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Audit Report



Department of the Navy Medical Corps Officer Contracts

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N2011-0034
12 May 2011

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12 May 11

MEMORANDUM FOR CHIEF, BUREAU OF MEDICINE AND SURGERY

Subj: **DEPARTMENT OF THE NAVY MEDICAL CORPS OFFICER
CONTRACTS (AUDIT REPORT N2011-0034)**

Ref: (a) NAVAUDSVC memo 7510/N2010-NFO000-0143, dated 3 Aug 10
(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 finding and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of the Bureau of Medicine and Surgery responses is included in the Appendix.

2. Actions taken by the Bureau of Medicine and Surgery meet the intent of Recommendations 1, 2, and 4, and those recommendations are closed. Actions planned by the Bureau of Medicine and Surgery meet the intent of Recommendations 3, and 5 through 12. 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 target completion dates. Please provide all correspondence to the Assistant Auditor General for Manpower and Reserve Affairs Audits, XX, with a copy to the Director, Policy and Oversight, XX. 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.



XXXXXXXXXXXXXXXXXXXX
Assistant Auditor General
Manpower and Reserve Affairs Audits

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**Subj: DEPARTMENT OF THE NAVY MEDICAL CORPS OFFICER
CONTRACTS (AUDIT REPORT N2011-0034)**

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Section A:

Finding, Recommendations, and Corrective Actions

Objective and Reason for Audit

Our audit objective was to verify that the Department of Navy (DON) was executing contracts for Medical Corps officers in a manner that ensured the proper establishment and fulfillment of contractual and military service obligations.

The Chief of Naval Personnel requested that the Naval Audit Service review a series of DON Medical Corps officer contracts that were found to have incorrectly calculated obligated service dates (OSDs), and determine the underlying causes and extent of the problem.

Synopsis/Conclusion

We found that DON did not have reasonable assurance that it was receiving all required years of obligated service from DON physicians. This was caused by deficiencies with: (1) the OSD computation and review process, and (2) Special Pays Office recordkeeping practices. Department of Defense (DoD) and Chief of Naval Operations Instructions govern the length of the active duty obligation incurred, the revised OSD, and whether the obligation is to be served consecutively or concurrently with pre-existing obligations.

As a result of the issues noted, out of a statistical sample of 62 DON physicians, we identified 8 with OSD computation errors, 6 of which impacted the overall OSD and 2 that mostly self-corrected. Further, most of these OSD computation errors would not have been identified with the current Navy Medicine process. From these results, we project that the Medical Corps officer population contains at least 50, with a best estimate of 109,¹ officers with OSD computation errors of at least 1 year in length. This projection translates to a potential loss to DON of 217 years of medical service from highly skilled physicians, assuming these errors are not identified and corrected prior to the physicians separating from DON.

¹ The point estimate (or best estimate) is 109, with 50 representing the lower bound based on a 95 percent confidence interval (see Exhibit C for details).

Noteworthy Accomplishments

Navy Medicine notified and adjusted OSDs in its information system to correct errors identified during the audit.² According to Director, Personnel Policy, Bureau of Medicine and Surgery (M-13), Navy Medicine also established a single point of contact within the medical accessions department to ensure OSDs for medical officers gained from the Naval Academy and Reserve Officers Training Corps are correct. Navy Medicine is currently working to ensure these obligations are accurately accounted for within their medical manpower system. The Director, Personnel Policy also informed us that Navy Medicine developed and implemented a long-term plan to review OSDs for all Medical Corps officers who: are Naval Academy and/or Reserve Officers Training Corps graduates; have received multiple graduate medical educations; have signed critical skills retention bonus service agreements; or are approaching separation from DON.

Background

DON physicians and other health care professionals are needed to support operational forces and to provide medical service to service members' families. In order to maintain sufficient numbers of appropriately trained active duty health care professionals and to ensure Navy Medicine meets mission essential requirements, DON established accession programs,³ medical education and training programs, and special and incentive pays.⁴ These programs allow medical students and other health care professionals to enter contractual agreements that provide financial and nonfinancial incentives in return for active duty obligated service.

The Bureau of Medicine and Surgery Information System⁵ is used to track the medical education, training, and special pay information (including OSD) for Medical Corps officers.⁶ According to the Chief of Bureau of Medicine and Surgery (Director of Total Force), in 2004, the responsibility for determining the OSD was transferred to the Bureau of Medicine and Surgery from Naval Personnel Command's detailers (Naval Personnel Command-4415).

² Navy Medicine issued a multiyear special pays amendment letter to the Navy physicians who had OSD errors identified in our sample, to notify them of the error and to establish a revised obligated service date. The amendment letters further advised the Medical Corps officers of their option to submit a request to the Board of Correction of Naval Records to dispute the revised OSD.

³ Examples include health profession scholarship programs and financial assistance programs.

⁴ Examples include special pays and critical skill retention bonuses.

⁵ The Bureau of Medicine and Surgery Information System will hereafter be referred to as "Navy Medicine information system."

⁶ The Navy Medicine information system is also used to track the medical education, training, and special pay information for Medical Service Corps, Dental Corps, and Nurse Corps officers. The operation of the Navy Medicine personnel system is the responsibility of Navy Medicine, but the Navy Medicine Manpower, Personnel, Training and Education department is responsible for the actual input of Medical Corps officers' personnel data, including an OSD.

The Special Pays Office, which is organized under the Navy Medicine Manpower, Personnel, Training and Education Department, is responsible for managing and preparing the budget for the Medical Department special pays. The Deputy Chief of Bureau of Medicine and Surgery (Director of Total Force) is the final approving authority for all special pay requests and is responsible for determining obligations incurred for special pay contracts. The total special pay expenditure was \$224 million and \$241 million for Fiscal Years 2009 and 2010, respectively. As of July 2010, there were 3,833 Medical Corps officers in DON. From October 2004 to August 2010, 2,826 multiyear special pay contracts were executed for 1,467 Medical Corps officers.

Additional background is provided in Exhibit A of this report.

Audit Results

The audit focused on the calculation of contractual and military service obligations for DON Medical Corps officers to examine if service obligation requirements were computed accurately. These service obligations resulted from undergraduate education, accessions, graduate medical school, medical education and training, and retention incentives.

We statistically sampled 62 of 1,467 Medical Corps officers who received multiyear special pays from October 2004 to 18 August 2010. We performed audit tests to determine accuracy of both the obligated service date and Navy Medicine's information system data pertaining to active obligations associated with undergraduate, accession incentives, medical education and training, and retention incentives. We also tested if multiyear special pay contracts were only being awarded to eligible DON physicians. Finally, we reviewed the internal controls and record keeping process in place for special pays as related to our audit objective. See Exhibits B and C for additional information on our audit sampling and testing methodology.

OSD Computation/Review Process

We found six DON physicians with OSD computation errors of at least 1 year in length (Table 1-1). In addition to these 6 identified errors, 2 of the 62 sampled physicians had OSD errors of at least 1 year that mostly self-corrected⁷ and thus had minimal impact on their overall service date (Table 1-2). We determined that there was a lack of accountability for ensuring that DON physician OSDs were computed correctly throughout their career, resulting in a lack of assurance that DON received a Medical Corps officer's full term service. We found that the current Navy Medicine process for

⁷ The two sample cases were defined as self-correcting. This was because the omitted obligation did not have a significant impact on their final OSD due to the physicians serving additional time without extending their obligated service.

determining/reviewing OSDs would not have identified seven⁸ of the eight service date errors during their multiyear special pay issuance and review process because: (1) the Special Pays Office computed the multiyear special pay obligation based on inaccurate/incomplete information in the Navy Medicine information system; (2) there was no one person or office/department responsible for determining/reviewing an overall obligated service date for physicians; and (3) there was a lack of communication and coordination among key players.

Accuracy of Navy Medicine Personnel Information System

Six of the 62 DON physicians sampled had inaccuracies with their computed OSD of at least 1 year in length. For three of these cases, the incorrect OSD computation was due to the omission of a medical education or training obligation. The other three cases were due to the omission of an undergraduate obligation. The Deputy Chief for the Bureau of Medicine and Surgery (Director of Total Force) stated that five of six omitted obligations originated prior to Navy Medicine's taking over the responsibility for determining the service date from Naval Personnel Command's detailers (Naval Personnel Command-4415) in 2004. The Deputy Chief further stated that Navy Medicine's calculations were based on the previous orders prepared by the Naval Personnel Command's detailers (Naval Personnel Command-4415).

We identified all six errors by recalculating the DON physicians' OSDs via source documentation⁹ found in their training files. We then calculated an overall OSD based on the source documentation in accordance with the computation methodology agreed to by the Bureau of Medicine and Surgery (see Exhibit B). Although the information in the Navy Medicine information system appeared to be correct, our analysis of source documentation showed unfulfilled service obligations for five of the six identified errors. We determined that these five OSD errors would not have been detected by Navy Medicine's current OSD review process, because Navy Medicine relied on the accuracy of data within its information system and not on source documentation. For three of the OSD errors, an undergraduate obligation (Reserve Officers Training Corps and/or a United State Naval Academy) was omitted because the Navy Medicine information system did not have a data field to record this information. Only 7 of the 62 Medical Corps officers sampled were from the Reserve Officers Training Corps or United States Naval Academy. This potentially indicated that officers from these programs are more likely to have an omitted duty obligation and therefore, are more likely to have an incorrectly calculated OSD.

⁸ Seven OSD computation errors included five errors of at least 1 year in length, and two self-corrected computation errors.

⁹ Examples of source documentation include Graduate Medical Education approval letters, resumes, transcripts, and applications.

The below table (1-1) provides additional information on the six OSD computation errors of at least 1 year in length identified from our sample.

| Table 1-1. Six Obligated Service Date Computation Errors of at Least 1 Year¹⁰ | | | | | |
|---|---|---|--|----------------------------|---|
| Sample # | Navy Medicine Information System OSD | Naval Audit Service Calculated OSD | Years of Service that Could be Lost | Year Error Occurred | Reason for Error/Comments |
| 22 | Jun 2013 | Jun 2014 | 1 Yr | 1995 | 4-year undergraduate (Reserve Officers Training Course) obligation not in Bureau of Medicine Manpower Information System. Error discovered by Navy Medicine Manpower, Personnel, Training and Education Command in 2005; no correction was made |
| 32 ¹¹ | Oct 2011 | Oct 2012 | 1 Yr | 1997 | 2-year and 5 months medical training (fellowship) obligation recorded as 2-year obligation in Bureau of Medicine Manpower Information System. |
| 44 | Jun 2015 | Jun 2016 | 1 Yr | 2000 | 2-year incomplete medical training (Residency) obligation not in Bureau of Medicine Manpower Information System |
| 58 | Nov 2013 | Jan 2015 | 1 Yrs & 2 Ms | 1991 | 5-year pre-medical U.S. Naval Academy obligation not in Bureau of Medicine Manpower Information System |
| 64 | Feb 2011 | Jul 2013 | 2 Yrs & 5 Ms | 2010 | 3-year medical training (Fellowship) obligation not in Bureau of Medicine Manpower Information System |
| 79 | Jul 2015 | Jul 2020 | 5 Yrs | 1999 | 5-year pre-medical (U.S. Naval Academy) obligation not in Bureau of Medicine Manpower Information System |
| Average Years of Service that Could be Lost | | | 2 Years | | Inaccurate/incomplete information in Bureau of Medicine Manpower Information System |

The following table (1-2) provides more details on the two DON physicians with self-corrected errors that we identified during the audit. These were defined as self-corrected because the omitted obligation did not have a significant impact on their final service date due to the physicians serving additional time without extending their obligated service (e.g., Graduate Medical Officer Tour, Staff Utilization). However, had they separated from DON per their OSD in the Navy Medicine information system, DON would have lost a total of 6 years and 7 months of service.

¹⁰ Bureau of Medicine and Surgery agreed with the six OSD computation errors (Table 1-1) that we identified during this audit.

¹¹ Additional information about training dates was provided subsequent to completion of audit work.

| Table 1-2. Two Obligated Service Date Computation Errors that Mostly Self Corrected ¹² | | | | | |
|--|---|--|---|----------------------------|--|
| Sample # | Navy Medicine Information System OSD | Naval Audit Service Calculated Obligated Service Date | Months of Service that Could Have Been Lost | Year Error Occurred | Reason for Error/Comments |
| 25 | Jul 2011 | Sep 2011 | Self-Corrected. However, DON would have lost 4 yrs and 2 months of service, if the medical officer had separated in July 2002 | 1997 | 4-year undergraduate obligation (Reserve Officers Training Course) not accounted for in Bureau of Medicine Manpower Information System. The error was discovered by Navy Medicine Manpower, Personnel, Training and Education Command in 2004; no correction was made |
| 45 | Oct 2010 | Oct 2010 | Self-Corrected. But, DON would have lost 2 yrs and 5 months of service if the medical officer had separated in June 2001 | 2000 | Initial residency active duty obligation was not adjusted from a 2-year obligation to a 3-year obligation |
| Average Years of Service that Could be Lost | | | 3 Years and 3 Months | | Inaccurate/incomplete information in Bureau of Medicine Manpower Information System |

Overarching Obligated Service Date Policy

There is no one person or office within Navy Medicine responsible for ensuring the accuracy of DON physicians' overall OSD. The Accessions and Graduate Management Education Departments had established standard operating procedures for calculating the service dates for their specific obligations. Furthermore, each department within Manpower, Personnel, Training and Education is responsible for the accuracy of its own obligations.¹³ However, there was no overarching policy that defined each department's roles and responsibilities for the DON physicians' overall OSD within Navy Medicine.

According to the Director of the Special Pays Office, they were not responsible for reviewing previously established OSDs in the Navy Medicine information system. However, they conducted a limited review of prior OSD computations when preparing new service agreements for multiyear special pay contracts. They did this because multiyear special pays can often be the last obligation for the DON physicians prior to retirement. However, the Special Pay staff did not verify the information in the Navy Medicine information system for accuracy with source documentation. Instead, they accepted previously calculated OSDs already established in the information system as accurate.

¹² Bureau of Medicine and Surgery agreed with the two OSD computation errors (Table 1-2) that we identified during this audit.

¹³ Within the Bureau of Medicine Manpower Information System, the Accessions Department is responsible for accession obligations; the Graduate Management Education Department is responsible for Graduate Management Education obligations; and Special Pays Office is responsible for special pay obligations.

Communication and Coordination

We found that poor communication and coordination contributed to four of the eight service date computation errors identified. For instance, changes to two Medical Corps officers' service records were never reflected in the Navy Medicine information system and were thus never included in the Medical Corps officers' service date computation. Sample physician #32 was originally scheduled for 2 years of training, as reflected in the Navy Medicine information system; however, the DON physician was later cleared for another year of training.¹⁴ Although this change was documented in a service order modification, the Navy Medicine information system was not changed to reflect the extension of training. This omission resulted in an OSD computation error. A similar situation occurred with physician #44. This physician completed 2 academic years of residency training before dropping out, and still should have incurred 2 years of obligated service. Although the medical training personnel were aware of this incident, the Navy Medicine information system was not adjusted and therefore, the residency obligation was not included in this officer's service date computation. We could not determine the exact reasons why these changes were not made within the information system; however, if the system had been updated, then these computation errors may not have occurred.

We also discovered the Graduate Medical Education Department identified omitted obligations for two OSD computation errors found in our sample. As noted in Tables 1-1 and 1-2, the Graduate Medical Education Department discovered the omitted Reserve Officers Training Course obligations in Fiscal Years 2005 and 2004 for sample physicians #22 and 25. The errors were discovered when an obligated service worksheet was created to calculate a new training OSD. Although a new training OSD was computed, the Navy Medicine information system was not changed to reflect the newly corrected training information. As a result, all subsequent OSD computations for physicians #22 and 25 remained incorrect, placing DON at risk to lose entitled obligated service from two Medical Corps officers.

Special Pay Recordkeeping Practices

The Special Pays Office did not maintain proper records documenting the execution of special pay. Initially 19 of 119 multiyear special pay service agreements and records of critical skills retention bonus service agreements were unavailable for our review within a reasonable time period. This was due to ineffective record keeping practices.¹⁵ In

¹⁴ Additional information was provided on 7 March 2011. See the "Following Completion of Audit Work" section for details.

¹⁵ The multiyear special pays agreements were requested on 13 September 2010. Additional requests for missing agreements were made on 20 and 30 September 2010. The records were not provided until 8 February 2011. At that time, we received 17 of the 19 multiyear special pay service agreements and 2 critical skills retention bonus service agreements.

addition, according to the Director of Special Pays, the multiyear special pay service agreements prior to the restructuring of the Navy Medicine Manpower, Personnel, Training and Education Department in 2005 have not been digitized in accordance with the Special Pays Office's multiyear special pay process flowchart. Also, Secretary of the Navy Instruction¹⁶ requires DON offices and departments to manage records effectively and efficiently in order to provide documented evidence of DON organization, functions, policies, procedures, decisions, and operational, logistical, and support transactions, and other activities.

According to the Director of Special Pays Office, electronic copies of the critical skills retention bonus service agreement were deleted from the server. The director said the Special Pays Office did not maintain a master listing of critical skills retention bonus agreements that were executed. We were also informed that the critical skills retention bonus service agreements were issued in 2003, but records were only maintained as far back as 2004. Navy Medicine Manpower, Personnel, Training and Education staff and Navy Medicine also informed us that there was no data recovery plan to recapture this information.

DoD guidance requires a critical skills retention bonus service obligation to only be served consecutive to all pre-existing obligations.¹⁷ In addition, DON guidance requires that the active duty service obligation for multiyear special pay begin after any preexisting obligation for medical education and training or previous multiyear special pay agreement is served.¹⁸

The absence of multiyear special pay and critical skills retention bonus source documentation increases the risk that additional, unidentified OSD errors exist in our sample. Such agreements can extend a physician's OSD for an additional service obligation consecutive to other pre-existing obligations. As a result, we were unable to determine if DON accounted for service obligations accurately, resulting in a lack of assurance that DON is receiving the full term of obligated service from its physicians.

Multiyear Special Pay Eligibility

We found the issuance of multiyear special pay service agreements by the Special Pays Office to be accurate according to the eligibility criteria. All 62 Medical Corps officers met the eligibility requirements to receive a multiyear special pay agreement.

¹⁶ Secretary of the Navy Instruction 5210.8D, "Department of the Navy Records Management Program," 31 December 2005.

¹⁷ DoD Instruction 1304.29, "Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members," 15 December 2004.

¹⁸ Chief of Naval Operations Instruction 7220.17, "Special Pay for Medical Corps, Dental Corps, Medical Service Corps, and Nurse Corps Officers," 28 December 2005.

Impact

Incorrect obligated service date calculations may negatively impact DON medical readiness, the budget, and recruitment and retention of qualified health care professionals. For example, of the 1,467 Medical Corps officers in our sample universe, DON could have potentially lost 217 years¹⁹ of service from fully trained physicians. Loss in years of medical service can negatively impact DON medical readiness due to a reduction in medical support to the Navy's service members and their families.

The incorrect calculation of OSDs may also have a negative effect on DON's financial budget. The medical training programs and the special incentive programs, which are used to help provide sufficient DON physician end strength, can represent costly investments to DON both in terms of time and dollars. Any potential loss in years of service from experienced physicians may put DON at risk of not receiving the full benefit from these programs. It may also result in the additional costs of recruitment, education, training, and retention to replace the years lost.

Lastly, incorrect computations may negatively impact DON's credibility and public relations, as well as the morale, recruitment, and retention of DON physicians and other health care professionals. If DON physicians use their OSD to plan for their career and retirement, incorrect information may negatively impact their plans and morale. The potential decrease in morale may also negatively impact DON's ability to recruit and retain qualified medical professionals.

Following Completion of Audit Work

Initially, 19 of 119 multiyear special pay service agreements and all records of critical skills retention bonus service agreements we requested were unavailable for our review. However, following completion of our audit fieldwork, the Navy Medicine Manpower, Personnel, Training and Education Command was able to locate the missing hardcopy documents for most of these items. Subsequent to our completion of audit work, we were provided with 17 of the 19 multiyear special pay contract agreements, and 2 critical skills retention bonus contract agreements that were initially requested in September 2010 (see page 7). Our review of these contract agreements showed that the corresponding service obligations were accounted for in the Navy Medicine information system.

¹⁹ Subsequent to the completion of our audit, Navy Medicine informed us that they had initiated a number of corrective actions that would reduce the potential lost years of medical services. We did not verify the effectiveness of their recently initiated corrective actions.

Recommendations and Corrective Actions

Our recommendations, Bureau of Medicine and Surgery responses, and our comments on the responses are below. The complete text of the Bureau of Medicine and Surgery responses is in the Appendix.

In the cover letter to their response, the Bureau of Medicine and Surgery noted that they concur with the audit findings. Although their formal management response does not specifically state that they “concur” with the recommendations, they have indicated such concurrence in separate communication with the audit team.

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

Recommendation 1. Update the Bureau of Medicine and Surgery Information System to reflect the correct obligated service date for the six Medical Corps officers identified with obligated service date computation errors.

Bureau of Medicine and Surgery response. The Bureau of Medicine and Surgery Information System was updated in January 2011 to reflect the correct obligated service date for the six Medical Corps officers identified with obligated service date computation errors. Action was completed in January 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 1. Actions taken satisfy the intent of the recommendation.

Recommendation 2. Notify each of the six physicians noted in Recommendation 1 of their change in obligated service.

Bureau of Medicine and Surgery response. Each of the six physicians was notified relative to the change in obligated service in February 2011. Action was completed in February 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 2. Actions taken satisfy the intent of the recommendation.

Recommendation 3. Develop and execute, by priority, a schedule to identify any additional Medical Corps officers with obligated service date errors and correct any errors identified. At a minimum, this schedule should include Reserve Officers Training Corps/Naval Academy graduates, Medical Corps officers eligible for

separation within 2-3 years, and Medical Corps officers who have executed a critical skills retention bonus agreement.

Bureau of Medicine and Surgery response. Manpower, Personnel, Training & Education is currently conducting audits of Medical Corps officers, utilizing existing staff resources. During the period of January 2011 through April 2011, Manpower, Personnel, Training & Education reviewed 70 officers who graduated from Reserve Officers Training Corps or Naval Academy had been reviewed, and had identified and corrected two errors, noting that one of these two errors were self-correcting. Also, since January 2011, Manpower, Personnel, Training & Education has been conducting a monthly review of all officers with retirement/separation requests; zero errors were found. A monthly review of retirement/separation requests will continue. Approximately 1,700 officers are eligible for retirement/separation within the next 3 years, or have executed a critical skills retention bonus. A status report on corrective action for Recommendation 3 will be provided by 30 September 2011 with a final completion date scheduled for 30 September 2012.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 3. Actions planned satisfy the intent of the recommendation. The recommendation will stay open until corrective actions have been completed, which is currently estimated for 30 September 2012.

We note that the audit team had identified a larger relative proportion of errors (3 errors in the 11 sampled physicians or 27 percent) in the Reserve Officers Training Corps and Naval Academy populations as compared to Bureau of Medicine and Surgery's 2 errors out of 70 sampled thus far. Assuming that both samples were drawn randomly from the same population, the chance of observing 3 errors in the 11 sampled physicians (as found per Naval Audit Service results) and then 2 or fewer errors in the next 70 samples (as found per Bureau of Medicine and Surgery's reported results to date) is less than 2 percent. Other than chance, there are several possible causes that may explain the difference in error rates between the Naval Audit Service and Bureau of Medicine and Surgery, including:

- Bureau of Medicine and Surgery's sample of 70 Reserve Officers Training Corps and Naval Academy graduates could have been pulled randomly from a different universe than the 11 pulled by the Naval Audit Service.
- The test performed on the 70 could have differed from the test applied to the 11.

- Bureau of Medicine and Surgery's sample of 70 Reserve Officers Training Corps and Naval Academy graduates could have been pulled judgmentally (e.g. most recent contracts first), whereas the Naval Audit Service sample was selected in a statistical, random fashion.

Recommendation 4. Establish a Special Pays Office standard operating procedure for the internal review process and calculation of obligated service dates.

Bureau of Medicine and Surgery response. Special Pays Office has a standard operating procedure for internal review, processing, and calculation of obligations related to Special Pays. It does not calculate other types of obligations. However, the obligated service date computation methodology utilized by the Naval Audit Service has been incorporated into Special Pays Office's standard operating procedure. Action was completed during February 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 4. Actions taken satisfy the intent of the recommendation. Based upon review of the updated standard operating procedure, the Naval Audit Service has concluded that the Bureau of Medicine and Surgery's enhanced version now covers in detail the methodology for calculation of obligated service dates with respect to how training and education and multiyear special pay obligations should be calculated, and highlights the difference between concurrent versus consecutive treatment, providing different scenarios as support. Moreover, the revised standard operating procedure incorporates detailed description of multiyear special pay eligibility and the process which better aligns with the process flowchart for multiyear special pay.

Recommendation 5. Establish an overarching Navy Medicine Manpower, Personnel, Training and Education policy or instruction to calculate obligated service dates, and define roles and responsibilities by office and/or department, to include a designated office and/or department accountable for the entire obligated service date computation process and accuracy.

Bureau of Medicine and Surgery response. Bureau of Medicine and Surgery will incorporate the current standard operating procedures [enhanced post audit fieldwork version] into a comprehensive instruction/manual specifically identifying responsibilities, tools available, coordination, and outcomes. A task force has been chartered to develop a comprehensive consolidated obligated service date instruction/manual that incorporates processes from multiple departments. A status report on corrective action for Recommendation 5 will be provided by 29 July 2011, and the final target completion date is 30 December 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 5. Actions taken and planned satisfy the intent of the recommendation; however, Recommendation 5 will remain open pending completion of the task force initiative described in the management response.

Recommendation 6. Within the policy or instruction established in Recommendation 5, summarize all applicable Reserve Officers Training Corps and Naval Academy undergraduate and graduate medical education and training obligations, as well as the treatment for serving each obligation.

Bureau of Medicine and Surgery response. This will be included in the actions planned in response to Recommendation 5. A status report on corrective action for Recommendation 6 will be provided by 29 July 2011 and the final target completion date is 30 December 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 6. Actions taken and planned satisfy the intent of the recommendation. Recommendation 6 will remain open until completion of the entire review process as slated by 30 December 2011, which also hinges upon completion of Recommendation 5.

Recommendation 7. Revise the Navy Medicine Manpower, Personnel, Training and Education internal review process for obligated service date calculations to require validation of Bureau of Medicine and Surgery Information System data with support documentation to identify omitted obligations that could impact the calculation of obligated service dates.

Bureau of Medicine and Surgery response. This will be included in the actions planned in response to Recommendation 5. A status report on corrective action for Recommendation 7 will be provided by 29 July 2011 and the final target completion date is 30 December 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 7. Actions taken and planned satisfy the intent of the recommendation.

Recommendation 8. Establish a Bureau of Medicine and Surgery Information System data field to account for undergraduate obligations to ensure these obligations have been included in a Medical Corps officer's obligated service date.

Bureau of Medicine and Surgery response. Bureau of Medicine and Surgery has made a request to Navy Medicine Information Systems Support Activity to

create a data field in the Bureau of Medicine and Surgery Information System which will allow manual input of obligated service information for undergraduate scholarship programs. Target completion date is 29 July 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 8. Actions taken and planned satisfy the intent of the recommendation.

Recommendation 9. Establish organizational record keeping policies and procedures to ensure record keeping practices are in accordance with applicable criteria.

Bureau of Medicine and Surgery response. Hard copy records are maintained in accordance with applicable criteria based on type of special pay, month, year of execution, and alphabetically. Digitized copies are recorded under fiscal year of execution. This system is in compliance with Navy Regulations (Secretary of the Navy Manual 5210.1). Development and implementation of an integrated special pay and personnel system where a member's record contains all pertinent documentation to the member's career is recommended, though implementation is dependent on funding and higher level authority approval. Action was completed 28 February 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 9. Actions taken and planned satisfy the intent of the recommendation; however, Recommendation 9 will remain open pending completion of the records digitization process (see Recommendation 11) targeted for completion on or before 30 September 2011. Also as noted in their response to Recommendation 11, Bureau of Medicine and Surgery is presently requesting funding to complete digitization of remaining records.

Recommendations 10. Account for all critical skill retention bonus service agreements using supporting documentation in order to ensure the Department of the Navy receives all obligated services.

Bureau of Medicine and Surgery response. Bureau of Medicine and Surgery is locating all supporting documentation to verify and account for all critical skill retention bonus service agreements. Target completion date is 29 July 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 10. Actions taken and planned satisfy the intent of the recommendation.

Recommendation 11. Digitize any non-electronic multiyear special pay service agreements to ensure they are maintained and safeguarded.

Bureau of Medicine and Surgery response. Since 2007, all multiyear special pays service agreements have been digitized. Special Pays office has all hardcopy agreements back to 2004, and these still require digitization. Bureau of Medicine and Surgery is requesting funding to complete digitization of remaining records. Target completion date is 30 September 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 11. Actions taken and planned satisfy the intent of the recommendation.

Recommendation 12. Develop a data recovery plan for all special pay service agreements, including critical skills retention bonuses, which will ensure the ability to verify and support the Department of the Navy's obligated service.

Bureau of Medicine and Surgery response. Bureau of Medicine and Surgery's J-drive is backed up weekly. [Note: The J-drive (shared storage for Special Pay and Strength Planners) (J-drive) stores documents viewed by multiple users. It is owned by Bureau of Medicine and Surgery.] Critical skills retention bonus agreements are available in hard copy. Bureau of Medicine and Surgery is requesting funding to complete digitization of remaining records. Action completed February 2011.

Naval Audit Service comments on Bureau of Medicine and Surgery response to Recommendation 12. Actions taken and planned, in total, amount to a data recovery plan that mitigates the risk of one form or another of the data being accidentally lost, and therefore satisfy the intent of the recommendation. However, Recommendation 12 will remain open pending completion of the records digitization process targeted for completion on or before 30 September 2011 (see response to Recommendation 11).

Communication with Management

Throughout the audit, we met with staff at the offices of the Bureau of Medicine and Surgery and the Chief of Naval Personnel. We kept management informed of the conditions noted. Specifically, we provided an audit status briefing to the Director of Military Personnel, Plan and Policy (N13) and the Deputy Chief, Director, Total Force (M1) on 27 October 2010. In addition, we communicated our findings and recommendations to the Commanding Officer of Navy Medicine Manpower, Personnel, Training and Education and the Deputy Chief, Director, Total Force (M1) on 6 December

and 8 December 2010, respectively. Lastly, we had an exit conference to finalize our findings and recommendations with the Director of Military Personnel, Plan and Policy (N13) and the Deputy Chief, Director, Total Force (M1) on 2 February 2011.

Section B:

Status of Recommendations

| Recommendations | | | | | | | |
|-----------------------|----------|----------|---|----------------------|---------------------------------------|----------------------------------|--|
| Finding ²⁰ | Rec. No. | Page No. | Subject | Status ²¹ | Action Command | Target or Actual Completion Date | Interim Target Completion Date ²² |
| 1 | 1 | 10 | Update the Bureau of Medicine and Surgery Information System to reflect the correct obligated service date for the six Medical Corps officers identified with obligated service date computation errors. | C | Chief, Bureau of Medicine and Surgery | 1/31/11 | |
| 1 | 2 | 10 | Notify each of the six physicians noted in Recommendation 1 of their change in obligated service. | C | Chief, Bureau of Medicine and Surgery | 2/28/11 | |
| 1 | 3 | 10 | Develop and execute, by priority, a schedule to identify any additional Medical Corps officers with obligated service date errors and correct any errors identified. At a minimum, this schedule should include Reserve Officers Training Corps/Naval Academy graduates, Medical Corps officers eligible for separation within 2-3 years, and Medical Corps officers who have executed a critical skills retention bonus agreement. | O | Chief, Bureau of Medicine and Surgery | 9/30/12 | 9/30/11 |
| 1 | 4 | 12 | Establish a Special Pays Office standard operating procedure for the internal review process and calculation of obligated service dates. | C | Chief, Bureau of Medicine and Surgery | 2/28/11 | |
| 1 | 5 | 12 | Establish an overarching Navy Medicine Manpower, Personnel, Training and Education policy or instruction to calculate obligated service dates, and define roles and responsibilities by office and/or department, to include a designated office and/or department accountable for the entire obligated service date computation process and accuracy. | O | Chief, Bureau of Medicine and Surgery | 12/30/11 | 7/29/11 |

²⁰ / + = Indicates repeat finding

²¹ / 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.

²² If applicable.

| Recommendations | | | | | | | |
|-----------------------|----------|----------|---|----------------------|---------------------------------------|----------------------------------|--|
| Finding ²⁰ | Rec. No. | Page No. | Subject | Status ²¹ | Action Command | Target or Actual Completion Date | Interim Target Completion Date ²² |
| 1 | 6 | 13 | Within the policy or instruction established in Recommendation 5, summarize all applicable Reserve Officers Training Corps and Naval Academy undergraduate and graduate medical education and training obligations, as well as the treatment for serving each obligation. | O | Chief, Bureau of Medicine and Surgery | 12/30/11 | 7/29/11 |
| 1 | 7 | 13 | Revise the Navy Medicine Manpower, Personnel, Training and Education internal review process for obligated service date calculations to require validation of Bureau of Medicine and Surgery Information System data with support documentation to identify omitted obligations that could impact the calculation of obligated service dates. | O | Chief, Bureau of Medicine and Surgery | 12/30/11 | 7/29/11 |
| 1 | 8 | 13 | Establish a Bureau of Medicine and Surgery Information System data field to account for undergraduate obligations to ensure these obligations have been included in the Medical Corps officer's obligated service date. | O | Chief, Bureau of Medicine and Surgery | 7/29/11 | |
| 1 | 9 | 14 | Establish organizational record keeping policies and procedures to ensure record keeping practices are in accordance with applicable criteria. | O | Chief, Bureau of Medicine and Surgery | 9/30/11 | |
| 1 | 10 | 14 | Account for all critical skills retention bonus service agreements using supporting documentation in order to ensure the Department of the Navy receives all obligated services. | O | Chief, Bureau of Medicine and Surgery | 7/29/11 | |
| 1 | 11 | 15 | Digitize any non-electronic multiyear special pay service agreements to ensure they are maintained and safeguarded. | O | Chief, Bureau of Medicine and Surgery | 9/30/11 | |
| 1 | 12 | 15 | Develop a data recovery plan for all special pays service agreements, including critical skills retention bonuses, which will ensure the ability to verify and support the Department of the Navy's obligated service. | O | Chief, Bureau of Medicine and Surgery | 9/30/11 | |

Exhibit A:

Background and Pertinent Guidance

Background

The Bureau of Medicine and Surgery needs to maintain sufficient numbers of appropriately trained active duty health professionals to ensure Navy Medicine meets mission essential requirements. As noted in Office of the Chief of Naval Operations Instruction 1110.1A, dated 2 February 2007, the Bureau of Medicine and Surgery has received authority from the Secretary of the Navy to recruit, appoint, and remunerate health professionals in return for a subsequent active duty obligation. Special and incentive pay programs are used to help ensure that Navy Medicine maintains the right workforce to deliver medical capabilities across the full range of military operations through the appropriate mix of accession.

Since 2005, the Special Pays Office has identified 13 officers with obligated service date (OSD) computation errors associated with multiyear special pay agreements. These errors were identified when the Medical Corps officer requested a new multiyear special pay agreement or wanted to renegotiate a prior agreement. The majority of the errors were due to a miscalculation of the Medical Corps officer's OSD due to the omission of the service obligation related to their medical education and training. When these errors were identified, they were corrected, and the Navy Bureau of Medicine and Surgery notified the officers of the revised OSD before signing their new contract.

The Manpower, Personnel, Training and Education Department was reorganized in 2005. This reorganization included relocating the Special Pays Office from the Bureau of Medicine and Surgery Headquarters to join with the Accessions, Graduate Medical Education, and the Medical Corps Planners Departments under Manpower, Personnel, Training, and Education. This reorganization placed all the offices/departments responsible for calculating portions of the medical OSD under the same department in order to improve coordination and communication. In addition, Manpower, Personnel, Training and Education developed an electronic obligated service worksheet to capture and calculate accessions and Graduate Medical Education training and education related obligations.

Pertinent Guidance

Department of Defense (DoD) Directive 6000.12, "Health Services Operations and Readiness," dated 29 April 1996, requires military departments to establish that medical

manpower, personnel, and compensation programs, which provide the DoD components with sufficient military medical personnel, meet all mission requirements.

DoD Instruction 6000.13, “Medical Manpower and Personnel,” dated 30 June 1997, states that each program member shall incur an 8-year service obligation, a portion of which shall be an active duty obligation. Time spent in military internship or residency training shall not be creditable in satisfying the active duty obligation. The active duty obligation portion of an Armed Forces Health Professional Scholarship participant shall consist of at least 2 years, or one-half year for each half year of the Armed Forces Health Professional Scholarship sponsorship, whichever is greater. The active duty obligation for Financial Assistance Program participants shall be 2 years, or the actual number of years of Financial Assistance Program sponsorship plus 1 year, whichever is greater.

The instruction further states that a health care professional entering a medical education and training program shall incur an active duty obligation of one-half year for each half year, or portion thereof. However, the minimum obligation shall be not less than 2 years. The active duty obligation may be served concurrently with other active duty obligations or with obligations incurred for DoD-sponsored pre-professional (undergraduate) education or training, or prior long-term health or health-related education training.

Chief of Naval Operations Instruction 7220.17, “Special Pay for Medical Corps, Dental Corps, Medical Service Corps, and Nurse Corps Officers,” dated 28 December 2005, requires that the active duty service obligation for multiyear special pay begin after any preexisting obligation for medical education and training or previous multiyear special pay agreement is served. Multiyear special pay recipients with a remaining training obligation should be explicitly aware that in many cases, the payments received and obligations may not be synchronized. Bureau of Medicine and Surgery-M1C1 determines obligations incurred for multiyear special pay contracts.

DoD Instruction 1304.29, “Administration of Enlistment Bonuses, Accession Bonuses for New Officers in Critical Skills, Selective Reenlistment Bonuses, and Critical Skills Retention Bonuses for Active Members,” dated 15 December 2004, states that a Critical Skills Retention Bonus service agreement offered to a Service member serving under his or her initial obligation of service must extend the active duty period by at least 1 year beyond completion of the initial enlistment or active duty service obligation.

Secretary of the Navy Instruction 5210.8D, “Department of the Navy Records Management Program,” dated 31 December 2005, states that it is DON policy for the Offices of the Secretary of the Navy, the Chief of Naval Operations, the Commandant of the Marine Corps, and all Navy and Marine Corps activities, installations, and commands to create, maintain, and preserve information as records, in any media, that document the transaction of business and mission to provide evidence of DON organization, functions, policies, procedures, decisions, and operational, logistical, and support transactions and other activities.

Exhibit B:

Scope and Methodology

We conducted the audit from 3 August 2010 through 7 April 2011. Our audit work focused on the calculation of contractual and military service obligations resulting from undergraduate education (Reserve Officers Training Corps and U.S. Naval Academy), accession (including the Health Professional Scholarship Program), medical education, and training and retention incentives (i.e., multiyear special pay) provided to Department of the Navy (DON) Medical Corps officers.

We selected a statistical sample from a Navy Bureau of Medicine and Surgery-provided list of Medical Corps officers receiving a multiyear special pay service agreement since Fiscal Year 2005. The list contained 1,467 Medical Corps Officers who received a multiyear special pay since Fiscal Year 2005 (or a total of 2,826 multiyear special pay agreements²³). From this list, we selected a statistical sample of 62 Medical Corps officers (or 119 multiyear special pay agreements), as well as 28 replacement samples. For all Medical Corps officers selected, we collected source documents, including applicable Navy Medicine information system sheets, available multiyear special pay service agreements, and available graduate medical education files, to exam accuracy of obligated service date computation and Navy Medicine information system data reliability.

Nineteen of our reviewed statistical samples were replaced due to lack of supporting documents or due to being previously identified as an error. Specifically, 13 samples did not have a corresponding graduate medical education file (Medical Corps officers retired or separated); 3 samples had a graduate medical education file but no current obligated service date to verify; 2 samples had incorrect files pulled by Navy Medicine; and 1 sample was already identified by Navy Medicine Manpower, Personnel, Training and Education as an error. This resulted in a total simple random sample of 81 Medical Corps officers (comprised of the 62 statistical samples that were tested and the 19 that had to be replaced).

For the final 62 statistical samples used, we first established a methodology using applicable criteria and standard operating procedures in order to recalculate the obligated service date (OSD) for each sampled Medical Corps officer. This methodology was reviewed and agreed to by Navy Medicine Manpower, Personnel, Training and Education personnel (see Exhibit D). All of the information provided²⁴ was used to recalculate each sample's obligated service date, verify accuracy of Bureau of Medicine (Navy) Manpower Information System information, and verify multiyear special pay eligibility.

²³ Since an officer could have received more than one special pay since 2005, this resulted in a total population of 2,826 multiyear special pay agreements for the 1,467 officers.

²⁴ Navy Medicine information system sheets, multiyear special pay service agreements, and graduate medical education files.

We relied primarily on source documentation to recalculate OSDs as opposed to information in the Navy Medicine information system.

We contacted applicable personnel from the Bureau of Medicine and Surgery; Navy Medicine Manpower, Personnel, Training and Education; and the Bureau of Naval Personnel, to include the Office of the Chief of Naval Operations Navy Military Personnel Plans and Policy (N13), Records Support Division (Naval Personnel Command-31), and Records/Data Management Quality Division (Naval Personnel Command-33).

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.

There were no previous audit reports regarding DON Medical Corps officer contracts on which to follow up.

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. In our opinion, the conditions noted in this report may warrant reporting in the Auditor General's annual Federal Managers' Financial Integrity Act memorandum identifying management control weaknesses to the Secretary of the Navy.

Exhibit C:

Sample Results and Projections

We reviewed a simple random sample of 81 individuals drawn from the full listing of 1,467 Medical Corps officers who received multiyear special pays from Fiscal Year 2005 onward. The obligated service date (OSD) calculations for 19 of our reviewed samples could not be validated due to a lack of documentation or due to being previously identified as an error. These officers were assumed to be error free for the purpose of all statistical projections. A review of the documentation for the remaining 62 individuals identified 6 officers with OSD computation errors of at least 1 year. The Naval Audit Service statistician performed the necessary calculations to estimate the number of errors within the universe based on the sample results. Given these calculations, we project that the universe of 1,467 Medical Corps officers contains at least 50 errors with a point estimate of 109 errors. In addition, we project that at least 92 years of service could be lost due to OSD computation with a point estimate of 217 years.²⁵ For both projections, the lower bound was calculated at the 95 percent confidence level, which means there is a 5 percent risk that the true population value of interest is less than the stated lower bound.

²⁵ Subsequent to the completion of our audit, Navy Medicine informed us that they had initiated a number of corrective actions that would reduce the potential lost years of medical services. We did not verify the effectiveness of their recently initiated corrective actions.

Exhibit D:

Obligated Service Date Computation Methodology Used

| (I) UNDERGRADUATE OBLIGATIONS | | |
|---|--|---------------|
| Category | Obligated Service Date Computation | Source |
| Reserve Officers Training Course (ROTC)/Naval Academy Obligations | Served CONSECUTIVELY with Health Professional Scholarship/ Uniformed Services University of Health Services obligations | 10 |
| ROTC/Naval Academy + Health Professional Scholarship/ Uniformed Services University of Health Services (USUHS) | Obligations served CONCURRENTLY with residency obligations | 10 |
| Naval Academy Obligation | 5 years | 10 |
| ROTC | If money taken- 4 years Contracts after 1 July 2010- 5 years for ROTC If no money taken- 3 years | 10 |
| Prior Active Duty Service | reduces obligated service | 2 |
| (II) PROFESSIONAL EDUCATION (ACCESIONS) | | |
| Health Professional Scholarship Program appointees | Pre1989 = 2 years obligated service for graduate medical education (any length) that is entered with remaining obligated service for Health Professional Scholarship Program. Active duty obligation of one year for each year in the program (Health Professional Scholarship Program 2 years = 2 years obligated service; Health Professional Scholarship Program 3years = 3 years obligated service; Health Professional Scholarship Program 4 years= 4 years obligated service). Active duty obligation is six months for each additional six months of participation in the program. The obligation will be in ADDITION to any existing active duty obligation. Active duty obligations of less than three years will be required to serve a three year minimum term of active duty service. The difference between the minimum term of service and the active duty obligation can be served while in training on active duty. | 2,4,5,10 |
| Uniformed Services University of Health Services | Active duty obligation- 7 years for completion of Uniformed Services University of Health Services degree in 4 years; year for year obligation for additional time. | 1 |
| (III) GRADUATE MEDICAL EDUCATION | | |
| Residency | Cannot serve active duty obligation for training or accessions during graduate medical education. | 2 |
| Full Time Inservice: ROTC/Naval Academy +USUHS/Health Professional Scholarship Program | Obligation is served CONCURRENTLY with Full Time Inservice residency obligations | 2 |
| Full Time Outservice: ROTC/Naval Academy +Health Professional Scholarship/ Uniformed Services University of Health Services | Obligation is served CONSECUTIVELY with Full Time Outservice residency obligations | 2 |
| Fellowships | If you have an obligation going into fellowship, then you get a <u>year for year obligation</u> If you have NO obligation going into the fellowship, you incur 2 years obligation for 1 or 2 years of training and a half year for every half year of training thereafter. Full Time Outservice Fellowship training obligation is served CONSECUTIVELY with all other obligations. Other Federal Institution/Full Time Inservice Fellowship training obligation is served CONSECUTIVELY with residency. | 2,8,10 |

EXHIBIT D: OBLIGATED SERVICE DATE COMPUTATION METHODOLOGY USED

| (IV) OTHER OBLIGATIONS | | | |
|---|---|--|-----|
| Financial Assistance Program | Two year minimum Financial Assistance Program is added to Health Professional Scholarship Program obligation | Calculate as the length of the program plus one year 2 years of program equals 3 years of obligation | 2 |
| Health Professional Loan Repayment Program | Added CONSECUTIVELY with all prior obligations Training does not pay back active duty obligation | 2 years for 1 or 2 years of program 3 years for 3 years of program 4 years for 4 years of program | 2 |
| Graduate Medical Officer Tour and Staff Utilization | Does not incur additional active duty obligation. Prior active duty obligations can be served during Graduate Medical Officer Tour or Staff Utilization. | | 7,9 |
| (V) SPECIAL PAYS | | | |
| Multiyear Special Pay | Served CONSECUTIVELY with training obligations. | | 6 |
| Critical Skills Retention Bonus | Active duty obligation extends at least 1 year beyond any current obligation date. Active duty obligation for Critical Skills Retention Bonus may not be served CONCURRENTLY with an existing active duty obligation. Special pay active duty obligations, other than for multiyear retention bonus, dental officer multiyear retention bonus, and/or the accession bonus, will be served CONCURRENTLY with the active duty obligation for the Critical Skills Retention Bonus. | | 3 |
| Source: | 1 - US Code Title 10, Subtitle A, Part III, Chapter 104 - 2114 3 - Department of Defense Instruction 1304.29 5 - Chief of Naval Operations Instruction 1520.39, PARA 11 7 - Graduate Medical Education Point Paper June 2002 9 - Advanced Medical Department Officer Course Brief September 2010 | 2 - Department of Defense Instruction 6000.13-6. June 1997 4 - Secretary of the Navy Instruction 1520.E-J. 6 - Chief Of Naval Operations Instruction 1720.17-250.-2. 8 - 2002 Graduate Medical Education Selection Board 10 - Accessions Standard Operating Procedure May 2009 | |

Exhibit E:

Activities Visited and/or Contacted

- Office of the Surgeon General of the Navy, Office of the Chief of Naval Operations N093, Washington, DC
- Office of the Chief of Naval Personnel, Office of the Chief of Naval Operations N1, Arlington, VA
- Navy Bureau of Medicine and Surgery – Total Force (M1), Washington, DC
- Navy Bureau of Medicine and Surgery – Personnel Policy (M13), Washington, DC
- Navy Bureau of Medicine and Surgery – Financial Policy and Internal Controls (M82), Washington, DC
- Navy Medicine Manpower, Personnel, Training and Education, Bethesda, MD
- Navy Bureau of Medicine and Surgery – Special Pays Office, Bethesda, MD
- Navy Medicine Manpower, Personnel, Training and Education – Medical Corps Planner, Bethesda, MD
- Navy Medicine Manpower, Personnel, Training and Education – Accessions Program, Bethesda, MD
- Navy Medicine Manpower, Personnel, Training and Education – Graduate Medical Education Department, Bethesda, MD
- Office of the Chief of Naval Operations – Military Personnel Plans and Policy (OPNAV N13), Arlington, VA
- Office of the Chief of Naval Operations – Military Compensation (OPNAV N130), Arlington, VA
- Office of the Chief of Naval Operations – Bonus Programs/Special Pay/Incentive Pay (OPNAV N130D), Arlington, VA
- Office of the Chief of Naval Operations – Officer Bonus Program (OPNAV N130D3), Arlington, VA
- Navy Personnel Command – Records Management and Benefits Division (PERS-31), Millington, TN
- Navy Personnel Command – Records/Data Maintenance (Naval Personnel Command-33), Millington, TN
- Navy Personnel Command – Records Management Unit (Naval Personnel Command-313), Millington, TN
- Navy Personnel Command – Medical Corps Community Manager (Naval Personnel Command-4415MC), Millington, TN

Appendix:

Management Response from the Bureau of Medicine and Surgery



DEPARTMENT OF THE NAVY
BUREAU OF MEDICINE AND SURGERY
2300 E STREET NW
WASHINGTON DC 20372-5300

7510
Ser MI/E11UN093-000357
27 Apr 11

IN REPLY REFER TO:

From: Chief, Bureau of Medicine and Surgery
To: Assistant Auditor General for Manpower and Reserve Affairs Audits
Subj: DEPARTMENT OF THE NAVY MEDICAL CORPS OFFICER CONTRACTS AUDIT REPORT N2010-NFO000-0143
Ref: (a) Naval Audit Service Report dated 7 April 2011
Encl: (1) Action Plan of Recommended Findings

1. I concur with the findings in reference (a). The audit identified a larger relative proportion of errors in our NROTC/USNA graduate populations as compared to our other cohorts. This population represents a small proportion of our Medical Corps officers. Thus far, we reviewed 70 records from this group and found one error with a calculation from a USNA graduate. That error has been corrected.
2. Enclosure (1) is submitted with action steps for each finding. While these recommendations will further improve our accounting for obligated service dates, we must continue to use and develop "work-arounds" until a comprehensive, integrated, Navy-wide personnel and pay system is developed and deployed. As detailed in the draft proposal of the Integrated Personnel and Pay System-Navy (IPPS-N) Concept of Operations Executive Summary, "...lack of integrated business processes, tools..." results in these and other problems. Although the recommendations in this audit will help identify errors, no process will mitigate all errors across various information systems without the tools that IPPS-N proposes to include.
3. I am committed to providing the resources within our control to ensure that every obligated service date is captured and that all of our personnel are obligated as required. As identified by your auditors, half of these errors occurred with source documents produced by activities outside the control of Navy Medicine's Bureau of Medicine and Surgery Information System. An integrated system capturing an officer's pre-medical training, the subject of many of these errors, still remains unavailable.
4. As identified by your auditors, the self initiated tools developed by our staff at Navy Medicine Manpower, Personnel and Training Command has greatly improved the process for calculating obligated services dates since 2005, evidenced by the fact that five of the six errors caught were calculated over a decade ago. My team will continue to execute your recommendations for improvement and will work with the NI team as we develop our IPPS-N tool.
5. My point of contact is [REDACTED] who may be reached at [REDACTED]
[REDACTED]
[REDACTED]

FOIA (b)(6)

FOIA (b)(6)

| Recommendation | Subject | Status* | Action Plan | Target or Actual Completion Date | Interim Completion Date |
|----------------|---|---------|--|----------------------------------|-------------------------|
| 1 | Update the Bureau of Medicine and Surgery Information System to reflect the correct obligated service date for the six Medical Corps officers identified with obligated service date computation errors. | C | Completed | January 2011 | N/A |
| 2 | Notify each of the six physicians noted in Recommendation 1 of their change in obligated service. | C | Completed | February 2011 | N/A |
| 3 | Develop and execute, by priority, a schedule to identify any additional Medical Corps officers with obligated service date errors and correct any errors identified. At a minimum, this schedule should include Reserve Officers Training Corps/Naval Academy graduates, Medical Corps officers eligible for separation within 2-3 years, and Medical Corps officers who have executed a critical skills retention bonus agreement. | O | <p>MITE is conducting audits utilizing existing staff resources.</p> <ul style="list-style-type: none"> - Jan 11 - Apr 11: Reviewed 70 officers who graduated from NROTC/USNA. Identified and corrected 2 errors. - Beginning Jan 11, conducting monthly review of all officers with retirement/separation requests. 0 errors found. - Continue monthly review of retirement/separation requests. - Approximately 1,700 officers are eligible for retirement/separation within the next 3 years, or who executed a CSRB. | September 2012 | September 2011 |
| 4 | Establish a Special Pays Office standard operating procedure for the internal review process and calculation of obligated service dates. | C | Special Pays has an SOP for internal review, processing, and calculation of obligations relating to Special Pays. It does not calculate other types of obligations. Included NAS prepared PDF file in SOP. | February 2011 | N/A |
| 5 | Establish an overarching Navy Medicine Manpower, Personnel, Training, and Education policy or instruction to calculate obligated service dates, and define roles and responsibilities by office and/or department, to include a designated office and/or department accountable for the entire obligated service date computation process and accuracy. | O | <ul style="list-style-type: none"> - Will incorporate the current SOPs into a comprehensive instruction/manual specifically identifying responsibilities, tools available, coordination and outcomes. - Task Force chartered to develop a comprehensive consolidated OSD calculation instruction/manual that incorporates processes from multiple departments. | December 30, 2011 | July 29, 2011 |
| 6 | Within the policy or instruction established in Recommendation 5, summarize all applicable Reserve Officers Training Corps and Naval Academy undergraduate and graduate medical education and training obligations, as well as the treatment for serving each obligation. | O | Will be included in recommendation 5. | December 30, 2011 | July 29, 2011 |

| Recommendation | Subject | Status* | Action Plan | Target or Actual Completion Date | Interim Completion Date |
|----------------|--|---------|---|----------------------------------|-------------------------|
| 7 | Revise the Navy Medicine Manpower, Personnel, Training and Education internal review process for obligated service date calculations to require validation of Bureau of Medicine and Surgery information. System data with support documentation to identify omitted obligations that could impact the calculation of obligated service dates. | O | To be included in Recommendation 5. | December 30, 2011 | July 29, 2011 |
| 8 | Establish a Bureau of Medicine and Surgery Information System data field to account for undergraduate obligations to ensure these obligations have been included in the Medical Corps officer's obligated service date. | O | - Request has been submitted to NAVMISA to create a data field in the BUMIS data system which will allow manual input of obligated service information for undergraduate scholarship programs. | July 29, 2011 | N/A |
| 9 | Establish organizational record keeping policies and procedures to ensure record keeping practices are in accordance with applicable criteria. | C | Hard copy records are maintained IAW applicable criteria based on type of special pay > month/year of execution > alphabetically. Digitized copies are recorded under the FY of execution. This system is in compliance with Navy Regulations (SECNAV Manual 5210.1). Development and implementation of an integrated special pay and personnel system where a member's record contains all pertinent documentation to the member's career is recommended, though implementation is dependent on funding and higher level authority approval. | February 2011 | N/A |
| 10 | Account for all critical skills retention bonus service agreements using supporting documentation in order to ensure the Department of the Navy receives all obligated services. | O | Locating all supporting documentation to verify and account for all critical skills retention bonus agreements. | July 29, 2011 | N/A |
| 11 | Digitize any non-electronic multiyear special pay service agreements to ensure they are maintained and safeguarded. | O | Since 2007, all MSP agreements have been digitized. Special Pays has all hardcopy agreements back to 2004, and these still require digitization. - Request funding to complete digitization of remaining records. | September 30, 2011 | N/A |
| 12 | Develop a data recovery plan for all special pays service agreements, including critical skills retention bonuses, which will ensure the ability to verify and support the Department of the Navy's obligated service. | C | The Bureau of Medicine and Surgery J-drive is backed up weekly. Critical skills retention bonus agreements are available in hard copy. - Request funding to complete digitization of remaining records. | February 2011 | N/A |

* O = Recommendation is open with agreed to corrective action
 C = Recommendation is closed with all action completed
 U = Recommendation is undecided with resolution efforts in progress.

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