

COPY

CCMS



UNITED STATES MARINE CORPS  
NONAPPROPRIATED FUND INSTRUMENTALITY AUDIT OFFICE  
MARINE CORPS AIR STATION (HELICOPTER)  
NEW RIVER, JACKSONVILLE,  
NORTH CAROLINA 28540

IN REPLY REFER TO  
7510/08-A2-01  
25 June 1985

From: Auditor-in-Charge  
To: Commanding Officer, Marine Corps Air Station, New River, Jacksonville,  
North Carolina 28545

Subj: MANAGEMENT ADVISORY REPORT - MCAS COMMAND CLUB MANAGEMENT SYSTEM/MASD

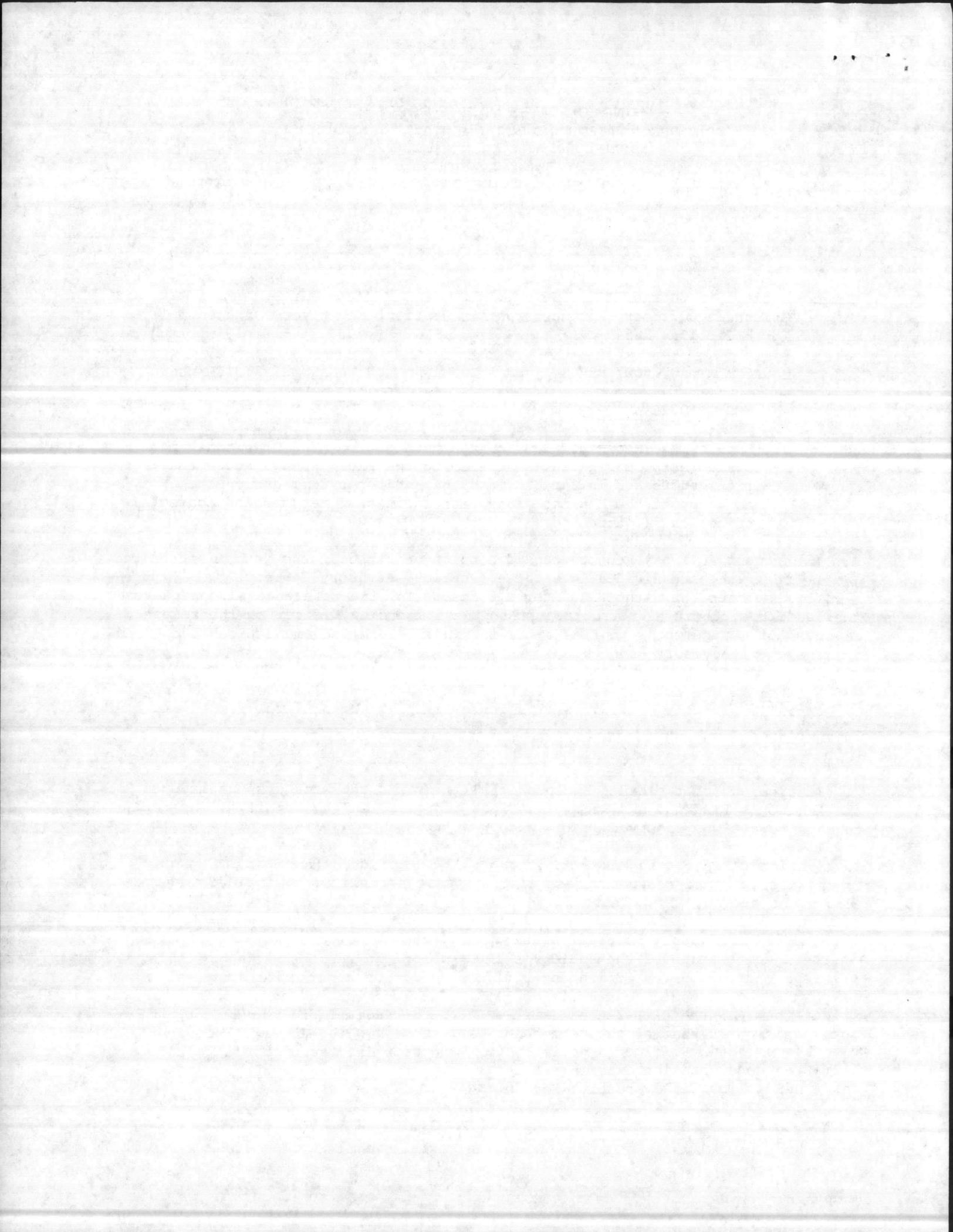
Ref: (a) MCO 7510.2B

Encl: (1) Copy of the Management Advisory Report on the MCAS Club Management System/MASD, Management's Replies to the Findings and Recommendations addressed in the MAR, and the Auditor's Comments on the adequacy of the Replies along with additional recommended course(s) of action if warranted

1. Management Advisory Reports required to be prepared in the format prescribed by the reference are divided into three sections " Advisory Comments ", " Management's Responses " and the " Auditor's Comments ". The reference also requires that auditors submit a written report to the Commanding Officer on the responsiveness of management's replies to audit findings and recommendations addressed in Management Advisory Reports.
2. Section one of the MAR ( enclosure (1) ) contains findings and recommendations pertaining to selected audit coverage addressed to Managers of the Non-appropriated Fund Activities. ( This report was submitted to the incumbents on 3 May 1985 ).
2. Section two of the MAR ( Enclosure (1) ) contains the Managers' replies to the Auditor's Findings and Recommendations addressed in the report. ( The reply to this report was received on 10 June 1985 ).
3. Section three of the MAR ( enclosure (1) ) contains the Auditor's Comments as to the adequacy and responsiveness of Management's replies, to include recommended Command action, if warranted.
4. Management Advisory Reports, subsequent to receipt of management's replies, and the incorporation of the Auditor's comments on the responsiveness of such replies are provided the Commanding Officer in order to apprise him of problem areas existing in nonappropriated fund activities and what management is doing to correct them. Where differences exist between the auditor and management, the final decision is that of the Commanding Officer's, however in order to ascertain what the Commanding Officer's decision on the matter is, there should be some type of written documentation existing since all Full Cycle Annual Audit Reports must show findings as either resolved or unresolved.

WALTER J. BRUDERER

Copy to:  
S-1





UNITED STATES MARINE CORPS  
MARINE CORPS AIR STATION  
(HELICOPTER)  
NEW RIVER, JACKSONVILLE  
NORTH CAROLINA 28545-5001

IN REPLY REFER TO:  
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5 June 1985

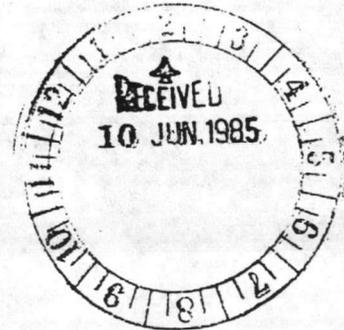
From: S-1 Officer, Marine Corps Air Station (Helicopter), New River  
To: Auditor-in-Charge

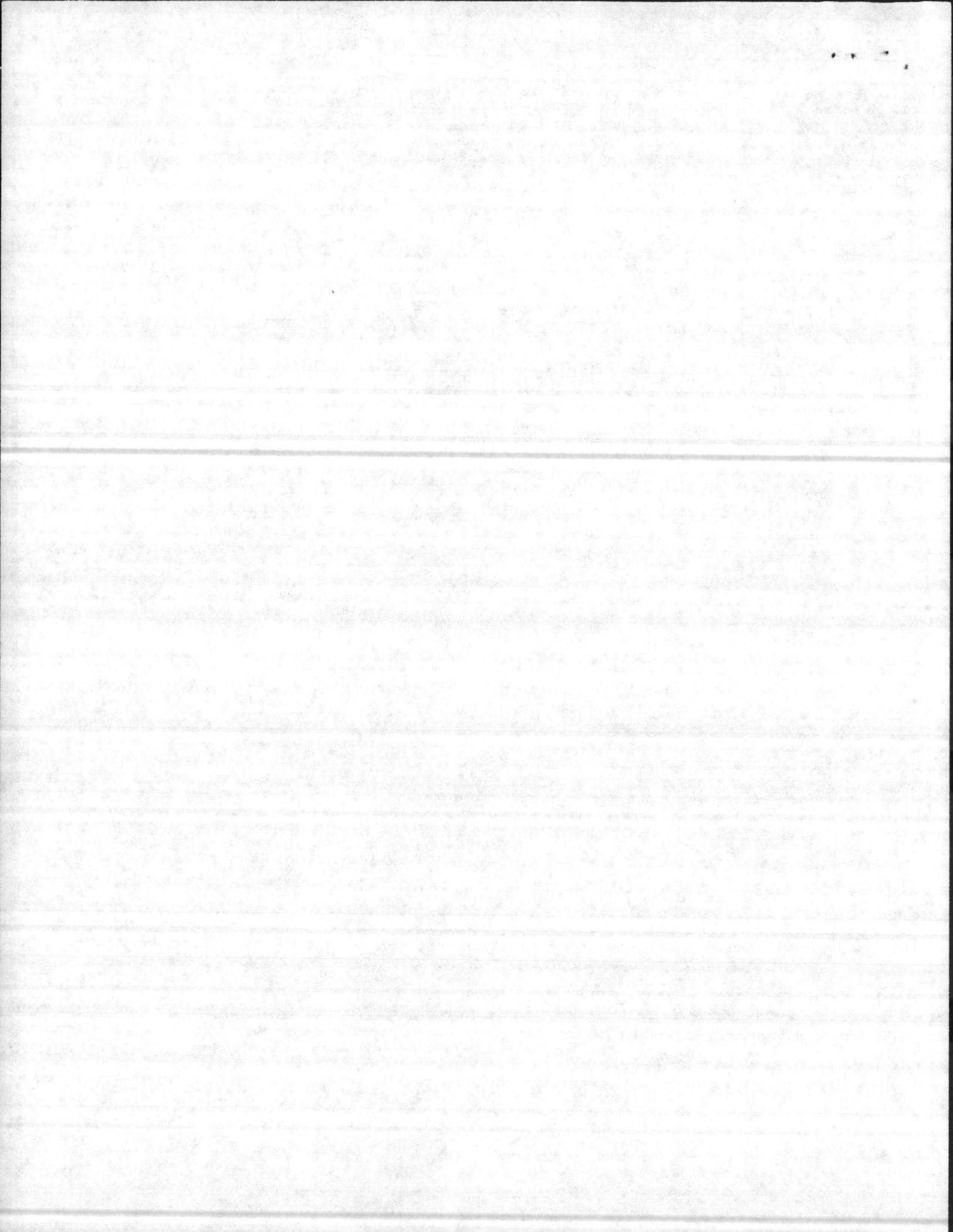
Subj: MANAGEMENT ADVISORY REPORT - MASD/COMMAND CLUB MANAGEMENT SYSTEM

Encl: (1) Your ltr dtd 3 May 1985

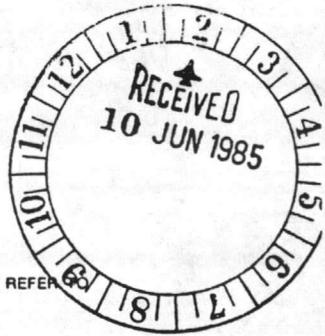
1. The enclosure is returned with management responses as requested.  
Regret late reply.

H. A. DETERING





COPY



UNITED STATES MARINE CORPS  
NONAPPROPRIATED FUND INSTRUMENTALITY AUDIT OFFICE  
MARINE CORPS AIR STATION (HELICOPTER)  
NEW RIVER, JACKSONVILLE,  
NORTH CAROLINA 28540

IN REPLY REFER  
233  
7510  
3 May 1085

From: Auditor-in-Charge  
To: Services Officer, Marine Corps Air Station ( Helicopter ), New River,  
Jacksonville, North Carolina 28545

Subj: MANAGEMENT ADVISORY REPORT - MASD/COMNAND CLUB MANAGEMENT SYSTEM

Ref: (a) MCO 7510.2B  
(b) CMC's ltr 7000 over MSF dtd 13Aug84

Encl: (1) Advisory Comments

1. In accordance with the provisions of reference (a), selective audit coverage was conducted of financial and other related matters pertaining to MASD/Command Club Management System.

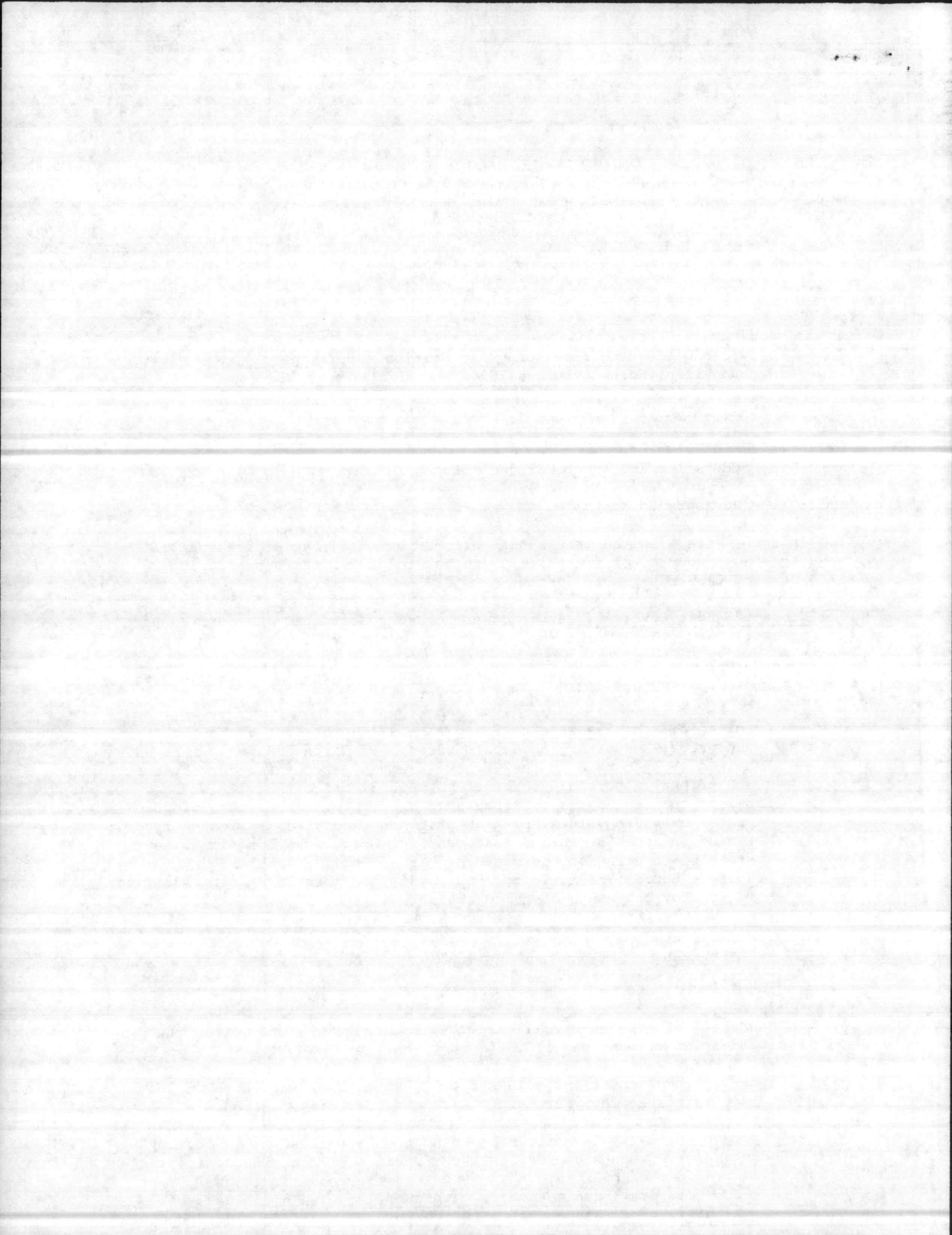
2. Scope of Audit Coverage. Audit coverage and related periods covered were as follows:

- Examined all changes made to the Retained Earnings Accounts and Restricted Capital Accounts for correctness and validity through 31 March 1985.
- Examined all changes made to Fixed Assets Accounts for correctness and proper supporting documents through 31 March 1985.
- Examined changes made to the Grands Received Account for correctness and proper supporting documents through 31 March 1985.
- Examined the second quarter insurance report for correctness of reported exposure values, premium paid and timely submission of report.
- Reviewed Balance Sheets and Statements of Operations for significant areas of concern for the month of March 1985.
- Prepared Current, Acid Tests, Debt/Equity and Net Cash to Liabilities ratios for the month of March 1985.
- Examined the first quarter CY85 Federal and State Tax Returns for correctness and timely submission of returns payments of applicable taxes.
- Completed an analysis of Cash Overages and Cash Shortages accounts.
- Reviewed selected transactions to the Returnable Containers Inventory and Renewals and Replacements account.

3. Enclosure (4) of reference (b), effective 13 August 1984, requires the Services Officer to respond to all NAFI audit reports.

4. Findings and recommendations relative to the audit, as set forth in the enclosure, are furnished for your information and corrective action.

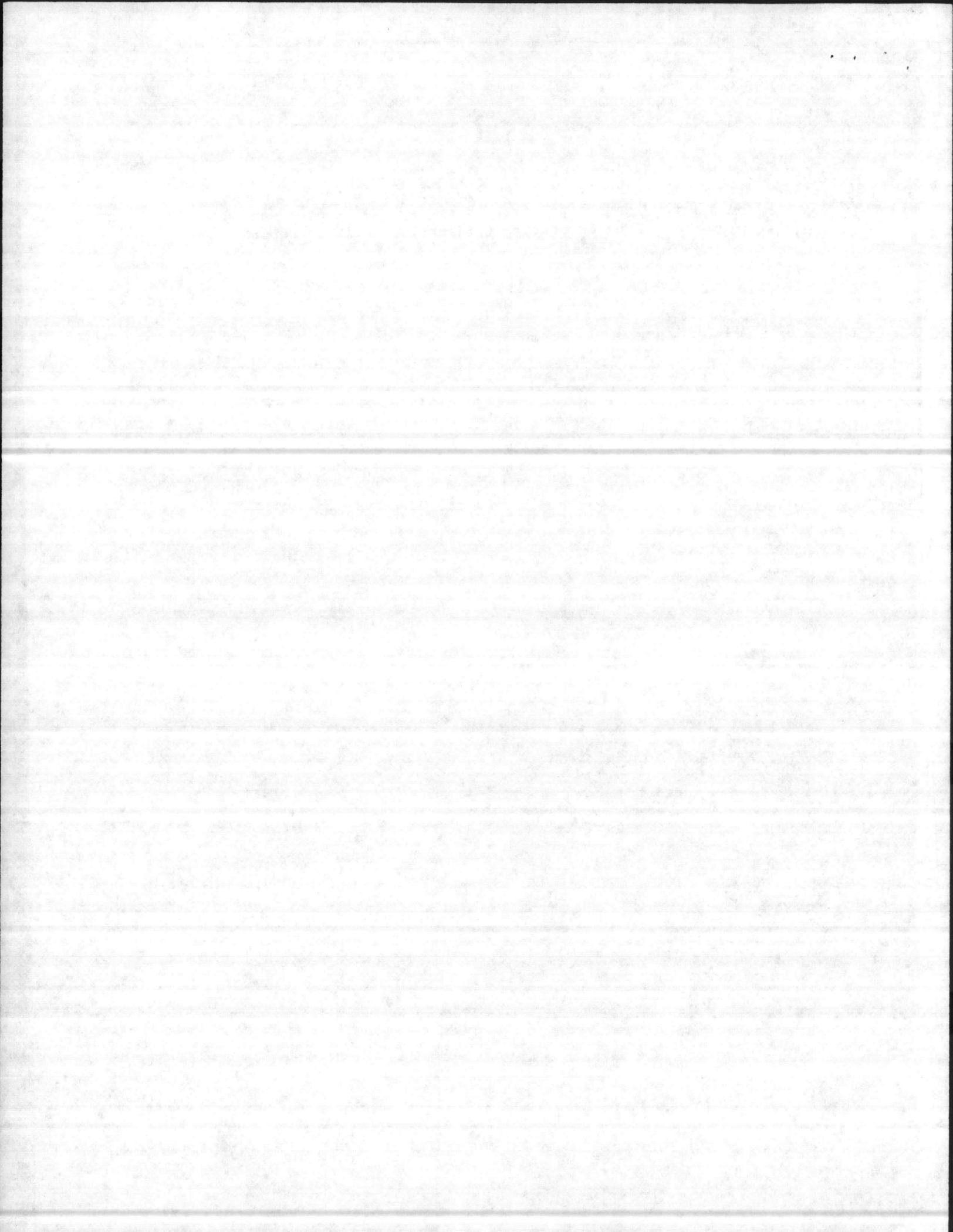
5. It is requested that your written response to the enclosure, indicating action taken and/or comments on the reported findings be contained on copies of the enclosure in the applicable space provided thereon ( additional pages may be used as necessary ) and returned to this office within ten days of receipt of this letter. Responses to the enclosure should provide documentary



references and be in sufficient detail to permit ready evaluation of action taken and returned to this office by a signed cover letter. Comments pertaining to the adequacy and responsiveness of replies, subsequent to their review, are provided to the Commanding Officer in a written report.

WALTER J. BRUDERER

Copy to:  
S-1



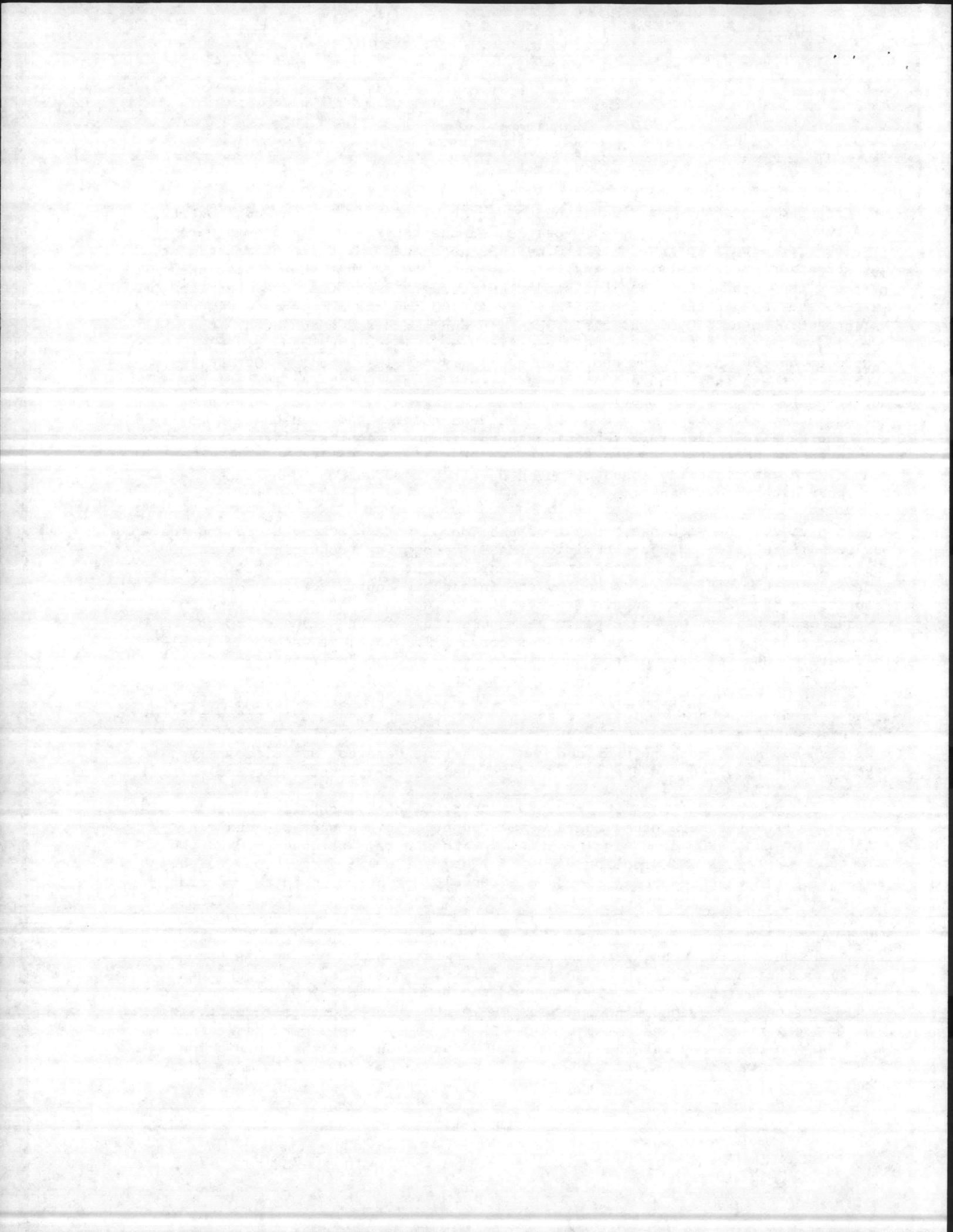
ADVISORY COMMENTS

1. Analysis of Cash Shortages and Cash Overages. A review and analysis of the Cash Shortages and Overages accounts was completed for the period 1 October 1984 through 3 March 1985. Cash overages and shortages \$10.00 and over were selected for detail review to determine the cause and/or results of management investigation or comments. During this review we noted that the Commissioned Officers' Mess, SNCO Club and Enlisted Club overages/shortages were minor and the one shortage in the Officers Club over \$10.00 and the one overage in the Enlisted Club over \$10.00 was satisfactorily explained and documented. The Consolidated Package Store analysis revealed several overages ranging from \$10.00 to \$66.90 and several shortages ranging from \$10.00 to \$58.10. While several of these shortages/overages were simply listed on the Daily Activity Report (DAR) without explanation, there was a large number of shortages and overages that were not recorded as such but the records had been changed to show shortages/overages as a reduction to the income accounts, charged against the inventory accounts, charged against the Renewals and Replacements Account and in some cases shortages and overages were recorded on the Cash Processing Worksheet without explanation.

In a discussion with the Manager of the Consolidated Package Store and the Morale Administrative Support Division (MASD) accounting technician regarding the overages and shortages noted it was learned that many of shortages/overages contained on the DAR's were caused by the inadequate control of the customer deposits on beer kegs and taps. The system used was not satisfactory and in several cases neither of these personnel could identify the transaction or what the reason for the changes to the records. In short, it was not possible to determine the validity of the deposits or refunds and determination if the overages/shortages were legitimate due to inappropriateness and incomplete documentation to support the transactions. An attempt to obtain verbal explanation regarding the the validity of these transactions resulted in satisfactory resolution in some instances, however, there are still several cases of overages/shortages, cash refunds and deposits that were not satisfactorily reconciled or resolved and are listed individually for corrective action.

a. DAR dated 5 October 1984 (Ruth Heavener, Cashier) contained a refund for \$60.00 from the Returnable Containers Account. This amount was changed to \$10.00 by the MASD accounting technician with a note, "refunded \$50.00 too much to Steve Parish. See receipt #51055". The (yellow) customer copy of the sales slip used when refunding the deposits could not be found in the records. Receipt #51055 was written to a Steve Parker for a deposit on a Keg and Tap (Bud) for \$60.00 on 22Sep84. The (white) original copy to support this transaction had been changed by marking out the number 6 and changing it to a 1 to make amount \$10.00. No changes had been made to the description column. A note written on the sales ticket by MASD personnel which said, "as per Chuck" was the only explanation provided. To compound the problem the \$50.00 was recorded as a reduction to the income account instead of the Cash Shortage Account. If the transaction had occurred as stated on the DAR why was Parish/Parker refund of \$50.00 too much? Why was the ticket value changed but not the description column. Where was the receipt ticket? If an erroneous payment was made what has been done to collect the overpayment? Why was the overpayment recorded as a reduction to income?

(1) It is requested that an explanation for the above transaction be provided for our review.



(a) Recommendations. Recommendations provided for this paragraph are contained the consolidated recommendations for all discrepancies noted in paragraph 1h(1) of this report.

MANAGEMENTS RESPONSE

MASD

For reasons unknown at this late date, the original refund slip was changed from \$60 to \$10 for a legitimate transaction. Most likely, the customer changed his mind after the transaction was completed but, in error, only one copy (the white one) was changed to reflect the new conditions of the sale. Upon redemption, the unaltered copy was used to refund the original amount of \$60.00. CPS advises that attempts to collect are being made. It is not certain now just why the CPS manager and MASD elected to handle this particular situation as they did. The great time lapse between then and now makes it impossible to say exactly why it happened as it did.

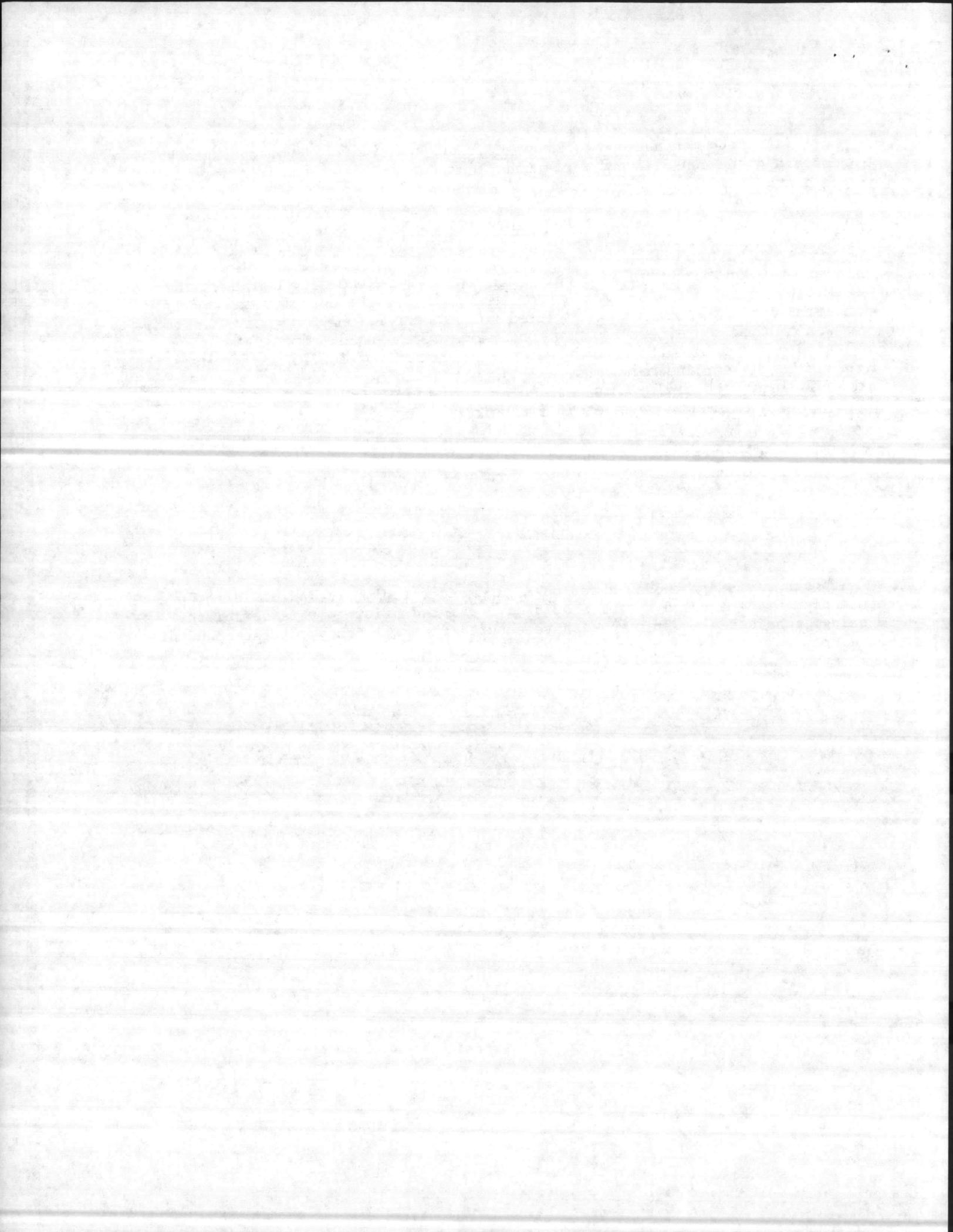
In any case, CPS has already changed its method of handling refunds for kegs and taps to prevent this kind of situation from re-occurring.

AUDITOR'S COMMENT

1. Although revised methods, based on management's reply are indicated to have been implemented, a sound system should have existed prior to this deficiency existing, considered imperative to have ensured that all money collected and disbursed as correct.

Discussed with W.M. Miller and Sgt George  
CCMS. The entire situation between CPS & MASD  
was handled loosely. Procedures have been  
placed into effect, as noted in following  
on this report, to preclude recurrence  
of this type problems.

M.S. Park



b. DAR dated 9 October 1984 (R. MITCHELL, Cashier) contained a deposit refund for \$45.00 from the Returnable Container Account. This transaction was subsequently changed by MASD accounting personnel to read \$35.00 refund and \$10.00 cash shortage. The statement "Gave back \$10.00 by mistake" by the MASD accounting technician appears to support this shortage, however, this transaction was for payment to Steve Parker on receipt #000023 which contained the statement, "Duplicate of 51055" and is the same Steve Parker receiving "\$50.00 to much" in subparagraph 1a above. An additional statement on the sales slip by MASD accounting office "Already been refunded, See DAR 10-5-84" explains the reason for the shortage but no indication that CPS attempted to collect this overpayment. This is another case where the inadequate controls and inappropriateness of the paper work has costed the CPS an unnecessary loss of cash assets.

(1) Recommendations:

(a) That an attempt to collect the erroneous payment be made.

(b) Additional recommendations pertinent to this paragraph are contained in subparagraph 1h(1) of this report.

MANAGEMENTS RESPONSE

11/14/84

(1) (a) Concur.

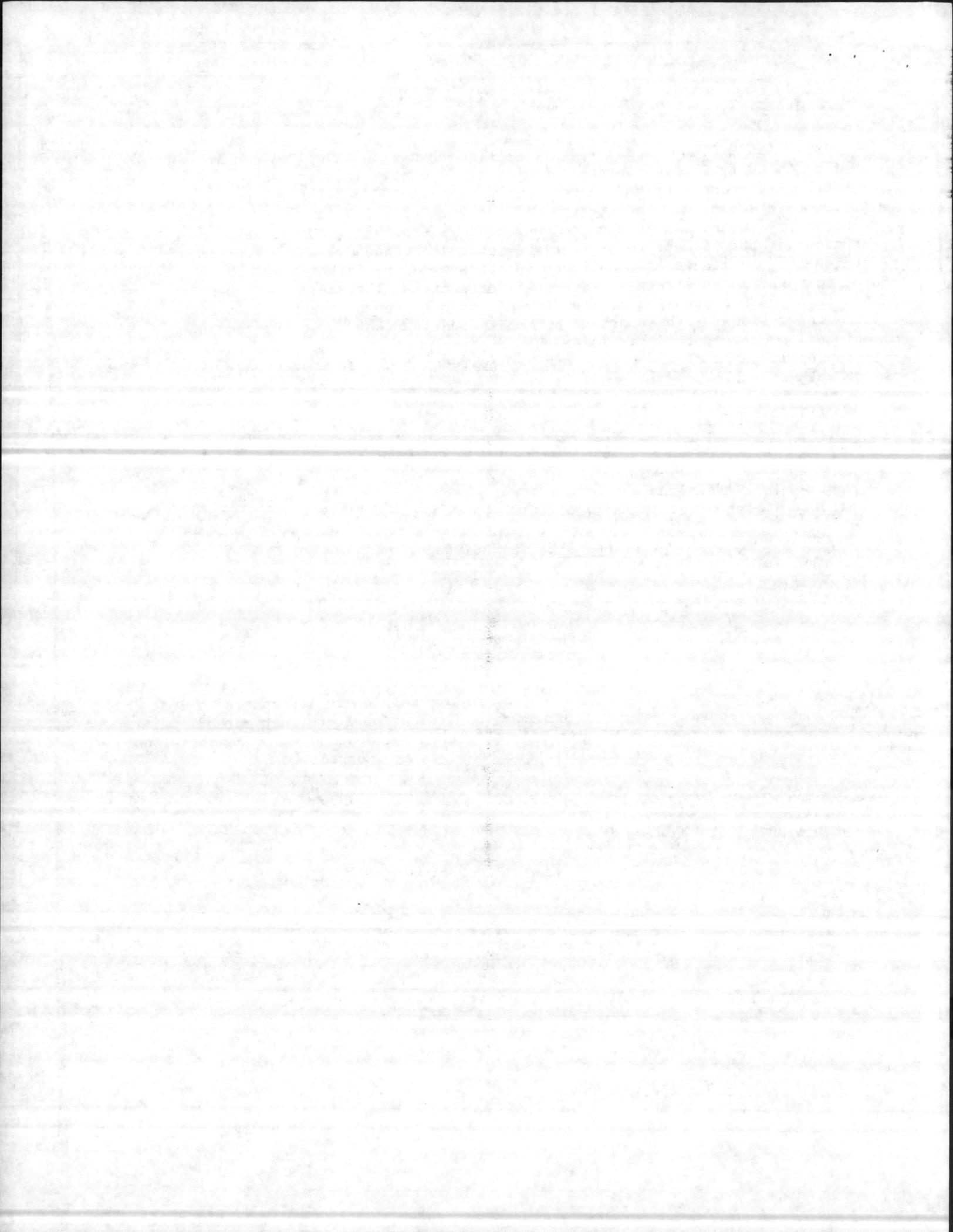
AUDITOR'S COMMENT

1. Although management stated concur with the recommendation to attempt to collect the amount of the erroneous payment, there was no indication as to what methods were going to be used. Correctness and monitoring of accounting documents are essential to ensure that all the receipt and disbursement of funds are correct.

*ccms/cps has not initiated any action to attempt money. SSgt George, ccms stated that they would take necessary action to collect money.*

*JG*

*850627*



c. DAR dated 12 October 1984 (Janet Ries, Cashier) contained an overage of \$10.00 which was explained only by a statement "\$10.00 too much in Deposit". We ascertained that a refund had been given for a Keg deposit for \$10.00 when no deposit had been received because the patron had bought the keg someplace other than the CPS and returned it for a refund. MASD accounting personnel later changed the \$10.00 from the refund account and charged it as an increase (debit) to the Returnable Containers Account. This transaction is another example of the lack of proper control of the customer deposits and refunds. The \$10.00 overage still can not be identified.

(1) Recommendation.

(a) That the practice of "buying" beer kegs from customer deposit fund be discontinued. That only patrons with bonafide receipts from the CPS be given refunds.

(b) Additional comments and recommendations pertinent to this paragraph are contained in subparagraph lh(1) of this report.

MANAGEMENTS RESPONSE

(1) (a) Concur. The CPS has ceased buying kegs and taps from customers who purchased them elsewhere.

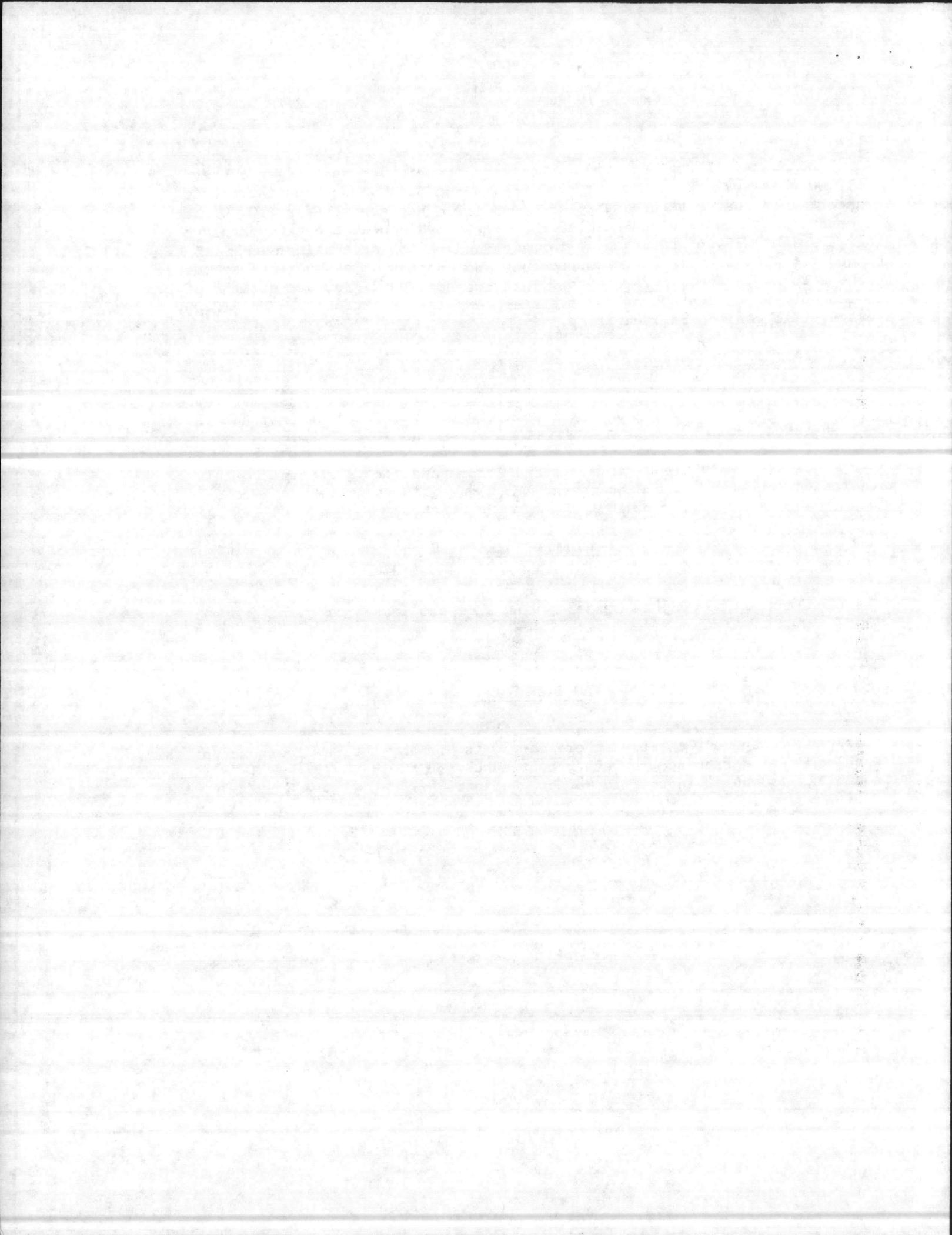
AUDITOR'S COMMENT

1. Based on management's reply, there should not be any future recurrence of this internal control deficiency, however, continuous monitoring by responsible management personnel is essential in order to detect such a recurrence.

*I have checked new procedures with CPS Manager. New procedures are consistent with recommendations.*

*M. S. T. H. H.*

*850627*



d. DAR dated 12 October 1984 (Linda Heaton, Cashier) contained a refund on returnable containers for \$60.00. The \$60.00 refund was deleted by MASD personnel and charged \$50.00 to Renewals and Replacements and \$10.00 to Returnable Containers Inventory. This change was made because the transaction that occurred on 7 Oct 84 and the receipt was apparently a duplicate ticket because it did not state that a deposit had been made. It stated, "Returned Keg & Tap \$60.00 (Could not find Receipt)". Statement by MASD personnel, "We had no receipt on this therefore \$50.00 charged to Renewals and Replacements and \$10.00 to Returnable Containers. I cautioned Chuck not to do this again". If the transaction occurred as stated above this is another case of purchasing kegs and taps from customer deposits by accepting these items that had been purchased elsewhere. The other factor in this type transaction is that there is inadequate documentation to support the refund or who received it. The sales ticket stated only that LCPL D. MORRIS, Camp Gieger received the \$60.00. This type transactions cause undue risk and loss of cash and adversely affect controls of inventory accountability.

(1) Recommendation.

(a) That the practice of "purchasing" kegs and taps from the customer deposit accounts be discontinued.

(b) Additional comments and recommendations pertinent to this paragraph are contained in subparagraph lh(1) of this report.

MANAGEMENTS RESPONSE

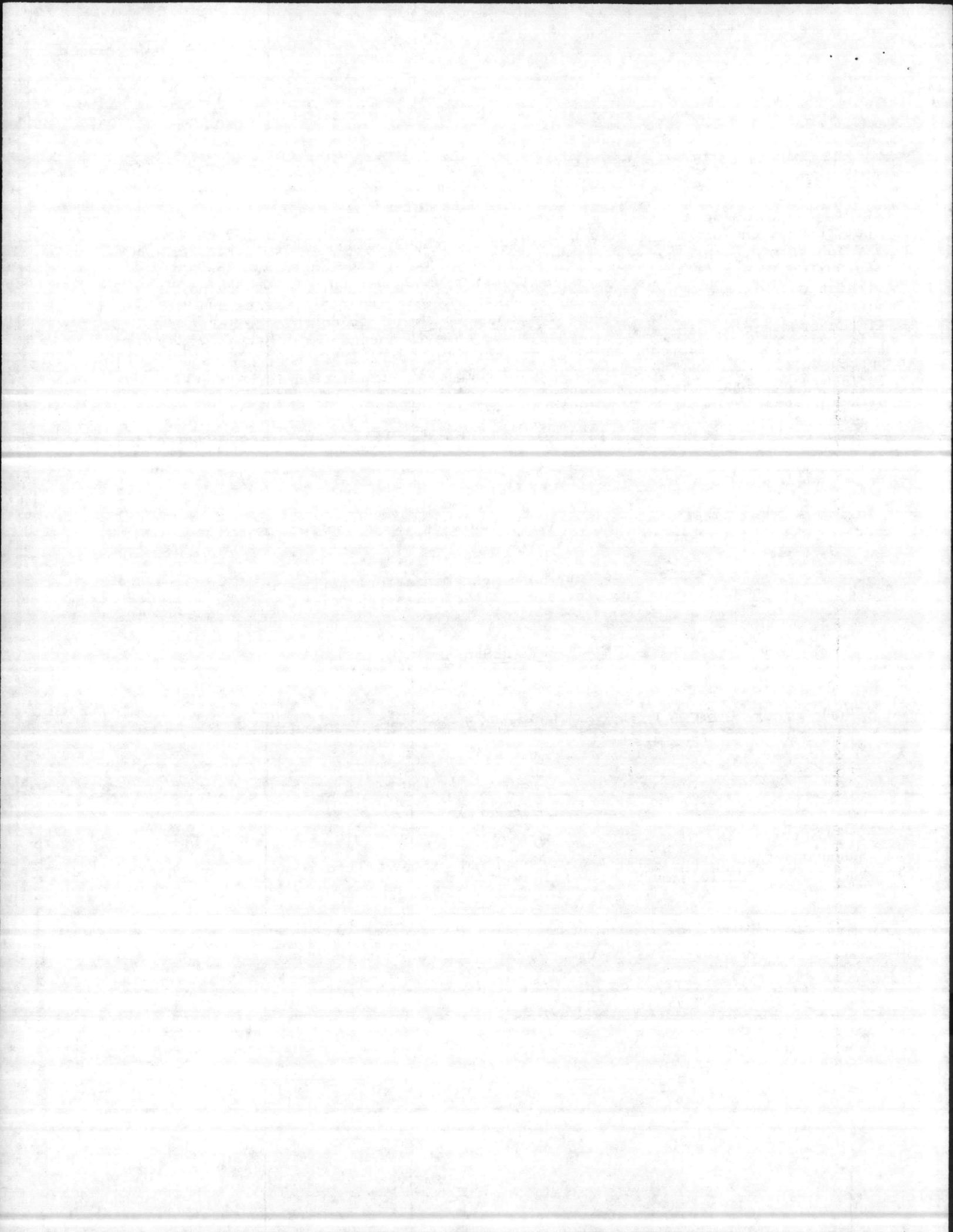
(1) (a) Concur. The CPS has ceased buying kegs and taps from customers who purchased them elsewhere.

AUDITOR'S COMMENT

1. Based on management's reply there should not be any future recurrence of this internal control deficiency.

*Action appropriate.*

*BS*



e. DAR dated 19 November 1984 (R. Mitchell, Cashier) contained a cash refund of \$100.00 recorded by the cashier when cash was turned in. This amount was changed by the CPS Manager to read \$60.00 (NAVSO P3520, paragraph 603.6 applies regarding changes to lines 1-6 of the DAR) and a statement written on the original sales ticket, "Did not count as cash refund". There was no "yellow" customer copy of the sales ticket. MASD accounting personnel then changed the DAR by increasing the refund account #213 to \$110.00 and recording a \$50.00 cash overage. MASD note on the DAR states, "Note, Bottom Line CPS simply over-deposited \$50.00". Refund tickets less this ticket support only a \$60.00 refund. The question is where did the \$50.00 come from? The white sales ticket #000104 to support this transaction contained a description, "Deposit on Tap \$50.00, Rent on Super Cooler \$5.00/Day 11-16-84 \$10.00, refunded \$40.00." A subsequent note to the ticket was written apparently by CPS Manager, "Did not count as cash refund". There appears to be such confusion in exactly what transpired that with the explanations provided the propriety of the transaction is questionable.

(1) It is requested that the following information be provided for our review.

(a) An explanation of where the \$50.00 came from.

(b) Why was ticket #000120 prepared to cover a transaction previously recorded on ticket #000104 on 16Nov84 and refund given on 21Nov84

(2) Recommendations. Recommendations pertinent to this paragraph are contained in subparagraph lh(1) of this report.

#### MANAGEMENTS RESPONSE

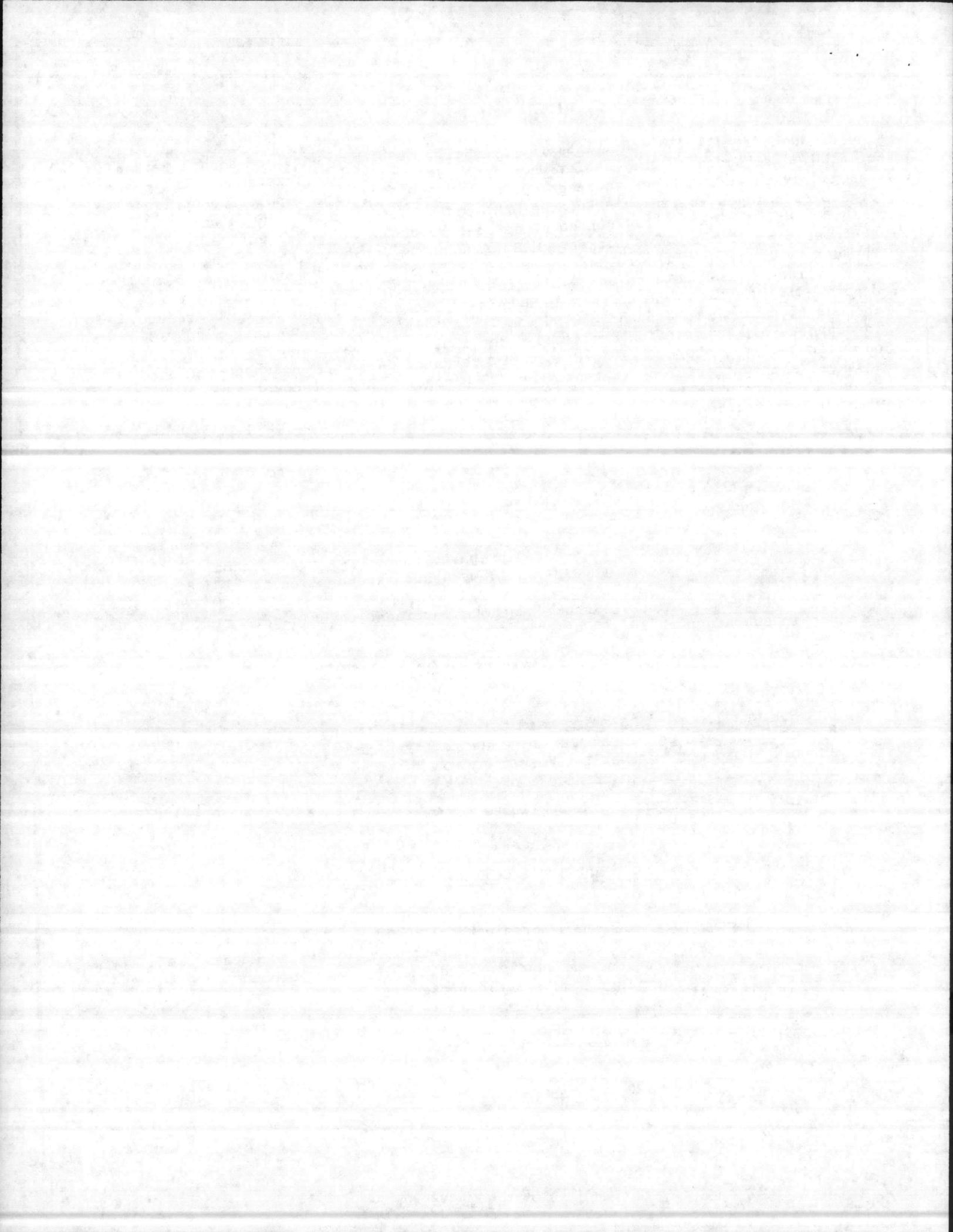
- (1) (a) The \$50 was recorded as being paid out on the 19th but in reality was not because the cash deposited was in balance. Then, the refund of \$50 was actually paid out on the 21st resulting in a shortage to offset the overage resulting from the 19th transaction.
- (b) The ticket was prepared as a duplicate but not noted by CPS as a duplicate.

#### AUDITOR'S COMMENT

1. Correctness of accounting documents pertaining to receipt, disbursement and accountability of fund is essential to provide an audit trail. When documents are changed and adequate clarifications are not provided thereon, and documents are changed by other than the person preparing them, a serious problem exist.

*Discussed the problems noted in paragraphs e. & f. with Mr. Milton. Explained that the key problem here is the inadequacy of the accounting records. The replies in (1)(a)(b) substantiate the inadequacy of the accounting records.*

*BT*



f. DAR dated 21 November 1984 (Janet L. Ries, Cashier) contained a cash shortage of \$15.00 and a cash refund of \$60.00 on line #3 of the DAR. The Cash Shortage account was increased to \$45.00 and the refund amount of \$50.00 in the customer deposits account was eliminated apparently because the deposit had been refunded on 19Nov84. The inconsistency here is that the cashier recorded a \$60.00 refund and reported a \$15.00 cash shortage and then the cash processing report was changed by MASD personnel to a \$45.00 shortage and no refund. If no refund was given, (it was subtracted from the receipts) and the \$15.00 shortage had already been accounted for on the DAR, what happened to the \$60.00? How did MASD arrive at a \$45.00 shortage? The inaccuracy in the transaction covering this days receipts and the undocumented changes to the DAR's confuse the propriety of how these funds were handled. This is another example of inadequate controls and documentation. It is requested that an explanation be provided to support this transaction.

(1) Recommendations. Recommendations pertinent to this paragraph are contained in subparagraph 1h(1) of this report.

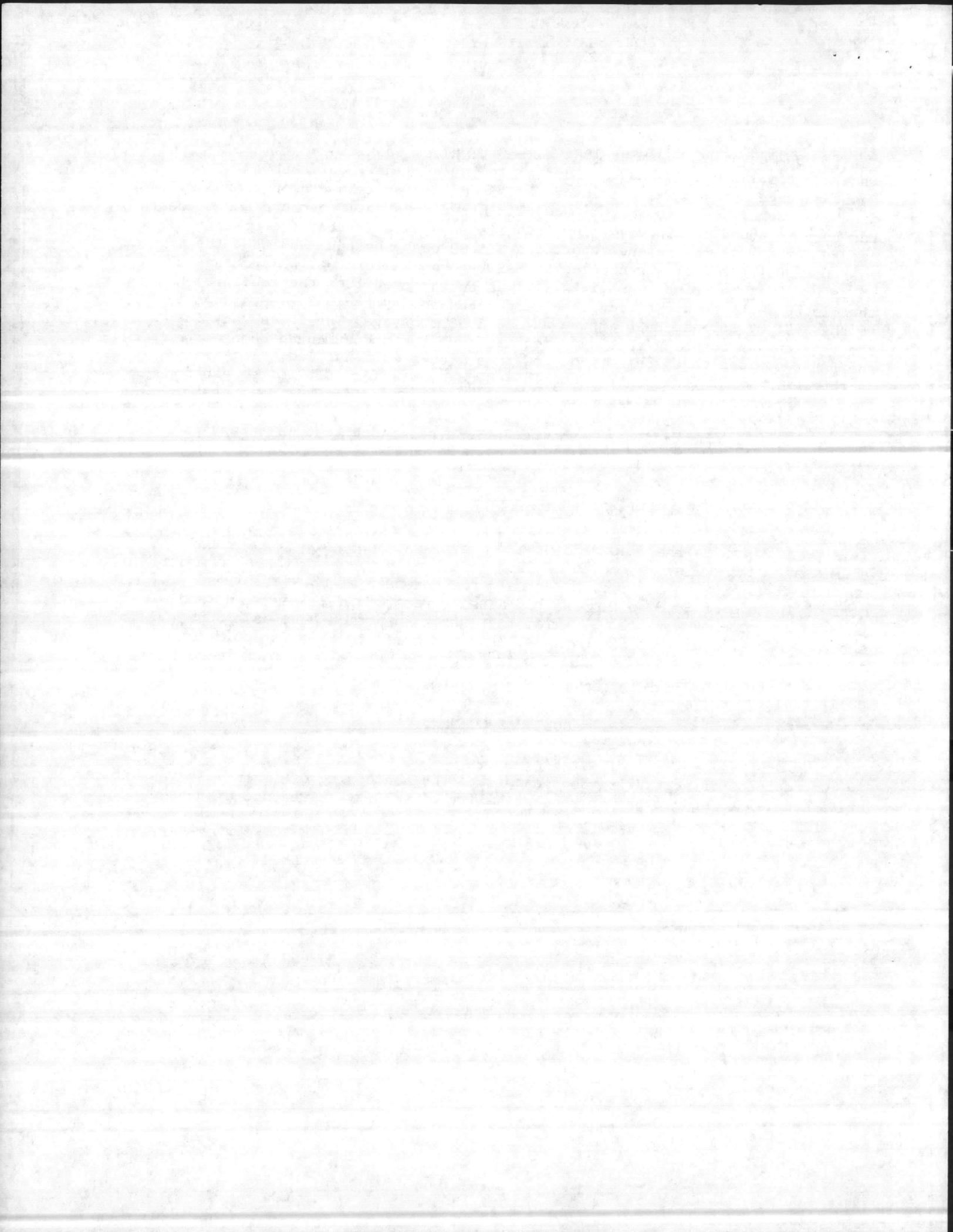
#### MANAGEMENTS RESPONSE

This transaction is the flip side of the previous transaction (e) already addressed. On the 21st, a refund of \$50 was actually given. It was recorded on the DAR as \$60 (in error). The actual total deposit of \$5,944.30 was correct instead of \$5,924.30. CPS had already recorded a \$15 shortage and this amount coupled with the \$50 from the 19th transaction gave us a \$65 shortage netted against a \$20 overage. This net comes to \$45. To avoid such confusion in the future—since the two transactions were almost back-to-back, the DAR's should have been reconstructed to provide a more easily traceable audit trail.

#### AUDITOR'S COMMENT

1. Correctness of accounting documents, and the monitoring of financial transactions are essential to ensure proper accountability of funds received and disbursed.

*The response above is a continuation of the MASD reply and confirmation of the inadequate accounting records.*  
*H. Denton*



g. DAR dated 15Feb85 showed total receipts of \$3,984.30. The bank deposit slips for this deposit totaled only \$3,976.20 for a shortage of \$8.10. The cash receipts of \$3,984.30 matches the register tapes and cashiers count on in. There was no explanation other than a change on the MASD Cash Processing Worksheet with a note, "Dep Short". There is no indication that the CPS Manager was aware of the missing money or that anything had been done to find out what happened to the \$8.10. This particular transaction demonstrates the lack of coordination between the CPS management and the MASD accounting personnel. Arbitrary changes to source documents without managements knowledge or approval creates a serious flaw in the internal control system. No changes should be made without first consulting the appropriate manager to permit him to conduct necessary investigation or explanation. There is nothing to support such action in this case. It is requested that an explanation be provided for variance described above.

(1) Recommendation. Recommendations pertinent to this paragraph are contained in subparagraph lh(1) of this report.

MANAGEMENTS RESPONSE *1/16/85*

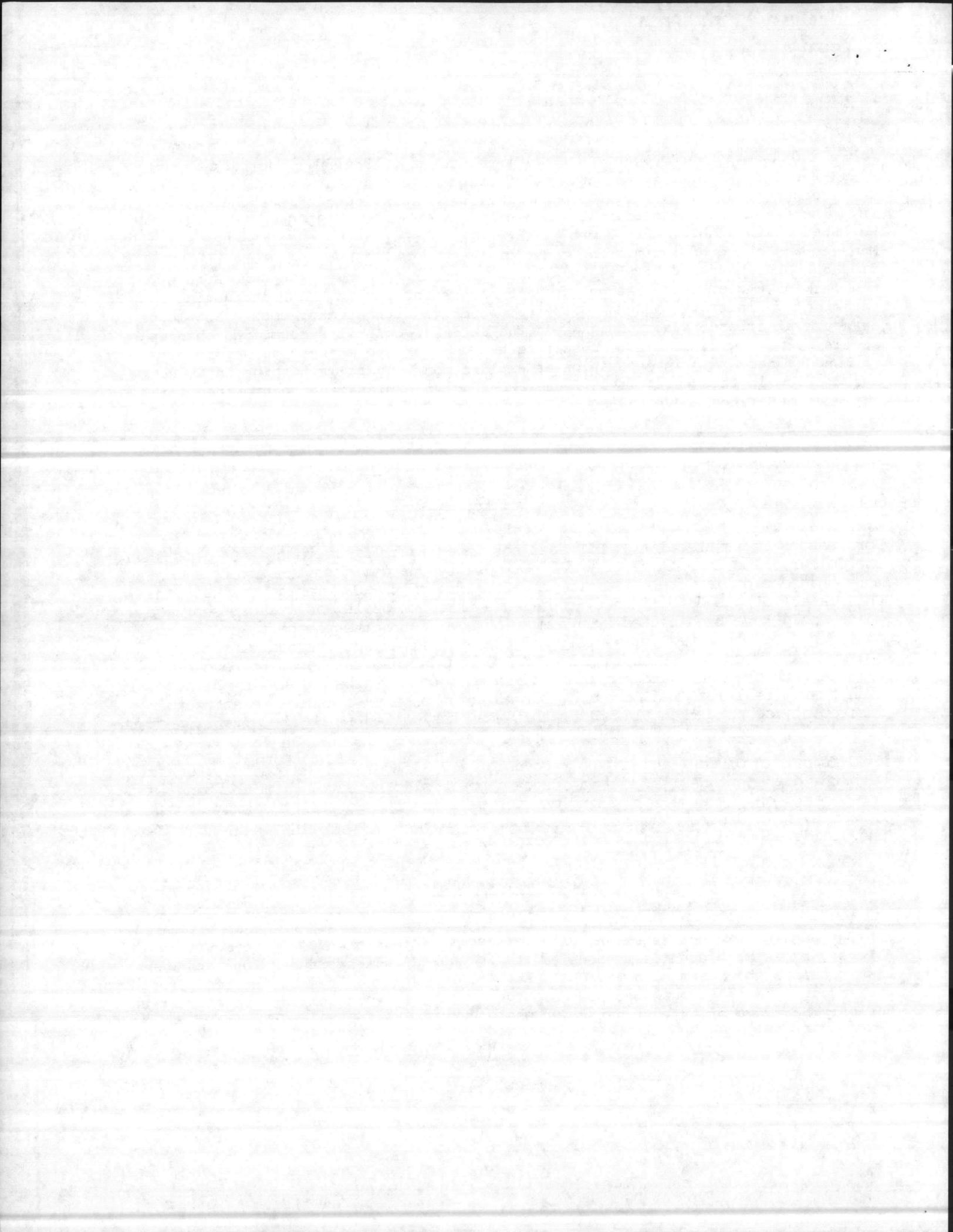
For reasons of practicality, MASD does not investigate discrepancies of less than one dollar. The time involved would not justify our doing so. However, amounts more than one dollar are called to the attention of the CPS manager as was done in this case. It was determined by conference that the \$8.10 was a paper shortage, which could have been caused by a number of administrative bloopers such as an overring (not corrected immediately and then forgotten) or the addition of a charge slip twice (in error). All of these would cause the tapes to be out of balance with the DAR's and the bank validated deposit slips but would not necessarily mean that a real loss had occurred. Our notation on any worksheet relating to a discrepancy of more than \$1 implies that MASD has called it to the attention of the manager for a solution if possible.

MASD is not involved - and has no responsibility - for making deposits originating with the different NAFI's. The validated deposit slip received from the bank is our one and only source for making entries debiting the general checking account. In the event a discrepancy cannot be resolved, MASD has no choice but to accept the validated deposit slip as being correct.

AUDITOR'S COMMENT

1. The auditor did not recommend cash variances of less then \$1.00 be investigated. However, it is management's responsibility to monitor sales transactions and when cash receipts which based on the Daily Activity Record prepared by the cashier states one amount, and the actual cash deposit contains a different amount, management should not only be aware of it, but determine what the attributing cause(s) were.

*Discussed with Mr. Miller. The object was not the size or a shortage but the situation where the accounting division was changing the accounting records to agree with validated bank deposit. Advised by Mr. Miller that MASD personnel will no longer make changes to accounting records and that cins personnel will*



h. General Comments. The analysis of the Consolidated Package Store Cash Overages/Shortages accounts disclosed serious deficiencies not only in the cash overages and shortages accounts but also in the overall control and accountability of cash receipts. Of particular concern is the inadequate controls found in the receipt and handling of customer cash deposits and refunds for beer kegs and taps. The current method of accounting for the deposits and refunds is considered inadequate in part due to incomplete sales tickets, i.e., customer identification not completed, sales description not complete, sales tickets changed to correspond with the daily transactions, duplicate sales tickets prepared when customer states he lost his receipt, arbitrary changes to sales tickets by management personnel or accounting personnel after the fact, refunds given to persons other than those who made the purchase. As a result of these inadequate controls and procedures the CPS has already lost a substantial amount of cash as demonstrated in subparagraphs a through g above, not to mention the potential of exploiting the weakness of these procedures. In some cases the documentation to support these transactions has become so confused that even the CPS Manager or the MASD accounting personnel can give an accurate accountability for the transactions. Prompt corrective action should be taken to eliminate the above deficiencies.

(1) Recommendations. The recommendations contained in this paragraph should be considered for the above subparagraphs in addition to individual recommendations contained with each reported finding above.

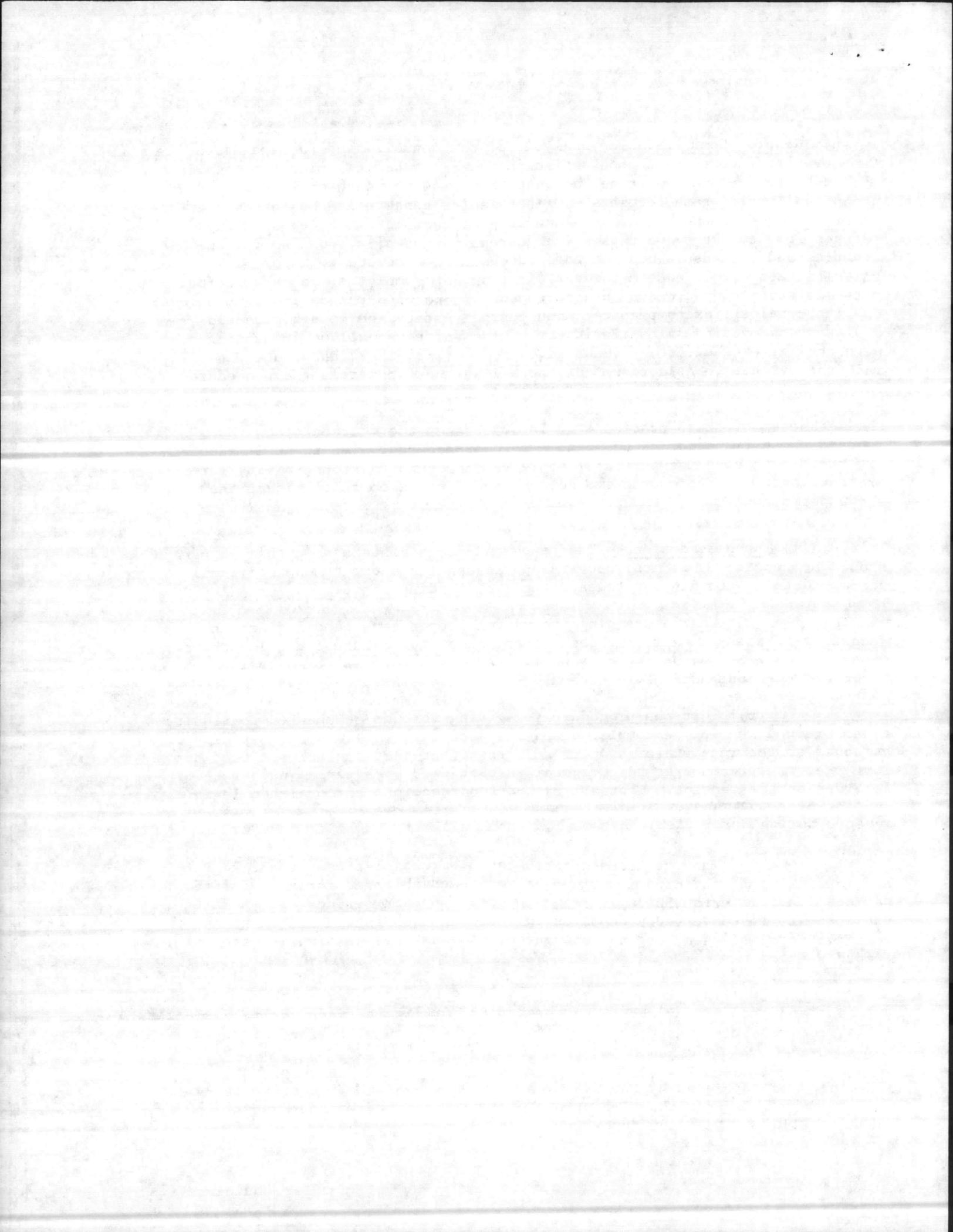
(a) That a training program on proper cash handling and the recording of cash receipts and cash deposits be implemented for all cashiers, managers and MASD accounting personnel. NAVSO P-3520, Part C and paragraph 359 and 603.6 provide instructions that should be included in this program.

(b) That the procedure for giving refunds be changed to require a cash refund receipt be completed and the duplicate (yellow) sales ticket be attached to the receipt for support. In the event that the sales ticket becomes lost a cross reference to the original sales ticket with serial number be recorded on the receipt. That all cash refund receipts be completed legibly and approved the manager. (This recommendation was made verbally to the CPS manager during our review). *done*

(c) That standard deposit rates be established for all kegs and taps and that the deposit refund period be established for a specified period, i.e., 15 days, 30 days, etc. Specific deposit periods will permit the activity to convert the deposits to miscellaneous income and maintain better control of cash, keg and tap inventories as well as simplify the record keeping.

(d) That refunds only be given to those customers that made the purchase and that the procedure for preparing "duplicate" receipts be discontinued. (This recommendation was made verbally to the CPS Manager during our review).

(e) That changes to the Daily Activity Reports be properly explained and initialed by the CPS Manager and that the MASD accounting not initiate any changes without prior approval from the CPS Manager and that changes be made under signature.



(f) That reclassification of income and expenses by MASD personnel not be initiated without consultation with and approval of the activity managers and that the activity managers provide explanations under signature for those changes.

(g) That overages/shortages reported on the DAR's be investigated by the activity manager with results noted on the DAR. It is suggested that employees be required to provide a written report of the cause or suspected cause of the shortage or overage. (NAVSO P-3520, paragraph 359.2 applies).

(h) That a record be maintained daily on all cash overages/shortages by cashier name to determine the volume and frequency of such transactions. These records will assist management with historical data to monitor this transactions and identify and isolate possible problem areas. In addition, such procedures serve as a deterrent to employee carelessness, inattention to detail and cash manipulation.

#### MANAGEMENTS RESPONSE

- (h) (1)
- (a) Concur.
  - (b) Concur.
  - (c) Concur.
  - (d) Concur.
  - (e) Concur.
  - (f) Concur.
  - (g) Concur if the shortage is significant-at least \$1 or more. ✓
  - (h) Concur. —

#### AUDITOR'S COMMENT

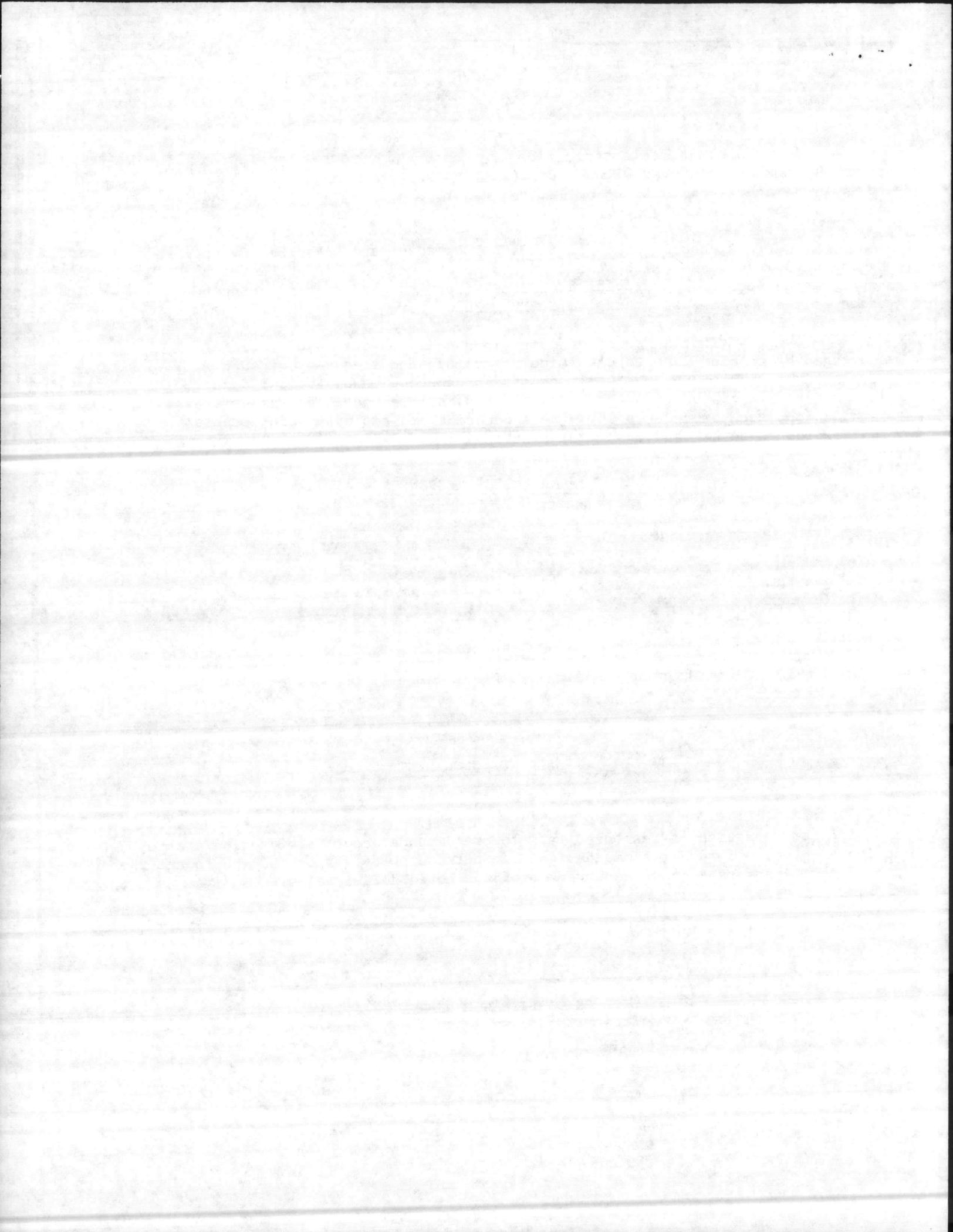
1. Based on management's responses, all the recommended courses of action are to be implemented. If such recommendations are acted upon by responsible personnel there should not be any subsequent recurrences of the noted deficiencies.

*action has been taken or initiated on all the above "Concur's", except #(a). Mr. Miller #5597 George have indicated they will ask CWO4 Brudner to conduct such training.*

*J.T.*

*Action completed!*

*Date*



ADVISORY COMMENT

2. Fixed Assets - SNCO Club - Furniture, Fixtures and Equipment. Review of changes made to the Fixed Asset Accounts for the month of March 1985 showed an Ice Machine was picked up in the records of the SNCO Club in the amount of \$1,750. This item was neither purchased, nor transferred from another activity of the Club System. A further inquiry revealed that the Ice Machine was dropped from the records of the Club System through a prior Command approved Certificate of Disposition. The correct internal control procedure that should have been used once the Command approved the item to be dropped from the property records, was not to actually drop the item until it was physically disposed of, consistent with appropriate internal control disposing procedures, i.e., sale; turned into Redistribution and Disposal obtaining a signed receipt therefor; or having it physically destroyed and witnessed by a disinterest officer appointed by the Command for that purpose, who in turn should make a statement on the Certificate of Disposition as to actual procedure used, and sign it. The Ice Machine was neither physically disposed of prior to or subsequent to the Command approving the Certificate of Disposition. It physically remained in the activity. Considering that this Ice Machine, subsequent to it being dropped from the property records through obtainment of an approved Command Certificate of Disposition, and then some time later repaired and put back in operation, indicates that Command approval to drop this item should not have been requested by Club System at the time requested, since it was repairable.

In addition, it was also ascertained that other property items dropped from the property records by prior Command approved Certificates of Disposition, were not physically disposed of - numerous related items are contained in the old Marine Corps Exchange Building.

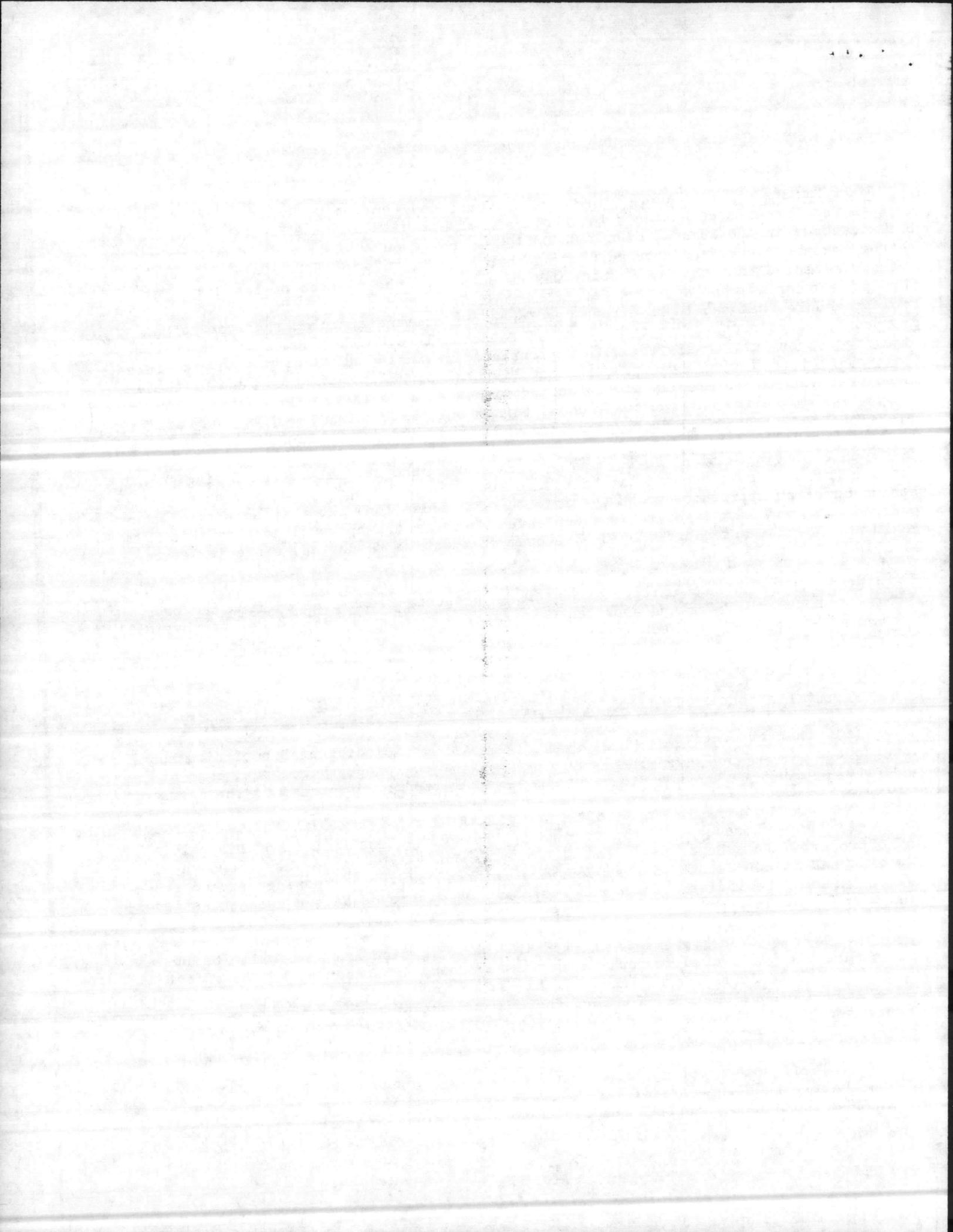
a. Recommendations:

(1) That prior to placing property items on Certificates of Disposition submitted to the Command for approval to be dropped from the property records, that it be ascertained that such items are beyond economical repair, or excess to the needs of the Club System.

(2) That subsequent to the Command approving the Certificates of Disposition, that no property items be dropped from the records until such items have been physically disposed of consistent with appropriate internal control disposing procedures - by sale, turned into Redistribution and Disposal, or destroyed beyond usability locally and witness by an appointed Command disinterest officer.

(a) When such items are turned in Redistribution and Disposal, its imperative that each 1348 used to turn in an item contains a statement to the effect of "This item was procured with nonappropriated funds" and if disposed of by sale, request that the current authorized percentage of the sale proceeds authorized by DPDO Manual be returned to the "MCAS Command Club System, MCAS(H), Station 3".

(b) If such property items are destroyed beyond usability locally, that a disinterest witnessing officer made a statement on the C of D as to the actual disposal method used, and sign the statement for internal control purposes.



That appropriate action be taken to properly dispose of all property items that have been dropped from the property records by prior authorized Command approved Certificates of Disposition, but never physically disposed of, and that documentation be maintained of actual disposing method used pertaining to each applicable property item.

MANAGEMENT'S RESPONSE

- (1) Concur.
- (2) Do not concur. For many years it has been the practice at this Command to drop from the property records any item for which a proper Certificate of Disposition has been issued. MCO P1746.15, para. 9001 (2) is supportive of our position and I quote "property .....will not be dropped from the property record until a Certificate of Disposition .....is approved".
- (3) Concur.

AUDITOR'S COMMENT

1. Pertaining to reply (a) (1). Response considered adequate, however continuous monitoring by responsible personnel is imperative to ensure that only that property that is excess or unserviceable is placed on Certificates of Disposition submitted for Command Approval.

2. Pertaining to reply (a) (2). Regardless of what the practice of this Command was to drop from the property records any item for which a Certificate of Disposition was signed off on by the Commanding Officer, the door is wide open for such property to get into unauthorized hands without being detected. For the protection of the Commanding Officer, I recommend that the Command direct the recommended action contained in paragraphs 2a(2), (2)(a) and (2)(b) above.

3. Pertaining to reply (a) (3). Response considered adequate, however no time was indicated as to when such property was to be disposed of. Considering the type of items that were noted to have existed in the old Marine Corps Exchange Building, which are not on property records since they were authorized to be dropped on prior Command approved Certificates of Disposition, disposal action should transpire as soon as possible.

*This issue was discussed with Mr. Miller; His view is that it will make a "house" out of the hole. Explained all the facts and realities in this situation. He does agree in part. However, answer depends on Command's response on above comments.*

*M 597 Mark  
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