



DEPARTMENTS OF THE ARMY AND THE AIR FORCE
NATIONAL GUARD BUREAU
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ARLINGTON, VA 22202-3231

NGB-ARC (11-2)

OCT 22 2002

MEMORANDUM FOR THE SECRETARY OF THE ARMY

SUBJECT: FY02 Annual Assurance Statement on Management Controls

1. The internal accounting, operational, and administrative control systems within the Army National Guard (ARNG) provide reasonable assurance that management controls support the Federal Managers' Financial Integrity Act (FMFIA).
2. Compliance of the ARNG Pay and Accounting Systems (to include Accrued Leave Liability) continues to be reported separately by Defense Finance and Accounting Service (DFAS) in accordance with section 4 of the Federal Managers' Financial Integrity Act (FMFIA) requirements.
3. This year's statement accurately reflects all known material weaknesses. My assessment is based on my overall knowledge of management controls, evaluation of their effectiveness, all known audits, inspections, investigations, and other reviews, and the overall awareness of my staff.
4. Some of the actions supporting my determination include:
 - a. Application of the management control process required for this fiscal year and application of management control review test questions and alternative methods of evaluation as identified in each five-year Management Control Plan.

Alternative methods of evaluation used include: Environmental Compliance Assessment Schedules (ECAS), Command Inspection Programs (CIP), Command Readiness Evaluations (CRE), Command Supply Discipline Program (CSDP), Physical Security Program, Internal Review (IR) Audits, U.S. Army Audit Agency Audits, Department of Defense Inspector General (IG) Audits, NGB IG Audits, General Accounting Office Audits, the Regional Philip A. Connelly competition, Command Organization Readiness Evaluations (CORE), Command Maintenance Evaluation Team (COMET) Inspections, Command Logistics Review Teams (CLRT), Environmental Quality Reports (EPR), Aviation Resource Management Surveys (ARMS) Inspections, Regional Accident Prevention Surveys (RAPS), Unit Visitations, United States Property and Fiscal Officer Quarterly Reconciliations, IR Quality Assurance Review Teams, and ARNG Operational Review Program (ORP) Team visits.

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b. Recommendations and assessments made by the ARNG's Senior Level Steering Group (SLSG) for management controls.

c. General understanding and adherence to the Five GAO Standards for management controls and verified by methods I believed necessary to evaluate the adequacy of management controls.

d. Performance of other management control reviews of functions warranted by local circumstances.

e. Consideration of audit, inspection and other independent review reports.

f. Assurances by principals of subordinate elements.

g. Heightened awareness and formal responsibility for the adequacy of management controls by military and civilian managers.

5. The application of evaluation checklists and other methods of evaluation, as identified above, in my organization have not detected any material weaknesses that require your attention except as included in this report. All other noted weaknesses have been, or are being, corrected. I have reviewed these weaknesses and am satisfied that the Army National Guard's Senior Level Steering Group (SLSG) will continue to monitor and provide focus and direction for the necessary corrective actions currently scheduled. I'm confident that the effectiveness of this group will continue to ensure the deficiencies are resolved within a reasonable period of time.

6. The attack on September 11, 2001 thrust the Guard into our traditional role of protecting the people, the government and our daily lives in the continental United States. In support of Operation Noble Eagle, the Army National Guard (ARNG) was utilized in providing force protection, security, consequence management, and support to federal and local authorities at airports, borders, national assets and critical military facilities. ARNG soldiers have deployed throughout the United States in Force Protection missions at vital military installations, training facilities and critical Army Material Command depots. Additionally, the ARNG has provided soldiers for deployments overseas supporting Operation ENDURING FREEDOM, operations in Afghanistan, force protection missions in Europe and detainee operations in Cuba. ARNG units have also taken over military missions in Bosnia and in the Sinai that were previously supported by the Active Component.

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7. The events of September 11th have highlighted vulnerabilities in Physical Security and Force Protection (e.g., fencing, barricades, security lighting, gates, mylar film, etc.) In FY01, over 75% of the States and Territories failed to meet the standards of the Physical Security and Force Protection program. The ARNG has identified the requirements and is making progress in reducing this problem.

8. The Emergency Response Fund, Defense (DERF) appropriation funds incremental costs associated with the military response to the September 11 terrorist attacks on America. The emergency funds appropriation created the need for several new codes in the ARNG's financial systems. The ARNG worked with DFAS to establish appropriate codes to respond to new duty requirements of the aftermath of the events of 11 September and to issue related guidance for the specific use of each code. Executing the DERF program was a major challenge for the ARNG resource management community. The ARNG received initial funding during the FY01 yearend closeout timeframe. Delays in funding receipt, coupled with conflicting guidance provided by HQDA and OSD, significantly increased the workload associated with managing this program. In addition, our accounting systems were not equipped to handle funding that crosses fiscal years. There were some invaluable, yet painful lessons learned. Despite these challenges, program managers and financial managers throughout the ARNG performed admirably. As a result of the terrorist attack and subsequent additional requests for ARNG operational support from several federal agencies, the Funded Reimbursable program grew significantly in order to accommodate Capitol Police, Airport Security, and US Customs support requirements.

9. **TAB A contains information on "How The Army National Guard Management Control Process Was Conducted In FY02"** and identifies specific actions taken this fiscal year.

10. **TAB B identifies the two new material weaknesses that we are elevating for your awareness, only:**

a. **Initial Entry Training (IET) Program**

b. **Selected Reserve Incentive Program (SRIP)**

The ARNG submitted a Flash Report in August 2002 to report a potential Antideficiency Act (ADA) violation of the Open Allotment Account, which was \$6.5M overdisbursed on

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our June 2002 reports. A major contributing factor to this overdisbursement was the Bonus Program (Material Weaknesses: IET & SRIP). An additional \$14.4M had to be obligated in July when the ARNG had to make corrections to our contribution to the Military Retirement Trust Fund. These contributions were required due to incorrect calculations of the ARNG's contribution for FY01, which was discovered by the U.S. Army Audit Agency (USAAA). The ARNG has completed all corrective actions recommended by USAAA and therefore no material weakness is being reported in this area. An Antideficiency Act investigation will be conducted and any findings from that investigation will be reviewed to determine if other material weaknesses exist.

11. TAB C provides the material weaknesses elevated for your assistance to correct and recommend they become Army Material Weaknesses (TABs C1, C2, & C3) and the remaining material weaknesses are for your awareness and we will continue to report until resolved:

a. The FY93 **Line of Duty (LOD)/InCap Pay** weakness, there is not DoD or HQDA guidance for RC processing of LODs. The resolution is dependent on the publication of the 8-year-old ARs that are rescinded. Request your assistance. (TAB C1).

b. The FY98 **Accounting System (SABERS)** is currently reported to DFAS as not in compliance with General Accounting Office standards. The impending transition to STANFINS in FY03 should provide resolution (TAB C2).

c. The FY01 **Standard Procurement System (SPS)** material weakness identifies a system that is not reliable and causes multiple manual processing and contributes to late and possibly erroneous payments and penalties (TAB C3).

d. The FY99 **Property Accountability in the Virgin Islands**, significant improvements in the implementation of recommended corrective action; pending planned CLRT inspection of Apr '03 to validate closure (TAB C4).

e. The FY88 **Automated Mobilization System (OSD-88-009)** is on track and projected closure is FY03 (TAB C5);

f. The **Movement of Data Processing Installation from United States Property & Fiscal Officer (USP&FO) Control to DOIM**, is of vital interest to the ARNG to ensure compliance with 32 USC 105, 32 USC 708, to and the FMFIA to ensure we make the best use of federal resources to support the National Guard's mission.

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This same concern includes the "USP&FO Lack of Property Accountability" material weakness retained at the NGB. The States returned the functions to the USPFO control and closed the weakness; however, it remains open at the NGB to address the Guard- wide systemic issue. The final decision and further issuance of NGB guidance is dependent on the findings of U.S. Army Audit Agency's final report anticipated in November of '02.

12. TAB D provides information on the three "CLOSED" material weaknesses previously reported to the Secretary of the Army:

a. The FY00 Automation Fielding & Network Support Shortfalls material weakness, identifies a lack of system integration that ensures CFO compliance and proper coordination to address interface requirements. The ARNG implemented a committee to address ever-changing automated and network issues; this committee elevates concerns to Army/DoD. (TAB D1),

b. The FY99 Unanticipated/Unprogrammed EPA Requirements for Massachusetts Military Reservations, requirements continue to change, thereby diverting funds from other programs. The ARNG corrective actions are complete; remains an Army level weakness (TAB D2); and

c. The FY99 Aviation and Safety Management within the Virgin Islands, VI had personnel changes and repeated multiple problems in their overall operations. In recent years, they have successfully completed the FORSCOM Aviation Resource Management Surveys (ARMS). A successful ARMS evaluation was conducted in FY02 and validated the closure (TAB D3).

13. My point of contact is Ms. Gail Johnson, NGB-ARC, (703) 607-7748, Gail.Johnson@ngb.army.mil

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