicated that these employees were either adequately protected from known contaminants by the use of their PPE, or that safety measures were in place while performing all tasks at these 8 shops. We were unable to determine if employees from the other two shops⁶ were entitled to receive poison pay because the 2007 Annual Industrial Hygiene Survey concluded that safety measures were not in place to adequately protect some employees from known contaminants while performing certain tasks; and we could not determine which employees in these shops might be exposed to the hazard. FRCSW should take action to ensure sufficient safety measures are in place in all shops to reduce exposure and eliminate the need for EDP.

From our review of the NDMS-TAA data, we determined that employees at the 8 shops who were not entitled to receive poison pay incurred 138,390 poison pay hours during CY 2007. These hours represent 84 percent of the 165,003 total hours charged to poison pay by all shops at FRCSW during the same period. Based on the payroll data obtained from the Defense Finance and Accounting Service (DFAS), the cost of unwarranted poison pay was at least \$224,546 (see Figure 3).

⁶ This included shops 95203 (Overhaul and Repair – Disassembly) and 95204 (Overhaul and Repair (Machine)).

Figure 3: 2007 Poison Pay

Poison Pay	Hours	Dollars	Percentage of Hours and Dollars ⁷
Not Warranted (8 shops)	138,390	\$224,546	84
Undeterminable (2 shops)	11,430	\$18,546	7
Shops not included in sample (29 shops)	15,183	\$24,635	9
FRCSW Totals:	165,003	\$267,727	100

FRCSW employees received poison pay that they were not entitled to because:

- Managers and shop supervisors had no formal EDP approval procedures and relied on unofficial “pass down” practices;
- There was insufficient management oversight of EDP payments; and
- EDP training was not provided to shop personnel and supervisors.

Implementing proper controls will prevent employees who are not entitled to receive EDP pay from receiving it.

Discussion on Environmental Differential Pay Practices

We judgmentally selected 28 employees based on: (1) the highest EDP earners during the most recent 2-year period (April 2006 through March 2008), and (2) obtaining a cross-section of employees from the top five shops with the most EDP hours in the same time period. We then interviewed the 28 employees and their supervisors using a standardized questionnaire.

During our interviews, we found that 8 of the 28 employees had Grievance Settlement Agreement Memorandums in 2002 in which the FRCSW agreed to pay the employees EDP for poison pay.⁸ The CBA states that EDP will be withdrawn when personal protective devices or engineering controls are later provided or developed that will effectively control a previously authorized pay situation. At the time of our review, we noted that the 2007 Annual Industrial Hygiene Survey concluded that they were protected from known contaminants through the use of their PPE. Therefore, these employees were not entitled to the EDP payments received during CY 2007.

We also found that 4 of the 28 employees were still receiving poison pay in a shop⁹ where the union had withdrawn the employees’ poison pay request in April 2000. The union withdrew the request as a result of FRCSW’s conclusion that the employees were

⁷ The percentage of hours and the percentage of dollars are the same.

⁸ This included shops 93702 (Plating) and 93703 (Cleaning).

⁹ Shop 93708 (Machine/Dynamic Components).

properly protected from known contaminants based on the Annual Industrial Hygiene Survey. These four employees received EDP payments to which they were not entitled during the entire period of our data, between January 2006 and March 2008.

No one we interviewed recalled receiving formal EDP training, and the need for formal EDP training became very apparent during the interviews. For example, one employee charged high-degree poison pay believing that was the EDP code for dirty pay. The employee stated, “The high-degree poison pay code is dirty pay and the low-degree poison code is hazard pay.” We concluded that without formal EDP procedures and the associated training set in place, employees will continue to charge EDP to which they are not entitled.

Actual Exposure Type EDP Payments

Employees received payments for actual exposure type EDP during their break times when they were not exposed to potential hazards. OPM guidance authorizes EDP on an actual exposure basis for a minimum of 1 hour, and then in 15-minute increments thereafter.

Using the Defense Civilian Pay System (DCPS) payroll data obtained from DFAS, we found that employees received actual exposure-type EDP on a full shift of 8 or more hours that included two, 20-minute breaks they are entitled to for each shift worked. We determined that 42 percent¹⁰ of all employees at FRCSW received excessive payments for actual exposure EDP during full shifts in 2007 (see Figure 4).

Figure 4: 2007 Employees Charging Actual Exposure on Full-Shift Basis

Year	Employees	Full Shifts	Break Time Hours	Potential Savings
2007	187	6,477	4,318	\$3,791

The employees at FRCSW received EDP during their two, 20-minute breaks when they were not exposed to any hazard. This occurred because FRCSW had no formal procedures in place for charging and approving EDP. Further, FRCSW management did not provide oversight to ensure that employees charged exposure type EDP in accordance with applicable guidance. In our judgment, charging exposure type EDP for an entire shift is questionable, even without factoring in the two, 20-minute breaks.

¹⁰ 187 of 447 FRCSW employees charged EDP during their two 20-minute breaks in CY 2007.

Potential EDP Cost Avoidance

We determined that FRCSW could have avoided approximately \$228,000 in unwarranted EDP payments made during CY 2007 by adding the:

- \$224,546 from our command-wide analysis of poison pay, and
- \$3,791 from our command-wide analysis of employees receiving actual exposure type EDP during their two, 20-minute breaks.

Based on this calculation, we project a future annual cost avoidance of approximately \$228,000; or approximately \$1.37 million over a 6-year budget. The potential cost savings could be even more significant because proper controls over the EDP approval process were also not established in the prior years. We did not intend to recommend that FRCSW recoup the overpayments because they previously agreed to pay employees the EDP.

Recommendations

The Office of the Commander, Naval Air Systems Command, responded on behalf of FRCSW. Responses to the recommendations are summarized below, with our comments on the responses. The full text of the management response is in the Appendix.

We recommend that Commander, FRCSW:

Recommendation 1. Perform an immediate review of all ongoing EDP payments and discontinue payments when protective devices or safety measures have practically eliminated the potential for personal injury.

Management response to Recommendation 1. Concur. FRCSW Command Evaluation Office will review EDP payments to ensure payments are not being made in cases where protective devices or safety measures have practically eliminated the potential for personal injury. The review will be completed by 3 August 2009.

Naval Audit Service comment on response to Recommendation 1. Action planned meets the intent of the recommendation, which is open pending completion of agreed to actions by 3 August 2009.

Recommendation 2. Establish and promulgate a formal EDP approval process for supervisors and managers. This process would include a review of the Annual Industrial Hygiene Survey to determine whether or not controls are effective and employees are adequately protected through the use of their personal protective

equipment to warrant EDP. If controls or personal protective equipment are effective, EDP should not be initiated. If EDP is already being paid, it should be discontinued.

Management response to Recommendation 2. Concur. FRCSW will conduct an AIRSPEED project to develop and promulgate a formal and systematic EDP approval process. The scope of the project will address: developing training plans, training deployment, promulgating an EDP instruction, internal controls, and reviewing the Annual Industrial Hygiene Survey. The project will incorporate a review of the Office of Personnel Management guidelines and the Annual Industrial Hygiene Survey to determine what controls are effective and what circumstances may warrant EDP. The estimated completion date of this project is 1 October 2009.

Naval Audit Service comment on response to Recommendation 2. Actions planned by the FRCSW meet the intent of the recommendation, which is open pending completion of agreed to actions by 1 October 2009.

Recommendation 3. Provide initial and periodic training to all personnel responsible for charging and approving EDP. This would include instruction on EDP approval processes, applicable laws and regulations, and on the EDP justification requirements.

Management response to Recommendation 3. Concur. One goal of the AIRSPEED project is to develop a comprehensive training plan to include initial and periodic training for charging and approving EDP. Additionally, an EDP instruction will be developed to address EDP approval process, applicable laws and regulations, and EDP justification requirements. The estimated completion date of this project is 1 October 2009.

Naval Audit Service comment on response to Recommendation 3. Actions planned by FRCSW meet the intent of the recommendation, which is open pending the completion of agreed to actions by 1 October 2009.

Recommendation 4. Establish controls and assign oversight responsibility to ensure that supervisors approve initiation of, and where appropriate, discontinue the payment of EDP in accordance with applicable laws and regulations and the EDP approval process established in response to Recommendation 2.

Management response to Recommendation 4. Concur. FRCSW will establish internal controls and ensure that supervisors initiate and discontinue payments of EDP in accordance with applicable laws and regulations. The internal controls will be addressed during the AIRSPEED project through a Failure Modes and Effects Analysis and formalized in an EDP instruction. The estimated completion date of this project is 1 October 2009. Additionally, EDP will be an

Assessable Unit and the process will be reviewed for efficacy and efficiency under the Manager's Internal Control Program.

Naval Audit Service comment on response to Recommendation 4. Actions planned by FRCSW meet the intent of the recommendation, which is considered open until the estimated completion date of the AIRSPEED project and publication of an EDP instruction on 1 October 2009.

Finding 2: Time-and-Attendance Practices

Synopsis

Controls over time and attendance practices at FRCSW were not sufficient to ensure that time-and-attendance information used in paying employees was accurate and reliable. Department of Defense (DoD) policy requires supervisors to certify each employee's time-and-attendance report at the end of the pay period, and employees to attest to the accuracy of their time and attendance. However, neither of these most basic internal controls were fully implemented at FRCSW. The control weaknesses were the result of an inattention to the DoD time-and-attendance policies. Therefore, FRCSW did not provide oversight to ensure that these fundamental internal controls were in place at shops that charged EDP. As a result, supervisors did not certify 48 percent of total labor hours from January through April 2008 in accordance with DoD policy. Likewise, employees did not attest to 80 percent of total labor hours charged during the same period. FRCSW had no assurance that the expenditure of Government funds, payroll payments, and labor costs charged to its customers were proper and accurate.

Discussion of Details

Background

FRCSW implemented NDMS-TAA, a computerized time-and-attendance system, in 1999. NDMS-TAA is an information system that collects and reports labor data that interfaces with DCPS. DCPS is a standard payroll system used by DoD and services the FRCs.

NDMS-TAA allows employees with passwords to attest to the accuracy of their processed labor hours. NDMS-TAA also allows supervisors to certify their employees' labor hours. All employees' labor hour reports, whether certified or not, are transferred to DCPS on the first Monday after a pay period end-date for payroll payment processing. Once the labor hour reports are submitted to DCPS, records are no longer accessible. Thus, a manual prior-period adjustment must be submitted to the FRCSW Accounting Department to be processed directly into DCPS to correct any payroll discrepancies.

Pertinent Guidance

DoD Financial Management Regulation (DoD FMR) 7000.14-R (April 2007), Volume 8, Chapter 2, paragraph 020401, requires that each employee's time-and-attendance report be certified as correct by the employee's supervisor, acting

supervisor, or other designated representative authorized to act as an alternate certifier at the end of the pay period.

DoD FMR, Paragraph 020102.C, prescribes that individuals performing the timekeeping function (e.g. individual employee, timekeeper, supervisor, or a combination of these individuals) are responsible for ensuring that employees have attested to the accuracy of their current pay period's time-and-attendance (including any exceptions such as use of leave) and any adjustments or corrections that are required after time-and-attendance is approved. These attestations shall be documented in writing or electronically.

DoD FMR, Paragraph 020703, requires that time-and-attendance reports and other supporting documents be kept for 6 years or when requested for an audit, whichever occurs first.

Naval Aviation Depot North Island (NAVAVNDEPOT N.I.)¹¹ Cost Control Manual, paragraph 1440b, dated October 1997, states that "the immediate supervisor is responsible for certifying and authorizing all transactions associated with time-and-attendance, i.e., overtime, leave, environmental, hours worked, work week, and job number."

NAVAVNDEPOT N.I. Supervisor Guidebook, paragraph 1.5.b, dated 15 May 2002, requires supervisors to validate time cards for the entire pay period.

Audit Results

Supervisor Certification

Supervisors did not certify employees' time-and-attendance reports in accordance with DoD FMR, which requires supervisors to certify labor hours at the end of each pay period. We reviewed the NDMS-TAA labor verification data for all employees in shops with EDP transactions. There were 1,116 employees who charged a total of 774,206 labor hours over a 4-month period between January and April 2008. During the same time, there were 82 supervisors responsible for certifying these employees' time-and-attendance reports. Our analysis revealed that FRCSW supervisors did not certify 48 percent of labor hours in accordance with DoD FMR (see Figure 5).

¹¹ Fleet Readiness Center, Southwest (FRCSW) was formerly Naval Aviation Depot North Island (NAVAVNDEPOT N.I.)

Figure 5: Supervisor Certification

Certification	Labor Hours	Percentage
Certified in Accordance with DoD FMR	401,175	52
Not Certified in Accordance with DoD FMR ¹²	373,031	48
Total Labor Hours Reviewed:	774,206	100

Based upon our assessment of existing controls and various discussions with command personnel, FRCSW did not provide oversight to ensure that DoD time-and-attendance policy was adhered to. Further, FRCSW did not provide supervisory training on time-and-attendance practices. Therefore, supervisors did not always certify employees' time-and-attendance reports as required by DoD FMR. FRCSW needs to ensure that supervisors certify their employees' time-and-attendance reports in NDMS-TAA before they are entered into DCPS for pay processing. By implementing these controls, FRCSW will ensure that labor hours are certified in accordance with DoD FMR.

NDMS-TAA had the capability for supervisors to perform certifications; however, there were no controls to ensure that certifications were completed at the end of the pay period. Contrary to DoD FMR requirements, NDMS-TAA allowed supervisors up to 13 pay periods to certify employees' time-and-attendance reports after the end of each pay period. Additionally, there were no repercussions for those who did not perform the required certifications.

Employee Attestation

FRCSW employees did not attest to their labor hours as required by DoD FMR. We reviewed 774,206 labor hours charged over a 4-month period between January and April 2008 at shops that charged EDP. Our analysis revealed that employees did not attest to 80 percent of their labor hours (see Figure 6).

Figure 6: Employee Attestation

Attestation	Labor Hours	Percentage
Attested	158,021	20
Not Attested ¹³	616,186	80
Total:	774,206	100

FRCSW did not provide employee training on time-and-attendance practices. Further, most FRCSW employees did not have the capability to attest to their labor hours in NDMS-TAA. We reviewed NDMS-TAA employee access data¹⁴ and discussed the employee attestation process with cognizant activity personnel. We determined that

¹² 238,546 hours were certified after they were submitted for payroll processing and 134,485 hours were not certified by the date of the data pull on 21 July 2008.

¹³ Not attested to by the date of our data pull on 21 July 2008.

¹⁴ Received as of 25 July 2008.

1,314 of the 1,607 total employees with NDMS-TAA access did not have attestation capability because they were assigned User IDs, but not passwords. The NDMS-TAA provides attestation capability to employees with both a NDMS-TAA User ID and a password.

It was assumed that NDMS-TAA would enforce compliance with all DoD time-and-attendance requirements, including the employee attestation requirement. Therefore, FRCSW management did not establish controls or provide oversight to ensure that employees attested to their labor hours. Employee attestation helps ensure that labor hours charged, including any adjustments or corrections entered by the supervisors, are accurate and proper. Further, without the required employee attestation, there is no segregation of duties with time-and-attendance. Supervisors then become solely responsible for all aspects of time-and-attendance, which can lead to errors that are not detected in a timely manner.

Local Guidance on Time-and-Attendance

The NAVNDEPOT N.I. Cost Control Manual and the Supervisor Guidebook require supervisors to certify time-and-attendance reports. However, they do not specify when supervisors should perform the certification based on the timeframe of the new time-and-attendance system. Further, neither references the employee attestation requirement as prescribed in DoD FMR. FRCSW should update the local instructions to reflect the time-and-attendance requirements in DoD FMR, and to incorporate the changes of the implemented time-and-attendance system (NDMS-TAA).

Access to NDMS-TAA

NDMS-TAA did not have a means to authenticate User IDs. The Government Accountability Office (GAO) Federal Information System Controls Audit Manual describes authentication as the process of determining whether users are who they say they are, by requiring the use of passwords, tokens, or other identification devices (e.g., Common Access Cards). We observed how employees enter time-and-attendance information into NDMS-TAA and discussed the process with FRCSW staff. We also reviewed access data to determine whether employees were required to enter some means of authentication to access the system.

Employees entered time-and-attendance information into NDMS-TAA using a computer or a time-and-attendance “transactor.” A time-and-attendance transactor is a shared computer terminal in which employees can enter time-and-attendance information into the NDMS-TAA. Employees’ NDMS-TAA user identities are their 5-digit pay numbers, which are widely used and shared among employees and supervisors. We determined that only 293 (18 percent) of the 1,607 employees are required to enter a user ID and a password to access NDMS-TAA. However, the only requirement to access NDMS-TAA for the other 1,314 employees (82 percent) is to enter only their user ID. At one shop we

visited, we observed an employee entering another employee's time at a multi-user time-and-attendance transactor, using the user ID assigned to the other employee.

As a result, 82 percent of the employees had the ability to enter each other's time-and-attendance into NDMS-TAA. When employees share user IDs and there is no means to authenticate a user's identity, it is impossible to track user access or unauthorized activity. Also, unauthorized individuals may gain access to NDMS-TAA.

Recommendations

The Office of the Commander, Naval Air Systems Command, responded on behalf of FRCSW. Responses to the recommendations are summarized below, with our comments on the responses. The full text of the management response is in the Appendix.

We recommend that Commander, FRCSW:

Recommendation 5. Establish controls and provide oversight to ensure that employees attest to the accuracy of their current pay period's time-and-attendance as required by DoD FMR.

Management response to Recommendation 5. Concur. Establishing a standard systematic approach to ensure employees attest to the accuracy of their labor will be a major undertaking as every FRCSW civilian employee will require training in a process not yet developed, as well as training in entitlements and local guidelines so the employees are making an informed attestation. Corrective action will have recurring budgetary impacts. Labor hours devoted to this FMR requirement (i.e., training, execution, administrative, and oversight) do not currently reflect in FRCSW's labor/financial history. Anticipate a four to six month timeframe to develop, implement, and institutionalize a FMR compliant attestation approach. Estimated completion date is 31 December 2009.

Naval Audit Service comment on response to Recommendation 5. Action planned by FRCSW meets the intent of the recommendation, which is considered open pending completion of agreed to action on 31 December 2009.

Recommendation 6. Implement controls and provide oversight to ensure that supervisors, acting supervisors, or other designated representatives certify each employee's time-and-attendance report by the end of the pay period either manually or electronically, as required by DoD FMR. This would include requiring supervisors to certify reports before they are submitted for payroll payment processing; and discontinuing the procedure allowing supervisors to certify reports up to 13 pay periods after the end of each pay period.

Management response to Recommendation 6. Concur. In conjunction with corrective action to Recommendation 5 above, FRCSW needs to develop, implement, and institutionalize a standard systematic approach for supervisors, acting supervisors, or other designated representatives to certify employee time-and-attendance as required by the DoD FMR. This is anticipated to take four to five months to implement with estimated completion date of 31 December 2009. Upon implementation of corrective action and testing of corrective action the practice of allowing supervisors to certify report up to 13 pay periods after the end of each pay period will be discontinued.

Naval Audit Service comment on response to Recommendation 6. Action planned by FRCSW meets the intent of the recommendation, which is considered open pending completion of agreed to action on 31 December 2009.

Recommendation 7. Provide all employees with the capability to attest to their time-and-attendance information in NDMS-TAA, if supervisor certification and employee attestation are performed electronically.

Management response to Recommendation 7. Concur. FRCSW will incorporate the “attest” option available in NDMS-TAA and support supervisor and employee attestation through the controls and processes implemented via Recommendation 5. Estimated completion date is 31 December 2009.

Naval Audit Service comment on response to Recommendation 7. Action planned by FRCSW meets the intent of the recommendation, which is considered open pending completion of agreed to action on 31 December 2009.

Recommendation 8. Conduct initial and periodic refresher time-and-attendance training for all personnel.

Management response to Recommendation 8. Concur. Initial and periodic time-and-attendance training will be administered to all personnel upon establishing a standard systematic process. Anticipate a four to six month timeframe to develop, implement, and institutionalize a FMR compliant time-and-attendance process. Estimated completion date is 31 December 2009.

Naval Audit Service comment on response to Recommendation 8. Action planned by FRCSW meets the intent of the recommendation, which is considered open pending completion of agreed to action on 31 December 2009.

Recommendation 9. Revise the NAVAVNDEPOT N.I. Supervisor’s Guidebook and the NAVAVNDEPOT N.I. Cost Control Manual to incorporate the employee attestation and supervisor certification requirements in DoD FMR.

Management response to Recommendation 9. Concur. Formal guidance associated with labor certification/attestation requires development. The estimated completion date for the Supervisor's Guidebook is 3 August 2009. Commander, Fleet Readiness Center (COMFCR) will be providing a cost manual for all sites within six months. FRCSW will utilize this manual when it becomes available.

Naval Audit Service comment on response to Recommendation 9. Action planned by FRCSW meets the intent of the recommendation, which is considered open until the issuance of the revised Supervisor's Guidebook by 3 August 2009.

Recommendation 10. Establish controls to ensure that NDMS-TAA users validate their identities through some means of authentication, such as a password known only to the individual user.

Management response to Recommendation 10. Concur. FRCSW currently has NDMS-TAA transactor machines (these machines do not require CAC logon) installed throughout the production areas that allow employees to input labor hours. User validation is not currently required. In order to resolve this issue, we will implement user validation and verification through use of a log-on screen that would require the user employee identification as a username, and a unique password chosen by the user for log on purposes. Passwords will only be assigned once the users completed Information Assurance (IA) Basic User training, IA Awareness Annual training and submitted a signed SAAR-N form. This requirement will cover all employees that do not currently have a Navy Marine Corps Intranet (NMCI) account, but use the transactors for recording labor hours. The estimated completion date is 31 December 2009.

Naval Audit Service comment on response to Recommendation 10. Action planned by FRCSW meets the intent of the recommendation, which is open pending completion of agreed to action on 31 December 2009.

Recommendation 11. Instruct NDMS-TAA users to practice sound information security and to not share user IDs, passwords, or other information that could be used by unauthorized personnel to compromise the system and data integrity. This would include disabling the accounts of personnel who share such information and do not practice sound information security until they receive counseling and refresher training.

Management response to Recommendation 11. Concur. FRCSW does not require individuals without NMCI computer access to take the IA Awareness annual training. However, with the establishment of a user identification and password log in to NDMS-TAA, all users will be required to take the initial IA Awareness training and Annual IA Awareness training thereafter. The IA Basic User training and SAAR-N forms both emphasize the importance of password

security. In addition, the FRCSW Office of Counsel has issued a LEGALGRAM, indicating the “Use of Information Systems and Equipment.” The latest LEGALGRAM, on this subject was issued in March 2008 (attachment (A)). The LEGALGRAM highlights the users responsibilities related to maintaining the integrity, safety and security of IT systems. The IA Basic User training, IA Awareness training and SAAR-N does not explicitly outline the penalty for sharing a password. However, the IA Basic User training will be modified to add that users caught sharing passwords can have their accounts shut down until appropriate counseling and refresher training are completed as deemed appropriate by their supervisor. The estimated completion date is 31 December 2009.

Naval Audit Service comment on response to Recommendation 11.

Actions taken and planned by FRCSW meet the intent of the recommendation, which is open pending completion of agreed to action on 31 December 2009.

Section B:

Status of Recommendations

RECOMMENDATION						
Finding ¹⁵	Rec. No.	Page No.	Subject	Status ¹⁶	Action Command	Target Completion Date
1	1	12	Perform an immediate review of all ongoing EDP payments and discontinue payments when protective devices or safety measures have practically eliminated the potential for personal injury.	O	FRCSW	8/3/2009
1	2	12	Establish and promulgate a formal EDP approval process for supervisors and managers. This process would include a review of the Annual Industrial Hygiene Survey to determine whether or not controls are effective and employees are adequately protected through the use of their personal protective equipment to warrant EDP. If controls or personal protective equipment are effective, EDP should not be initiated. If EDP is already being paid, it should be discontinued.	O	FRCSW	10/1/2009
1	3	13	Provide initial and periodic training to all personnel responsible for charging and approving EDP. This would include instruction on EDP approval processes, applicable laws and regulations, and on the EDP justification requirements.	O	FRCSW	10/1/2009
1	4	13	Establish controls and assign oversight responsibility to ensure that supervisors approve initiation of, and where appropriate, discontinue the payment of EDP in accordance with applicable laws and regulations and the EDP approval process established in response to Recommendation 2.	O	FRCSW	10/1/2009
2	5	19	Establish controls and provide oversight to ensure that employees attest to the accuracy of their current pay period's time-and-attendance as required by DoD FMR.	O	FRCSW	12/31/2009
2	6	19	Implement controls and provide oversight to ensure that supervisors, acting supervisors, or other designated representatives certify each employee's time-and-attendance report by the end of the pay period either manually or electronically, as required by DoD FMR. This would include requiring supervisors to certify reports before they are submitted for payroll payment processing; and discontinuing the procedure allowing supervisors to certify reports up to 13 pay periods after the end of each pay period.	O	FRCSW	12/31/2009

¹⁵ / + = Indicates repeat finding.

¹⁶ / 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.

RECOMMENDATION						
Finding ¹⁵	Rec. No.	Page No.	Subject	Status ¹⁶	Action Command	Target Completion Date
2	7	20	Provide all employees with the capability to attest to their time-and-attendance information in NDMS-TAA, if supervisor certification and employee attestation are performed electronically.	O	FRCSW	12/31/2009
2	8	20	Conduct initial and periodic refresher time-and-attendance training for all personnel.	O	FRCSW	12/31/2009
2	9	20	Revise the NAVAVNDEPOT N.I. Supervisor's Guidebook and the NAVAVNDEPOT N.I. Cost Control Manual to incorporate the employee attestation and supervisor certification requirements in DoD FMR.	O	FRCSW	8/3/2009
2	10	21	Establish controls to ensure that NDMS-TAA users validate their identities through some means of authentication, such as a password known only to the individual user.	O	FRCSW	12/31/2009
2	11	21	Instruct NDMS-TAA users to practice sound information security and to not share user IDs, passwords, or other information that could be used by unauthorized personnel to compromise the system and data integrity. This would include disabling the accounts of personnel who share such information and do not practice sound information security until they receive counseling and refresher training.	O	FRCSW	12/31/2009

Exhibit A:**Scope and Methodology****Scope**

Our audit coverage for the various analyses performed, included daily environmental differential pay (EDP) transactions that occurred between 25 December 2005 and 29 March 2008. During this time period, Fleet Readiness Center Southwest (FRCSW) paid a total of \$912,000 in EDP payments.

We also reviewed labor verification records at shops that charged EDP hours posted between 6 January and 26 April 2008. A total of 774,206 labor hours charged by 1,116 employees, under 82 supervisors, were reviewed for this period.

To meet the audit objective, we focused on key internal control areas related to the: (1) environmental differential pay charging and approval process; and (2) time-and-attendance practices. Audit work was performed at FRCSW between February and October 2008. No prior audits were identified in this area; therefore, followup action was not applicable.

Methodology

We reviewed policy, guidance, instructions, laws, and regulations applicable to EDP and to time-and-attendance. This included public laws and Office of Personnel Management, Department of Defense, Department of the Navy, and FRCSW guidance and regulations. We evaluated internal controls over EDP procedures and practices to determine if FRCSW complied with the regulations and guidance identified above.

The FRCSW payroll system is the Defense Civilian Pay System (DCPS), which is maintained by the Defense Finance and Accounting Service. The Naval Air Systems Command Depot Maintenance System – Time and Attendance (NDMS-TAA) is the FRCSW time-and-attendance system. It collects and reports labor data that interfaces with DCPS. We used data from both systems to determine the number of EDP hours charged during the January 2006 to March 2008 time period, and the cost of those hours.

We interviewed managers, supervisors, and shop employees regarding the EDP and time-and-attendance processes at FRCSW. We judgmentally selected a total of 28 employees in 10 shops for in-depth review and discussed their EDP and time-and-attendance practices using a standardized questionnaire.

In judgmentally selecting the 28 employees, we first selected 20 employees who were paid the most EDP during a recent 2-year period command wide.¹⁷ Because 4 of these employees represented only one of the top five shops that charged the most EDP hours in calendar year 2007, we then selected an additional 2 employees who charged the most EDP hours from each of the remaining top four shops during that year. We selected these additional 8 employees to obtain audit coverage of the top 5 shops.

We interviewed each of these employees and their respective supervisors, and reviewed the applicable documentation, to obtain an understanding of the:

- EDP charging and approval procedures;
- Time-and-attendance practices; and
- Usage of personal protective equipment.

We conducted this 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. In our judgment, the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The DCPS payroll data was used to support the audit findings in this report. We compared the EDP hours charged during a 2-year period¹⁸ in the DCPS payroll data to the EDP hours charged in the NDMS-TAA data. We determined that 99.7 percent of the transactions matched between these two systems. Therefore, we conclude that the DCPS payroll data was reliable for purposes of this audit.

¹⁷ Between April 2006 and March 2008.

¹⁸ Between April 2006 and March 2008.

Exhibit B:**Top 10 Shops that Charged Poison EDP**

FRCSW Shop	Shop	Total Poison Hours	Unwarranted or Indeterminable
Industrial Hazardous Material and Waste Control Branch	08214	14,167	Unwarranted
Corrective/Preventive Maintenance Shop	62001	18,920	Unwarranted
Sand Blast and Shoot-Peen Shop	93701	18,160	Unwarranted
Plating Shop	93702	10,977	Unwarranted
Cleaning Shop	93703	15,091	Unwarranted
Non-Destructive Inspection	93705	40,558	Unwarranted
Machine Shop/Dynamic Components	93708	10,321	Unwarranted
Overhaul and Repair – Disassembly	95203	7,879	Indeterminable
Overhaul and Repair – Machine	95204	3,551	Indeterminable
Overhaul and Repair – CBR Plus	95206	10,196	Unwarranted

Exhibit C:**EDP Used at FRCSW During CY 2007**

EDP Description	Percentage
Exposure EDP:	
Dirty Work	4
High Voltage Electrical Energy	50
Hot Work	4
Micro-Soldering or Wire Welding and Assembly	4
Full-Shift EDP:	
Asbestos	8
Duty Aboard Submerged Vessel	50
Explosives and Incendiary Material – High Degree	8
Explosives and Incendiary Material – Low Degree	4
Mass Explosives and/or Incendiary Material	4
Micro-Organisms – High Degree	8
Micro-Organisms – Low Degree	4
Poisons (Toxic Chemicals) – High Degree	8
Poisons (Toxic Chemicals) – Low Degree	4
Work in Fuel Storage Tanks	8
Work in the Destruction Area	4

Appendix:

Management Responses from Commander Naval Air Systems Command



DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
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47193 BUSE ROAD, BLDG 2272
PATUXENT RIVER, MARYLAND 20670-1547

7540
Ser AIR-00G4A/054
JUL 09 2009

From: Commander, Naval Air Systems Command
To: Naval Audit Service, Assistant Auditor General for Internal Control and Command Support Audits
Subj: NAVAL AUDIT SERVICE DRAFT REPORT ON POISON PAY AT FLEET READINESS CENTER SOUTHWEST (N2008-NMC000-0128.000)
Ref: (a) NAVAUDSVC Memorandum N2008-NMC000-0128.000 of 17 Apr 09
(b) COMNAVAIR ltr 7540 Ser AIR-00G4/048 of 15 Jun 09
(c) Meeting btwn [REDACTED] /COMFRC and [REDACTED] /NAVAUDSVC of 07 Jul 09

Encl: (1) Revised Response to Subject Draft Report

1. Reference (a) forwarded subject draft report for review and comments. Accordingly, reference (b) provided Commanding Officer, Fleet Readiness Center Southwest response.
2. Forward revised response for clarification requested during reference (c). Please direct questions to [REDACTED] at [REDACTED].

[REDACTED]
[REDACTED]
Inspector General

FOIA (b)(6)

FOIA (b)(6)

FOIA (b)(6)

The command has indicated that there is no material in the management response that should be withheld under the Freedom of information Act, so this cover page is not being marked FOUO. However, because the cover page contains personally identifiable information that is exempt from release under FOIA Exemption (b)(6), this page of the report is being marked FOUO.

COMMANDING OFFICER, FLEET READINESS CENTER SOUTHWEST
RESPONSE TO
NAVAUDSVC DRAFT AUDIT REPORT ON
“POISON PAY AT FLEET READINESS CENTER SOUTHWEST”
N2008-NMC000-0128.000 DATED 17 APR 09

Finding 1: Environmental Differential Pay

Fleet Readiness Center Southwest (FRCSW) paid employees Environmental Differential Pay (EDP) that they were not entitled to receive. The Office of Personnel Management (OPM) authorizes EDP payments to employees who are exposed to a hazard, physical hardship, or severe working condition; and where protective facilities, devices, or clothing do not practically eliminate the potential for personal injury. FRCSW had neither documented procedures nor a formalized process for managers or supervisors to control EDP. As a result, they relied on informal “pass down” information and practices for approving EDP. We determined that these internal control weaknesses existed as far back as calendar year (CY) 2000. However, we focused our analysis on EDP paid during CY 2007 to determine the effects of the most current year completed. If formal EDP policies and procedures had been established and implemented during CY 2007, FRCSW could have avoided approximately \$228,000 in EDP payments made to employees who were not entitled to receive it. If what we found in CY 2007 is representative of these prior and later years (through CY 2009 to date), the amount of unwarranted EDP paid could be significant.

FRCSW Response: Concur. FRCSW must adopt procedures and a formal process for supervisors to control EDP. Within six months, FRCSW will have written procedures and formal controls in place to ensure employees receive EDP appropriately.

Recommendation 1: Commanding Officer, FRCSW perform an immediate review of all ongoing EDP payments and discontinue payments when protective devices or safety measures have practically eliminated the potential for personal injury.

FRCSW Response: Concur. FRCSW Command Evaluation Office will review EDP payments to ensure payments are not being made in cases where protective devices or safety measures have practically eliminated the potential for personal injury. The review will be completed by 3 August 2009.

Recommendation 2: Commanding Officer, FRCSW establish and promulgate a formal EDP approval process for supervisors and managers. This process would include a review of the Annual Industrial Hygiene Survey to determine whether or not controls are effective and employees are adequately protected through the use of their personal protective equipment to warrant EDP. If controls or personal protective equipment are effective, EDP should not be initiated. If EDP is already being paid, it should be discontinued.

Enclosure (1)

FRCSW Response: Concur. FRCSW will conduct an AIRSPEED project to develop and promulgate a formal and systematic EDP process. The scope of the project will address: developing training plans, training deployment, promulgating an EDP instruction, internal controls, and reviewing the Annual Industrial Hygiene Survey. The project will incorporate a review of the Office of Personnel Management guidelines and the Annual Industrial Hygiene Survey to determine what controls are effective and what circumstances may warrant EDP. The estimated completion date of this project is 1 October 2009.

As stated in the response to Recommendation 1, FRCSW Command Evaluation Office will conduct a review of EDP. If it is determined that EDP is being paid where it is unwarranted, Then it will be immediately discontinued. Review will be completed by 3 August 2009.

Recommendation 3: Commanding Officer, FRCSW provide initial and periodic training to all personnel responsible for charging and approving EDP. This would include instruction on EDP approval processes, applicable laws and regulations, and on the EDP justification requirements.

FRCSW Response: Concur. One goal of the AIRSPEED project is to develop a comprehensive training plan to include initial and periodic training for charging and approving EDP. Additionally, an EDP instruction will be developed to address EDP approval process, applicable laws and regulations, and EDP justification requirements. The estimated completion date of this project is 1 October 2009.

Recommendation 4: Commanding Officer, FRCSW establish controls and assign oversight responsibility to ensure that supervisors approve initiation of, and where appropriate, discontinue the payment of EDP in accordance with applicable laws and regulations and the EDP approval process established in response to Recommendation 2.

FRCSW Response: Concur. FRCSW will establish internal controls and ensure that supervisors initiate and discontinue payments of EDP in accordance with applicable laws and regulations. The internal controls will be addressed during the AIRSPEED project through a Failure Modes and Effects Analysis and formalized in an EDP instruction. The estimated completion date of this project is 1 October 2009. Additionally, EDP will be an Assessable Unit and the process will be reviewed for efficacy and efficiency under the Managers' Internal Control Program.

Finding 2: Time-and-Attendance Practices

Controls over time and attendance practices at FRCSW were not sufficient to ensure that time-and-attendance information used in paying employees was accurate and reliable. Department of Defense (DoD) policy requires supervisors to certify each employee's time-and-attendance report at the end of the pay period, and employees to attest to the accuracy of their time and attendance. However, neither of these most basic internal controls were fully implemented at FRCSW. The control weaknesses were the result of an inattention to the DoD time-and-attendance policies. Therefore, FRCSW did not provide oversight to ensure that these fundamental internal controls were in place at shops that charged EDP. As a result, supervisors did not certify 48 percent of total labor hours from January through April 2008 in accordance

with DoD policy. Likewise, employees did not attest to 80 percent of total labor hours charged during the same period. FRCSW had no assurance that the expenditure of Government funds, payroll payments, and labor costs charged to its customers were proper and accurate.

FRCSW Response: Concur. FRCSW does not have a standard systematic approach to ensure supervisors certify employee labor. FRCSW will establish controls and processes that enable and require supervisor and employee approval and attestation. Estimated completion date is 31 December 2009.

Recommendation 5: Commanding Officer, FRCSW establish controls and provide oversight to ensure that employees attest to the accuracy of their current pay period's time-and-attendance as required by DoD FMR.

FRCSW Response: Concur. Establishing a standard systematic approach to ensure employees attest to the accuracy of their labor will be a major undertaking as every FRCSW civilian employee will require training in a process not yet developed, as well as training in entitlements and local guidelines so the employees are making an informed attestation. Corrective action will have recurring budgetary impacts. Labor hours devoted to this FMR requirement (i.e., training, execution, administrative, and oversight) do not currently reflect in FRCSW's labor/financial history. Anticipate a four to six month timeframe to develop, implement, and institutionalize a FMR compliant attestation approach. Estimated completion date is 31 December 2009.

Recommendation 6: Commanding Officer, FRCSW implement controls and provide oversight to ensure that supervisors, acting supervisors, or other designated representatives certify each employee's time-and-attendance report by the end of the pay period either manually or electronically, as required by DoD FMR. This would include requiring supervisors to certify reports before they are submitted for payroll payment processing; and discontinuing the procedure allowing supervisors to certify reports up to 13 pay periods after the end of each pay period.

FRCSW Response: Concur. In conjunction with corrective action to Recommendation 5 above, FRCSW needs to develop, implement, and institutionalize a standard systematic approach for supervisors, acting supervisors, or other designated representatives to certify employee time-and-attendance as required the DoD FMR. This is anticipated to take four to five months to implement with estimated completion date of 31 December 2009. Upon implementation of corrective action and testing of corrective action the practice of allowing supervisors to certify reports up to 13 pay periods after the end of each pay period will be discontinued.

Recommendation 7: Commanding Officer, FRCSW provide all employees with the capability to attest to their time-and-attendance information in NDMS-TAA, if supervisor certification and employee attestation are performed electronically.

FRCSW Response: Concur. FRCSW will incorporate the "attest" option available in NDMS-TAA and support supervisor and employee attestation through the controls and processes implemented via Recommendation 5. Estimated completion date is 31 December 2009.

Recommendation 8: Commanding Officer, FRCSW conduct initial and periodic refresher time-and-attendance training for all personnel.

FRCSW Response: Concur. Initial and periodic time-and-attendance training will be administered to all personnel upon establishing a standard systematic process. Anticipate a four to six month timeframe to develop, implement, and institutionalize a FMR compliant time-and-attendance process. Estimated completion date is 31 December 2009.

Recommendation 9: Commanding Officer, FRCSW revise the NAVAVNDEPOT N.I. Supervisor's Guidebook and the NAVAVNDEPOT N.I. Cost Control Manual to incorporate the employee attestation and supervisor certification requirements in DoD FMR.

FRCSW Response: Concur. Formal guidance associated with labor certification/attestation requires development. The estimated completion date for the Supervisor's Guidebook is 3 August 2009. Commander, Fleet Readiness Center (COMFRC) will be providing a cost manual for all sites within six months. FRCSW will utilize this manual when it becomes available.

Recommendation 10: Commanding Officer, FRCSW establish controls to ensure that NDMS-TAA users validate their identities through some means of authentication, such as a password known only to the individual user.

FRCSW Response: Concur. FRCSW currently has NDMS-TAA transactor machines (these machines do not require CAC logon) installed throughout the production areas that allow employees to input labor hours. User validation is not currently required. In order to resolve this issue, we will implement user validation and verification through use of a log-on screen that would require the user employee identification as a username, and a unique password chosen by the user for log on purposes. Passwords will only be assigned once the users completed Information Assurance (IA) Basic User training, IA Awareness Annual training and submitted a signed SAAR-N form. This requirement will cover all employees that do not currently have a Navy Marine Corps Intranet (NMCI) account, but use the transactors for recording labor hours. The estimated completion date is 31 December 2009.

Recommendation 11: Commanding Officer, FRCSW instruct NDMS-TAA users to practice sound information security and to not share user IDs, passwords, or other information that could be used by unauthorized personnel to compromise the system and data integrity. This would include disabling the accounts of personnel who share such information and do not practice sound information security until they receive counseling and refresher training.

FRCSW Response: Concur. FRCSW does not require individuals without NMCI computer access to take the IA Awareness annual training. However, with the establishment of a user identification and password log in to NDMS-TAA, all users will be required to take the initial IA Awareness training and Annual IA Awareness training thereafter. The IA Basic User training and SAAR-N forms both emphasize the importance of password security. In addition, the FRCSW Office of Counsel has issued a LEGALGRAM, indicating the "Use of Information Systems and Equipment". The latest LEGALGRAM, on this subject, was issued in March 2008 (attachment (A)). The LEGALGRAM highlights the users responsibilities related to maintaining

the integrity, safety and security of IT systems. The IA Basic User training, IA Awareness training and SAAR-N does not explicitly outline the penalty for sharing a password. However, the IA Basic User training will be modified to add that users caught sharing passwords can have their accounts shut down until appropriate counseling and refresher training are completed as deemed appropriate by their supervisor. The estimated completion date is 31 December 2009.

FREEDOM OF INFORMATION ACT (FOIA) MARKING: The report has been reviewed and found that it does not contain any Privacy Act or other information exempt from release under FOIA.



LEGALGRAM



Number 08-01
March 3, 2008

USE OF INFORMATION SYSTEMS AND EQUIPMENT

When you use Navy information technology (IT) systems and equipment, you take responsibility for proper use and consent to monitoring of your user activities. You are responsible to ensure the integrity, safety and security of Navy IT resources. Government resources are to be used only for authorized purposes and never for uses that would discredit the Navy or Department of Defense (DoD). Prohibited uses of Navy IT resources include:

- Accessing, storing, processing, displaying, distributing, transmitting, or viewing material that is pornographic, racist, promotive of hate crimes, conducive to terrorist activities or subversive in nature;
- Displaying and distributing material, including jokes, that could create a hostile environment for coworkers or is otherwise disruptive to the workplace;
- Use for personal financial gain, private business or any commercial purpose;
- Endorsing products or services;
- Partisan political activity;
- Fundraising activities;
- Disseminating religious materials outside an established command religious program;
- Electronic chain letters;
- Gambling;
- Posting personal home pages;
- Playing computer games;
- Noncompliance with patents, copyrights, trade secrets or license agreements;
- Accessing, storing, processing, or distributing classified, proprietary, sensitive, For Official Use Only or Privacy Act protected information in violation of established policies;
- Installing shareware, freeware, or any other software applications on computer systems;
- Accessing accounts or data not intended for the user;
- Introducing malicious software codes such as viruses, worms, etc.;

Attachment (A)

- Communications that overburden IT systems or equipment; and
- Any other use that reflects adversely on the Navy or DoD, is incompatible with public service or is otherwise inappropriate for the work environment.

Because of the tremendous benefit the use of Navy IT resources provides, limited personal use is permitted within established policy and except as prohibited above. While using Navy IT resources, take into account that communications reflect directly on the Navy and may be perceived as official communications by recipients. Users are allowed to use the Internet and develop information skills within the following limits.

- Personal use is limited to personal time;
- Personal communication is infrequent and short;
- The use does not involve more than minimal additional expense to the Government; and
- The use does not reduce productivity or interfere with official duties.

Remember that you have no expectation of privacy when using Navy IT resources. Monitoring will be conducted without notice and findings of unauthorized user activity may result in immediate revocation of IT system access and adverse administrative and disciplinary action. If monitoring reveals possible evidence of criminal activity, the evidence may be provided to law enforcement personnel, which could result in criminal proceedings.

Prepared by:
Office of Counsel, 11.0
619-545-2929

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