



# INSPECTOR GENERAL

*U.S. Department of Defense*

JANUARY 14, 2015



## U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements



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# Results in Brief

## *U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements*

January 14, 2015

### Objective

Our objective was to assess the controls over U.S. Military Academy, West Point (West Point) and the West Point Museum monetary and nonmonetary gift processes for FY 2012 and FY 2013. Specifically, we reviewed controls for accepting, recording, reporting, and disbursing West Point monetary gifts. We also reviewed controls for accepting, recording, reporting, and use of selected West Point nonmonetary gifts.

### Findings

West Point and Museum controls for accepting monetary and nonmonetary gifts and recording monetary gifts were generally effective; however, the controls for recording nonmonetary gifts, reporting monetary and nonmonetary gifts, and disbursing monetary gifts were not effective. Specifically, West Point did not:

- record \$3.9 million of the \$6.1 million of real and personal nonmonetary gifted property on the property books.
- report \$8.6 million of the \$26.2 million received in monetary and nonmonetary gifts on Army's financial statements.

Museum personnel did not record the appraised or acquisition amounts for \$132,114 in nonmonetary gifts into the Army Museum Information System. These conditions occurred because West Point did not have policies and procedures in place to ensure gifts were recorded as required by Army regulations and did not use the General Fund Enterprise Business System, to record gifts received or expensed. As a result, West Point property books are not complete, and asset amounts on the balance sheet are misstated.

### Findings (cont'd)

In addition, West Point used a commercial checking account instead of the General Fund Enterprise Business System to manage and disburse funds and appointed 108 disbursing officers without proper authority. These conditions occurred because West Point did not have approval to operate a disbursing office and did not appoint disbursing officers in accordance with the DoD Financial Management Regulation. As a result, disbursing officers made unauthorized gift fund disbursements for which the Army had no oversight, leaving the Army susceptible to improper payments, fraud, waste, and abuse.

Furthermore, the Army had statutory authority to accept 17 houses as "gifts-in-kind" totaling \$7.7 million. However, Army regulations for these types of gifts did not address requirements for insurance, maintenance, and liability before the acceptance of the gift or after its conversion to Government property. Without a formal policy in place, the Army could be held liable for unanticipated expenses for these gifts, including destruction, defective materials, and poor workmanship, without any available recourse.

### Recommendations

We provided recommendations to the Secretary of the Army; the Chief of Staff of the Army; the Assistant Secretary of the Army (Financial Management and Comptroller); the Administrative Assistant to the Secretary of the Army; the Deputy Chief of Staff, G-1; the Superintendent, U.S. Military Academy, West Point; and the Director, Center of Military History.

### Management Comments

The Army responses generally addressed the specifics of the recommendations; however, the Superintendent, U.S. Military Academy, West Point comments on Recommendation A.2.a only partially addressed the specifics of the recommendation. Therefore, we request additional comments on Recommendation A.2.a by February 17, 2015. Please see the Recommendations Table on the next page.

## ***Recommendations Table***

Management	Recommendations Requiring Comment	No Additional Comments Required
Secretary of the Army		C.1
Chief of Staff of the Army		B.1
Assistant Secretary of the Army (Financial Management and Comptroller)		A.1, B.2
Administrative Assistant to the Secretary of the Army		C.2
Deputy Chief of Staff, G-1		B.3
Superintendent, U.S. Military Academy, West Point	A.2.a	A.2.b, B.4
Director, Center of Military History		A.3

Please provide comments by February 17, 2015.





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

January 14, 2015

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements  
(Report No. DODIG-2015-066)

We are providing this report for your information and use. The U.S. Military Academy, West Point (West Point) generally had effective controls in place to accept monetary and nonmonetary gifts and to record monetary gifts. However, the controls for recording nonmonetary, reporting monetary and nonmonetary gifts, and disbursing monetary gifts were not effective. As a result, West Point property books are not complete, assets on the balance sheet are misstated, and disbursing officers made unauthorized gift fund disbursements for which the Army had no oversight. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Secretary of the Army, who responded for the Chief of Staff of the Army; the Assistant Secretary of the Army (Financial Management and Comptroller); the Administrative Assistant to the Secretary of the Army, who also responded for the Secretary of the Army; the Deputy Chief of Staff, G-1; and the Director, Center of Military History, addressed the specifics of the recommendations, and conformed to the requirements of DoD Directive 7650.3. Therefore, we do not require additional comments. The Superintendent, U.S. Military Academy, West Point comments on Recommendation A.2.a partially addressed the specifics of the recommendation; therefore, we request additional comments on this recommendation by February 17, 2015.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5945 (DSN 329-5945).

A handwritten signature in cursive script that reads "Lorin T. Venable".

Lorin T. Venable, CPA  
Assistant Inspector General  
Financial Management and Reporting

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# Introduction

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## Objective

Our objective was to assess the controls over U.S. Military Academy, West Point (West Point) and the West Point Museum monetary and nonmonetary gift processes for FY 2012 and FY 2013. Specifically, we reviewed controls for accepting, recording, reporting, and disbursing West Point monetary gifts. We also reviewed controls for accepting, recording, reporting, and use of selected West Point nonmonetary gifts.

We did not include the West Point Museum in the announcement letter. However, after announcing this project, we notified West Point Museum personnel of the audit and the announced objective. See the Appendix for a discussion of the scope and methodology and prior audit coverage.

## Background

We performed this audit in response to a request from the Senate Armed Services Committee staff. We met with Committee staff members and discussed their request for potential audits of gifts and non-appropriated funds at the U.S. Military Academy at West Point, the U.S. Naval Academy, and the U.S. Air Force Academy. The staff members agreed with a phased audit approach for reviewing the military academies, starting with the U.S. Naval Academy. We issued the DoD Inspector General Reports No. DODIG 2012-017, “U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies,” on November 7, 2011, and DODIG 2013-138, “The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts,” on September 23, 2013. This West Point audit is the third in a series of military academy audit reports.

West Point’s mission is to educate, train, and inspire future leaders for the U.S. Army. The West Point Academy includes an academic program, a physical program, and a military program. The academic program strives to “admit the best and brightest.” The physical program includes both physical education classes and competitive athletics. The military program is geared toward the cadet’s goal of being an officer in the Army.

West Point’s Directorate of Academy Advancement (DAA) is primarily responsible for accepting, recording, reporting, and disbursing gift funds at West Point. The gift funds are held in a commercial checking account with a current balance

of \$17.9 million. Gift funds are used to support the Dean's Office, consisting of 15 departmental activities, as well as Intercollegiate Athletics, Cadet Activities, and the West Point Museum. The DAA received both monetary and nonmonetary gifts.

### ***Gift Fund Definitions***

The Federal Accounting Standards Advisory Board, Statement of Federal Financial Accounting Standards No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," April 1996, defines gifts as "contributions to the Government, that is, voluntary gifts of resources to a government entity by a nonfederal entity. Gifts may be monetary gifts, such as cash or securities, or nonmonetary such as land or buildings."

#### ***Monetary Gifts***

Monetary gifts accepted by West Point are to be used for the benefit of West Point, and subject to the terms of the gift, devise, or bequest. Monetary gifts are public funds and are generally required to be deposited into the U.S. Treasury account. However, there are some exceptions to the general rule.<sup>1</sup> Monetary gifts can be used for several reasons, including travel and contracting for different types of academic services.

#### ***Nonmonetary Gifts***

Nonmonetary gifts include property, plant, and equipment; heritage assets; and services. Nonmonetary gifts can include items such as plaques and academic instruction. The Statement of Federal Financial Accounting Standards No. 29, "Heritage Assets and Stewardship Land," July 7, 2005, defines heritage assets as property, plant, and equipment that are unique for one or more of the following reasons: cultural, educational, historical, or natural significance. Heritage assets are collections of objects gathered and maintained for exhibition.

### ***Nonprofit Organization***

West Point relies on private funding to support military, academic, athletic, and character-development programs. The Association of Graduates is a nonprofit organization that supports West Point. It is similar to an alumni association that is dedicated to furthering the ideals and promoting the welfare of West Point and to supporting and serving its graduates. The Association of Graduates contributed \$25.1 million in gifts to West Point in FY 2012 and FY 2013.

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<sup>1</sup> Section 4356, Title 10, United States Code, states "the Superintendent of the Academy may accept, hold, administer, invest, and spend any gift, devise, or bequest of personal property of a value of \$20,000 or less made to the United States on the condition that such gift, devise, or bequest be used for the benefit of the Academy or any entity thereof."

## Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in the processes used by West Point to record, report, and disburse gifts. West Point did not have policies and procedures in place to ensure nonmonetary gifts were recorded in accordance with Army regulations and did not use the General Fund Enterprise Business System (GFEBS) to record gifts received or expensed. In addition, West Point did not have approval to establish or operate a disbursing office. Furthermore, West Point did not appoint disbursing officers in accordance with the DoD Regulation 7000.14-R, DoD Financial Management Regulation (FMR) and provided disbursing officers with insufficient training. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

## Finding A

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### **Gift Acceptance Generally Effective, but Improvement Needed in Recording and Reporting**

West Point and Museum controls for accepting monetary and nonmonetary gifts, recording monetary gifts, and using nonmonetary gifts were generally effective; however, the controls for recording nonmonetary gifts and reporting monetary and nonmonetary gifts were not effective. Specifically, West Point personnel did not:

- record \$3.9 million of the \$6.1 million of real and personal nonmonetary gifted property reviewed on the property books.
- report \$8.6 million of the \$26.2 million received in monetary and nonmonetary gifts for FY 2012 and FY 2013 on the Army's financial statements.

In addition, Museum personnel did not record the appraised or acquisition amounts for \$132,114 in nonmonetary gifts received from donors or artifacts purchased with donations into the Army Museum Information System (AMIS).

These conditions occurred because West Point, DAA did not have effective policies and procedures in place to ensure gifts were recorded as required by Army regulations and did not use GFEBS, the Army's accounting and real property book system, to record gifts received or expensed. Furthermore, Army policy did not require Museum personnel to record values for nonmonetary gifts received or artifacts purchased in AMIS.

As a result, West Point property books are not complete, and asset amounts on the balance sheet are misstated. Failure to record gifted property increases the risk of loss or theft.

### **Controls for Accepting Gifts, Recording Monetary Gifts, and Use of Nonmonetary Gifts were Generally Effective**

West Point and Museum controls over accepting gifts were generally effective. We reviewed 182 gifts received in FY 2012 and FY 2013 and found that West Point accepted 171 gifts in accordance with section 2601, title 10, United States Code and Army Regulation 1-100, "Gifts and Donations," November 15, 1983. Specifically, West Point, DAA and Museum personnel obtained proper approval for acceptance, written offers, and legal opinions for the 171 gifts as required by statutory and regulatory guidance.

The remaining 11 gifts lacked documentation required by Army Regulation 1-100 and U.S. Military Academy Regulation 1-100, "USMA Gift Program," March 6, 2009, such as proper approval for acceptance, a written offer for the gift, or a legal opinion. Overall, these gifts were not significant in dollar value, and supporting documents were substantially complete.

In addition, West Point controls for the recording of monetary assets were generally effective. We reviewed 9 months of bank reconciliations and found that the bank reconciliations were accurate and performed monthly, and that the gift amounts received were recorded promptly in accordance with U.S. Military Academy Regulation 1-100.

Furthermore, West Point and Museum controls for using nonmonetary gifts were also generally effective. We reviewed 79 gifts and verified that West Point used 65 gifts in accordance with the donor's intent and that one gift was not accepted because West Point's legal counsel objected to its acceptance. The West Point, DAA could not provide supporting documentation, such as hand receipts and travel vouchers, to show that the remaining 13 gifts were used appropriately. These gifts were not material to the sample.

## Improvement Needed in Recording Nonmonetary and Reporting Monetary and Nonmonetary Gifts

West Point controls for recording nonmonetary and reporting monetary and nonmonetary gifts were not effective. Specifically, West Point, Department of Public Works (DPW) and Logistics Readiness Center (LRC) personnel did not record \$3.9 million of the \$6.1 million of real and personal property gifts received from donors. For example, stadium lighting, valued at \$1.5 million, and an engine, valued at \$135,000, were not recorded in the property accountability systems of record, GFEBS and Property Book Unit Supply Enhanced (PBUSE) system, respectively. The Army required West Point to use GFEBS and PBUSE to record and maintain oversight over real and personal property. GFEBS processes financial and real property data, and PBUSE is the property book for personal property at the installation level to include military schools. PBUSE interfaces with GFEBS to ensure the value of personal property is reported on the Army's financial statements.



West Point controls for recording nonmonetary and reporting monetary and nonmonetary gifts were not effective.



In addition, West Point, DAA did not report \$8.6 million of the \$26.2 million received in monetary and nonmonetary gifts for FY 2012 and FY 2013 on the Army's financial statements. For example, West Point, DAA did not report a monetary gift of \$8,800 and a gift of personal property valued at \$5,000.

Furthermore, Museum personnel did not record appraised or acquisition amounts for \$132,114 in nonmonetary gifts received from donors or artifacts purchased with donations into AMIS. For example, the values for a donated painting worth about \$15,650; a donated collection of 80 Civil War-era books, valued at \$4,000; and a purchased 1851 Colt Navy Revolver, valued at \$4,995, were not recorded in AMIS. Figure 1 shows a picture of the donated painting obtained on May 14, 2014.



Figure 1. Donated Painting  
Source: West Point Museum

### ***Lack of Property Accountability***

The West Point, DAA did not have adequate policies and procedures to ensure gifts were recorded in accordance with Army policy. According to Army Regulation 405-45, "Real Property Inventory Management," the Superintendent, U.S. Military Academy, is responsible for documenting and maintaining real property accountability records for all Army buildings, structures, utilities, and land under his control. The accountable officer assigned to the DPW is responsible for recording the real property into GFEBS, the Army's accounting

and real property book system. For personal property, recipients were required to register the items with the LRC for inclusion in the PBUSE system in accordance with Army Regulation 735-5, "Policies and Procedures for Property Accountability." Although West Point, DAA received donated property and turned it over to the intended recipients, including 15 departmental activities, intercollegiate athletics, and cadet activities, the recipients often did not notify the DPW or the LRC of the property received. Furthermore, West Point, DAA did not reconcile received gifts to accountable records to ensure DPW or LRC recorded the gifts. As a result, property accountability records in GFEBS and PBUSE were incomplete.

In addition, accountable officers at the DPW and the LRC did not perform complete and accurate inventories in accordance with Army Regulations 405-45 and 735-5. These regulations require the accountable officers to physically inventory all property, plant, and equipment every 5 years, and annually for personal property on a hand receipt. While the DPW provided documentation indicating that an inventory took place 2 years ago, the inventory was not properly conducted. Specifically, DPW and LRC verified the existence of real and personal property on the installation, but did not verify that property was recorded on the appropriate recipients' property book. Furthermore, items not listed in authorized accountability records could be lost or stolen, as they may not be subject to periodic inventories and appropriate safe-keeping procedures. The Superintendent should perform a comprehensive inventory of real and personal gifted property and revise property records to accurately reflect inventory results.

### ***Army's Accounting System Was Not Used to Record and Report Gifts***

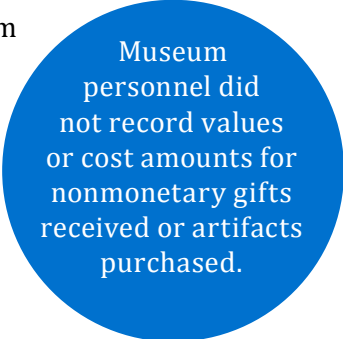
West Point, DAA did not use GFEBS, the Army's accounting and real property book system, to record gifts received or expensed. Instead, West Point, DAA used QuickBooks—a commercial accounting software—to record gifts received. Army policy issued in the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]) memorandums<sup>2</sup> required West Point to use GFEBS to account for gifts and required all new transactions be entered into GFEBS as of October 1, 2012. Because GFEBS had a system limitation that prevented the posting of obligations to the Army General Gift Fund, the ASA(FM&C) exempted West Point from migrating to GFEBS until December 31, 2013. The Army fixed the GFEBS posting limitation before December 31, 2013. Therefore, as of January 1, 2014, the Army required West Point to use GFEBS to account for gifts. As of our April 2014 site visit, the West Point, DAA continued to use QuickBooks to account for gifts

<sup>2</sup> ASA(FM&C) memorandums, "Initiation of New Financial Transactions in Legacy Systems," September 19, 2011, and "Initiation of New Financial Transactions in Legacy Systems for Fiscal Year 2013," September 27, 2012.

because West Point, DAA has not resolved how funds managed in GFEBS will be administered to meet donors' intent. The ASA(FM&C) should enforce policy and oversee West Point's implementation of the GFEBS to account for all monetary and nonmonetary gifts. Implementing GFEBS as the accounting and property book system will help provide more accurate, timely, and relevant data to facilitate management decisions.

### ***Values for Museum Assets Were Not Recorded in AMIS***

Museum personnel did not record values or cost amounts for nonmonetary gifts received or artifacts purchased. For example, Museum personnel did not record the values for a painting purchased from a gallery for \$18,500 and a donated sculpture valued at \$4,990. Although the AMIS did not include a data field to record acquisition cost for artifacts purchased, the system included a data field to record appraised value for gifts received. However, the Center of Military History policy did not require Museum personnel to record acquisition costs or appraised values. Consequently, Museum personnel did not record the values in the system, and costs were not reported. However, Museum personnel did retain hardcopy documents to support the receipt of monetary gifts and the purchase of artifacts. Although the data field in AMIS was designated for appraised values, users could input acquisition costs or appraisal values to capture financial information for oversight purposes. The Director, Center of Military History, should require the use of the appraised values field to capture acquisition or appraisal costs to provide accurate oversight and accountability over Museum assets.



Museum personnel did not record values or cost amounts for nonmonetary gifts received or artifacts purchased.

## **Conclusion**

The West Point, DAA did not ensure gifted property was recorded in accordance with Army regulations and did not record and report all gift transactions in GFEBS. Failure to record gifted property may lead to a lack of proper maintenance and increases the risk of loss or theft. Not recording gifted property also leads to the misstatement of the Army's balance sheet, which negatively impacts Army's efforts to get ready for audit.

## Recommendations, Management Comments, and Our Response

### **Recommendation A.1**

**We recommend the Assistant Secretary of the Army (Financial Management and Comptroller) enforce policy and require West Point to use the General Fund Enterprise Business System to account for all monetary and nonmonetary gifts; and provide oversight of West Point's implementation of the General Fund Enterprise Business System.**

#### *Assistant Secretary of the Army (Financial Management and Comptroller) Comments*

The Assistant Secretary of the Army (Financial Management and Comptroller), agreed, stating ASA(FM&C) will work with West Point to develop a plan of action and milestones implementing the use of GFEBS to account for all monetary and nonmonetary gifts accepted for the benefit of West Point. ASA(FM&C) plans to complete the plan of action and milestones by January 31, 2015. ASA(FM&C) will also oversee West Point's implementation of GFEBS to ensure compliance with Army policy. ASA(FM&C) plans to complete the GFEBS implementation by July 31, 2015.

#### *Our Response*

Comments from Assistant Secretary of the Army (Financial Management and Comptroller) addressed all specifics of the recommendations and no further comments are required.

### **Recommendation A.2**

**We recommend the Superintendent, U.S. Military Academy, West Point:**

- a. Perform a comprehensive inventory of real and personal property gifted to the U.S. Military Academy.**

#### *U.S. Military Academy, West Point Comments*

The Superintendent, U.S. Military Academy, West Point, agreed, stating West Point performed an inventory of all assets purchased with gift funds from 2010 to present on August 25, 2014, and will adhere to Army real property procedures from this point forward.

### *Our Response*

Comments from the Superintendent, U.S. Military Academy, West Point, partially addressed the recommendation. The Superintendent performed an inventory but did not state what actions he took to ensure the inventory was comprehensive and included all real and personal property gifted to the U.S. Military Academy. The Superintendent also needs to clarify if he will adhere to Army personal property procedures.

- b. Revise property records to accurately reflect gifted real and personal assets.**

### *U.S. Military Academy, West Point Comments*

The Superintendent, U.S. Military Academy, West Point, agreed, stating that the Director of Academy Advancement (DAA) at West Point will work with ASA(FM&C) to ensure processes are in place to properly record real property assets purchased with gift funds. DAA will work with the Logistics Readiness Center (LRC) personnel to develop business processes to properly record gifts of real and personal property in the Property Book Unit Supply Enhanced (PBUSE) system to feed into GFEBS by July 31, 2015.

### *Our Response*

Comments from the Superintendent, U.S. Military Academy, West Point, addressed all specifics of the recommendations and no further comments are required.

## **Recommendation A.3**

**We recommend the Director, Center of Military History, require Museum personnel to use the appraised value field in the Army Museum Information System to record acquisition costs or appraisal values of nonmonetary gifts received and artifacts purchased.**

### *Center of Military History Comments*

The Acting Director, Center of Military History, agreed with the recommendation, stating the center developed an additional field in the Army Historical Collection and Accountability System and as of November 21, 2014, the system includes an "Acquisition Cost" field that all museums are required to fill out before a property transaction record can be submitted to CMH Collections Committee for approval.



A CMH policy letter is being drafted and will be issued by January 1, 2015, to the Army's museum community advising them on the change to the system and procedures all museum personnel will have to follow.

*Our Response*

Comments from the Acting Director, Center of Military History, addressed all specifics of the recommendations, and no further comments are required.

## Finding B

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### West Point Lacked Authority for Gift Fund Disbursing Operations

West Point controls for disbursing monetary gifts were not effective. Specifically, West Point:


- used a commercial checking account instead of GFEBS to manage and disburse funds,
- appointed 108 disbursing officers without proper authority, and
- allowed disbursing officers to perform multiple disbursing operation roles and approve disbursements without sufficient documentation.

These conditions occurred because West Point did not have approval from the Defense Finance and Accounting Service (DFAS) to operate a disbursing office. In addition, West Point did not appoint disbursing officers in accordance with the DoD FMR and provided disbursing officers with insufficient training.

As a result, disbursing officers made unauthorized gift fund disbursements for which the Army had no oversight, leaving the Army susceptible to improper payments, fraud, waste, and abuse.

### Controls Over Disbursements Were Not Effective

West Point, DAA made disbursements from a commercial checking account to manage the Military Academy-United States Corps of Cadets Gift Fund. ASA(FM&C) memorandums required West Point to use GFEBS to account for gifts as of October 1, 2012. As previously stated, West Point received an exception until December 31, 2013, but was required to use GFEBS beginning January 1, 2014. The West Point, DAA deposited monetary gifts received from donors of \$20,000 or less into this account, totaling approximately \$1.8 million over the 2-year period of FY 2012 and FY 2013. According to section 4356, title 10, United States Code, the West Point Superintendent “may accept, hold, administer, invest, and spend any gift, devise, or bequest of personal property with a value of \$20,000 or less” made to West Point based on Army policy.



West Point personnel also appointed 108 disbursing officers although they lacked the authority to do so.

West Point personnel also appointed 108 disbursing officers although they lacked the authority to do so.

Section 3321(c)(2), title 31, United States Code requires the Secretary of Defense to designate disbursing officials to disburse public money available to the DoD.

Furthermore, according to the DoD FMR, volume 5, chapter 2, section 0202 and Glossary, disbursing officers

are agents of the U.S. Treasury and are “appointed to


perform any and all acts relating to the receipt, disbursement,

custody, and accounting for public funds.” To maintain security and accountability of public funds, the DoD FMR, volume 5, chapter 2, section 0202 states that appointments should be limited. However, in addition to the disbursing officers within West Point’s disbursement office, department heads and other individuals at West Point appointed disbursing officers within their respective activities and departments.

West Point personnel often assigned disbursing officers to multiple roles that should be segregated. For example, one disbursing officer was allowed to generate documentation for deposits and disbursements, approve disbursements, monitor funds availability, make deposits, reconcile the bank account, and process checks for payment. The DoD FMR, volume 5, chapter 2, section 0202 specifies that disbursing officers should not have or perform other duties that conflict with their disbursing roles, including approving authority for purchases, certifying vouchers for payment, monitoring of funds availability, or other conflict-of-interest assignments. Furthermore, disbursing officers approved disbursements without sufficient documentation. We reviewed 70 disbursements, totaling \$2.1 million, made in FY 2012 and FY 2013 and identified that 67 of those disbursements, valued at \$2.1 million, lacked the documentation required for a proper payment, such as an authorization or invoice, a receiving report, or receipts or vouchers. The 67 disbursements are improper payments as defined by the Office of Management and Budget Circular A-123, Appendix C and DoD FMR, volume 4, chapter 14, section 1402. The Office of Management and Budget Circular A-123, Appendix C, “Requirements for Effective Measurement and Remediation of Improper Payments,” April 14, 2011, states that a payment is improper when an agency’s review is unable to discern whether a payment was proper, as a result of insufficient or lack of documentation.

## ***No Approval for Disbursing Office***

West Point did not have approval to establish or operate a disbursing office. The DoD FMR, Volume 5, chapter 2, section 0201 requires an activity to request permission from DFAS to establish a disbursing office. DFAS requires that certain criteria be met to establish and operate a disbursing office. When DFAS personnel approve a disbursing office, they assign a permanent disbursing station symbol number to the activity. DFAS Indianapolis publishes the Army's disbursing station symbol numbers each year in DFAS Manual 37-100, "The Army Management Structure." According to the manual, West Point's disbursing operations are conducted by DFAS Rome using disbursing station number 5570. West Point was not designated as a disbursing office.



West Point did not have approval to establish or operate a disbursing office.

Although West Point was not designated as a disbursing office, West Point established its disbursing office for the Military Academy United States-Corps of Cadets Gift Fund in accordance with Army Regulation 210-3, "Nonstandard Activities of the United States Military Academy and West Point Military Operations," June 7, 1990.

In February 2013, the former Chief of Staff, West Point, requested permission from the ASA(FM&C) to manage gift funds under a banking system similar to non-appropriated funds where deposits are maintained in a commercial checking account and disbursed onsite. In January 2014, the ASA(FM&C) denied West Point's request. However, West Point continued to use a commercial checking account to manage and disburse funds rather than using GFEBS and making disbursements through DFAS in accordance with the DoD FMR and ASA(FM&C) policy. Using a commercial checking account, rather than following the appropriate processes to request approval to operate a disbursing office, enabled West Point to maintain control over the management of gift funds without external oversight. We requested evidence of DFAS' approval for West Point to establish and operate its disbursing office. However, West Point personnel were unable to provide evidence of a request or subsequent approval from DFAS. The Superintendent should close the disbursing office for gift funds and reorganize financial management operations to comply with the DoD FMR and ASA(FM&C) policy. The Superintendent reports to the Chief of Staff of the Army, who is responsible for the supervision and control of West Point. The Chief of Staff of the Army should initiate a review into the actions of the former Chief of Staff, West Point and others involved with West Point disbursing activities to determine why they did not comply with Army or DoD policy for operating a disbursing office at West Point and as appropriate, initiate corrective measures and actions to hold personnel accountable. Additionally, the

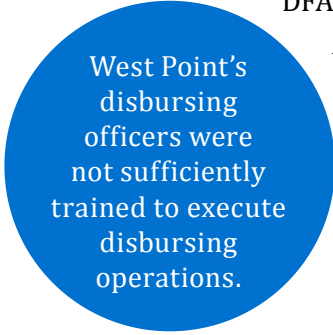
Deputy Chief of Staff, G-1, should coordinate with the ASA(FM&C) to update Army Regulation 210-3 to reflect the DoD FMR and ASA(FM&C) requirements related to the management and disbursement of gift funds.

### ***Disbursing Officers Were Not Appointed in Accordance with Regulations***

West Point disbursing officers were not appointed in accordance with title 31, United States Code and the DoD FMR, volume 5, chapter 2, section 0202. Section 3321(c)(2), title 31, United States Code requires the Secretary of Defense to designate disbursing officials to disburse public money available to the DoD. Additionally, the DoD FMR, volume 5, chapter 2, section 0202 requires<sup>3</sup> disbursing officers be appointed using DD Form 577 (Appointment/Termination Record – Authorized Signature) which identifies personal information and establishes signature authority and financial liability for disbursements. However, West Point disbursing officers were appointed using an internal memorandum approved by department heads and other individuals with no authority to make these appointments. Furthermore, no signature authority was established as part of these appointment memorandums. Therefore, disbursing officers did not have the authority to make gift fund disbursements. Without establishing formal financial liability, the Army may not know who to hold accountable if disbursing personnel make improper payments.

### ***Disbursing Officers Were Not Sufficiently Trained***

West Point's disbursing officers were not sufficiently trained to execute disbursing operations. Although West Point, DAA developed and provided local training, West Point did not consult with or use the expertise from either DFAS or ASA(FM&C) when developing disbursing training. According to Field Manual 1-06, "Financial Management Operations," ASA(FM&C) trains and develops all Army financial managers. In addition, the DoD FMR, volume 5, chapter 2, section 0202 states that a disbursing officer must have prior experience as a disbursing officer or complete specific training. Furthermore, officials responsible for certifying a payment for disbursement must complete an approved certifying officer legislative course in their mission area and an annual training refresher. Although West Point, DAA offered an annual refresher course for disbursing operations, neither the original course nor the refresher was approved by DFAS or ASA(FM&C). Without sufficient



West Point's disbursing officers were not sufficiently trained to execute disbursing operations.

<sup>3</sup> DoD FMR, volume 5, chapter 2, section 020201, sub-paragraph C, does provide for exceptions, however, they are not relevant here.



training, disbursing officers did not always understand the appropriate guidance to follow. For example, disbursing officers made payments on unit travel cards that included over \$30,000 in cash advances over a 2-month period. Both disbursing officers and the unit travel card manager were not aware that Federal travel regulations<sup>4</sup> prohibited using a unit travel card for cash advances.

West Point disbursing officers also did not assemble and retain sufficient documentation to support disbursements. As discussed earlier in the report, 67 of 70 disbursements, valued at \$2.1 million, lacked appropriate supporting documentation. For example, disbursements for expenses generally did not include a voucher as part of the payment package. West Point disbursing officers stated that they did not create vouchers as part of their disbursing process. However, section 3325(a)(1), title 31, United States Code requires a certified voucher in order to make a disbursement. The DoD FMR, volume 5, chapter 11, section 1102 also identifies certified vouchers as source documents for the liquidation of government obligations. In another example, disbursing officers paid \$100,000 for “a lump sum” of library books based on an incomplete receiving report. Although a receiving report was included as part of the payment package, the receiving report did not contain a quantity or date of receipt or acceptance and was also signed off by the department head responsible for reviewing, approving, and signing all disbursement requests. According to title 5, Code of Federal Regulations, chapter 3, a receiving report must include the quantity of goods received and the date goods were delivered and accepted. Without knowing the quantity of goods received and the date delivered and accepted, disbursing officers did not have sufficient information to ensure West Point received what it paid for. The ASA(FM&C) should obtain, where possible, and review, all available supporting documentation for \$2.1 million in disbursements that were not properly documented, and initiate corrective actions.

Internal control standards require appropriate documentation of transactions. According to GAO/AIMD-00-21.3.1, “Standards for Internal Control in the Federal Government,” “internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.” Also, when making monetary gifts, individuals making the donation can specify a purpose for use of the funds. Without the appropriate documentation, West Point officials lack assurance that gift funds were used for legitimate purposes or used in accordance with the donor’s intent.

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<sup>4</sup> Joint Travel Regulations, chapter 1, section 1115.

## Conclusion

West Point, DAA did not ensure that gift funds were disbursed in accordance with the DoD FMR and ASA(FM&C) policy. Without controls in place, West Point disbursed gift funds without external oversight, leaving the Army susceptible to improper payments, fraud, waste, and abuse.

## Recommendations, Management Comments, and Our Response

### **Recommendation B.1**

**We recommend the Chief of Staff of the Army initiate a review into the actions of the former Chief of Staff, West Point and others involved with West Point disbursing activities to determine why they did not comply with Army or DoD policy for operating a disbursing office at West Point, and as appropriate, initiate corrective measures and actions to hold personnel accountable.**

#### *Secretary of the Army Comments*

The Secretary of the Army, responding for the Chief of Staff of the Army, agreed, stating that he directed the Assistant Secretary of the Army (Financial Management and Comptroller) to conduct a review of West Point's disbursing operations; and instructed the Director of the Army Staff to conduct periodic reviews of West Point's disbursing functions until West Point complies with Army and DoD regulations.

#### *Our Response*

Comments from the Secretary of the Army addressed all specifics of the recommendations, and no further comments are required.

### **Recommendation B.2**

**We recommend the Assistant Secretary of the Army (Financial Management and Comptroller) obtain, where possible, and review all available supporting documentation for \$2.1 million in disbursements that were not properly documented, and initiate corrective actions.**

#### *Assistant Secretary of the Army (Financial Management and Comptroller) Comments*

The Assistant Secretary of the Army (Financial Management and Comptroller) agreed, stating that 6 months after receiving specific information from the DoD OIG to identify the disbursements in question, the Army will perform a full review and coordinate corrective actions with all parties.

### *Our Response*

Comments from the Assistant Secretary of the Army (Financial Management and Comptroller) addressed all specifics of the recommendations, and no further comments are required. We provided specific information identifying the disbursements in question to the Assistant Secretary of the ASA(FM&C) on January 9, 2015. We expect the ASA(FM&C) to complete a full review of the disbursements by July 31, 2015.

### **Recommendation B.3**

**We recommend the Deputy Chief of Staff, G-1 coordinate with the Assistant Secretary of the Army (Financial Management and Comptroller) to update Army Regulation 210-3, “Nonstandard Activities of the United States Military Academy and West Point Military Operations” to reflect the DoD Financial Management Regulation and Assistant Secretary of the Army (Financial Management and Comptroller) requirements related to the management and disbursement of gift funds.**

### *Deputy Chief of Staff, G-1 Comments*

The Deputy Chief of Staff, G-1, agreed, stating that G-1 is staffing Army Regulation 150-1, United States Military Academy, Organization, Administration, and Operation which will supersede Army Regulation 210-3. The Deputy of Chief of Staff, G-1, is also working directly with ASA(FM&C) to ensure common goals and proposed business operation changes are clearly documented and take into account the risk and concerns as outlined in this report. The estimated completion date is October 1, 2015.

### *Our Response*

Comments from the Deputy Chief of Staff, G-1, addressed all specifics of the recommendations, and no further comments are required.

***Recommendation B.4***

**We recommend the Superintendent, U.S. Military Academy, West Point close the disbursing office for gift funds and reorganize financial management operations to comply with the DoD Financial Management Regulation and Assistant Secretary of the Army (Financial Management and Comptroller) policy.**

***U.S. Military Academy, West Point Comments***

The Superintendent, U.S. Military Academy, West Point, agreed stating that disbursing officers will be reassigned as “account technicians” and that the command established the Gift Execution Working Group to navigate a broader transition to GFEBS and to prioritize business processes by ease of transition. The estimated completion date is July 31, 2015.

***Our Response***

Comments from the Superintendent, U.S. Military Academy, West Point, addressed all specifics of the recommendations, and no further comments are required.

## Finding C

### Army's Acceptance of Houses Complied with Statutory Authority and Contract Requirements

Although the Army had statutory authority to accept 17 houses as “gifts-in-kind” totaling \$7.7 million, the regulatory guidance for these types of gifts did not address requirements for insurance, maintenance, and liability before the acceptance of the gift or after its conversion to Government property.

Without a formal policy in place, the Army could be held liable for unanticipated expenses for these gifts, including destruction, defective materials, and poor workmanship, without any available recourse.

### Army Had Authority to Accept Real Property as a Gift

According to section 2601, title 10, United States Code, the Army had statutory authority to accept 17 houses, totaling \$7.7 million, as “gifts-in-kind.” Section 2601, title 10, United States Code states that the Service Secretary has the authority to accept any gift, including real property, to be used for the benefit of, or in connection with, the establishment, operation, or maintenance, of a school, or other institution or organization under the jurisdiction of the Secretary. The West Point, DAA had authority to accept the houses constructed on Government property by private contractors even though DAA did not contract to build the houses. Instead, the Association of Graduates—a tax-exempt nonprofit organization—contracted to build the houses. Figure 2 shows a picture of a house received as “gift-in-kind” taken on April 10, 2014.



Figure 2. House received as “gift-in-kind”  
Source: DoD OIG



Army Regulation 1-100, “Gifts and Donations,” further defines the requirement for accepting real property as a gift. Army Regulation 1-100 states, that if the gift offered is to construct a building or other permanent structure, the plans must be approved by the Army installation facilities engineer and sent to the major command engineer for review and recommendation to Headquarters, Department of the Army. The recommendation must include the construction plans, the written offer, and complete details (including cost of construction and location site). Additionally, Army Regulation 1-100 requires that the West Point Superintendent seek the advice of the installation contracting officer and the legal officer when formulating the recommendation. The Administrative Assistant to the Secretary of the Army is the proponent for Army Regulation 1-100 and should revise the regulation to require that technical requirements be included as part of the approval package when the gift offered is to construct a building or other permanent structure. This will provide the approver with the information necessary to determine the cost and maintenance of the gift.

Although the practice of private companies contracting for donated houses built on Government property is not improper, it is not the best model for acquiring Government property. These types of purchases could create opportunities to steer business to the same vendor without consideration of cost or quality and the perception that Federal procurement rules do not apply to the Army.

## **Technical Requirements for Donated Houses Were Not Defined**

Army regulations did not address technical requirements such as insurance, maintenance and liability for houses donated to West Point. While Army Regulation 1-100 requires approval for accepting the construction of real property as a gift, it does not address how the recipient should maintain the property.

There is a precedent for accepting and maintaining these types of gifts. The Fisher House Foundation—also a tax-exempt nonprofit organization—is a private-public partnership that provides “comfort homes” to military families, enabling them to be close to military loved ones undergoing medical treatment. The Fisher House Foundation constructs each Fisher House on the grounds of DoD installations and donates the house to the respective Military Service to manage.

In at least one instance, a Military Service developed additional policy that defined the technical requirements related to Fisher Houses. For example, Secretary of the Navy Instruction 7010.8A, “Establishment, Management, and Control of the Fisher House Program,” July 14, 2005, requires that the Navy obtain commercial insurance

to adequately cover the replacement of the houses in the event of a loss. West Point did not have similar guidance or an agreement with the Association of Graduates to identify the Government's liability related to the houses or a strategy to mitigate the Army's risk. The Secretary of the Army should develop technical policy to mitigate the Army's risk that, at a minimum, addresses insurance requirements, maintenance, and the Government's liability, especially during the construction phase of the gifted house, before Government acceptance.

## Conclusion

Army regulations for gifts did not address technical requirements such as insurance, maintenance, and liability before the acceptance of the houses or after the houses converted to Government property. The Army also did not have policies to address these technical requirements. As such, the Army could be held liable for unanticipated expenses for gifts, including destruction and poor workmanship, without any available recourse. Additionally, the practice of private companies contracting for donated houses built on Government property could create opportunities to steer business to the same vendor without consideration to cost or quality and the perception that Federal procurement rules do not apply to the Army.

## Recommendations, Management Comments, and Our Response

### ***Recommendation C.1***

**We recommend the Secretary of the Army develop technical policy that, at a minimum, addresses insurance requirements, maintenance, and the Government's liability, especially during the construction phase of the gifted property, before Government acceptance.**

#### *Administrative Assistant to the Secretary of the Army Comments*

The Administrative Assistant to the Secretary of the Army, responding for the Secretary of the Army, agreed, stating that the Secretary should develop and implement policies to address insurance requirements, maintenance, and liability before Government acceptance of in-kind gifts of construction. The Administrative Assistant stated that applicable policies have been incorporated into Army Regulation 1-100 (Gifts and Donations), which is under revision and scheduled for publication no later than April 30, 2015.

### *Our Response*

Comments from the Office of the Administrative Assistant to the Secretary of the Army addressed all specifics of the recommendations, and no further comments are required.

## **Recommendation C.2**

**We recommend the Administrative Assistant to the Secretary of the Army modify Army Regulation 1-100, "Gifts and Donations" to require technical requirements be included as part of the approval package when the gift offered is to construct a building or other permanent structure.**

### *Administrative Assistant to the Secretary of the Army Comments*

The Administrative Assistant to the Secretary of the Army agreed, stating that applicable policies have been incorporated into Army Regulation 1-100 (Gifts and Donations), which is under revision and scheduled for publication no later than April 30, 2015.

### *Our Response*

Comments from the Administrative Assistant to the Secretary of the Army addressed all specifics of the recommendations, and no further comments are required.

## Appendix

### Scope and Methodology

We conducted this performance audit from February 2014 through November 2014 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We obtained gift fund transactions for monetary and nonmonetary gifts and disbursements processed between FY 2012 and FY 2013, and selected a nonstatistical sample. The following table contains the universe of transactions and the sample reviewed.

West Point Monetary and Nonmonetary Gifts				
Process Area (Gifts)	Universe	Universe Value	Sample	Sample Value
<b>DAA Monetary</b>	509	\$16,911,306	112	\$13,247,421
<b>DAA Nonmonetary</b>	143	\$9,286,106	29	\$6,024,737
<b>Museum Nonmonetary</b>	107	\$158,036	41	\$132,114
<b>Disbursements</b>	3,101	\$12,320,914	70	\$2,114,060
<b>Total</b>	3,860	\$38,676,362	252	\$21,518,332

To assess controls, we interviewed key management and functional personnel from West Point to identify processes for accepting, reporting, recording, and disbursing gift funds and determined if policies and regulations were followed. We also researched public laws, DoD and Army regulations, and local standard operating procedures related to gift funds; and compared gift packages and disbursements to supporting documents to determine whether West Point complied with regulatory guidance and local policies. In addition, we reconciled bank records with disbursements to test for accuracy and completeness and performed an inventory and compared the results to property book records to determine whether West Point maintained accurate property accountability records.

### Use of Computer-Processed Data

We relied on data obtained from QuickBooks, GFEBS, PBUSE, and AMIS. To assess the reliability of the data, we compared QuickBooks disbursing registers to hardcopy voucher packages. We also compared property records from GFEBS, PBUSE, and AMIS to Microsoft Excel spreadsheets used to record gifts and the results of the inventory that we conducted. We identified discrepancies between

property records and our inventory results as discussed in Finding A. The computer-processed data we used from QuickBooks and AMIS were sufficiently reliable to support the findings and conclusions in this report.

## Use of Technical Assistance

The Quantitative Methods Division reviewed audit documents and advised us on the validity of the nonstatistical sample selected.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD IG), Naval Inspector General, and Naval Audit Service have issued seven reports discussing gift funds. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Naval Inspector General and Naval Audit Service reports are not available over the Internet.

### **GAO**

Report No. GAO-09-486R, "Financial Management: DoD Needs to Clarify Its General Gift Fund Policies to Provide for Effective Oversight," May 27, 2009

### **DoD IG**

Report No. DODIG-2013-138, "The U.S. Air Force Academy Lacked Effective Controls Over Heritage Assets and Guest House Inventories, and Inappropriately Solicited and Accepted Monetary Gifts," September 23, 2013

Report No. DODIG-2012-017, "U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies," November 7, 2011

### **Naval Inspector General**

Naval Inspector General Report, "Senior Official Case 200801937; Alleged Misuse of Gift Funds and Nonappropriated Funds (NAF)," November 17, 2009

### **Naval Audit Service**

Report No. N2013-0038, "Fiscal and Resource Management at the Naval Postgraduate School," August 7, 2013

Report No. N2013-0022, "Naval War College Gift and Other Related Funds," April 11, 2013

Report No. N2013-0019, "Gift Acceptance at Marine Corps University," March 26, 2013

## Management Comments

### Secretary of the Army



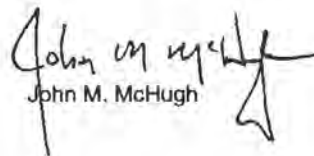
SECRETARY OF THE ARMY  
WASHINGTON

18 DEC 2014

MEMORANDUM FOR Department of Defense Inspector General ( [REDACTED] )  
[REDACTED], 4800 Mark Center  
Drive, Alexandria, Virginia 22350-1500

SUBJECT: Response to Department of Defense Inspector General (DoDIG) Draft Report, subject: U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements (Project No. D2014-D000FE-0097.000)

1. The purpose of this memorandum is to provide a response to the subject report.
2. The Army has reviewed the draft report and generally concurs with the findings and recommendations. Responses to each of your findings and recommendations are attached. Specifically, with regard to Recommendation B.1., I have directed the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA(FM&C)) to conduct a holistic review of West Point's disbursing operations; recommend changes necessary to bring those operations into compliance with applicable statutory and regulatory requirements; and advise me whether further action is necessary to investigate or remedy the operations it finds or deficiencies associated with Finding B of the draft report.
3. I have instructed the Director of the Army Staff to conduct periodic reviews until West Point's disbursing functions are in compliance with Army and Department of Defense Regulations.
4. The Army appreciates the opportunity to comment on this draft report.

  
John M. McHugh

CF:



## Assistant Secretary of the Army (Financial Management and Comptroller)



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
109 ARMY PENTAGON  
WASHINGTON DC 20310-0109

DEC 10 2014

SAFM-FO

MEMORANDUM FOR The Inspector General for Audit, Department of Defense  
Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: U.S. Military Academy, West Point, Lacked Effective Controls over Gift  
Funds (D2014-D000FE-0097.000)

1. Enclosed find the Assistant Secretary of the Army Financial Management and Comptroller (ASA (FM&C)) response to recommendations in the subject draft report.
2. The Army point of contact for this action is [REDACTED]. She can be reached by telephone at [REDACTED].

Encl  
as

  
Laura N. Jankovich  
Deputy Assistant Secretary of the Army  
(Financial Operations)

## Assistant Secretary of the Army (Financial Management and Comptroller) (cont'd)

### Official Comments

U.S. Military Academy, West Point, lacked Effective Control over Gift Funds  
Project No.- D2014-D000FE-0097.000

#### **Summary:**

In response to the findings in the DRAFT Report prior to formal publication the Assistant Secretary of the Army Financial Management and Comptroller (ASA (FM&C)) has partnered with West Point to provide a comprehensive response and corrective action plan to create a solid audit ready foundation for the processing of gift funds within the Department of the Army. Additionally, we have taken the first steps by performing an on site visit to document current gift fund business processes as well as develop a comprehensive phased corrective action plan.

#### **Recommendation:**

##### **A.1**

Enforce policy and require West Point to use the General Fund Enterprise Business System (GFEBS) to account for all monetary and nonmonetary gifts; and provide oversight of West Point's implementation of GFEBS.

#### **Army Response:**

Concur.

ASA (FM&C) agrees that as of January 1, 2014 Army policy required West Point to use GFEBS to account for monetary and nonmonetary gifts. ASA (FM&C) will work with West Point to develop a Plan of Action and Milestones (POAM) implementing the use of GFEBS to account for all monetary and nonmonetary gifts accepted for the benefit of West Point and will monitor and oversee West Point's implementation of GFEBS to ensure compliance with Army policy.

**Estimated Completion Date (ECD) POAM: 31 January 2015**

**Estimated Completion Date (ECD) to use GFEBS: 31 July 2015**

##### **B.2**

Obtain and review supporting documentation for the almost \$2.1 million in disbursements and initiate corrective actions if improper payments are found.

#### **Army Response:**

Concur.

ASA (FM&C) requires the specific 55 (of 70) disbursements in question. Upon receipt of specific information from the Department of Defense Inspector General (DoDIG) to identify the disbursements in question the Army will perform a full review and coordinate corrective actions with all parties.

**Estimated Completion Date (ECD):** Six months after receipt of detailed information

Enclosure

## Administrative Assistant to the Secretary of the Army



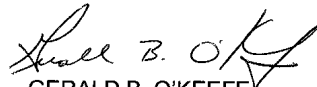
DEPARTMENT OF THE ARMY  
ADMINISTRATIVE ASSISTANT TO THE SECRETARY OF THE ARMY  
105 ARMY PENTAGON  
WASHINGTON DC 20310-0105

05 DEC 2014

MEMORANDUM FOR [REDACTED]  
[REDACTED] United States Military Academy

SUBJECT: Responses to Recommendations from the Department of Defense  
Inspector General's Draft Report

1. Reference Department of Defense Inspector General Draft Report (U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements (Project No. D2014-D000FE-0097.000)), 6 Nov 2014.
2. The Office of the Administrative Assistant to the Secretary of the Army, responding on behalf of the Secretary of the Army to Recommendation C.1, agrees that the Secretary should develop and implement policies to address insurance requirements, maintenance, and liability before Government acceptance of in-kind gifts of construction.
3. The Office of the Administrative Assistant agrees with Recommendation C.2 that the Administrative Assistant should modify Army Regulation 1-100 (Gifts and Donations) to address insurance requirements, maintenance, and liability before acceptance of in-kind gifts of construction. This regulation is currently under revision and is scheduled for publication no later than 30 April 2015.
4. If you have any questions, please do not hesitate to contact [REDACTED]  
[REDACTED] Army Gift Program coordinator, at [REDACTED]  
[REDACTED]

  
GERALD B. O'KEEFE

## Deputy Chief of Staff, G-1



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
109 ARMY PENTAGON  
WASHINGTON DC 20310-0109

DEC 10 2014

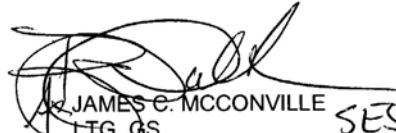
DAPE-MPO-AP

MEMORANDUM FOR The Inspector General for Audit, Department of Defense  
Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: U.S. Military Academy, West Point, Lacked Effective Controls over Gift  
Funds (D2014-D000FE-0097.000)

1. Enclosed is the Deputy Chief of Staff, G-1 response to recommendation B3 in the subject draft report.
2. The Deputy Chief of Staff, G-1 point of contract for this action is [REDACTED]  
He can be reached by telephone at [REDACTED]  
[REDACTED]

Encl  
as

  
JAMES C. MCCONVILLE  
LTG, GS  
Deputy Chief of Staff, G-1  
SES

## Deputy Chief of Staff, G-1 (cont'd)

### Official Comments

U.S. Military Academy, West Point, lacked Effective Control over Gift Funds  
Project No.- D2014-D000FE-0097.000

**DOD IG Recommendation B.3-** "We recommend the Deputy Chief of Staff, G-1 coordinate with the Assistant Secretary of the Army (Financial Management and Comptroller) to update Army Regulation 210-3, "Nonstandard Activities of the United States Military Academy and West Point Military Operations" to reflect the Department of Defense Financial Management Regulations, (DoDFMR) and ASA (FM&C) requirements related to the management and disbursement of gift funds."

**Deputy Chief of Staff, G-1 Response:** Concur. Currently the G-1 is staffing AR 150-1, United States Military Academy, Organization, Administration, and Operation which will supersede AR 210-3. AR 150-1 will consolidate and replace the following USMA regulations: AR 210-26, United States Military Academy, AR 210-3, Nonstandard Activities of USMA, AR 351-17, USMA and USMAPS Admission, and DA PAM 351-2, United States Military Academy Preparatory School.

The Deputy Chief of Staff, G-1 is working directly with ASA (FM&C) to ensure common goals and proposed business operation changes are clearly documented and to take into account the risks and concerns as outlined in the, (DoDIG) report.

**Estimated Completion Date:** 1 October 2015

Enclosure

## U.S. Military Academy, West Point



OFFICE OF THE SUPERINTENDENT  
UNITED STATES MILITARY ACADEMY  
WEST POINT, NEW YORK 10996-5000

MASP

17 Dec 14

MEMORANDUM FOR The Inspector General for Audit, Department of Defense  
Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: United States Military Academy Command Comments to DODIG Audit  
Report Subject: U.S. Military Academy, West Point, Controls Over Gift Processes  
(Project No. D2014-D000FE-0097.000)

1. The purpose of this memorandum is to provide command comments to the findings and recommendations contained in the subject DODIG Audit Report.
2. I am committed to implementing the corrective actions necessary to rectify the deficiencies identified during the subject audit. In doing so, I will dedicate the necessary internal USMA resources. However, in order to accelerate our transition and meet an internal Department of the Army suspense of 31 July 2015, the Academy requires significant external support and resources to include experts in General Fund Enterprise Business System (GFEBS), business process development and if systems changes are required, the prioritization of these system modifications.
3. The Academy initiated gift fund transition to GFEBS in October 2012. Our first task was to create a process to deposit gift funds. ASA-FMC granted an exception to policy to operate outside of GFEBS until 31 December 2013 to facilitate further transition. During that time we converted civilian payroll to GFEBS and attempted to execute travel; which failed due to a GFEBS interface issue. We largely resolved that interface issue in October 2013. After the 31 December 2013 exception date expired and understanding that further extensions were unlikely, we accelerated our GFEBS transition in a deliberate manner to bring the command in compliance. First we successfully piloted the travel function during Founder's Day travel in February-March 2014. Based on the success of this test, we established procedures for 800+ summer cadet academic trips (May through August 2014). Given our momentum in the spring, and following the DODIG visit 7-11 April 2014, the command established the Gift Execution Working Group which first met in June 2014 to navigate a broader transition to GFEBS and to prioritize business processes by ease of transition. To date we have transitioned payroll, miscellaneous payments, travel and are working to transition government purchase cards. We have a deliberate plan to convert all functions NLT 31 July 15, including periodic reports to the HQDA staff on progress to ensure we meet our objective.



## U.S. Military Academy, West Point( cont'd)

MASP

DEC 17 2014

SUBJECT: United States Military Academy Command Comments to DODIG Audit  
Report Subject: U.S. Military Academy, West Point, Controls Over Gift Processes  
(Project No. D2014-D000FE-0097.000)

**4. DODIG Recommendation A.2.a:** Perform a comprehensive inventory of real and personal property gifted to the U.S. Military Academy.

**Army Response:** Concur.

West Point has recently performed a 100% inventory of all assets purchased with gift funds from 2010 to present on 25 August 2014 and will adhere to Army real property procedures from this point forward.

Corrective action complete 25 August 2014.

**5. DODIG Recommendation A.2.b:** Revise property records to accurately reflect gifted real and personal assets.

**Army Response:** Concur.

The Director of Academy Advancement (DAA) at West Point will work with ASA (FM&C) to ensure processes are in place to properly record real property assets purchased with Gift Funds. DAA will work with the Logistics Readiness Center (LRC) personnel to develop business processes to properly record gifts of real and personal property in the Property Book Unit Supply Enhanced (PBUSE) system to feed into GFEBS.

Estimated Completion Date 31 July 2015

**6. DODIG Recommendation B.4:** Close the disbursing office for Gift Funds and reorganize financial management operations to comply with the DoD Financial Management Regulation and Assistant Secretary of the Army (Financial Management and Comptroller) policy.

**Army Response:** Concur.

The Academy relies on AR 210-3 as the implementing regulation for 10 USC Section 4356 which grants the Superintendent of the Academy the authority to accept, hold, and spend all gifts valued \$20,000 or less without regard for 10 USC Section 2601.

Initial reviews found 108 appointment letters addressing personnel as disbursing officers which is not an accurate representation of their assigned duties which do not include any certification or disbursement responsibilities. West Point is taking corrective action to reassign these duties as "account technicians" to be completed 31 July 2015.

Estimated Completion Date 31 July 2015.

## U.S. Military Academy, West Point( cont'd)

MASP

DEC 17 2014

SUBJECT: United States Military Academy Command Comments to DODIG Audit  
Report Subject: U.S. Military Academy, West Point, Controls Over Gift Processes  
(Project No. D2014-D000FE-0097.000)

7. The point of contact for this action is [REDACTED]



ROBERT L. CASLEN, JR.  
Lieutenant General, U.S Army  
Superintendent

## Center of Military History



DEPARTMENT OF THE ARMY  
U.S. ARMY CENTER OF MILITARY HISTORY  
102 4TH AVENUE  
FORT LESLEY J. MCNAIR, DC 20319-5058

AAMH-ZA

24 November 2014

MEMORANDUM FOR Inspector General, Department of Defense, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments to DoDIG Draft Report: (14FE-0097) – "U.S. Military Academy, West Point, Controls Over Gift Funds Need Improvements" (D2014FE-0097)

1. I have reviewed the subject report, and the Center of Military History (CMH) agrees with the report's recommendations as it pertains to CMH. Our detailed response to recommendation A.3 is enclosed.
2. The point of contact is the undersigned, at [REDACTED]

Encl

A handwritten signature in black ink, appearing to read "R. Stewart", is positioned above the typed name.

Richard W. Stewart, Ph.D.  
Acting Director, Center of Military History

## Center of Military History (cont'd)

**DoDIG DRAFT REPORT  
14FE-0097**

**U.S. Army Center of Military History Appraisal Values of Nonmonetary Gifts and  
Artifacts**

The Director, Center of Military History (CMH), provides the following command reply for recommendation A.3 found in the follow-up report.

**Recommendation A.3**

Recommend the Director, Center of Military History require Museum personnel to use the appraised value field in the Army Museum Information System to record acquisition costs or appraisal values of nonmonetary gifts received and artifacts purchased.

**CMH Response**

**CONCUR** The Director agrees with the recommendation. CMH developed an additional field in the Army Historical Collection and Accountability System (AHCAS), which is the web-based automated records system used by all Army museums for cataloging artifacts. As of 21 November 2014, AHCAS includes an "Acquisition Cost" field that all museums are required to fill out before a property transaction record can be submitted to CMH Collections Committee for approval. No acquisition can become Army historical property without review and approval by the Collections Committee and the Director, CMH. A CMH policy letter is being drafted and will be issued to the Army's museum community advising them on the change to AHCAS and the procedures all museum personnel will have to follow. Target date for issuing the policy letter is on or before 1 Jan 2015.

## Acronyms and Abbreviations

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<b>AMIS</b>	Army Museum Information System
<b>ASA(FM&amp;C)</b>	Assistant Secretary of the Army (Financial Management and Comptroller)
<b>DAA</b>	Directorate of Academy Advancement
<b>DFAS</b>	Defense Finance and Accounting Service
<b>DPW</b>	Department of Public Works
<b>FMR</b>	Financial Management Regulation
<b>GFEBs</b>	General Fund Enterprise Business System
<b>LRC</b>	Logistics Readiness Center
<b>PBUSE</b>	Property Book Unit Supply Enhanced





# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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