Inspector General

United States Department of Defense

Semiannual Report to the Congress

APRIL 1, 2013 TO SEPTEMBER 30, 2013

Required by Public Law 95-452

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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Mission

Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that: supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision

Our vision is to be a model oversight organization in the federal government by leading change, speaking truth, and promoting excellence; a diverse organization, working together as one professional team, recognized as leaders in our field.

Fraud, Waste and Abuse

DoD HOTLINE

1.800.424.9098 • www.dodig.mil/hotline

For more information about whistleblower protection, please see the inside back cover.

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

Inspector General
Jon T. Rymer

I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period April 1, 2013, through September 30, 2013, issued in accordance with the Inspector General Act of 1978, as amended.

This year has been unprecedented in recent memory in light of two profound events affecting the Department: sequestration and the government shutdown. Despite these challenges, we continued to protect our Warfighters, provide valuable information to Congress, and advise the Secretary of Defense about oversight matters. During this reporting period, our significant accomplishments included:

- Continuing focus on DoD's audit readiness efforts to include audits supporting the Schedule of Budgetary Activity/Statement of Budgetary Resources and implementation of the enterprise resource planning systems.
- An audit report found the Marine Corps risks spending $22.2 billion to procure and support 44 additional CH-53K helicopters that may not be needed to support future requirements.
- The establishment of a Cyber Crime Field Office better focusing criminal investigative efforts on digital forensics and intrusion investigations impacting DoD.
- A review of whether Military Criminal Investigative Organizations investigate sexual assaults as required by guiding policies and procedures.
- An investigation found that the owner of Skylinks FZC in Dubai tried to buy restricted U.S. satellite equipment and transship it to Iran in violation of the International Emergency Economic Powers Act, but was arrested, convicted, and sentenced.
- Southwest Asia Joint Planning Group issuance of the FY 2014 Comprehensive Oversight Plan for Southwest Asia and the updated Joint Strategic Oversight Plan for Afghanistan.
- Site assessments conducted at Army Warrior Transition Units and Marine Corps Wounded Warrior Battalions.
- Seven reports addressing joint warfighting and readiness in the intelligence enterprise, and issues in the security and nuclear enterprises.
- Implementing recent enhancements to whistleblower protection statutes.

Representatives of DoD IG also testified at two hearings: one about concerns regarding a contract with the prime food/nonfood vendor for our Nation's Warfighters in Afghanistan; and one about DoD direct assistance to Afghanistan and DoD IG's oversight efforts.

During this reporting period, we issued 83 reports and identified $23.5 billion in potential monetary benefits. Defense Criminal Investigative Service investigations were the basis for 111 arrests, 175 criminal charges, 147 criminal convictions, 76 suspensions, and 102 debarments, as well as $619.8 million returned to the government. The DoD Hotline fielded 15,108 contacts from the public and members of the DoD community. Administrative Investigations closed a total of 835 complaints involving whistleblower reprisal and senior official misconduct.

Thank you to our Department counterparts whose valuable information provides added insight to this publication: the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, U.S. Army Criminal Investigation Command, Naval Criminal Investigative Service, Air Force Office of Special Investigations, and the Defense Contract Audit Agency.

As the new Department Inspector General, I want to pledge my accountability to DoD IG, the Department, Congress, and our Nation. I would also like to extend my thanks to our DoD IG employees, the entire defense oversight community, the Department, and Congress for their commitment in supporting this office.

Jon T. Rymer
Inspector General

Statistical Highlights

SUMMARY OF AUDIT ACTIVITIES	
Reports Issued	56
Monetary Benefits	
Recommendations Made with Questioned Costs	$22.3 billion
Recommendations Made on Funds Put to Better Use	$1.1 billion
Achieved Monetary Benefits	$2.2 billion

SUMMARY OF DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES	
Total Returned to the U.S. Government[1]	$619.8 million
Recovered Government Property	$672,471
Civil Judgments/Settlements	$556.1 million
Criminal Fines, Penalties and Restitution (does not include Forfeitures)	$50.7 million
Administrative Recoveries[2]	$12.2 million
Investigative Activities	
Arrests	111
Criminal Charges	175
Criminal Convictions	147
Suspensions	76
Debarments	102
Asset Forfeiture Results	
Seized	$19.1 million
Final Orders of Forfeiture	$9 million
Monetary Judgments	$40.3 million

SUMMARY OF ADMINISTRATIVE INVESTIGATIONS	
Complaints Received	1,005
Complaints Closed	835
Senior Official	358
Whistleblower Reprisal	477

SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES	
Existing and Proposed Regulations Reviewed	220
Evaluation Reports Issued	10
Inspector General Subpoenas Issued	342
Contractor Disclosures Received	106

SUMMARY OF INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS ACTIVITIES	
Reports Issued	7

SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES	
Assessment Reports Issued	10

SUMMARY OF DEFENSE HOTLINE ACTIVITIES	
Contacts	15,108
Cases Opened	1,341
Cases Closed	1,584

[1] Includes investigations conducted jointly with other law enforcement organizations.

[2] Includes contractual agreements and military non-judicial punishment.

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Reporting Requirements

The Inspector General Act of 1978, as amended, states that each inspector general shall no later than April 30 and October 31 of each year prepare semiannual reports summarizing the activities of the office during the immediately preceding six-month periods ending March 31 and September 30. The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

REFERENCES	REQUIREMENTS	PAGE
Section 4(a)(2)	"review existing and proposed legislation and regulations...make recommendations..."	N/A
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	12-54
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	12-54
Section 5(a)(3)	"identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..."	N/A
Section 5(a)(4)	"a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted."	12-54
Section 5(a)(5)	"a summary of each report made to the [Secretary of Defense] under section 6(b)(2)..." instances where information requested was refused or not provided"	N/A
Section 5(a)(6)	"a listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation report issued" showing dollar value of questioned costs and recommendations that funds be put to better use.	106-113
Section 5(a)(7)	"a summary of each particularly significant report..."	12-54
Section 5(a)(8)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs..."	115
Section 5(a)(9)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management..."	115
Section 5(a)(10)	"a summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period..."	115
Section 5(a)(11)	"a description and explanation of the reasons for any significant revised management decision..."	N/A
Section 5(a)(12)	"information concerning any significant management decision with which the Inspector General is in disagreement..."	N/A
Section 5(a)(13)	"information described under Section 05(b) of the Federal Financial Management Improvement Act of 1996..." (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(a)(14)	"An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period..."	129
Section 5(a)(15)	"A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete..."	N/A
Section 5(a)(16)	"Any peer reviews conducted by DoD IG of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review...that remain outstanding or have not been fully implemented..."	129
Section 5(b)(2)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs..."	116
Section 5(b)(3)	"statistical tables showing the total number of audit, inspection, and evaluation reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision..."	116
Section 5(b)(4)	"a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year..."	125-128
Section 8(f)(1)	"information concerning the number and types of contract audits..."	117
Section 5 note	"an annex on final completed contract audit reports...containing significant audit findings."	119-124

1

Overview

Serving the Congress and the Department

Department of Defense Inspector General is an independent, objective agency within the U.S. Department of Defense that was created by the Inspector General Act of 1978, as amended. DoD IG is dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, inspections and assessments that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department of Defense and Congress.

Mission

Our mission is to provide independent, relevant and timely oversight of the Department of Defense that:

- Supports the warfighter.
- Promotes accountability, integrity and efficiency.
- Advises the secretary of defense and Congress.
- Informs the public.

Vision

Our vision is to be a model oversight organization in the federal government by leading change, speaking truth and promoting excellence; a diverse organization, working together as one professional team, recognized as leaders in our field.

Core Values

- Integrity
- Efficiency
- Accountability
- Excellence

Goal 1

Promote economy, efficiency and effectiveness.

Goal 2

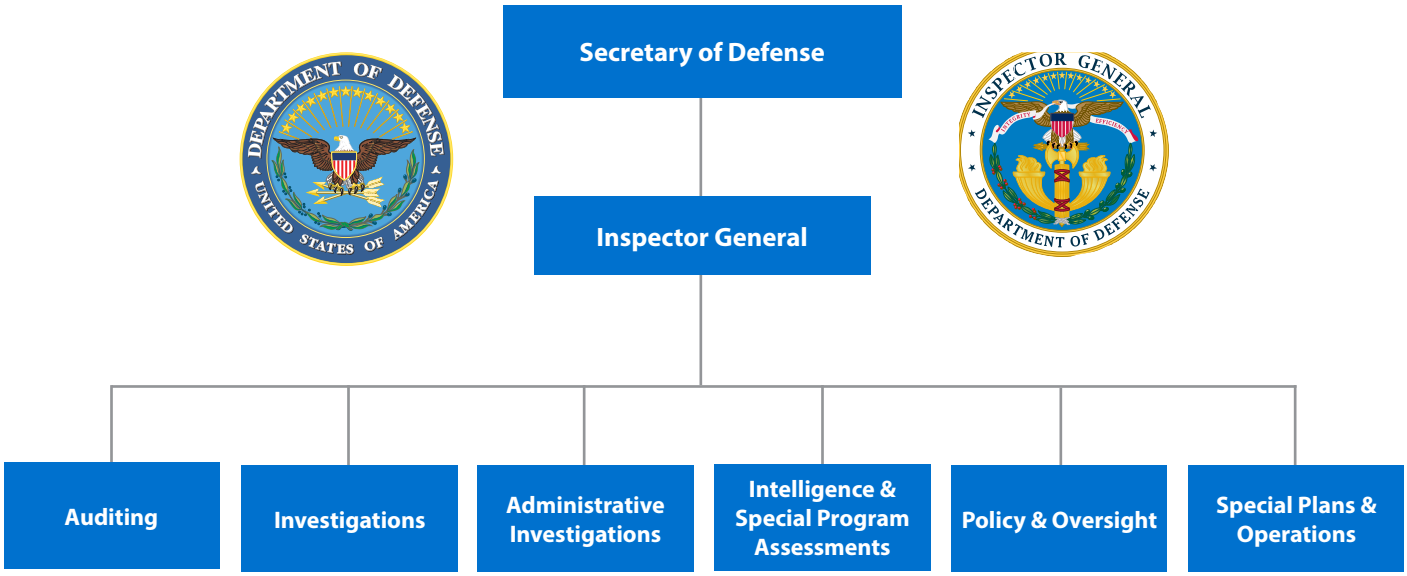
Identify, deter and investigate fraud, waste and abuse.

Goal 3

Engage, enable and empower our people.

Goal 4

Achieve excellence through unity.



Auditing

The Office of the Deputy Inspector General for Auditing conducts audits within all facets of DoD operations. The work results in recommendations for reducing costs; eliminating fraud, waste and abuse of authority; improving performance; strengthening internal controls; and achieving compliance with laws, regulations and policy.

Investigations

The Office of the Deputy Inspector General for Investigations leads the Defense Criminal Investigative Service, which conducts highly relevant, objective, professional investigations of matters critical to DoD property, programs and operations that provide for our national security with emphasis on life, safety and readiness.

Administrative Investigations

The Office of the Deputy Inspector General for Administrative Investigations investigates and oversees investigations of allegations regarding the misconduct of senior DoD officials, both civilian and military; restriction from communicating with an IG or member of Congress; whistleblower reprisal against service members, defense contractor employees and DoD civilian employees (appropriated and nonappropriated fund); and improper command referrals of service members for mental health evaluations.

Intelligence and Special Program Assessments

The Office of the Deputy Inspector General for Intelligence and Special Program Assessments provides oversight (audits, evaluations and inspections) across the full spectrum of programs, policies, procedures and functions of the intelligence, counterintelligence, nuclear and security enterprises and other special programs within DoD.

Policy and Oversight

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for audit and investigative activities, conducts engineering assessments of DoD programs, provides technical advice and support to DoD IG projects, and operates the DoD IG subpoena and contractor disclosure programs.

Special Plans and Operations

The Office of the Deputy Inspector General for Special Plans and Operations provides assessment oversight to facilitate informed decision making by senior civilian and military leaders of DoD and Congress to accomplish priority national security objectives.

OVERVIEW

The Inspector General Act of 1978, as amended, states that the inspector general is responsible for conducting audits, investigations and inspections and for recommending policies and procedures to promote economical, efficient and effective use of agency resources and programs that prevent fraud, waste, abuse and mismanagement. The Act also requires the inspector general to keep the Department and Congress fully and currently informed about problems and deficiencies in the Department's operations and the need for corrective action.

During this reporting period, DoD IG continued directing its resources toward those areas of greatest risk to the Department of Defense. We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations and inspections that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department and information to Congress. We summarize below the work of each component as of Sept. 30, 2013.

Auditing issued 56 reports with 412 recommendations identifying potential cost savings and funds that could be put to better use, ensuring the safety of service members; addressing improvements in DoD operations, financial reporting and accountability; ensuring the Department complied with statutory mandates; and improve existing or identifying new efficiencies. Of those reports, 43 percent addressed acquisition processes and contracting issues; 21 percent addressed financial management issues; 11 percent addressed cyber security issues; 12.5 percent addressed joint warfighting and readiness issues; 5 percent addressed equipping and training Afghan National Security Forces; 3.5 percent addressed health care; and 4 percent addressed base and realignment and closure issues.

Investigations-Defense Criminal Investigative Service opened 310 cases, closed 277 cases and has 1,670 ongoing investigations. Cases resolved in this reporting period primarily addressed criminal allegations of procurement fraud, public corruption, product substitution, illegal transfer of technology and health care fraud.

Administrative Investigations received a total of 1,005 complaints for the second half of FY 2013 and closed a total of 835 complaints. Of the 835 complaints closed, 270 were full investigations. The investigations involved whistleblower reprisal, restriction of service members from contacting an IG or member of Congress, procedurally improper mental health referrals and senior official misconduct.

Intelligence and Special Program Assessments issued seven reports that addressed joint warfighting and readiness in the intelligence enterprise, and issues in the security and nuclear enterprises.

Policy and Oversight issued 10 evaluation reports primarily addressing its oversight of audit and investigative issues in DoD agencies and an evaluation of the F-35 Lightning II program by conducting a series of quality assurance assessments of the Joint Program Office, prime contractor and major subcontractors. Policy and Oversight also issued three Department-wide policies, coordinated 220 existing and proposed DoD directives and instructions, issued 342 IG subpoenas and received 106 contractor disclosures.

Special Plans and Operations issued 10 assessment reports with 118 recommendations that addressed a range of issues, including U.S. and coalition efforts to develop the command, control and coordination system within the Afghan National Army. U.S. and coalition efforts to improve health care conditions and develop sustainable Afghan National Security Forces' medical logistics at the Dawood National Military Hospital in Kabul, Afghanistan, were also reviewed.

PRIORITIES

As a Department-wide priority, the secretary of defense identified the need to improve effectiveness and efficiencies in business operations to sustain mission-essential activities. In support of this focus, DoD IG uses its extensive oversight capabilities to promote economy, efficiency and effectiveness throughout the Department. DoD IG performs audits, investigations and assessments to support the Department's goals to:

- Prevail in today's wars.
- Prevent and deter conflict.
- Prepare to defeat adversaries and succeed in a wide range of contingencies.
- Preserve and enhance the all-volunteer force.
- Reform the business and support functions of the defense enterprise.

We performed audits, inspections and assessments of key programs and operations. We also consulted on a variety of Department initiatives and issues. DoD IG is focusing work efforts on preventing and detecting fraud, waste and abuse and improving efficiency and effectiveness in critical areas for the Department such as:

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Information assurance, security and privacy.
- Health and safety.
- Equipping and training Afghan National Security Forces.

Our investigations resulted in criminal, civil and administrative actions. We report on the following investigative priorities for crimes impacting the Department:

- Procurement fraud.
- Public corruption.
- Product substitution.
- Health care fraud.
- Technology protection.

CORE MISSION AREAS

We issued 83 reports identifying $23.5 billion in potential monetary benefits. We achieved an additional $2.2 billion in financial savings based on management completed corrective actions to reports issued this year and in previous reporting periods. In addition, DCIS investigations were the basis for 111 arrests, 175 criminal charges, 147 criminal convictions, 76 suspensions and 102 debarments, as well as $619.8 million returned to the government.

AUDITS

- Air Force efforts to rapidly develop and field a persistent surveillance capability in response to joint urgent operational needs were unsuccessful. Air Force and Army Corps of Engineers personnel improperly managed the award of contracts for Blue Devil Block 2. The warfighter did not receive an urgently needed capability and Air Force personnel wasted about $149 million on a system the contractor did not complete.
  Report No. DODIG-2013-128
- The Marine Corps overstated, in the DoD FY 2013 President's Budget, the number of CH-53K Heavy Lift Helicopters to procure. The Marine Corps increased the CH-53K procurement quantity by 44 helicopters without adequate justification or support. As a result, the Marine Corps may spend $22.2 billion for additional aircraft that may not be needed to support future Marine Corps requirements.
  Report No. DODIG-2013-084

INVESTIGATIONS

- A joint investigation with Air Force Office of Special Investigations determined that United Technology Corporation violated the Truth in Negotiations Act when they negotiated pricing and submitted claims to DoD for work performed on an Air Force contract. UTC was found liable for more than $473 million in damages and penalties arising from a contract to provide

aircraft engines for the F-15 and F-16 aircraft between 1985 and 1990. UTC's proposed prices for the engine contract misrepresented how UTC calculated those prices, resulting in the government overpaying for the engines by hundreds of millions of dollars. UTC did not disclose historical discounts received from suppliers in the price proposal and knowingly used outdated information that excluded such discounts. Previously, UTC had been found guilty and ordered to pay the U.S. government $7 million for violations of the False Claims Act. On June 17, 2013, UTC was further ordered by an appellate court to pay the government $357 million in damages and penalties for violations of the False Claims Act and an additional $109 million in damages for common law claims.

- A joint investigation with the FBI, Department of Homeland Security-Counter Proliferation Group, and the Department of Commerce disclosed that Seyed Amin Ghorashi Sarvestani, owner of Skylinks FZC, Dubai, attempted to purchase restricted U.S. satellite equipment and transship it to Iran in violation of the International Emergency Economic Powers Act. Previously, Sarvestani was arrested in Virginia. He pleaded guilty to conspiracy to acquire satellite technology and was convicted. On Aug. 14, 2013, Sarvestani was sentenced to 30 months of imprisonment and to pay a $100,000 fine and $54,000 in criminal forfeiture.

Inspections

- DoD IG found, nearly a year after contingency operations ended, that Department of State-directed personnel reductions at U.S. Embassy-Iraq required accelerating transfer of control of DoD-managed equipment fielding site facilities to the Iraqi government. The accelerated transfer will complete the transition of responsibilities for providing logistical and specialized DoD support from DoD to DOS, and integrate the Office of Security Cooperation-Iraq into the U.S. mission. DoD IG summarized how authorities, funding, organizational structures and lines of communication changed when contingency operations ended and the post-contingency operating environment began in Iraq in late 2011. DoD IG projected how these factors may evolve and stressed key conditions that existed when the DoD IG team visited Iraq in late 2012.
  Report No. DODIG-2013-136
- The mission of the Afghan Border Police encompasses paramilitary and counterinsurgency functions in the border security zone and security functions at ports of entry. The Afghan Border Police are located in six zones and the capital region. The regional commands in the east, south and southwest accounted for 92 percent of all enemy-initiated attacks. Given the volatility and enemy activity in these commands, DoD IG found that Afghan Border Police authorizations in equipment, weapons and personnel resources did not align with requirements. As a result, the zones were either over- or under-resourced. Over-resourced zones created the risk for waste or abuse, while under-resourced zones could not meet operational needs.
  Report No. DODIG-2013-081

Policy and Oversight

- DoD IG determined whether the Military Criminal Investigative Organizations completed sexual assault investigations as required by DoD and found that 89 percent of the cases reviewed met investigative standards. Of the cases, 11 percent had significant deficiencies and were returned to the MCIOs for corrective action.
  Report No. DODIG-2013-091
- DoD IG determined that the F-35 Joint Program Office oversight of Lockheed Martin was deficient in several areas, including failing to require subcontractors to meet technical and quality requirements. DoD IG also found that Defense Contract Management Agency oversight of the contractors was ineffective, which if left uncorrected, will continue to result in nonconforming hardware, less reliable aircraft and increased cost.
  Report No. DODIG-2013-140

Administrative Investigations

- AI substantiated that a Naval flag officer relieved an Air Force officer under his command, reassigned the officer to a position not commensurate with his rank and forced the officer to depart his joint tour early in reprisal for allegedly filing a complaint against the flag officer. DoD IG recommended the service secretaries take appropriate remedial and corrective actions.
- AI also substantiated that a defense agency SES misused her position, improperly held a financial interest in a private company owned by a family member and used proprietary information in communications with senior DoD officials. The senior official left government service prior to completion of the investigation.

ENABLING MISSION AREAS

DoD Hotline

The DoD Hotline received 16,615 contacts from the public and members of the DoD community during this reporting period. Of those contacts, 7,014 (43 percent) were telephone calls. Based on these contacts, the hotline opened 1,499 cases and closed 1,050 cases.

Congressional Testimony & Briefings

Section 4(a) of the Inspector General Act requires the Inspector General "to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]" and to make recommendations "concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations." DoD IG provides information to Congress by participating in congressional hearings and briefings.

Hearings

Representatives of DoD IG testified at two hearings during the period. Daniel Blair, the Deputy Inspector General for Auditing testified April 10, 2013, before the House Committee on Oversight and Government Reform. The subject of the hearing was "Contracting to Feed U.S. Troops in Afghanistan: How did the Defense Department End Up in a Multi-Billion Dollar Billing Dispute?" The hearing focused on concerns uncovered during an initial audit of a contract with the prime vendor for food and nonfood products for our warfighters in Afghanistan; actions taken to address the report recommendations; and opportunities to improve contract administration through lessons learned that could be applied to future contracts.

On April 10, 2013, Ambassador Kenneth Moorefield, the deputy inspector general for special plans and operations, testified before the House Committee on Oversight and Government Reform. The subject of the hearing was "U.S. Foreign Assistance: What Oversight Mechanisms are in Place to Ensure Accountability?" The testimony focused on DoD Direct Assistance to Afghanistan and DoD IG oversight efforts in that area.

Meetings with Congressional Members and Staff

During the reporting period, representatives of the Office of the Inspector General had 60 meetings with members of Congress and/or their staffs. Topics of discussion during those meetings include issues such as: a series of audit reports concerning spare parts pricing and inventory issues, an audit of the TRICARE Mail Order Pharmacy program, an assessment of the testing protocols for the Advanced Combat Helmet and an audit of the Navy Commercial Access Control System.

Congressional Requests

The Office of Communications and Congressional Liaison supports the DoD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG public affairs office. From April 1, 2013, through Sept. 30, 2013, Office of Communications and Congressional Liaison received 152 new congressional inquiries and closed 162, including a report required by the Reducing Over-Classification Act, an accountability review of the intelligence community, reviews of reprisal allegations and a review of the release of DoD information to the media.

New inquiries and pending legislation involved issues such a review of allegations involving Joint POW/MIA Accounting Command, an audit of permanent change of station funding and an assessment of the planned testing of the ground-based interceptors program. Office of Communications and Congressional Liaison proactively reaches out to congressional staffers to ensure they are informed about upcoming IG releases and ongoing reviews.

2

Core Mission Areas

AUDITS

The following are highlights of DoD IG audit work during the reporting period. DoD IG performed audits in the following categories:

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Cyber security.
- Health care.
- Equipping and training Afghan Security Forces.
- Nuclear enterprise.

Acquisition Processes & Contract Management

Acquisition and contract management operations are critical core functions to the Department but also present persistent challenges within the Department. For acquisition programs, the Department needs to better balance its limited resources, the capabilities needed for current conflicts and the capabilities needed to prepare for possible future conflicts. Senior leadership has, in recent years, terminated acquisition programs that were underperforming, over budget or of questionable continuing investment. The Department continues to strengthen contracting and has issued policy, procedures and guidance addressing current contracting challenges. The Department continues to struggle to consistently provide effective oversight of its contracting efforts. The Department's continuing contracting deficiencies include obtaining adequate competition in contracts, defining contract requirements, overseeing contract performance, obtaining fair and reasonable prices, and maintaining contract documentation for contract payments.

DoD IG oversight continues to assess Department acquisition processes and contract management. During this reporting period, DoD IG issued several reports highlighting questionable acquisition programs, lack of use of existing spare parts, pricing of spare parts and inadequate oversight of contracting efforts.

Award and Administration of Performance-Based Payments in DoD Contracts

Overview:

The government can provide contract financing for contractors before it accepts the supplies or services. Contract financing is prudent when it can expedite the performance of essential contracts. DoD IG determined whether DoD contracting personnel negotiated and administered performance-based payment schedules in DoD contracts in accordance with selected Federal Acquisition Regulation requirements.

> *"The government could realize potential monetary benefits of $13.6 million to $53.3 million over the next five years related to reduced carrying costs."*

Findings:

DoD contracting personnel needed additional guidance and training to better award and administer the $13.2 billion in performance-based payment events contained in the 60 contracts reviewed. These improvements should reduce DoD's risk of making future payments without measurable contractor performance and help ensure the contractor meets performance criteria before payment. DoD risked making advance payments totaling $11.4 billion and might have made full payments for less than full contract performance. Also, the government could have needlessly incurred $28.8 million in carrying costs associated with the $7.5 billion that DoD paid contractors. The government could realize potential monetary benefits of $13.6 million to $53.3 million over the next five years related to reduced carrying costs. Finally, DoD limited its ability to ensure that it received adequate consideration for authorizing performance based payments.

Result:

The director, Defense Pricing, agreed with the recommendations and will issue guidance to:

- Require contracting personnel request a contractor estimate of expenditures before approving the performance-based payment schedule.
- Develop a training program that includes a discussion on appropriate event descriptions and required elements.

- Update guidance to require contracting personnel to determine whether the contractor could obtain private financing and the amount of contract financing and define what a reasonable level of contractor investment is.

Report No. DODIG-2013-063

Defense Contract Management Agency Santa Ana Quality Assurance Oversight Needs Improvement

Overview:

The Defense Contract Management Agency performs quality assurance services to verify that contractors deliver products on time, at projected cost and meet contract performance requirements. As of June 2012, 46 DCMA contract management offices managed 337,000 active contracts with an obligated value of $1.7 trillion. DCMA Santa Ana, Calif., is a contract management office within the Western Regional Command. At DCMA Santa Ana, about 366 civilian and military employees, with 1,504 active contractors, manage more than 20,337 contracts, valued at $38 billion. DoD IG determined whether DCMA Santa Ana contract management office performed quality assurance procedures and oversight of contractors in accordance with applicable policies for critical safety items.

Findings:

Quality assurance representatives assigned to four contracts for DCMA Santa Ana, valued at about $278 million, did not adequately perform or document their quality assurance surveillance. DCMA Santa Ana officials provided limited assurance that 18,507 critical safety items—consisting of T-11 parachutes, oxygen masks, drone parachutes and breathing apparatuses—met contract requirements.

Result:

DoD IG recommended that DCMA Santa Ana contract management office verify that QA representatives developed adequate QA surveillance plans and performed process reviews and product examinations; certify that the supervisory reviews of QA representatives were accurate, complete and timely; and perform a risk analysis in coordination with service engineers to identify QA risk areas and determine the need to recall or restrict the use of critical safety items previously accepted. DCMA comments were responsive.

Report No. DODIG-2013-069

Use of Defense Logistics Agency Excess Parts for High Mobility Multipurpose Wheeled Vehicle Depot Repairs Will Reduce Costs

Overview:

As of September 2012, the Army operated about 153,000 high mobility multipurpose wheeled vehicles. The U.S. Army 2010 Tactical Wheeled Vehicle Strategy stated that the Army plans to sustain portions of the HMMWV fleet for an additional 20 years through recapitalization and reset repair programs. DoD IG evaluated HMMWV repair parts supply chain management at Red River Army Depot, Texas. Specifically, DoD IG reviewed Defense Logistics Agency inventory levels, DLA annual customer demand and the depot consumption of HMMWV repair parts to determine whether the supply chain was cost-effective.

DoD IG evaluated HMMWV repair parts supply chain management at Red River Army Depot, Texas.

Findings:

DLA Land and Maritime did not cost-effectively manage 118 HMMWV repair parts valued at $11.1 million while purchasing these parts from AM General, LLC for $17.6 million. DLA Land and Maritime officials did not review DLA-owned inventory at key contract decision points to maximize use of its own stock. DoD IG identified $9.7 million of excess inventory that could be used for HMMWV maintenance requirements. Thus, DLA missed an opportunity to improve DoD cash flow by drawing down DLA-owned inventory before using commercial

support. Furthermore, DLA incurred costs to maintain this excess inventory.

Result:

DoD IG recommended that DLA perform periodic inventory reviews of DLA-owned HMMWV repair parts on the Integrated Logistics Partnership contract; develop a drawdown plan for the excess inventory identified and incorporate the plan into the final option year of the Integrated Logistics Partnership contract and any future HMMWV support contracts at Army maintenance depots; and provide all HMMWV repair part consumption data to supply planners.
Report No. DODIG-2013-073

Improvements Needed in U.S. Special Operations Command Global Battlestaff and Program Support Contract Oversight

Overview:

The Global Battlestaff and Program Support contract is an indefinite-delivery, indefinite-quantity contract for services or supplies with a $1.5 billion ceiling covering a three-year base and a two-year option period. The Global Battlestaff and Program Support indefinite-delivery, indefinite-quantity contract was awarded to four prime contractors. DoD IG determined whether U.S. Special Operations Command properly administered task orders awarded under the Global Battlestaff and Program Support contract, valued at approximately $231 million, as of Nov. 16, 2011.

Findings:

USSOCOM officials did not properly administer the Global Battlestaff and Program Support task orders in accordance with federal guidance. Specifically, contracting officers awarded task orders with unclear requirements and without measurable outcomes. In addition, task orders may have included inherently governmental duties and elements of a personal service contract. Further, contracting officers did not adequately support fair and reasonable price determinations for 20 modifications, totaling approximately $38.8 million, or validate that contractors were entitled to approximately $50.9 million paid on Global Battlestaff and Program Support task orders.

Result:

DoD IG made recommendations to include, among others, that USSOCOM implement controls to ensure task orders contain clearly defined performance work statements; comply with federal and DoD regulation controls to verify contracting personnel perform price analysis for modifications over $700,000; and develop procedures for contracting officers or contracting officer representatives to validate contractor payment requests before certifying invoices for payment.
Report No. DODIG-2013-075

TRICARE Management Activity Needs to Improve Oversight of Acquisition Workforce

Overview:

The TRICARE Management Activity is responsible for managing the TRICARE health care program that serves more than 9.7 million active duty service members, National Guard and Reserve members, retirees, their families, survivors and certain former spouses worldwide. In FY 2012, the TMA acquisition budget was $18.8 billion. DoD IG assessed the status of efforts to improve the TMA acquisition program, specifically, whether the TMA acquisition workforce was adequately trained and certified.

Findings:

TRICARE Management Activity acquisition personnel did not have required Defense Acquisition Workforce Improvement Act certifications for their functional areas, accurate position descriptions for their assigned duties or proper training. TRICARE Management Activity officials could not verify and be assured that the right people with the right skills were involved

DoD IG assessed whether the TMA acquisition workforce was adequately trained and certified.

in the acquisition process; leaving the TRICARE Management Activity at an increased risk for fraud, waste and abuse.

Result:

DoD IG recommended that the TMA place additional emphasis on the identification and oversight of the acquisition workforce by establishing quality assurance procedures to ensure identification, assignment, certification and training of the acquisition workforce, and implementation and use of the Contracting Officer Representative Tracking Tool. Additionally, the under secretary of defense for acquisition, technology, and logistics should perform a comprehensive review of TMA's progress on meeting compliance with identification, assignment, certification and training of the acquisition workforce; progress on implementation and use of the Contracting Officer Representative Tracking Tool; and compliance with proper contracting procedures.

Report No. DODIG-2013-078

Increased Procurement Quantity for CH-53K Helicopter Not Justified

Overview:

DoD IG evaluated the CH-53K program documentation used to support the increased procurement quantity from 156 to 200 aircraft for the CH-53K program. This report is the first in a series of reports evaluating Naval Air Systems Command acquisition management of the CH-53K program.

DoD IG evaluated the CH-53K program documentation used to support the increased procurement quantity.

Findings:

The Marine Corps procurement quantity for CH-53K heavy lift helicopters in the DoD FY 2013 president's budget was overstated by as many as 44 aircraft. The Marine Corps could not support the need to procure a total of 200 aircraft because Headquarters Marine Corps Department of Aviation officials:

- Did not follow the Joint Capabilities Integration and Development System Instruction and obtain Joint Requirements Oversight Council approval for the increase.
- Did not have requirement studies prepared to determine a procurement quantity in consideration of program affordability.
- Incorrectly relied on a 2008 memorandum from the deputy commandant for aviation directing the increase of the procurement quantity to 200 aircraft, without support.
- Incorrectly used the 2010-2011 Force Structure Review's war-gaming scenarios as justification for the quantity increase.
- Did not justify or appropriately consider the impact of the Marine Corps personnel reductions effect on heavy lift quantity requirements.

The Marine Corps risks spending $22.2 billion in procurement, operating and support funding for 44 additional aircraft that have not been justified and may not be needed to support future Marine Corps mission requirements.

Result:

DoD IG recommended the Marine Corps deputy commandant for aviation perform an analysis to determine the number of CH-53K aircraft needed, conduct an affordability assessment and obtain Joint Requirements Oversight Council approval of the CH-53K quantity before the low-rate initial production decision planned in February 2016.

Report No. DODIG-2013-084

The Navy P-8A Poseidon Aircraft Needs Additional Critical Testing Before the Full-Rate Production Decision

Overview:

The overall expected cost for developing and procuring the P-8A Poseidon is $33.5 billion. DoD IG evaluated whether the Navy addressed potential risks and increased its flight hours to fully assess system reliability as the director, operational test and evaluation, advised at the low-rate initial production decision in August 2010.

DoD IG evaluated whether the Navy addressed risks to the P-8A Poseidon aircraft before the full-rate production.

Findings:

The program manager for Maritime Surveillance Aircraft effectively addressed the potential risks and flight hour concerns of the director, operational test and evaluation, at the low-rate initial production. However, additional critical testing should be completed before the full-rate production decision. The program manager planned the full-rate production decision review to occur in July 2013 before testers complete testing needed to demonstrate that the P-8A Poseidon airframe can meet life expectancy requirements. The program manager delayed life expectancy testing in reaction to funding constraints and testing priorities. The program manager also did not correct known system deficiencies, about which the director, operational test and evaluation, and Joint Interoperability Test Command officials had expressed concern, before conducting initial operational test and evaluation. The chief of naval operations accepted the risk of granting the program manager temporary waivers from correcting the deficiencies to allow the program to enter into initial operational test and evaluation, while not having to fully correct the deficiencies until after the full-rate production decision. Finally, the program manager deferred completing mission testing in response to fleet commander concerns regarding maintaining on-time delivery of the P-8A Poseidon aircraft. A decision by the under secretary of defense for acquisition, technology, and logistics to acquire the first full-rate production lot of 13 P-8A Poseidon aircraft (at an estimated cost of $2.6 billion) based on incomplete test results and could result in costly retrofits to meet lifespan, mission and system performance requirements.

Result:

DoD IG recommended that the under secretary of defense for acquisition, technology, and logistics award an additional low-rate initial production lot for the P-8A Poseidon aircraft in July 2013 and defer the full-rate production decision for the P-8A Poseidon program until the program manager for Maritime Surveillance Aircraft demonstrates (1) the airframe can achieve the required 25-year lifespan without succumbing to structural fatigue; (2) testing has resolved mission limited deficiencies; and (3) the aircraft can perform its primary missions, including antisurface warfare.

Report No. DODIG-2013-088

Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company

Overview:

DoD IG determined whether Defense Logistics Agency Aviation obtained best value and purchased sole-source spare parts at fair and reasonable prices from The Boeing Company. DoD IG reviewed contract actions associated with two contracts and, specifically, costs for 60 spare parts on 2,659 delivery orders, valued at about $81.1 million, to determine if DLA Aviation received fair and reasonable prices.

Findings:

DLA Aviation contracting officers did not negotiate fair and reasonable prices on 1,469 delivery orders, valued at $27.2 million, thereby, not getting best value for the government. Pricing problems occurred because DLA Aviation contracting officers did not conduct a fair and reasonable price analysis. In addition, DLA Aviation guidance did not require contracting officers to:

- Obtain and review contractor purchase order histories when determining fair and reasonable prices.
- Complete a subsequent review of pricing for spare parts, after the parts were initially placed on long-term contracts, as allowed by the contract.

DoD IG determined whether DLA Aviation purchased spare parts at fair and reasonable prices for equipment, such as the deceleration parachute for the B-52.

Furthermore, Boeing did not maintain complete cost and pricing data for 20 delivery orders, valued at $3.4 million, because contracting officers did not conduct adequate contract oversight.

DLA Aviation paid approximately $13.7 million in excess of fair and reasonable prices for 1,469 delivery orders. DLA Aviation also may have made payments in excess of the fair and reasonable price for an additional 20 delivery orders. If prices are not corrected, DLA Aviation will continue to overpay on future sole-source spare parts procured from Boeing on the two contracts.

Result:

DoD IG recommended DLA implement available options to recover from Boeing the overpayment of approximately $13.7 million. Additionally, DLA needed to (1) renegotiate prices for overpaid parts; (2) revise "DLA Aviation acquisition procedures" to require contracting officers to obtain and review contractor purchase-order histories when determining fair and reasonable prices for sole-source acquisitions and complete periodic reviews of the contractor's cost basis for spare parts purchased multiple times on a long-term contract; and (3) conduct periodic evaluations of contract files for long-term contracts to verify that the contractor maintained contract data.

Report No. DODIG-2013-090

Improvements Needed in the Oversight of the Medical Support Services and Award-Fee Process Under the Camp As Sayliyah, Qatar, Base Operation Support Services Contract

Overview:

The Camp As Sayliyah Installation Base Operations Support Services contract is a combination cost-plus-award-fee and firm-fixed-price contract awarded by U.S. Army Contracting Command–Rock Island, March 11, 2010. The contract is valued at $143.4 million over a one-year base period of performance and four option periods. The contract performance work statement requires the contractor to provide installation support services at Camp As Sayliyah, Qatar, to include medical services. DoD IG determined whether DoD officials were properly administering the Camp As Sayliyah Base Operations Support Services contract, valued at $143.4 million.

Findings:

DoD officials did not effectively administer the medical services functional area and award-fee process of the Camp As Sayliyah Base Operations Support Services contract. In addition, contracting officials did not verify that contracted physician assistants were medically supervised and erroneously allowed the Area Support Group–Qatar command surgeon to supervise contractor physician assistants under a nonpersonal services contract. Army officials also did not adequately document and justify an award fee of approximately $1.5 million paid to the contractor. The contractor received the award fees even though required critical positions were unfilled.

Result:

Among other recommendations, DoD IG recommended the U.S. Army Medical Command, revise guidance and the Landstuhl Regional Medical Center, Germany, establish procedures in line with the guidance. DoD IG also recommended the Army Contracting Command require the contractor to provide a medical health services manager, who is a medical doctor, to supervise the professional aspects of physician assistants' duties and that the Defense Contract Management Agency provide clear instructions and training regarding award-fee plans and evaluations.

Report No. DODIG-2013-097

Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan Improved, but Additional Actions are Needed

Overview:

Supreme Foodservice GmbH was awarded a 60-month prime vendor contract, starting December 2005. This was a fixed-price, indefinite-quantity contract and was initially valued at approximately $726.2 million. At the time the contract was awarded, the prime vendor was required to provide food and nonfood distribution support to four activities in Afghanistan—Bagram, Kabul, Salerno and Kandahar. This follow-up audit determined whether Defense Logistics Agency implemented corrective actions to address the problems and risk areas identified in DoD IG Report No. D-2011-047.

Findings:

DLA implemented corrective actions to address some of the problems and risk areas identified in the previous DoD IG report. However, additional actions were still needed for fair and reasonable pricing determinations: recovery, and refunds of overpayments; and reviews for costs charged to an incorrect appropriation. As a result, DLA may have paid excessive costs for containers and airlifts of fresh fruits and vegetables and may not collect up to $282 million in potential premium transportation overpayments. Furthermore, there is an increased risk for potential Antideficiency Act violations from costs charged to incorrect appropriations.

Result:

DoD IG recommended the DLA implement corrective actions to address all open recommendations in audit report no. D-2011-047, develop a time-phased plan with measurable goals and metrics regarding implementing the open recommendations, and educate contracting officers to maintain all supporting documentation used in fair and reasonable determinations. In April 2013, DoD IG testified before the Subcommittee on National Security, Committee on Oversight and Government Reform about this matter. DLA has been collecting offset payments but ongoing litigation has impacted DoD IG's ability to validate the accuracy of data supporting DLA's determination that the contractor had been overpaid approximately $756 million.

Report No. DODIG-2013-100

Boeing Overstated Contract Requirements for the CH-47F Helicopter

Overview:

DoD IG determined whether Army Aviation and Missile Life Cycle Management Command and The Boeing Company were fully complying with DoD policy and guidance for the analysis of subcontractors' pricing proposals and whether the analyses was effective in the negotiation of prime contracts.

Findings:

AMCOM and Boeing generally complied with federal and DoD guidance for analyzing subcontractor pricing proposals. However, AMCOM did not review the $67.5 million of proposed safety stock (new parts that may or may not be used). In addition, Boeing installed significantly more reworked or salvaged parts instead of the proposed safety stock for remanufactured helicopters. Therefore, Boeing overstated contract requirements by $15.1 million for 21 high-dollar parts. Boeing also overstated requirements for 17 parts valued at $35.1 million that would result in overcharges ranging from $7.4 million to $16.6 million. As a result of this audit, AMCOM performed an analysis of Boeing's multiyear II contract proposal and calculated $36.8 million in funds that could be put to better use by reducing safety stock costs. The multiyear II contract also had potential requirement overcharges for eight parts valued at $51.7 million that would result in overcharges ranging from $10.6

Boeing overstated contract requirements for the CH-47F helicopter.

million to $19.1 million. AMCOM officials reviewed these eight parts on the multiyear II contract, and Boeing adjusted the requirements. Additionally, Army and Boeing could not accurately value the CH-47F government-furnished property stored at New Breed Logistics, Tenn. The Army's reliance on and the unreliability of the government online data system increases the risk of improper inventory management and valuation.

Result:

DoD IG recommended that the executive director, Army Contracting Command-Redstone Arsenal, Ala., instruct the contracting officer for the CH-47F multi-year II contract to require Boeing to clearly identify contingencies costs and establish a separate line item in the contract for safety stock. Additionally, DoD IG recommended the commander, AMCOM, to properly value, manage and use CH-47F government-furnished property at New Breed Logistics through an Army inventory management system.

Report No. DODIG-2013-103

DoD Oversight Improvements Are Needed on the Contractor Accounting System for the Army's Cost-Reimbursable Stryker Logistics Support Contract

Overview:

DoD IG evaluated the effectiveness of the contractor logistics support strategy for the Stryker family of vehicles.

Findings:

The U.S. Army and the Defense Contract Management Agency did not identify contractor accounting system weaknesses on the Stryker cost-reimbursable contract, valued at $1.6 billion. The U.S. Army was potentially billed for as much as $866.1 million in reimbursable costs that were charged to the incorrect contract line items and fiscal appropriation. Program Management Office Stryker risked potentially violating the Antideficiency Act by paying the misapplied charges. Further, as of February 2013, PMO Stryker paid approximately $1.5 billion on the Stryker contracted logistic support contract without verifying that General Dynamics Land Systems Canada's portion of the reimbursable costs was accurate.

Result:

Among other recommendations, the director, Defense Procurement and Acquisition Policy should continue to negotiate an agreement between the U.S. and

DoD IG evaluated the effectiveness of the contractor logistics support strategy for the Stryker family of vehicles.

Canadian governments that allows Public Works and Government Services Canada to perform audit support services that comply with applicable U.S. fiscal laws and accounting standards on U.S. contracts with Canadian companies. Additionally, DCMA should request that Public Works and Government Services Canada review the General Dynamics Land Systems Canada accounting system for adequacy by verifying that actual costs are tracked to the appropriate project tasks and billed to the proper appropriation. Further, PMO Stryker, with support from the U.S. Army Contracting Command, should report any potential Antideficiency Act violations to the U.S. assistant secretary of the Army (financial management and comptroller).

Report No. DODIG-2013-104

Defense Advanced Research Projects Agency Properly Awarded Contracts for Disc-Rotor Research and Development

Overview:

This audit was in response to a congressional request for DoD IG to investigate a constituent's complaint concerning an improper contract award for disc-rotor technology. DoD IG determined whether Defense Advanced Research Projects Agency personnel complied with federal laws and DoD guidance when awarding contracts to The Boeing Company for disc-rotor technology research and development.

Findings

Defense Advanced Research Projects Agency personnel followed federal and DoD acquisition regulations when awarding two contracts for the research and development of disc-rotor technology to Boeing. Also, DARPA personnel followed proper procedures in addressing the complainant's white paper topic submissions, proposals and letters. Therefore, the complainant's allegations were not substantiated. DoD IG did not make a determination on the allegation that DARPA personnel improperly awarded contracts to Boeing that infringed on the complainant's patents for disc-rotor blade technology. Defense Federal Acquisition Regulation Supplement Part 227 provides private parties with a process for filing administrative claims for patent infringement against DoD components.

Result:

No recommendations were issued with this report.

Report No. DODIG-2013-106

The Navy's Management of Software Licenses Needs Improvement

Overview:

DoD IG determined whether the Department of the Navy effectively managed software licenses. Specifically, DoD IG determined whether the Navy included appropriate clauses in software license contracts. DoD IG reviewed one Enterprise Licensing Agreement, 13 non-ELAs and the associated End User License Agreements to determine if the contracts included desirable language in accordance with the DoD Enterprise Software Initiative approved software licensing training.

Findings:

The Navy made progress in its management of software licensing by issuing an ELA for Microsoft, which included best practice language for the acquisition of software licenses. However, the 13 non-ELA software contracts reviewed did not include desired best practice language. The Navy increased the potential of wasteful spending, disruption of government operations and vulnerability to lawsuits, claims and penalties.

Result:

Among others, DoD IG recommended that the assistant secretary of the Navy (research, development, and acquisition) require all DON contracting personnel who prepare and issue software license contracts to take specialized training about using appropriate language in software acquisition contracts.

Report No. DODIG-2013-115

Army Needs Better Processes to Justify and Manage Cost-Reimbursement Contracts

Overview:

DoD IG conducted this audit in accordance with the FY 2009 National Defense Authorization Act, section 864, Regulations on the Use of Cost Reimbursement Contracts. DoD IG determined (1) whether the Army complied with interim Federal Acquisition Regulation revisions on the use of cost-reimbursement contracts by documenting that approval for the cost-reimbursement contract was at least one level above the contracting officer; (2) that cost-reimbursement contracts were justified; (3) how the requirements under contract could transition to firm-fixed-price in the future; (4) that government resources were available to monitor the cost-reimbursement contract; and (5) that contractors had an adequate accounting system in place during the entire contract.

> *"...Army contracting personnel did not consistently implement the interim rule for 107 contracts, valued at about $10.5 billion."*

Findings:

Of the 161 contracts reviewed, valued at about $53.3 billion, Army contracting personnel did not consistently implement the interim rule for 107 contracts, valued at about $10.5 billion. Contracting personnel issued contracts that did not follow the interim rule because they were unaware of the rule. Contracting personnel may increase the contracting risk because cost-reimbursement contracts provide less incentive for contractors to control costs. DoD IG identified internal control weaknesses for implementing the interim rule changes regarding the use of cost-reimbursement contracts.

Result:

Among various recommendations, DoD IG recommended management formalize interim guidance, develop better communications and transition to firm-fixed-price contracts when possible. Management concurred with all recommendations

Report No. DODIG-2013-120

Improvements Needed at the Defense Advanced Research Projects Agency When Evaluating Broad Agency Announcement Proposals

Overview:

DoD IG determined whether the Defense Advanced Research Projects Agency properly awarded contracts from broad agency announcements. Specifically, DoD IG reviewed contracts awarded and funded by DARPA from DARPA broad agency announcements published in March 2011 through Sept. 30, 2012.

Findings:

Of the 36 contracts reviewed, valued at about $426.4 million, DARPA personnel did not consistently adhere to scientific review process and Federal Acquisition Regulation requirements before awarding contracts from broad agency announcements for 35 contracts, valued at about $424.6 million. DARPA may not be able to justify that technical office personnel adequately substantiated proposal selections and increased contracting risks when issuing cost-reimbursement contracts.

Result:

DoD IG recommended that DARPA establish controls to verify scientific review process documentation is adequate as well as reemphasize internal requirements for approval of funding documentation, requirements within the cost-reimbursement interim rule, and the Federal Acquisition Regulation requirement to appropriately complete the determination of the adequacy of the contractor's accounting system.

Report No. DODIG-2013-126

Air Force and Army Corps of Engineers Improperly Managed the Award of Contracts for the Blue Devil Block 2 Persistent Surveillance System

Overview:

The Blue Devil Block 2 was an Air Force Intelligence, Surveillance, and Reconnaissance initiative to provide persistent surveillance by attaching an integrated multiintelligence sensor platform to an airship. DoD IG determined whether Army Corps of Engineers and Air Force personnel properly awarded and administered contracts for the acquisition of the Blue Devil Block 2 surveillance system.

DoD IG determined whether Air Force and USACE properly managed the contracts for Blue Devil Block 2.

Findings:

Air Force and Army Corps of Engineers personnel improperly managed the award of contracts for Blue Devil Block 2. Air Force personnel improperly offloaded the award of the initial Blue Devil Block 2 contract to the Army Corps of Engineers instead of using Air Force program and contracting personnel. In addition, contracting personnel awarded the second Blue Devil Block 2 contract to develop and field Blue Devil Block 2 in an unachievable time frame. As a result, the warfighter did not receive an urgently needed capability and Air Force personnel wasted about $149 million on a system the contractor did not complete.

Result:

Among the recommendations, DoD IG recommended the Air Force determine whether Air Force Intelligence, Surveillance, and Reconnaissance should be assigned a program or contracting office for quick reaction capability development and field of Intelligence, Surveillance, and Reconnaissance initiatives. Additionally, the Air Force should only use the capabilities of the 645th Aeronautical Systems Group for systems appropriate for quick reaction contracting that can be accomplished in an achievable time frame.

Report No. DODIG-2013-128

Army Requirement to Acquire Individual Carbine Not Justified

Overview:

The Individual Carbine program is an Acquisition Category II major system program that entered the engineering and manufacturing development phase of the acquisition process in April 2011. The program was designated as an Army Acquisition Executive special interest program and placed on the Office of the Secretary of Defense, Director of Operation Test and Evaluation oversight list. As of May 2013, the Army had spent about $14 million in research, development, test and evaluation funds. The Army plans to spend an additional $2.5 billion to acquire, operate and support 501,289 carbines over a 20-year life cycle. DoD IG determined whether the Army justified its competition to acquire a new carbine weapon and whether the Army was implementing an effective acquisition strategy.

Findings:

The Army did not justify the need for a new carbine and, as a result, wasted about $14 million on a competition to identify a source to supply new carbines it does not need. In addition, the Army plans to spend $2.5 billion over a 20-year life cycle to procure and maintain 501,289 carbines that the Army's own analysis states can be delayed for another 10 years with no impact to readiness. During the audit, DoD IG identified potential monetary benefits of $2.5 billion, $382 million of funds to put to better use and $2.1 billion in cost avoidance after FY 2018 if the program is terminated.

Result:

DoD IG recommended that the Army terminate the Individual Carbine competition and eliminate funding the Individual Carbine program. Also, the Army should validate the quantity of M4 carbines needed and hold a competition if additional carbines are determined to be needed. Furthermore, Army should reprogram the $382 million in procurement and research, development, test and evaluation funding currently allocated to acquire carbines across the FY 2013 to FY 2018 Future Years Defense Program, adjusted by validated M4 carbines needed. Management actions met the intent of the recommendations.

Report No. DODIG-2013-131

DoD IG determined whether the Army justified its competition to acquire a new carbine weapon.

Financial Management

Although the Department is far from reaching an unqualified opinion on its financial statements, it has made progress. DoD senior leadership has placed an increased emphasis on achieving this goal. DoD IG believes the increased emphasis is essential to the Department's ability to meet its internal milestones, as well as the 2014 and 2017 audit readiness mandates. The Department continues to make progress toward meeting the 2014 audit readiness goal of the statement of budgetary resources; however, it is still uncertain whether the Department will meet the 2014 goal.

DoD IG oversight is continuing to focus on the Department's audit readiness effort to include examinations of existence, completeness and rights of the critical assets and development and implementation of the enterprise resource planning systems. During this reporting period, DoD IG issued a report on the examination of Army's assertion for existence and completeness of operating materials and supplies quick win assets. DoD IG also issued several reports addressing the Department's efforts to develop and implement enterprise resource planning systems identifying improvements to ensure the systems will report timely and reliable financial information. Other oversight focused on the Department's efforts to prevent improper payments and the proper reporting when they do occur.

Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements

Overview:

DoD developed the Defense Agencies Initiative as a single enterprise resource planning system for 28 DoD agencies. DAI's primary objective

> *"The DAI program management office spent $193 million to develop and deploy DAI from FY 2007 through May 2012 and estimated the total cost at completion for DAI to be $426.8 million through FY 2016."*

is to achieve an auditable, Chief Financial Officers Act-compliant system environment that facilitates accurate and timely financial data. The DAI program management office spent $193 million to develop and deploy DAI from FY 2007 through May 2012 and estimated the total cost at completion for DAI to be $426.8 million through FY 2016. DoD IG determined whether the DAI fulfilled selected functional capabilities needed to generate accurate and reliable financial data and reported data in compliance with U.S. Standard General Ledger requirements.

Findings:

The Defense Agencies Initiative program management office did not ensure the DAI system fulfilled the functional capabilities needed to generate reliable financial data. The DAI program management officer did not have procedures and periodic reviews to ensure proper implementation of reporting attributes, Standard Financial Information Structure Transaction Library posting logic and the DoD standard chart of account codes before deploying DAI. The Defense Agencies Initiative could not generate all the financial data necessary to prepare financial statements.

Result:

DoD IG recommended that DoD officials configure DAI with all U.S. Standard General Ledger reporting attributes, establish controls over manual vouchers, develop complete system documentation and annually certify that DAI complies with the U.S. Standard General Ledger and Standard Financial Information Structure. DoD officials should revise the DoD Financial Management Regulation to require core financial systems to include all the accounts in the DoD Standard Chart of Accounts and require DoD to accumulate and report major program costs by program instead of appropriations.

Report No. DODIG-2013-070

Navy Did Not Develop Processes in the Navy Enterprise Resource Planning System to Account for Military Equipment Assets

Overview:

The Department of the Navy acknowledged seven material weaknesses related to the Navy's business processes and systems that prevent the Navy from producing auditable financial statements. These material weaknesses exist, in part, because the Navy did not design its legacy accounting systems to maintain auditable data at the transaction level to support the amounts reported on its financial statements. DoD IG determined whether the amounts reported in the Defense Departmental Reporting System were supported by business processes in the Navy Enterprise Resource Planning system for the aircraft, shipbuilding and weapons procurement appropriations.

Findings:

Department of Navy Office of Financial Operations personnel did not use the Navy Enterprise Resource Planning system to support $416 billion in military equipment assets reported out of the Defense Departmental Reporting System-Audited Financial Statements. As a result, Navy officials spent $870 million to implement the Navy Enterprise Resource Planning system and still did not correct the pre-existing military equipment material weakness.

Result:

DoD IG recommended that the Navy re-engineer the business process used to record military equipment and correct the existing material weakness in military equipment valuation and implement processes in the Navy Enterprise Resource Planning system to properly record and support military equipment assets. Further, DoD IG recommended that the Navy develop a business process re-engineering plan that accounts for military equipment assets and considers the Navy Enterprise Resource Planning system as one of the possible solutions.

Report No. DODIG-2013-105

Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Process

Overview:

The Army developed the General Fund Enterprise Business System to be a Web-enabled financial, asset and accounting management

system. On July 1, 2012, the Army completed the final planned deployment of GFEBS with more than 53,000 users at 227 locations in 71 countries. DoD IG determined whether the Army had adequate controls over recording accounting transactions within the acquire-to-retire business process through GFEBS and whether the Army had verifiable audit trails to support these transactions.

Findings:

The Army's inadequate controls over the recording of accounting transactions for the acquire-to-retire business process in GFEBS contributed to more than $100 billion of journal voucher adjustments during FY 2012. The Army will continue using inefficient legacy business processes and diminish the estimated benefits associated with business system modernization. Although the Army has spent $814 million on GFEBS, it did not provide Army decision makers with relevant and reliable financial information for real property, and it is unable to identify the cost to correct the unreliable real property information. In addition, the Army is at increased risk of not accomplishing the FY 2017 audit readiness goal.

Result:

DoD IG recommended Army officials create working groups to implement necessary functionality in GFEBS for Army real property management; develop standardized procedures and controls that leverage all GFEBS capabilities; provide job-specific training; review all real property data, including land, in GFEBS for accuracy; develop integrated processes for recording construction costs; and develop procedures for converting fixed assets.

Report No. DODIG-2013-130

DoD IG recommended Army officials create working groups to implement GFEBS functionality necessary for Army real property management.

Enhanced Oversight Needed for Nontactical Vehicle Fleets in the National Capital Region

Overview:

Presidential Memorandum—Federal Fleet Performance, May 24, 2011, emphasizes as a priority that government vehicle motor pools be reduced to a level that will ensure agencies can meet their mission in the most efficient way possible. Each agency is responsible for its fleet management process, which includes determining the vehicle needs of the organization; acquiring vehicles; using these vehicles; and implementing appropriate controls to ensure effective fleet management and disposition of vehicles after use. DoD IG determined whether various DoD organizations had controls in place to accurately assess their requirements for nontactical vehicles in the National Capital Region.

Findings:

The Navy, Defense Logistics Agency, Pentagon Force Protection Agency and Washington Headquarters Services had 511 excess nontactical vehicles, with annual base lease costs of $1.2 million. Eliminating the excess vehicles in their fleet would save $7.2 million over the next six years. Further, DLA's Fort Belvoir fleet manager used a government purchase card to pay $57,000 for the DLA director's leased vehicle, rental cars and taxis without valid contracts in place. Thus, unauthorized commitments of funds occurred and DLA might not have received the best value for rental cars.

Result:

DoD IG made recommendations to the various DoD organizations to eliminate or justify excess vehicles, perform annual mileage reviews of vehicles and establish daily logs. DoD IG also recommended that the director, DLA needed to initiate action to review unauthorized commitments and begin ratification actions in accordance with the Federal Acquisition Regulation and Defense Logistics Agency Directive.

Report No. DODIG-2013-117

The Audit Opinion of the DISA FY 2011 Working Capital Fund Financial Statements Was Not Adequately Supported

Overview:

In 2006, DoD IG issued policy instructing all other defense organizations to execute contracts with independent public accounting firms for the audit of financial statements through the

Inspector's General Chief Financial Officer Multiple Award Contract. The purpose of the policy was to ensure that DoD IG would maintain oversight of the financial statement audits of other defense organizations. In 2010, DoD IG issued policy establishing that DoD IG will conduct post audit reviews on a sample of the DoD entities financial statement audits for which DoD IG did not provide oversight. DoD IG determined the adequacy of Acuity Consulting, Inc.'s auditing procedures for the Defense Information Systems Agency FY 2011 Working Capital Fund Financial Statements.

Findings:

Acuity Consulting, Inc.'s auditing procedures on the DISA FY 2011 Working Capital Fund Financial Statements were inadequate. In addition, the director, Procurement and Logistics Directorate, DISA, prohibited the contracting officer representative from completing key duties required to provide oversight of Acuity's work. Acuity did not have sufficient evidence to issue an unqualified opinion on the DISA FY 2011 Working Capital Fund Financial Statements.

Result:

DoD IG recommended DISA should ensure that individuals performing contract oversight of financial statement audits are qualified DISA employees and seek a refund from Acuity. Acuity Consulting, Inc. should withdraw their opinion and review the planned work on future audits to gather sufficient evidence to support their opinion.

Report No.DODIG-2013-071

The Navy Commercial Bill Pay Office, in Naples, Italy, Needs to Identify and Report Improper Payments

Overview:

The Department of the Navy established the Commercial Bill Pay Offices in FY 1996 to streamline fiscal responsibility and functions. The Naples CBPO provides disbursing support for contract payments for Navy Region Europe, Africa and Southwest Asia. The Naples CBPO processes approximately 80 percent of its payment transactions through One Pay. One Pay was designed to create payment entitlements in accordance with the Prompt Pay Act, recognize and manage applicable discounts or deductions, and compute and apply interest when necessary. From July 1, 2011, through June 30, 2012, Naples CBPO processed 18,688 payments, valued at approximately $712.7 million. DoD IG determined whether improper payments processed through the One Pay system at Navy activities were identified and reported.

> *"From a nonstatistical review of 25 payments valued at $2.5 million, DoD IG identified five improper payments, valued at $158,602 that the Naples CBPO neither identified nor reported."*

Findings:

The Naples Commercial Bill Pay Office did not comply with the requirements of the Improper Payments Elimination and Recovery Act and the implementing DoD regulations. The Naples CBPO did not perform reviews to identify and report improper payments from the 18,688 payments. The Navy and DoD understated the amount of improper payments reported. From a nonstatistical review of 25 payments valued at $2.5 million, DoD IG identified five improper payments, valued at $158,602 that the Naples CBPO neither identified nor reported.

Result:

DoD IG recommended that the Navy update guidance to clarify responsibility for processing payments in One Pay and develop procedures for improper payment identification and reporting.

Report No. DODIG-2013-077

Efforts to Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Needed Improvement

Overview:

DoD processed more than 1.3 million invoices and paid $3.5 billion from July 2010 to March 2012 to ship household goods for DoD military and civilian employees who relocated to and from DoD installations worldwide. DoD IG determined whether the Department's efforts to minimize, identify, report and recover improper payments on the shipment of household goods were sufficient, effective and in compliance with applicable laws and regulations.

Findings:

DoD IG determined that General Services Administration post-payment audits identified more than 16,000 invoices with potential overpayments

that DoD had not detected. The Surface Deployment and Distribution Command and the Defense Finance and Accounting Services did not obtain information from GSA that could assist in identifying and preventing the improper payments. As a result, DoD lost the use of $4.6 million of overpayments and DFAS underreported the number of improper payments. DoD IG also determined that DFAS identified 142,636 processed line items that had accounting errors related to shipments of household goods, resulting in $13 million of costs that could be saved over a five-year period.

Result:

DoD IG recommended the Surface Deployment and Distribution Command use GSA data to improve compliance and implement automated controls over the input of household goods information. Additionally, DoD IG recommended DFAS report improper payment information in accordance with guidance. Management generally agreed with the recommendations.

Report No. DODIG-2013-083

Fuel Exchange Agreements Reconciliations Are Effective, but the Joint Reconciliation Process Needs Improvement

Overview:

International agreements include fuel exchange agreements and fuel support agreements entered into between Defense Logistics Agency Energy and foreign governments that bind both parties to the terms and conditions established for all types of fuel-related supplies and services. DLA Energy, as delegated by the DoD through DLA, has overall responsibility for negotiating, concluding and amending international agreements. International agreements are a critical control for the worldwide fuel network required to support the DoD and other agencies. DoD IG determined whether the management and oversight of the Defense Logistics Agency Energy's international fuel support agreements were effective.

Findings:

DLA Finance Energy's reconciliation process was generally effective for 11 fuel exchange agreements reviewed. However, DLA Finance Energy's process for reconciling the Italian air force fuel exchange agreement jointly with the Northern Italian Pipeline system fuel support agreement did not comply with established guidance on reciprocal pricing. As a result of this reconciliation process, DLA Finance Energy over-calculated the amount of aviation fuel required to settle the Northern Italian Pipeline System fuel support agreement by approximately 3.4 million gallons of aviation fuel, valued at approximately $10.8 million for 2006 through 2010.

Result:

DoD IG recommended DLA revise the annual joint reconciliation process to deduct the monetary value of the Italian Air Force fuel exchange agreement balance, calculated at standard price, from the dollar value of the Northern Italian Pipeline System fuel support agreement bill, document the process that complies with the reciprocal pricing laws and initiate actions to recover overcompensation from the annual joint reconciliations.

Report No. DODIG-2013-101

Joint Warfighting and Readiness

The Department is making progress in addressing the many difficulties in the drawdown in Afghanistan, resetting equipment and ensuring the long-term viability of the all-volunteer force. However, the Department must also be ready to address fiscal challenges, starting with sequestration. There are already reductions in spending for available training hours and needed maintenance and reset needs. These continuing challenges will impact DoD's Joint Warfighting and Readiness efforts for the foreseeable future. As such, DoD IG oversight will continue to focus on these important issues concerning warfighter capabilities and readiness. During this reporting period DoD IG oversight of Department's Joint Warfighting and Readiness efforts included classified reports addressing efficiency improvements with the munitions requirements process, transportation planning for retrograde operations and military support operations with civil-military operations in the Horn of Africa. DoD IG also reported on communication capabilities during domestic emergencies and accountability of aircraft.

Improved Oversight of Communications Capabilities Preparedness Needed for Domestic Emergencies

Overview:

DoD provides Defense Support of Civil Authorities through active military forces (primarily under the command and control of the U.S. Northern Command), DoD Component assets and National Guard units, when requested by civil authorities or by qualifying entities, or when directed by the President or approved by the appropriate DoD officials. Army National Guard and Air National Guard units (primarily under the command and control of the governor) are the first military responders on-site when a domestic emergency occurs. DoD IG determined whether DoD communications equipment was available, maintained, staffed and ready for use to ensure interoperability during a domestic emergency.

Findings:

National Guard Bureau officials did not always ensure that DoD communications equipment was available, maintained, staffed or ready for use during a domestic emergency. DoD may experience reduced communications during domestic emergencies, which may adversely affect rescue and relief efforts and increase the risk of physical and economic damages and human casualties.

Result:

DoD IG recommended that the National Guard Bureau establish oversight procedures, including performance metrics, to verify that National Guard units resolve, repair and troubleshoot actions for the Joint Incident Site Communications Capability system in a timely manner. National Guard officials agreed with recommendations.

Report No. DODIG-2013-102

Better Oversight and Accountability Needed for the U.S. Army Special Operations Command C-12 Aircraft

Overview:

In August 2000, the Army transferred a C-12 Operational Support Airlift aircraft to U.S. Special Operations Command. The C-12 aircraft was to be used by the U.S. Army Special Operations Command for administrative travel of senior officials. DoD IG conducted the audit in response to a referral from the U.S. Army Office of the Inspector General.

DoD IG determined whether DoD had adequate oversight and accountability of the C-12 aircraft.

DoD IG determined whether U.S. Army Special Operations Command officials were complying with applicable federal and DoD guidance when justifying the use of military airlift aircraft and whether DoD had adequate oversight and accountability of the C-12 aircraft.

Findings:

U.S. Special Operations Command officials did not assume responsibility for providing oversight and accountability of the aircraft. USASOC may be operating an underused aircraft in excess of the required Operational Support Airlift aircraft inventory. Additionally, DoD is at an increased risk that misuse of the aircraft by senior officials may occur and go undetected. U.S. Army Special Operations Command officials did not comply with federal and DoD guidance when justifying the cost of using the aircraft. DoD lacks reasonable assurance that USASOC officials used the most cost-effective flights.

Result:

DoD IG recommended the USSOCOM assume responsibility for providing oversight and accountability of the C-12 aircraft, report the aircraft in their inventory and make the aircraft visible for centralized scheduling. DoD IG also recommended that USASOC develop and use the actual cost per flying-hour rate for the C-12 aircraft. USSOCOM and USASOC agreed with the recommendations.

Report No. DODIG-2013-080

Cyber Security

U.S. military forces are critically dependent on networks and information systems to execute their missions. The forces are highly vulnerable if threats to those networks and information systems are not mitigated. DoD has recognized cyberspace security and operations as a top issue. DoD and U.S. Cyber Command are working to build a balanced and highly capable military cyber force to meet DoD's joint warfighting requirements. Offensive cyber programs and capabilities are growing, evolving and spreading. DoD is normalizing cyber operations to include improving tactics, techniques and procedures, as well as policies and organizations.

Oversight of the Department's efforts concerning cyber security is a top priority for DoD IG. During this reporting period, DoD IG addressed maintaining authorization accreditations for DoD information systems, prevention of data loss, improvements needed in information assurance vulnerability management program at DISA and security of critical infrastructure and systems.

Navy Commercial Access Control System Did Not Effectively Mitigate Access Control Risks

Overview:

The Navy Commercial Access Control System is an enterprise identity management and perimeter installation access control solution used to manage commercial vendors, contractors and suppliers requiring routine access to Navy installations. The Commander, Navy Installations Command, the office designated to oversee the physical security of all continental U.S. Navy installation perimeters, implemented the Navy Commercial Access Control System. DoD IG determined whether the Navy Commercial Access Control System was mitigating access control risks to Navy installations.

Findings:

DoD IG determined the Navy Commercial Access Control System did not effectively mitigate contractor access control risks and allowed convicted felons to access Navy installations without the knowledge and approval of the installation commander. DoD IG identified 52 convicted felons who received routine, unauthorized installation access, placing military personnel, dependents, civilians and installations at an increased security risk.

> *"Additionally, the commander, Navy Installations Command, N3 Antiterrorism office spent more than $1.1 million in disallowable costs and lacked oversight of and diminished legal recourse against the service provider."*

The Commander, Navy Installations Command, N3 Antiterrorism office, misrepresented its costs and circumvented competitive contracting requirements to implement the system. Additionally, the commander, Navy Installations Command, N3 Antiterrorism office spent more than $1.1 million in disallowable costs and lacked oversight of and diminished legal recourse against the service provider.

Result:

DoD IG recommended that the Navy replace the system with one that uses mandatory databases and revise their policy and guidance to align with federal and DoD credentialing requirements. Further, DoD IG recommended the Navy review the inappropriate contracting practices and establish a corrective action plan.

Report No. DODIG-2013-134

Health Care

The Department seeks to better manage DoD health benefits in a way that improves quality and satisfaction, while more responsibly managing costs by building a shared commitment to health care. The Department must continue to provide the highest quality care and service, while ensuring fiscally responsible management. The DoD strategy is to continue to ensure the military force is medically ready to deploy, reducing the generators of ill health while encouraging healthy behaviors, providing the highest quality that is patient- and family-centered and responsibly managing the total cost of health care. During this reporting period, DoD reported that the TRICARE Mail Order Program was more cost-efficient for beneficiaries than obtaining pharmaceuticals through retail pharmacies, and the program had adequate controls over dispensing pharmaceuticals. Additionally, DoD IG reported on DoD's and the Department of Veterans Affairs' joint venture at Tripler Army Medical Center.

The Department of Defense and Veteran Affairs Health Care Joint Venture at Tripler Army Medical Center Needs More Management Oversight

Overview:

Tripler Army Medical Center, Hawaii, home of the Pacific Regional Medical Command, is the only federal tertiary care hospital in the Pacific basin. TAMC supports 264,000 local active duty and retired military personnel, their families and veteran beneficiaries. TAMC supports an additional 171,000 military personnel, family members, veteran beneficiaries, residents of nine U.S.-affiliated jurisdictions and forward-deployed forces in more than 40 countries throughout the Pacific. In 1992, the under secretary of the Army signed the initial Joint Venture agreement between TAMC and Veterans Affairs Pacific Islands Health Care System. The vision for the Joint Venture agreement is to be the model DoD/Veterans Affairs integrated comprehensive health care system in the 21st century. According to the agreement, TAMC billed Veterans Affairs Pacific Islands Health Care System for medical services totaling $18.7 million for FY 2009, $21 million for FY 2010, $18.2 million for FY 2011 and $15.3 million for FY 2012. DoD IG determined whether the master sharing agreement and joint policies governing claims and reimbursement between Department of Veterans Affairs and DoD for health care services at Tripler Army Medical Center were operating effectively.

> *"DoD IG identified $33.6 million in potential monetary benefits that could be used to meet future requirements."*

Findings:

The master sharing agreement and joint policies did not effectively obtain timely reimbursement for health care services provided. The master sharing agreement and joint policies did not comply with DoD regulations, deliver an adequate authorization process, or provide an effective modification process to revise local policies. As a result, without a mutual solution between DoD and the Department of Veterans Affairs to address the longstanding problems, the burden of about $26.2 million in delinquent debt—$3.7 million in unbilled claims and $3.7 million in uncompensated care—will continue to grow. DoD IG identified $33.6 million in potential monetary benefits that could be used to meet future requirements.

Result:

Among other recommendations, DoD IG recommended (1) TAMC request the required waiver from the under secretary of defense (comptroller) and elevate issues to U. S. Army Medical Command; (2) U. S. Army Medical Command request DoD/Veterans Affairs Program Coordination Office to review the reimbursement policy; and (3) assistant secretary of defense (health affairs) require the DoD/VA Program Coordination Office present the issues cited to the appropriate levels within the Health Executive Council for resolution.

Report No. DODIG-2013-135

Equipping and Training Afghan Security Forces

The Department continued to develop the Afghan National Security Force's capability to take ultimate responsibility for Afghanistan's security. Completing the fielding of "enablers," or military capabilities essential to building ANSF's capacity to accomplish its missions, is increasingly important. The Afghanistan Security Forces Fund provides the resources required to train, sustain and equip a 352,000-person ANSF. For FY 2013 Congress appropriated $5.1 billion for ASFF. The FY 2013 DoD request reflected a shift as emphasis moves from building, equipping and training to professionalizing and sustaining the force. DoD IG continues to focus oversight on DoD's management and effective use of ASFF. During this reporting, DoD IG reported on the DoD's contract oversight efforts with the Afghanistan National Police training/mentoring contract, ANSF radio contracts and overhaul of Mi-17s.

DoD Needs to Improve Oversight of the Afghan National Police Training/Mentoring and Logistics Support Contract

Overview:

Army Contracting Command awarded the Afghan Ministry of Interior and Afghanistan National Police training/mentoring and logistics support contract, valued at approximately $1 billion, to DynCorp International, LLC, Dec. 20, 2010. The ANP contract was a cost-plus-fixed-fee contract

that included a 120-day transition period for the contractor to become fully operational, a two-year base period and a one-year option period. DoD IG determined whether the Army, NATO Training Mission Afghanistan/Combined Security Transition Command-Afghanistan and the Defense Contract Management Agency had adequate oversight processes and procedures for the ANP contract and whether DoD conducted adequate surveillance of the contract.

Findings:

The Defense Contract Management Agency, Combined Security Transition Command-Afghanistan and Army contracting officials need to improve oversight of the DoD Afghan National Police contract. DCMA personnel did not coordinate oversight processes and procedures with program or contracting personnel, implement quality assurance requirements considered critical for mission success, review oversight documentation and properly train contracting officer representatives. Furthermore, U.S. Forces-Afghanistan and DCMA officials did not have an adequate fielded mentor oversight strategy to overcome the challenges of providing oversight in Afghanistan. In addition, CSTC-A developed a memorandum of agreement with Red River Army Depot, Texas, to hire CORs for the ANP contract; however, the memorandum did not identify appropriate COR qualifications.

Result:

DCMA-Afghanistan, should review the prior lead quality assurance representative's and the prior quality assurance representative's performance and hold them accountable for deficient performance as appropriate; establish a quality control process to verify oversight was performed; and establish a clear reporting strategy for fielded mentor COR oversight. Additionally, DoD IG recommended the Army Contracting Command should coordinate with DCMA to determine whether the oversight strategy was appropriate and implement a strategy to consistently review contractor internal corrective action requests. Lastly, U.S. Forces-Afghanistan should establish and implement an effective fielded mentor oversight strategy.

Report No. DODIG-2013-093

Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement

Overview:

DoD IG reviewed the procedures used by the U.S. Army Communications–Electronics Command to award Datron World Communications, Inc. radio contracts, verify timely deliveries and establish quality assurance measures in accordance with requirements. Specifically, DoD IG reviewed 36 contract actions, valued at approximately $321.5 million.

> *"...Datron...did not meet the initial 90-day contractual delivery requirement for 29 of 36 contract actions, and ACC-APG contracting officials did not renegotiate to establish reasonable delivery schedules."*

Findings:

CECOM, Security Assistance Management Directorate personnel could not substantiate the requirements for $133 million of Datron radios and equipment procured for the Afghan National Security Forces because personnel developed letters of offer and acceptance for more equipment than NATO Training Mission–Afghanistan/Combined Security Assistance Command–Afghanistan requested. As a result, ANSF might not have needed all the Datron items at the time U.S. Army Contracting Command–Aberdeen Proving Ground procured for them. Furthermore, NTM-A/CSTC-A could have used those funds to procure other required equipment. Additionally, Datron did not meet the initial 90-day contractual delivery requirement for 29 of 36 contract actions, and ACC-APG contracting officials did not renegotiate to establish reasonable delivery schedules. ACC-APG did not obtain consideration for the delivery delays. Furthermore, the delays caused a lack of communications capability within ANSF. Also, Defense Security Cooperation Agency personnel did not return excess contract administration services fees associated with Datron radio contracts to the Afghanistan Security Forces Fund. Approximately $5 million in excess fees were not available to NTM-A/CSTC-A to procure unfunded requirements for ANSF.

Result:

The director, CECOM Security Assistance Management Directorate, should establish procedures to prepare a letter of acceptance with the same quantities requested by NTM-A/CSTC-A. The executive director, ACC-APG, should require contracting officials to coordinate with Defense Contract Management Agency to monitor and enforce delivery requirements in equipment contract actions. Also, the director, DSCA, should immediately return unexpended contract administration service fees to ANSF and track actual amounts of contract administration service fees collected and expended for future Datron radio pseudo–foreign military sales cases.

Report No. DODIG-2013-095

Army Needs To Improve Mi-17 Overhaul Management and Contract Administration

Overview:

DoD IG determined whether U.S. Army officials properly awarded and administered the Mi-17 overhaul effort under contract W58RGZ-09-D-0130-0102 in accordance with federal and DoD regulations and policies.

Findings:

Among the findings, the Non-Standard Rotary Wing Aircraft Project Management Office officials and the U.S. Army Contracting Command contracting officer did not properly procure Mi-17 parts inventory and did not effectively administer the contract for the overhaul of five Pakistani Mi-17 aircraft. The ACC contracting officer allowed advance payments in violation of U. S. Code and the Federal Acquisition Regulation. The NSRWA PMO directed the procurement of an $8.1 million Mi-17 parts inventory without performing a technical analysis or using existing DoD inventory, after the Office of Defense Representative Pakistan placed an operational hold on the scheduled overhauls. The contracting officer and NSRWA PMO officials misspent a total of $7.1 million, or 88 percent, of the $8.1 million. This amount included $4.5 million for unnecessary Mi-17 parts that were not needed based on historical data and $2.6 million for Mi-17 parts that were already in existing DoD inventory.

DoD IG determined whether U.S. Army officials properly awarded and administered the Mi-17 overhaul effort.

Result:

Among the recommendations, DoD IG recommended the ACC recoup questioned costs of advance payments and unreasonable prices paid for the parts inventory, provide training to the ACC contracting officer assigned to this task order and improve quality assurance oversight of the contractor. In addition, DoD IG recommended a full inventory review of all Mi-17 parts currently in DoD inventories.

Report No. DODIG-2013-123

Nuclear Enterprise

National security of the U.S. nuclear enterprise extends to providing oversight for evaluating policies, procedures, plans and capabilities of security and control of nuclear weapons.

Accountability of the Air Force's Classified Inventory of Nuclear Weapons-Related Material

Overview:

The report determined the status of the U.S. Air Force's supply-system procedures for receiving, marking, storing and shipping classified nuclear weapons-related material. The former deputy assistant secretary of defense for nuclear matters sought confirmation that the Air Force had made progress to correct loopholes that would prevent the accidental shipment of nuclear weapons-related material.

Result:

The Air Force's procedures for receiving, marking, storing and shipping nuclear weapons-related

material were adequately monitored with sufficient oversight. The integrated process team that the Air Force Directorate of Logistics, Nuclear Weapons, Munitions and Missile Maintenance Division established and the reports that the Air Force Audit Agency Acquisition and Logistics Audit Directorate issued addressed the concerns from the former deputy assistant secretary of defense for nuclear matters and DoD IG audit objectives. No further audit work by the Office of the Inspector General for Intelligence and Special Program Assessments is currently warranted; however, DoD IG plans to continue to periodically monitor Air Force oversight of nuclear weapons-related material. This report is redacted.

Report No. DODIG-2013-064

Cryptographic Modernization of Critical Nuclear Command, Control, and Communications Systems

Overview:

This report examines the advocacy, programming, budgeting and execution of critical nuclear command, control and communications cryptographic modernization programs. The scope was limited to the modernizing of cryptographic components used in 25 critical communication networks.

Result:

Senior leaders did not give priority to modernization programs; guidance was ambiguous, not adhered to or disjointed; and no single office is responsible for nuclear command, control and communications cryptographic modernization lifecycle requirements. This report is classified.

Report No. DODIG-2013-085

Hotline Report on the Proposed Elimination of the Nuclear Command and Control System Support Staff

Overview:

This report describes the results of an investigation into allegations that the department was preparing to eliminate the Nuclear Command and Control System support staff, which is required by National Security Presidential Directive 28, while that directive remained in place. DoD IG interviewed the points of contact for each organization asked to coordinate on the proposed elimination and reviewed applicable DoD and presidential guidance.

Result:

DoD IG determined that the billets will not be eliminated; however, DoD IG has concerns regarding how the potential decision was staffed. Key offices were not consulted and the time allowed to coordinate was extremely short, resulting in an incomplete picture of the potential impact of the proposed action. This report is FOUO.

Report No. DODIG-2013-089

Other

Cost Increases and Delays Occurred During Closure and Land Transfers of Army Ammunition Plants and Chemical Depots Under Base Realignment and Closure 2005

Overview:

The audit was initiated in response to language contained in the report of the Committee on Appropriations accompanying H.R. 5854 (House Report 112-491), the Military Construction, Veterans Affairs and Related Agencies Appropriations Bill for FY 2013.

The report required DoD IG to review BRAC 2005 closures and land transfers, specifically the Committee directed DoD IG to review BRAC 2005 closures and

Cost increases and delays occurred during closure and land transfers at sites not known to be contaminated at the time of the BRAC recommendation.

report to the congressional defense committees on additional issues that delayed land transfer and increased costs to DoD.

Findings:

Army Base Realignment and Closure officials incurred cost increases, ranging from $665,000 to an indeterminable dollar value and indeterminable amount of delay in the transfer of land, at five of the six Army Ammunition Plants and Chemical Depots. Army officials and contractor personnel identified additional contamination at five sites that were unknown at the time of the BRAC recommendation; Army, Environmental Protection Agency, state environmental and local redevelopment authority officials disagreed on cleanup requirements at three sites; and Army officials identified additional factors at three sites.

Result:

DoD IG recommended that the chief, BRAC Division, Army Assistant Chief of Staff for Installation Management, establish a dispute resolution plan to resolve problems and disagreements between the Army, Environmental Protection Agency, state environmental officials and local redevelopment authority officials as they occur.

Report No. DODIG-2013-114

National Geospatial-Intelligence Agency Did Not Comply With Base Realignment and Closure Legislation

Overview:

DoD IG conducted this audit in response to a congressional request. DoD IG determined whether the National Geospatial-Intelligence Agency complied with Public Law 101-510, Defense Base Closure and Realignment Act of 1990, as amended. Specifically, DoD IG determined whether NGA complied with Base Realignment and Closure Recommendation 168, National Geospatial-Intelligence Agency Activities.

> *"The National Geospatial-Intelligence Agency could have minimized or avoided $11.4 million in total costs if it had incorporated a site scheduled for closure into the original plans..."*

Findings:

The National Geospatial-Intelligence Agency could have minimized or avoided $11.4 million in total costs if it had incorporated a site scheduled for closure into the original plans for the National Geospatial-Intelligence Agency Campus East as required by Base Realignment and Closure legislation.

Result:

Specifically, NGA and under secretary of defense for acquisition, technology, and logistics disagreed with DoD IG to close the remaining Newington, Va., site as required by BRAC. Instead, management continued to execute contractor operations at the Newington site even though BRAC legislation includes contractor personnel positions as part of the BRAC closure process.

Report No. DODIG-2013-116

INVESTIGATIONS

The following cases are highlights of investigations conducted by DCIS and its federal law enforcement partners during the reporting period. DCIS investigations are listed under the following categories:

- Procurement fraud
- Public corruption
- Product substitution
- Health care fraud
- Illegal technology transfer

Procurement Fraud

Procurement fraud investigations continue to comprise a major part of the DCIS case inventory. Of all forms of white-collar crime, procurement fraud is probably the least visible, yet the most costly. Procurement fraud includes, but is not limited to, cost or labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage resulting from procurement fraud extends well beyond financial losses. This crime poses a serious threat to the ability of the Department to achieve its operational objectives and can have a negative effect on the implementation of programs. DCIS places the highest priority on investigations impacting safety and operational readiness to protect the welfare of warfighters throughout the procurement process.

DoD Contractor Ordered to Pay $473 Million for False Claims Act Violations

Overview:

A joint investigation with Air Force Office of Special Investigations determined that United Technology Corporation violated the Truth in Negotiations Act when they negotiated pricing and submitted claims to DoD for work performed on an Air Force contract. UTC was found liable for more than $473 million in damages and penalties arising from a contract to provide aircraft engines for the F-15 and F-16 aircraft between 1985 and 1990. UTC proposed prices for the engine contract misrepresented how UTC calculated those prices, resulting in the government overpaying for the engines by hundreds of millions of dollars. UTC did not disclose historical discounts received from suppliers in the price proposal and knowingly used outdated information that excluded such discounts.

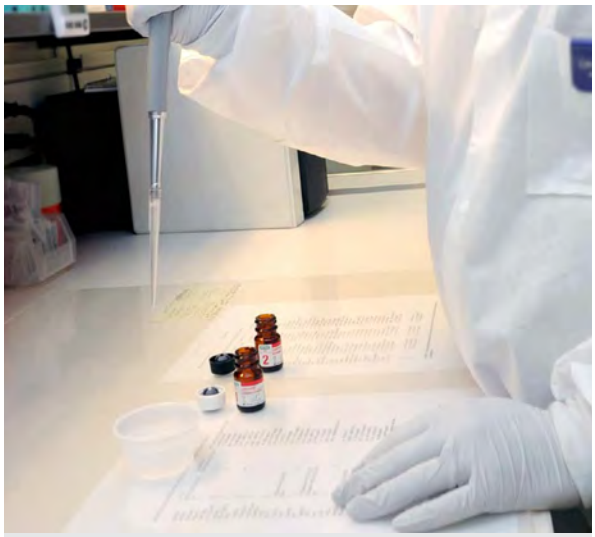
Result:

Previously, UTC had been found guilty and ordered to pay the U.S. government $7 million for violations of the False Claims Act. On June 17, 2013, UTC was further ordered by an appellate court to pay the government $357 million in damages and penalties for violations of the False Claims Act and an additional $109 million in damages for common law claims.

U.S. Army Debars Blue Marsh Laboratory for Falsifying Water Test Results

Overview:

A joint investigation with EPA-Criminal Investigative Division and Food and Drug Administration-Office of Criminal Investigations disclosed that Michael J. McKenna, president and owner of Blue Marsh Laboratory, prepared and mailed fraudulent water test results to DoD seeking payment for testing that was not done according to contract specifications. From June 2006 through December 2006, BML was subcontracted to perform water quality and sediment sampling analysis for various pollutants and chemistry for the U.S. Army Corps of Engineers at four reservoir parks in Pennsylvania. The parks were used for recreational activities such as swimming and contained numerous water fountains for human consumption. The investigation showed McKenna directed BML employees to falsify the water test results knowing the tests were not done according to contract specifications. In addition,



Blue Marsh Laboratory prepared and mailed fraudulent water test results to DoD seeking payment for testing that was not done according to contract specifications.

BML violated other contract requirements by not having the required testing equipment or personnel qualified to conduct the tests. BML provided testing services and reports to other customers such as local municipalities and business entities that were required to comply with EPA and Pennsylvania Department of Environmental Protection regulations.

Result:

Previously, McKenna was sentenced to nine months of imprisonment, three years of supervised release, and to pay jointly and severally with BML, restitution of $14,114 to the identified victims, of which, $10,118 was directed to be paid to USACE. BML was sentenced to five-years of probation and joint and several payment of the $14,114 restitution. On April 24, 2013, the U.S. Army debarred BML and McKenna from federal contracting and government-approved subcontracting until Aug. 12, 2016.

Public Corruption

Corruption by public officials poses a fundamental threat to the country's national security and overall safety and undermines the public trust in the government. Public corruption wastes billions of tax dollars and negatively affects DoD and the mission of the warfighter. DCIS combats this issue with the authority, resources and expertise to conduct undercover operations, court-authorized electronic surveillance and forensic audits. Using these tools,

DCIS holds accountable those who undermine the integrity of the DoD acquisition system. The entire procurement system is based on the trust and integrity of the public officials who oversee the purchase, quality, safety and security of the equipment, and services that warfighters require to carry out the mission.

Former DoD Contractor Jailed for Corruption Scheme in Kuwait

Overview:

A joint DCIS, FBI, U.S. Army Criminal Investigative Command and Special Inspector General for Iraq Reconstruction investigation disclosed that Wajdi Birjas, a former DoD contract employee in the Host Nation Affairs Office at Camp Arifjan, Kuwait, was involved in a bribery and money laundering scheme. The scheme involved corruption in the award of defense contracts at Camp Arifjan. Birjas had frequent contact with U.S. Army contracting officials, including officials regularly receiving unlawful payments from individuals who had contracts with or were seeking contracts from DoD. By bribing these Army contracting officials in 2005 and 2006, Birjas assisted his company in obtaining more than $1.7 million in DoD contracts to provide various goods and services to the U.S. military. Birjas received a share of the profits that the contracts generated and was allowed to live rent-free in a villa in Kuwait. Birjas paid his co-conspirators more than $100,000. Birjas also allowed another co-conspirator to hide bribe money in a hidden safe in the Kuwait villa. Birjas later assisted his co-conspirators in transferring the money back to the United States.

> *"On April 2, 2013, Birjas was sentenced to 35 months in prison, three years of supervised release and ordered to forfeit $650,000 for his participation in the bribery and money laundering scheme."*

Result:

Previously, Birjas pleaded guilty to conspiracy to commit bribery and conspiracy to commit money laundering and was convicted. On April 2, 2013, Birjas was sentenced to 35 months in prison, three years of supervised release and ordered to forfeit $650,000 for his participation in the bribery and money laundering scheme.

Army Corps of Engineers Bribery Scheme

Overview:

A joint investigation with the FBI, Internal Revenue Service, Small Business Administration and Army CID disclosed that several DoD contractors paid approximately $6-7 million in bribes to U.S. Army Corps of Engineers program manager Kerry Khan and approximately $1.5 million in bribes to USACE Program Director Michael Alexander. The bribes were paid in exchange for approximately $731 million in subcontracts on USACE contracts for technology for infrastructure, geospatial and environmental requirements.

Result:

On July 11, 2013, Khan was sentenced to 19 years and seven months in prison for receipt of bribes and conspiracy to commit money laundering. Khan was ordered to pay $32.5 million in restitution to USACE. The restitution is to be paid jointly and severally with seven previously convicted codefendants. This amount includes a forfeiture money judgment of $11 million. Khan was also ordered to forfeit $1.3 million in bank account funds; 13 properties in Virginia, Florida and West Virginia; and a vehicle.

Three Sentenced for Their Roles in a Bribery Scheme for DoD Contracts

Overview:

A joint investigation with Naval Criminal Investigative Service disclosed that supply technician Michelle Rodriguez, a former employee at Marine Corps Logistics Base Albany, Ga., accepted bribes to award contracts for machine products to companies owned by Thomas Cole and Frederick Simon. The investigation showed that from 2011, Rodriguez provided competitors' bid solicitations and suggested usually inflated bid amounts to Thomas Cole and Frederick Simon to win contracts in exchange for money. Rodriguez was paid $75 cash per order. Cole's and Simon's companies received nearly 1,300 machine product orders. As a result of this scheme, the loss to the U.S. government was approximately $907,000.

Result:

On June 6, 2013, Michelle Rodriguez, Thomas Cole and Frederick Simon were sentenced for

bribery. Rodriguez was sentenced to 70 months of confinement, forfeiture of $161,000 and 36 months of supervised release. Cole was sentenced to 46 months of confinement, forfeiture of $209,000 and 36 months of supervised release. Simon was sentenced to 32 months of confinement, forfeiture of $74,500 and 36 months of supervised release. Rodriguez, Cole and Simon were jointly ordered to pay total restitution of $907,000 to the Marine Depot Maintenance Command.

U.S. Army Soldiers Sentenced for $1.3 Million Army Finance Office Theft

Overview:

A joint DCIS, FBI and Army CID investigation disclosed that Staff Sgt. Jason Begany, Sgt. Edwin Vando and Sgt. Juan Lamboy-Rivera participated in a scheme to keep contract overpayments returned by a DoD contractor. While deployed with the 82nd Finance Battalion to Kabul, Afghanistan, Bagany was the noncommissioned officer-in-charge of the Camp Eggers finance office. Bagany, Vando and Lamboy-Rivera were responsible for ensuring that authorized contract payments were made to vendors. In May 2009, a contractor representative contacted the Camp Eggers finance office regarding a possible overpayment of $1,297,959. Begany, Vando, Lamboy-Rivera and an interpreter reviewed the contract and determined that there was not an overpayment, but devised a plan to steal the money. Begany, through the interpreter, contacted the vendor, claimed that an overpayment had been made and directed the vendor to wire the money to a specific bank account. The bank account was set up by the interpreter to facilitate the theft. The interpreter then withdrew approximately $500,000 from the account and gave approximately $400,000 to Vando. Begany¸ Vando and Lamboy-Rivera split the money among themselves and purchased rugs and shipped some of the rugs to the United States.

"Additionally, the three codefendants were ordered to jointly and severally pay restitution of $1.2 million to the DoD contractor."

Result:

Previously, Begany, Vando and Lamboy-Rivera pleaded guilty to converting property and aiding and abetting, and were convicted. On May 3, 2013, Vando and Lamboy-Rivera were both sentenced to 30 months in prison followed by three years of supervised release. On July 22, 2013, Begany was sentenced to 48 months in prison and three years of supervised release. Additionally, the three codefendants were ordered to jointly and severally pay restitution of $1.2 million to the DoD contractor.

Former DoD Auditor Violated Federal Conflict of Interest Rules

Overview:

A DCIS investigation disclosed that former Defense Contract Audit Agency auditor, Jodi Andres, represented DoD contractor Alaska Aerospace Development Corporation during communications and negotiations with DCAA regarding a contract she had previously audited. The investigation showed that from January 2003 to September 2006, Andres, as a DCAA auditor, worked on a multiyear, million-dollar Missile Defense Agency contract. Andres conducted both pre-award and post-award accounting system reviews for this contract and, as a result, had a significant role in the contract procurement process. Andres's audit results continued to be relied upon by DCAA during the risk assessment phase of audit planning to help determine areas of risk for subsequent audit effort relating to AADC. Andres resigned from DCAA and was hired as a controller with AADC. In July 2008, Andres represented AADC during communications and negotiations with DCAA for the same Missile Defense Agency contract she had previously audited and with the intent to influence DCAA regarding that contract. Her actions were in violation of a lifetime restriction that bars such communications.

Result:

On July 22, 2013, Jodi Andres pleaded guilty to and was convicted of conflict of interest. The same day, Andres was sentenced to two years of probation and a $5,000 fine.

Product Substitution

DCIS supports DoD and its warfighting mission through timely, comprehensive investigations of counterfeit, defective or substandard products, and substituted products that do not conform with the requirements of the contract. Nonconforming products disrupt readiness and waste economic resources. They also threaten the safety of military and government personnel and other end-users. When substituted products are deliberately provided to DoD, mission critical processes and capabilities can be severely impacted until those products are removed from the DoD supply chain. DCIS works with federal law enforcement partners, supply centers and the defense industrial base to ensure that DoD contractors provide the correct parts and components to meet DoD requirements. DCIS actively participates in the Defense Supply Center- Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners at the national level with the Intellectual Property Rights Coordination Center, to focus on preventing the proliferation of counterfeit parts. Pooling the member agencies' resources allows for more effective detection and removal of inferior goods that threaten the safety of America's soldiers, sailors, airmen and Marines.

Contractor Debarred for Supplying Nonconforming Parts to the Government

Overview:

A DCIS investigation disclosed that Barbara Cummings, aka Barbara Cummings Robinson, president of DoD contractor Chesapeake Corporation, and her corporation, were involved in procurement fraud schemes associated with Defense Supply Center-Columbus contracts. The investigation determined that the company was supplying automotive parts, primarily filters that did not meet the specified contract requirements. The nonconforming parts were for use in military vehicles and vessels, and hydraulic cranes. Some of the parts were critical application items.

Result:

Previously, Cummings pleaded guilty to a bill of information charging her and her company with wire fraud and was convicted. Cummings was subsequently sentenced to one year of home confinement, 240 hours of community service, four years of probation and ordered to pay $998,951 in restitution. Chesapeake Corporation was sentenced to five years of probation, joint and several liability for the restitution and ordered to pay a $50,000 fine. On April 19, 2013, the Defense Logistics Agency debarred the Chesapeake Corporation and Cummings from doing business with the federal government through Aug. 10, 2016.

Defense Logistics Agency Debarred Aerospec Fasteners for Supplying Nonconforming Parts

Overview:

A DCIS investigation disclosed that Aerospec Fasteners, Inc. supplied nonconforming parts to a prime contractor of the Defense Logistics Agency. These parts were intended to be inventory for multiple military weapons system platforms, including the C-5 military transport aircraft, A-10 assault aircraft and B-52 bomber. The investigation showed that Paul J. Skiscim, president and CEO of Aerospec, supplied nonconforming pin rivets with "LS" markings when pin rivets with "HL" markings were specified by the contracts. Aerospec packaged the pin rivets with the false "HL" markings. DLA shipped the pin rivets to the Air Force for repairs on A-10 aircraft and noticed the "LS" markings were removed from the packaging. Pin rivets with the "HL" marking have a higher tensile strength and are a critical application item. From September 2010 through May 2011, DLA located and quarantined all fasteners traced to Aerospec. These

DLA debarred Aerospec Fasteners for supplying nonconforming parts intended to be inventory for military weapons system platforms, including the A-10 aircraft.

fasteners were inspected and tested, resulting in the failure of 29 of 105 fasteners.

Result:

On July 10, 2013, DLA debarred Aerospec and Paul Skiscim from all contracting and subcontracting with the federal government until Feb. 25, 2016. On July 30, 2013, AFI Aerospace, an affiliate of Aerospace, was debarred by DLA from all contracting and subcontracting with the government until June 16, 2016.

DLA Suspends Suppliers and Owners for Supplying Nonconforming Microcircuits

Overview:

A joint investigation with Air Force Office of Special Investigations disclosed that Glenn Nichols and Steven Frediani, along with their companies, supplied nonconforming microelectronics designated as critical application items to Defense Supply Center-Columbus for contracts. The investigation showed that from Oct. 27, 2004, through Sept. 6, 2006, Instocomp, Inc., owned by Nichols, was awarded more than 100 DoD contracts for various microcircuits. DSCC quality assurance specialists performed an inspection of the products supplied by Instocomp and determined they were not original equipment manufacturer's parts as required by the contracts. The items supplied included a variety of digital microcircuits and semiconductors used on different aircraft, to include the E-3A AWACS, F-16, B-52, F-15 Eagle, E-2C, S-3B Viking, B1B and several submarines. Further DSCC review determined a second company, Military Product Exchange, was affiliated with Glenn Nichols and Instocomp. Frediani, former sales manager for Instocomp, produced fraudulent certificates of conformance at Nichols' direction. Frediani opened Military and Commercial Supply, Inc. and continued to conspire with Nichols and provided nonconforming microelectronics and semiconductors in more than $200,000 worth of contracts issued by DLA Land and Maritime.

Result:

On Feb. 26, 2013, Steven Frediani and Glenn Nichols were charged with conspiracy to commit aircraft parts fraud. On May 10, 2013, DLA Land and Maritime indefinitely suspended Instocomp, Inc. from doing business as IC Electronic Components, Core Integrated Circuits aka Core IC and/or Instocomp, Inc.; IC Power Exchange doing business as Military Product Exchange, Instocomp, Inc. – Colorado, Military and Commercial Supply, Inc.; Glenn Nichols and Steven Frediani from federal government contracting. They were also suspended from directly or indirectly receiving the benefits of federal assistance programs or from purchasing surplus government property under Federal Property and Management Regulations.

DLA suspended suppliers and owners for supplying nonconforming microcircuits used on S-3B Viking.

General Electric Aviation Systems Settles False Claims Act Allegations for $6.5 Million

Overview:

A joint investigation with NCIS revealed that General Electric Aviation Systems allegedly submitted false claims in connection with numerous DoD contracts. GEAS allegedly failed to comply with contract specifications and failed to undertake proper quality control procedures in connection with 641 external fuel tanks delivered to the Navy between June 2005 and February 2008. The external fuel tanks were for the F/A-18 Hornet fighter. GEAS also allegedly supplied the Army with drag beams used on the Army's UH-60 Black Hawk helicopter. The drag beams were not properly inspected, which is in violation of contract requirements.

Result:

On June 6, 2013, management of General Electric Aviation Systems entered into a civil settlement with the Department of Justice and agreed to pay $6.5 million to settle allegations that they submitted false claims in connection with DoD contracts.

Health Care Fraud

The rising costs associated with health care continue to be a national concern. DCIS has experienced an increase in allegations of health care fraud, and combatting this crime is one of DoD IG's top investigative priorities. Of particular concern are allegations of potential harm to DoD military members and their dependents. In addition to patient harm, typical investigations scrutinize health care providers participating in corruption or kickback schemes, overcharging for medical goods and services, marketing of drugs for uses not approved by the Food and Drug Administration, and approving unauthorized individuals to receive TRICARE health care benefits. DCIS continues to proactively target health care fraud through coordination with other federal agencies and participation in federal and state task forces

Health Care Provider Agreed to Pay $6 Million to Settle False Claims Act Allegations

Overview:

A joint investigation with the FBI, Health and Human Services Office of Inspector General, and Office of Personnel Management alleged TranS1, Inc. knowingly caused health care providers to submit claims with incorrect diagnoses or procedure codes for certain minimally-invasive spine fusion surgeries. The physicians used TranS1's AxiaLIF System, a device developed as an alternative to invasive spine fusion surgeries. It was further alleged that TranS1 improperly counseled physicians and hospital staff to bill for their system using codes intended for more invasive spine fusion surgeries. As a result, the health care providers received greater reimbursement than they were entitled to for performing the minimally-invasive AxiaLIF procedures. This was a qui tam case.

Result:

On June 28, 2013, TranS1 agreed to pay the United States $6 million to resolve allegations under the civil False Claims Act that the company caused health care providers to submit false claims to Medicare and other federal health care programs. Of this amount, TRICARE will receive $558,900 and the relator will receive $1 million.

$24.9 Million Settlement by Amgen to Settle Allegations of False Claims

Overview:

A joint investigation with Health and Human Services OIG disclosed that Amgen allegedly paid kickbacks to long-term care pharmacy providers—Omnicare Inc., PharMerica Corporation and Kindred Healthcare Incorporated—to increase market share for Aranesp. Amgen develops, manufactures and sells pharmaceutical products, including products sold under the trade name Aranesp. The investigation showed that from Sept. 1, 2003 through Dec. 31, 2011, Amgen allegedly offered and paid illegal remuneration such as rebates, grants, honoraria, speaker fees, consulting services and gifts to induce Omnicare, PharMerica and Kindred to recommend Areanesp and to influence health care providers' selection and utilization of Aranesp within nursing homes, skilled nursing facilities and long-term care settings.

Result:

On April 4, 2013, the Department of Justice entered into a civil settlement agreement with Amgen, in which Amgen agreed to pay $24.9 million to resolve False Claims Act allegations. Of this amount, TRICARE's portion is $136,542.

$4.2 Million Settlement by East Tennessee Hematology-Oncology Associates for False Claims

Overview:

A joint investigation with FDA-OCI, FBI and Tennessee Bureau of Investigations disclosed that William R. Kincaid, M.D., Millard R. Lamb, M.D., and Charles O. Famoyin, M.D., former partners of East Tennessee Hematology-Oncology Associates, P.C. conducting business as McLeod Cancer and Blood Center, knowingly caused the submission of false claims to Medicare, Medicaid, TRICARE and TennCare programs for misbranded unapproved chemotherapy drugs that were administered through the McLeod Cancer clinic. The investigation showed that from 2007 to early 2008 and from August 2009 to February 2012, the managing partner, Kincaid, purchased a substantial amount of chemotherapy drugs from a drug distributor in Canada. The Canadian distributor obtained these drugs from foreign sources and the drugs were not manufactured in establishments that were registered with the FDA. Drugs with labeling

in a language other than English or from foreign sources not registered with the FDA are considered misbranded. Kincaid, Lamb and Famoyin administered these drugs to their patients and submitted claims for the drugs to health benefit programs for payment.

> *"On June 10, 2013, Kincaid was sentenced to 24 months of imprisonment and ordered to pay a $10,000 fine."*

Result:

Previously, Kincaid pleaded guilty to receiving misbranded drugs with intent to defraud or mislead and was convicted. On June 10, 2013, Kincaid was sentenced to 24 months of imprisonment and ordered to pay a $10,000 fine. Lamb and Famoyin were minority owners of the company and were not criminally charged. On July 2, 2013, the Department of Justice entered into a civil settlement agreement with Kincaid, Lamb and Famoyin, who agreed to pay, via separate settlement agreements, $4.2 million plus interest to resolve allegations they allegedly violated the False Claims Act. Kincaid's portion of the civil settlement is $2.5 million, and he agreed to be excluded from federal health care programs for 10 years. Lamb and Famoyin are each responsible for payments of $850,000. TRICARE's portion of the settlement is $26,966.

$26 Million Settlement by Shands Healthcare for False Claims

Overview:

A joint investigation with Health and Human Services OIG disclosed that Shands Jacksonville Healthcare, Inc. and Shands at the University of Florida (collectively, Shands Healthcare) allegedly violated the False Claims Act by submitting charges to Medicare, Medicaid and TRICARE for medically unnecessary services related to one-day inpatient stays and observation status charges. The investigation showed that from 2003 through 2008, Shands Healthcare and affiliates allegedly submitted inpatient claims to Medicare, Medicaid and TRICARE for certain services and procedures that Shands Healthcare allegedly knew were correctly billable only as outpatient services or procedures. During an audit that Shands Healthcare initiated specific to the observation status and one-day inpatient charges, the auditors discovered the vast majority of claims made by Shands Healthcare to TRICARE and Medicare did not meet TRICARE and Medicare guidelines to be paid under the codes billed. The audit revealed that the documentation provided by Shands Healthcare to justify the claims was inadequate or missing. This was a qui tam case.

Result:

On July 29, 2013, the Department of Justice entered into a civil settlement agreement with Shands Healthcare in which the company agreed to pay $20.6 million to the U.S. government to settle the allegations of fraud. Of that amount, TRICARE will receive $1 million and the relator will receive $4.5 million. In addition, Shands agreed to pay the state of Florida $829,600, of which $157,624 will go to the relator.

Pediatrix Medical Group of Texas Pays More Than $2 Million to Settle Claims of Fraudulent Billing

Overview:

A joint investigation with the FBI and Office of Personnel Management OIG disclosed an alleged scheme for inflating billing by Pediatrix Medical Group of Texas who allegedly submitted false claims for payment to TRICARE and the Federal Employees Health Benefits Program in connection with newborn hearing screenings.

Result:

On April 11, 2013, Pediatrix Medical Group of Texas and parent company MEDNAX, entered into a civil settlement with the Department of Justice in which the companies agreed to pay the government a total of $2.2 million to settle allegations of fraud . Of this amount, TRICARE will receive $1.2 million.

Health Care Provider Pays $14.5 Million to Settle Allegations of Overbilling

Overview:

A joint investigation with Health and Human Services OIG and Office of Personnel Management OIG indicated that Sound Inpatient Physicians, Inc. allegedly submitted inflated claims for payment to federal health care programs. The claims for hospitalist services rendered to program

beneficiaries were allegedly billed as higher level services than those that were actually provided and/or documented on corresponding medical records. Sound Inpatient Physicians employs physicians and contracts with hospitals for physicians' "hospitalist" services. Hospitalists assume the care of hospitalized patients in the place of the patients' primary care physician. Between Jan. 1, 2008, and July 31, 2009, TRICARE paid $681,000 to Sound Inpatient Physicians for claims of $7.2 million. This was a qui tam case.

Result:

On June 26, 2013, Sound Inpatient Physicians entered into a civil settlement agreement with the Department of Justice and agreed to pay the U.S. government $14.5 million to settle the allegations of fraud. Of the government's share, TRICARE will receive $125,898 and the realtor will receive $2.6 million.

Illegal Technology Transfer

DCIS serves a vital role in national security through investigations of theft and illegal export or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises and terrorist organizations. This includes the illegal transfer or theft of defense technology, weapon systems, and other sensitive components and programs. Consistent with its role in protecting America's warfighters, DCIS is an integral participant in the President's Export Control Reform Initiative. DCIS is a charter member of the Export Enforcement Coordination Center, a multiagency center established to serve as a focal point for the coordination and enhancement of government export enforcement efforts.

DoD Contractor Sentenced for Attempting to Purchase Restricted U.S. Technology for Shipment to Iran

Overview:

A joint investigation with the FBI, Department of Homeland Security-Counter Proliferation Group and the Department of Commerce disclosed that Seyed Amin Ghorashi Sarvestani, owner of Skylinks FZC, Dubai, attempted to purchase restricted U.S. satellite equipment and transship it to Iran in violation of the International Emergency Economic Powers Act.

Result:

He pleaded guilty to conspiracy to violate the IEEPA and was convicted. On Aug. 14, 2013, Sarvestani was sentenced to 30 months of imprisonment and ordered to pay a $100,000 fine and $54,000 in criminal forfeiture.

UK Arms Dealer Illegally Hid Chinese Origin of Rifle Magazines Sold to DoD

Overview:

A joint investigation with the Bureau of Alcohol, Tobacco, Firearms and Explosives and Immigration and Customs Enforcement-Homeland Security Investigations determined that United Kingdom citizen and international arms dealer Gary Hyde deliberately altered the origin markings of AK-47 drum magazines to facilitate their sale to DoD. Hyde purchased 6,000 Chinese-manufactured 75-round AK-47 rifle drum magazines and deliberately altered the origin markings to show Bulgaria as the country of origin. Hyde sold the altered magazines to AMCHAR Wholesale, Inc., also known as American Tactical Imports. ATI in turn, supplied the Chinese-made magazines to the DLA.

Result:

On May 15, 2013, Hyde pleaded guilty to removing and altering country of origin markings on imported articles and was convicted. On May 20, 2013, Hyde was sentenced to time served, approximately three months.

A UK arms dealer deliberately altered the origin markings of AK-47 drum magazines to facilitate their sale to DoD.

Foreign Export Company Conspired to Provide Chinese Company with Restricted Defense Articles

Overview:

A joint investigation with Immigration and Customs Enforcement disclosed Kevin Zhang, owner of Wayfarer Trade Ltd., contacted a Northrup Grumman business manager in an attempt to purchase several G2000 dynamically-tuned gyroscopes. The G2000 DSP-1500 dynamically-tuned gyroscopes are used in the small aperture radar systems of tactical unmanned aerial vehicles. Zhang further added the end user of the gyroscopes as Beijing Zebanon Science & Technology Co., Ltd in China. Northrup Grumman informed Zhang that the gyroscopes in question are controlled by the International Traffic and Arms Regulation and require an export license from the Department of State regardless of the end user.

Result:

Previously Zhang was arrested when he attempted to enter the United States from Canada at the Washington border. He pleaded guilty to conspiring to export a defense article without a license and was convicted. On April 15, 2013, Zhang was sentenced to time served (approximately seven months), three years of supervised release and ordered to report to a probation officer should he re-enter the United States.

INSPECTIONS

Health and Safety

DoD IG has identified health care as one of the critical management and performance challenges facing the Department. The military health care system provides services to approximately 9.5 million beneficiaries, including active duty personnel and their families. Of special concern is the proper care and support to the thousands of soldiers, sailors, airmen and Marines wounded due to combat actions in Operations Iraqi and Enduring Freedom.

Medical care required by military personnel is expected to increase in the next several years, especially in the areas of rehabilitation and transition care. It is critical for DoD IG to maintain vigorous oversight of the health and safety challenges facing the Department, not only to ensure that wounded warriors receive high-quality health care but that DoD health care dollars are spent wisely and prudently.

DoD IG supports this priority by focusing its oversight efforts on preventing and detecting fraud, waste and abuse, and improving efficiency and effectiveness of the programs affecting the health and safety of service members and employees.

Assessment of DoD Wounded Warrior Matters – Fort Riley

Overview:

The report is the fifth of six site assessments conducted at Army Warrior Transition Units and Marine Corps Wounded Warrior Battalions. In this assessment, analysts evaluated whether the Warrior Transition Battalion, Fort Riley, Kan., effectively and efficiently managed the programs for medical care and transition of wounded, ill and injured warriors. The examination of the missions, policies and processes in place to assist warriors in transition with their return to duty status or transition to civilian life were of high concern.

Result:

The command implemented several noteworthy initiatives at both the Fort Riley WTB and Irwin Army Community Hospital. There were also a number of significant challenges that require corrective action by the responsible Army commanders to increase program effectiveness and efficiency. One example is the need for the command to examine adequate funding and other resources to support the necessary level of WTB personnel, ongoing staff training requirements and support services to maintain optimal staffing levels and ratios. Another concern is for the command to evaluate the current and future cadre personnel requirements of the Warrior Transition Units to ensure that staffing levels, including squad leaders and nurse case managers, are appropriate to meet the mission for effective management and support of soldiers during their healing and transition.

Report No. DODIG-2013-113

Assessment of DoD Wounded Warrior Matters – Joint Base Lewis-McChord

Overview:

The report is the sixth site report to discuss the care, management and transition of recovering service members. Specifically, this analysis examined the programs for the care, management and transition of soldiers in the Warrior Transition Battalion, Joint Base Lewis-McChord, Wash., and how they were managed effectively and efficiently. The efficiency and effectiveness of whether the missions, policies and processes were in place to assist warriors in transition with their return to duty status or transition to civilian life were of particular interest. Also, the efficiency and effectiveness of DoD programs for service members affected with traumatic brain injury and post-traumatic stress disorder were of particular interest.

Result:

The command implemented several initiatives at both the WTB and Madigan Army Medical Center that DoD IG believed to be noteworthy practices for supporting the comprehensive care, healing and transition of soldiers. The report also identified a number of significant challenges such as the need to develop policy guidance for Reserve Component soldiers who volunteer for WTB positions to attend training prior to or in route to their assignment at the WTB. Another observation was the need to evaluate current and future manning requirements of WTBs to ensure they are appropriately staffed to meet the mission and have experienced cadre in place to effectively manage and support soldiers during their healing and transition

Report No. DODIG-2013-087

Joint Warfighting and Readiness

DoD IG has identified joint warfighting and readiness, and training and equipping the Iraq and Afghan Security Forces as critical management and performance challenges facing the Department. While the Department is continuing to equip the Iraq Security Forces through the Office of Security Cooperation-Iraq, operating under Chief of Mission authority at the U.S. Mission-Iraq, it is also engaged in the mission to train, equip and mentor the Afghan Security Forces.

Between now and the completion of the scheduled drawdown of combat forces at the end of 2014, the DoD will continue training, equipping, partnering and mentoring the ANSF to enable it to assume the leading security operations role.

Assessment of Afghan National Security Forces Metrics, Ministry of Interior Police Forces

Overview:

DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Reports are produced separately for the Afghan National Police and the Afghan National Army.

Result:

This assessment provided indications of Afghan National Police development over the six-month period, October 2012 to March 2013. The selected metrics tracked ANP/Ministry of Defense development in the areas of sustainment, professionalization and ANP/MoD transition to Afghan security lead. This report is classified.

Report No. DODIG-2012-034.5

Assessment of Afghan National Security Forces Metrics, Afghan National Army (ANA)

Overview:

DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Reports are produced separately for the Afghan National Police and the Afghan National Army.

Result:

This assessment provided indications of Afghan National Army development over the six-month period, October 2012 to March 2013. The selected metrics tracked ANA/Ministry of Defense development in the areas of sustainment, professionalization and ANA/MoD transition to Afghan security lead. This report is classified.

Report No. DODIG-2012-034.6

Planning for the Effective Development and Transition of Critical ANSF Enablers to Post-2014 Capabilities Part I – Afghan National Army Enabler Description

Overview:

Based on observations from the Coalition Force, DoD IG was asked to review plans and activities that are in place to mature enabling capabilities (enablers) identified as being critical to the ability of the Afghan National Army to conduct and sustain independent operations.

Result:

This report is classified.

Report No. DODIG-2013-129

Assessment of the Office of Security Cooperation – Iraq Mission (OSC-I) Capabilities

Overview:

This report is the latest of three and was in coordination with Department of State OIG Audit for the assessment of the realignment of the U.S. Mission Iraq. The evaluation was designed to address the adequacy of DoD support for executing security cooperation programs in Iraq and whether the Office of Security Cooperation–Iraq is organized, equipped and prepared to successfully accomplish its mission.

Result:

Management concurred with all 18 recommendations, some of which were to designate a senior defense official in Iraq and to plan and accelerate integrating the OSC-I into the U.S. Mission Iraq. Of particular note, the results indicated that Department of State and DoD had not come to an agreement on the OSC-I mission; that the process used to direct OSC-I personnel reductions did not fully consider its mission priorities; that the OSC-I had not fully integrated into the U.S. mission; and that joint DoD doctrine did not sufficiently support or address the post-2011 inter-departmental transition of OSC-I responsibilities that were evident in Iraq.

Report No. DODIG-2013-136

DoD IG assessed the adequacy of DoD support for executing security cooperation programs in Iraq.

Assessment of U.S. Government and Coalition Efforts to Develop Leaders in the Afghan National Army (ANA)

Overview:

The purpose of this report was to assess the sufficiency and the effectiveness of the coalition force's programs for developing Afghan National Army officers and noncommissioned officers. Analysts conducted interviews with selected leader development subject matter experts in the United States. In Afghanistan, extensive interviews were conducted with U.S. and coalition advisors, as well as their Afghan principals, at the Ministry of Defense, the general staff and ANA training schools and operational units.

Result:

In general, coalition force's programs for the ANA leader development were effective and on schedule for transition to the Afghans. The establishment of a noncommissioned officer corps, and the roles and responsibilities accompanying this enlisted leadership position, were not completely embraced by senior ANA and general staff personnel. The lack of a true merit-based personnel promotion and assignment system negatively impacted the further development of a new generation of ANA leaders. In addition, among coalition advisors to the ANA, at both training schools and operational units, there was a wide variation in the selection for assignment and specific advisor training preparation. Coalition command data assessment practices and categories did not appear to have been updated to reflect the change in mission emphasis from building the ANA to improving its quality. Of special note was the ANA literacy program. In a country with a very low national literacy rate, this educational program serves not just as an immediate benefit to the ANA, but also eventually the larger nation of Afghanistan by, as one senior officer said, "… allowing Afghans to be more discerning…"

Report No. DODIG-2013-094

Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Advise the Afghan Border Police

Overview:

The report evaluated the capabilities of the Afghanistan Border Police. The International Security Assistance Force Joint Command and NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan, in coordination with the Ministry of Interior and the Afghan National Police, have committed to the development of the border police force. The Afghan Border Police is one of the eight police force pillars that comprise the Afghan National Police. It consists of personnel recruited, trained and assigned to provide security to the border security zone that extends 50 kilometers into Afghan territory, as well as at border crossings and ports of entry, such as airports and rail crossings. This mission entails significant shared responsibilities and capabilities on the part of coalition forces. ISAF is the executive agent responsible for planning and executing the border police program. ISAF Joint Command is responsible for the general support of the program and the border police units operating within their battle space.

Result:

Although work remains to be accomplished, there were several noteworthy areas of progress such as coalition forces coordination, joint border coordination centers, Ministry of Interior Logistics System development and the development and use of Afghan trainers. Areas of concern include the overall border strategy, use of enablers, corruption at border crossings and overall control of logistics.

Report No. DODIG-2013-081

DoD IG evaluated the capabilities of the Afghanistan Border Police.

Assessment of DoD Long-Term Intelligence Analysis Capabilities

Overview:

The report evaluated multiple concerns about the perceived degradation of the Defense Intelligence Enterprise to perform long-term intelligence analysis as a result of a decade-long focus on counterinsurgency crisis support. The common thread gleaned from the review was that it is not analytic capacity that is in short supply but rather subject matter expertise. Additional mission requirements, an increase in the magnitude and variety of analytic questions, crisis response fatigue and customer-shortened expectations have all stressed the Defense Intelligence Enterprise's capability to produce and retain the subject-matter expertise.

Result:

Recommendations provided to the Office of the Secretary of Defense staff have led to the development of a plan of actions and milestones to address emerging requirements, intelligence analysis resources and certification training necessary to develop subject-matter expertise. Initially, management concurred with only two of three recommendations, but subsequently provided comments that satisfied the original finding. This report is classified.

Report No. DODIG-2013-112

Inspection of DoD Detainee Transfers and Assurances

Overview:

The report is the third in a series of inspections under the recommendation of the Special Task Force on Interrogation and Transfer Policies, an interagency task force that Executive Order 13491 created Jan. 27, 2009. It examined assurances regarding the transfer of detainees from DoD custody to foreign nations; specifically, this involved the process for obtaining those assurances, the content of the assurances, implementing and monitoring the assurances, and post-transfer treatment of persons transferred from the Guantanamo Bay Detention Facility, Iraq, and Afghanistan between Aug. 24, 2011, and Feb. 28, 2013.

Result:
No significant changes were identified from the last inspection. This report is classified.
Report No. DODIG-2013-127

Information Assurance, Security and Privacy

One of the challenges that DoD faces is defending its information and information systems against cyber threats. On a daily basis, DoD information technology infrastructures are attacked by those wanting to not only steal DoD information but also do harm to DoD programs, operations and personnel. As stated in the Quadrennial Defense Review, "in the 21st century, modern armed forces simply cannot conduct effective high-tempo operations without resilient, reliable information and communication networks and assured access to cyberspace. DoD must actively defend its networks."

Federal Voting Assistance Program

Overview:
This report complies with the congressional requirement that DoD IG assesses and reports to Congress, at least annually, on both the level of compliance and the level of effectiveness of voting assistance programs during the preceding year. DoD voting assistance programs provide U.S. citizens worldwide a broad range of nonpartisan information and support to facilitate their participation in the voting process. This review was conducted from December 2012 through April 2013 and reviewed the voting analysis reports from the Army, Navy, Air Force and Marine Corps IGs.

Result:
The reviewers found that all services had functioning voting assistance programs, had persons assigned to appropriate voting assistance program duties and that they complied with regular oversight of their individual voting programs. However, there were several issues noted pertaining to the execution of the programs such as potential staffing overlaps, outdated regulations and accommodation of new technological advances to provide information. There were eight recommendations made in this report.
Report No. DODIG-2013-074

Assessment of U.S. Military Cemeteries

Overview:
After a significant level of concern was raised about Arlington National Cemetery, Congress, in the 2012 National Defense Authorization Act, directed DoD IG to conduct an inspection of the cemeteries where military services have jurisdiction. Of particular interest, the inspections included an assessment of the adequacy of the statutes, policies and regulations governing the management, oversight, operations, and interments or inurnments of the military cemeteries under review. This was the first time these cemeteries had been examined by an outside agency. DoD IG conducted the field assessment of this report from April through September 2012.

Result:
While DoD IG found that each cemetery had different circumstances, they all had the same mission and the same types of challenges and issues. DoD IG made six observations and 20 recommendations. In general, the installation and garrison commanders and their cemetery management staffs were very dedicated and conscientious with respect to management of cemetery operations. Overall, the services do well at honoring the dead. All interments were accounted for within the statistical sample of grave sites and, generally, the military services managed their cemeteries in an adequate manner. However, regulation guidance and cemetery management was inadequate in many instances. In addition, DoD IG found that funding for cemetery operations remained an issue across all military services. Furthermore,

DoD IG conducted field assessments of the cemeteries where military services have jurisdiction.

annual inspections required by Army regulation were incomplete or had not been performed at all. It was also found that the Navy and Air Force do not have an annual inspection requirement.
Report No. DODIG-2013-098

Release of DoD Information to the Media

Overview:

This report responded to questions posed by then-chairman of the House Homeland Security Committee regarding the support provided to "Hollywood executives" making a film about the raid that successfully killed Usama bin Laden.

Result:

The report addresses, in depth, four questions posed by the chairman. The Executive Office of the President did communicate with DoD regarding providing filmmakers access to the under secretary of defense for intelligence. DoD IG found no communications between DoD personnel and the Executive Office of the President which discussed access to military special operators. DoD did not expect to review the script because only official requests for support require script submission, and the filmmakers never asked for formal support. There is no requirement for the filmmakers to provide DoD pre-publication review for any productions which the DoD did not formally support. DoD special operators involved with the bin Laden raid were present during one event at which a filmmaker was also present; DoD IG was unable to identify any precautionary measures taken to protect the identity of operators who attended this event. Within DoD, DoD IG did not identify instances where any special operations tactics, techniques, and procedures–related information was provided to filmmakers. The review resulted in referrals within DoD IG, as well as referrals external to the DoD.
Report No. DODIG-2013-092

DoD Evaluation of Over-Classification of National Security Information

Overview:

This was the first of two reports required by Public Law 111-258, Section 6(b), which mandates that inspectors general of federal departments or agencies, with an officer or employee who is authorized to make original classifications, conduct an evaluation to determine whether classification policies, procedures, rules, regulations and management practices have been adopted and are followed and effectively administered. DoD IG found that applicable classification policies, procedures, rules and regulations have been adopted; however, in some circumstances had not been followed or effectively administered. DoD IG also concluded that some policies, procedures, rules, regulations or management practices may be contributing to persistent misclassification of material. Additionally, DoD IG found several instances where the inaccurate use of dissemination control and handling markings could unnecessarily restrict information sharing. Finally, while there is still room for improvement, DoD continues to make advances with program management, reporting costs and security classification activities, and advancing policies that will help in constraining over-classification.

Result:

DoD IG made nine recommendations in support of policies and procedures that will assist in countering the persistent misclassification of material. The Office of the Under Secretary of Defense for Intelligence, and the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics concurred with the recommendations and have begun taking steps to address identified issues.
Report No. DODIG-2013-142

ADMINISTRATIVE INVESTIGATIONS

The DoD IG Office of the Deputy Inspector General for Administrative Investigations consists of two directorates: Whistleblower Reprisal Investigations and Investigations of Senior Officials. AI completed an organizational transformation to achieve its vision of becoming the model administrative investigations organization in the federal government:

- Attained 95 percent of authorized full-time equivalent positions.
- In May 2013, AI led a joint DoD and intelligence community IG accountability review of the disciplinary processes and disciplinary actions taken in response to substantiated Intelligence Community Offices of Inspector General investigation reports from FY 2009 through FY 2012.
    - The Senate Select Committee on Intelligence requested the review. More than 20 inspector general personnel from six agencies participated: Office of the Director of National Intelligence, Department of Defense, Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office and National Security Agency.
    - As a result of the team's recommendations, each agency made improvements in agency processes and internal controls that will enhance the transparency and accountability in the intelligence community in the future. AI provided copies of the final report to the Senate Select Committee on Intelligence and other congressional committees.
- Completed phase II in the development of the next generation complaint database and management information system—the Defense Case Activity Tracking System. D-CATS enables full lifecycle tracking and monitoring of reprisal and senior official misconduct investigations.
- Continued robust quarterly internal control reviews of investigative case files using Council of the Inspectors General on Integrity and Efficiency and General Accountability Office review criteria.

Whistleblower Reprisal Investigations

The Whistleblower Reprisal Investigations Directorate investigates and conducts oversight reviews of investigations conducted by the military service and defense agency IGs into allegations of whistleblower reprisal made by DoD military service members, nonappropriated fund instrumentality employees, and DoD contractor employees under Title 10 of the U.S. Code. WRI additionally investigates allegations that military members were restricted from communicating with a member of Congress or an IG. WRI also investigates, under the authority of the IG Act and on a discretionary basis, allegations of reprisal filed by DoD appropriated fund civilian employees.

DoD IG is committed to maintaining the Department's whistleblower protection program as a model for the federal government by improving the timeliness and quality of reprisal investigations. During the reporting period, DoD IG implemented numerous enhancements to WRI's investigative and oversight functions:

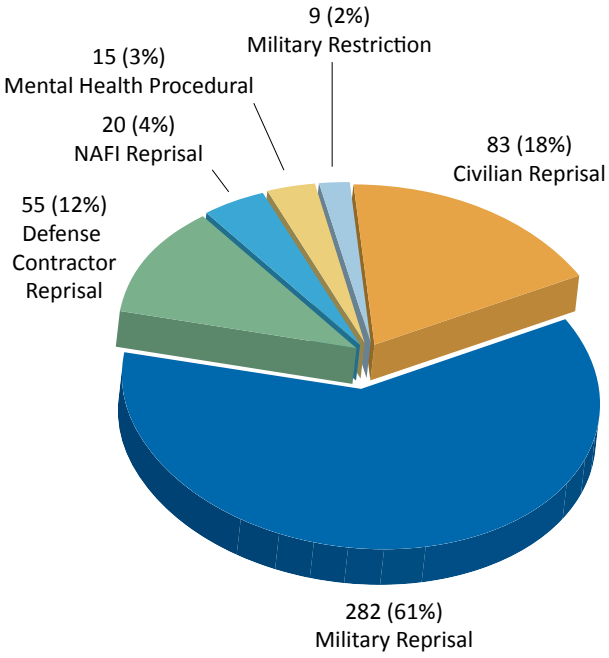
- Staffed the DoD IG Policy Memorandum 2013-5, Protecting Whistleblowers with Access to Classified Information in DoD OIG, June 18, 2013, and certified to the under secretary of defense for intelligence that DoD IG had implemented Presidential Policy Directive 19, Protecting Whistleblowers with Access to Classified Information. [Note: for details on recent enhancements to whistleblower protections, see the insert]
- Renewed emphasis on Council of Inspectors General on Integrity and Efficiency quality standards for investigations, to include incorporation of CIGIE standards into oversight reviews.
- Expanded the DoD IG whistleblower outreach program and provided robust whistleblower protection and reprisal training to DoD IG and component IG staff.
- Collaborated and shared best practices with other members of DoD IG and federal whistleblower protection community.
- Filled several new positions focused on administration, policy and outreach, in addition to key investigative vacancies to address the continually increasing number of whistleblower reprisal complaints filed with DoD IG and the military services.

Reprisal Investigations

During the reporting period, the Department received a total of 464 complaints involving reprisal, restriction from communicating with a member of Congress/ inspector general and procedurally improper mental health evaluation referrals. The Department closed a total of 477 complaints.

The chart, below, shows the number and type of complaints closed by DoD IG and the service/defense agency IGs during the period, along with the total closed during FY 2013. Of the 477 complaints closed this period, 325 were dismissed due to insufficient evidence to warrant an investigation, nine were withdrawn, and 143 were closed following full investigations. Of the 143 investigations closed, 14 involved procedurally improper mental health evaluation referrals (six substantiated [43 percent]); three involved restriction from communicating with a member of Congress/inspector general (three substantiated [100 percent]); and 126 involved whistleblower reprisal (11 substantiated [9 percent]).

Figure 2.1 Total Complaints Received During FY 2013 (2nd Half)



Total: 464 complaints

Figure 2.2 Complaints Closed Second Half FY2013 and FY2013 Totals

Reprisal, Restriction, and Mental Health Procedural Complaints
Closed in FY2013 (2nd Half) and FY 2013 Total

	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated Cases	Substantiation Rate
Type of Complaint	Closed by DoD IG					
Civilian Reprisal	99	90	1	8	1	13%
Military Reprisal	92	76	8	8	1	13%
Defense Contractor Reprisal	54	51	0	3	0	0%
NAFI Reprisal	21	15	0	6	0	0%
Subtotal FY 13 (2nd Half)	266	232	9	25	2	8%
Military Restriction	5	3	0	2	2	100%
Mental Health Procedural	3	3	0	0	0	0%
Total FY13 (2nd Half)	274	238	9	27	4	15%
Type Complaint	Closed by Component IG with Oversight Review by DoD IG					
Civilian Reprisal	2	1	0	1	0	0
Military Reprisal	183	83	0	100	9	9%
Subtotal FY 13 (2nd Half)	185	84	0	101	9	9%
Military Restriction	1	0	0	1	1	100%
Mental Health Procedural	17	3	0	14	6	43%
Subotal FY13 (2nd Half)	203	87	0	116	16	14%
Total FY13 (2nd Half)	477	325	9	143	20	14%
Closed in FY13 (1st and 2nd Half)						
Grand Total FY13	755	524	22	209	30	14%

Substantiated Whistleblower Reprisal/ Restriction/Procedurally Improper Mental Health Evaluation Allegations

- An Army lieutenant general attempted to restrict two Army colonels from communicating with a DoD IG inspection team by sending three restrictive emails. An Army major general also restricted one of the colonels when he forwarded one of the emails and directed that the colonel be reminded of the lieutenant general's restrictive order. The restrictive actions caused no harm to the colonels' careers; therefore, DoD IG made no remedial recommendations. DoD IG recommended that the secretary of the Army take appropriate corrective action against the general officers. Corrective action is pending.
- An Air Force major general threatened to identify and fire four civilian employees who reported potential wrongdoing by another civilian employee to a defense agency inspector general. The major general was upset that she was not notified before the potential wrongdoing was reported to the agency IG. Because the major general made no attempt to follow through with her threat, DoD IG made no remedial recommendations. DoD IG recommended that the secretary of the Air Force take appropriate corrective action against the major general. Corrective action is pending.
- A Navy rear admiral reprised against an Air Force lieutenant colonel under his command by relieving him of his position, reassigning him to a position not commensurate with his rank, and forcing the lieutenant colonel to depart his joint tour early. The rear admiral suspected the lieutenant colonel of filing an anonymous complaint against him. DoD IG recommended the secretary of the Air Force review the lieutenant colonel's official personnel file to ensure no harm to his promotion potential occurred as a result of the personnel actions. DoD IG further recommended the secretary of the Navy take appropriate action against the rear admiral for reprising against the lieutenant colonel. Corrective action is pending.
- A Navy commander reprised against a senior chief petty officer under his command by giving him an adverse fitness report and suspending his access to classified information. The Navy commander took the reprisal actions after the senior chief petty officer made several complaints to inspector general and equal opportunity offices against the commander and the chain of command. The Naval inspector general is following up with the chain of command on appropriate corrective action.
- An Army National Guard brigadier general reprised against a lieutenant by relieving the lieutenant from her duties as aide-de camp; and, acting as both the rater and senior rater, issued the lieutenant a relief-for-cause officer evaluation report. The investigation found that the brigadier general took the actions because of a complaint the lieutenant filed with the battalion commander. Corrective action is pending.
- An Air Force colonel issued a letter of counseling to a major in reprisal for stating she had an appointment with the commanding general about problems she was having with her supervisor and others in her chain of command. Corrective action is pending.

Corrective Actions Taken during Second Half of FY2013 on Whistleblower Cases Closed in Previous Reporting Periods

- An Army colonel improperly referred a Navy junior grade officer for a mental health evaluation by not providing him with the proper documentation for the referral in violation of DoD Directive 6490.1, Mental Health Evaluations of Members of the Armed Forces, and DoD Instruction 6490.4, Requirements for Mental Health Evaluations for Members of the Armed Forces. DoD IG recommended the Army take appropriate corrective action against the colonel for the improper referral. The Army counseled the colonel on the procedural requirements for mental health referrals in effect at the time.
- An Air Force Reserve colonel received a general officer letter of counseling for restricting a subordinate officer from making a protected communication to the colonel's superior.
- An Army National Guard major received counseling for improperly referring a subordinate for a mental health evaluation without following established procedures.
- Air Force officials relieved a lieutenant colonel of command for removing a subordinate from flying duties in reprisal after the subordinate made allegations of impropriety in the unit.

- The secretary of the Navy took corrective actions against two of three naval officers who reprised against a lieutenant commander: one captain retired at a lower pay grade; another met a show cause board for retention in the Navy and was retained. Corrective action regarding the third officer is pending. The lieutenant commander, who had resigned in lieu of meeting a show cause board, was reinstated into the Navy Reserve.
- A contractor who was reprised against for whistleblowing received $35,000 as part of a settlement.

Investigations of Senior Officials

To promote public confidence in the integrity of DoD leadership, Investigations of Senior Officials investigates and conducts oversight reviews of investigations conducted by the military service and defense agency IGs into alleged misconduct by senior DoD officials (brigadier general/rear admiral and above, members of the senior executive service and senior political appointees). The WRI Directorate investigates allegations of reprisal involving senior officials and oversees component investigations of same.

Misconduct allegations are noncriminal in nature and typically involve ethics or regulatory violations. Specialized units within each military department office of inspector general conduct the majority of senior official investigations. ISO investigates allegations against the most senior DoD officials (three-star and above general/flag officers and equivalents), senior officials in the joint or defense intelligence community and allegations not suitable for assignment to service IGs. ISO conducts oversight reviews of all service/defense agency IG investigations of misconduct involving senior officials.

During the period, the Department received 541 complaints of senior official misconduct and closed 358. Of the 358 complaints closed, 231 were dismissed due to lack of a credible allegation of misconduct and 127 were closed following investigation. Of the 127 investigations closed, 10 were closed by DoD IG and 117 were closed by

Figure 2.3 Senior Official Complaints Closed During FY 2013

Senior Official Complaints
Closed in FY2013 (2nd Half) and FY2013 TOTAL

	Total Closed	Dismissed	Investigated	Substantiated Cases	Substantiation Rate
Service/Agency	Closed by DoD IG				
Army	89	85	4	0	0%
Navy	18	17	1	0	0%
Air Force	33	30	3	0	0%
Marine Corps	10	10	0	0	0%
COCOM / Defense Agency	91	89	2	1	50%
Subtotal FY13 (2nd Half)	241	231	10	1	10%
Service/Agency	Closed by Component IG with Oversight Review by DoD IG				
Army	75		75	26	35%
Navy	7		7	3	43%
Air Force	22		22	10	45%
Marine Corps	2		2	0	0%
COCOM / DA	11		11	8	73%
Subtotal FY13 (2nd Half)	117		117	47	40%
Total FY13 (2nd Half)	358	231	127	48	38%
Closed in FY13 (1st and 2nd Half)					
Grand Total FY13	614	337	277	95	34%

service IGs with oversight by DoD IG. Of the 127 investigations closed, 48 (38 percent) contained substantiated allegations of misconduct. DoD IG processed 6,523 senior official name checks for general/flag officers pending nomination, promotion, retirement and reassignment for a total of 11,880 name checks in FY 2013.

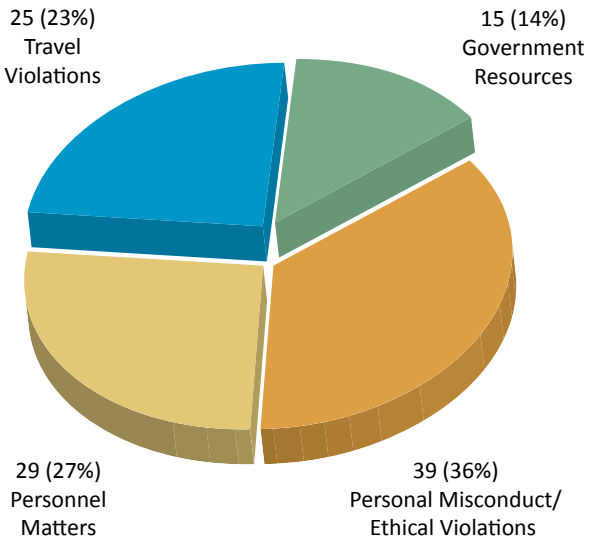
DoD IG conducted several investigations with significant congressional and media interest.

Examples of Significant Senior Official Cases

The following is a list of significant senior official cases closed:

- A defense agency SES misused her position to endorse a product, service or enterprise. DoD IG found that the SES held a financial interest in a private company owned by a family member and used proprietary materials from the company in communications with senior DoD officials. The senior official left government service prior to completion of the investigation.
- A major general maltreated his front office personnel. The major general received a written reprimand.
- A brigadier general failed to conserve government resources, used government rental cars for unauthorized purposes and directed a subordinate to use a Government Travel Charge Card for other than authorized purposes. The brigadier general received a written reprimand.
- A rear admiral sent a racially offensive email to members of his command and spoke in a manner diminishing confidence in or respect due to three superior admirals. The rear admiral received a letter of counseling.
- A defense agency SES engaged in an inappropriate relationship with a subordinate employee and misused government communications systems to facilitate the relationship. Corrective action is pending.
- A brigadier general coerced raters to change evaluations in violation of service regulations. Corrective action is pending.

Figure 2.3 Types of Substantiated Misconduct



POLICY AND OVERSIGHT

DoD IG provides policy, guidance and oversight to audit and investigations within DoD. DoD IG also provides analysis and comments on all proposed draft DoD policy issuances, as well as conducts technical assessments of DoD programs and provides engineering support for other assessments.

Audit Policy and Oversight

DoD IG provides audit policy direction, guidance and oversight for its auditing component; the military departments' audit organizations, the Defense Contract Audit Agency, other defense audit organizations and public accounting firms under the Single Audit Act of 1984 . As such, DoD IG provides guidance and oversight for more than 6,700 DoD auditors in 22 DoD audit organizations, which is nearly 40 percent of all auditors in federal inspector general audit organizations.

Hotline Allegation Regarding the Failure to Take Action on Material Management and Accounting System (MMAS) Audit Findings

Overview:

DoD IG evaluated allegations from a DoD Hotline complaint alleging that the contracting officer at a Supervisor of Shipbuilding, Conversion and Repair facility failed to take action on audit findings reported by the Defense Contract Audit Agency involving a DoD contractor's Material Management and Accounting System. The complaint also alleged that DCAA management at a field audit office did not take appropriate action to protect the government's interests.

Findings:

DoD IG substantiated the allegation that the SUPSHIP contracting officer did not take action on significant MMAS deficiencies reported in multiple DCAA audit reports since 1996. As a result, the government likely paid millions of dollars in excess material inventory carrying costs and other charges, which are not recoverable. In 2008, DCAA estimated that the government incurred $27.7 million annually in excess inventory carrying costs on one of the deficiencies involving the failure to appropriately time-phase material costs. DoD IG did not substantiate the second allegation that DCAA field office management failed to take appropriate actions to protect the government's interests.

Result:

DoD IG recommended that the commander, Naval Sea Systems Command, take appropriate administrative action, including personal accountability, for the failure of SUPSHIP to take action on the reported MMAS deficiencies. In consultation with DCAA, DoD IG also recommended that SUPSHIP promptly evaluate the adequacy of the contractor's plan for correcting the deficiencies. Management agreed with all report recommendations.

Report No. DODIG-2013-082

Complaint Regarding Tinker Air Force Base Agreement to Pay an Unallowable Markup on a Foreign Military Sales Contract

Overview:

DoD IG reviewed a complaint alleging that a contracting officer from Tinker Air Force Base, Okla., agreed to pay a 22-percent unallowable markup on a foreign military sales contract. The 22-percent markup issue involved a foreign military sales base contract that was negotiated in 2004 and option years that were negotiated in 2006 and 2007. Although the contract was negotiated several years ago, DoD IG elected to review the complaint and make appropriate recommendations because Tinker Air Force Base could be allowing similar unallowable costs on current DoD and foreign military sales contracts.

> *"A Tinker Air Force Base contracting officer inappropriately agreed to pay a 22-percent markup factor on materials transferred between affiliated contractors."*

Findings:

A Tinker Air Force Base contracting officer inappropriately agreed to pay a 22-percent markup factor on materials transferred between affiliated contractors. As a result, a contractor received an estimated $18.3 million in additional profit under the foreign military sales contract that was unallowable. According to Federal Acquisition Regulation, materials transferred between affiliated companies must be based on costs incurred, excluding profit. The contracting officer allowed the markup factor even though a Defense Contract Audit Agency auditor and a Defense Contract Management Agency attorney recommended that the contracting officer disallow it. The contracting officer failed to adequately explain in the price negotiation memorandum why he did not adopt the auditor and attorney recommendations.

Result:

DoD IG recommended that the deputy assistant secretary for contracting, Office of the Assistant Secretary of the Air Force for Acquisition, improve the quality assurance procedures to help ensure that Tinker Air Force Base contracting officers (1) limit negotiated material costs transferred to the costs incurred, (2) document adequate rationale in the price negotiation memorandum when they do not adopt the specialist recommendations and (3) take all practicable steps to obtain recoupment of the $18.3 million profit that the contracting officer had no authority to pay the DoD contractor. Management agreed with all report recommendations.

Report No. DODIG-2013-086

Acquisition Processes and Contract Management Report on Quality Control Review of the Grant Thornton, LLP, FY 2011 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine

Overview:

As the cognizant federal agency for the Henry M. Jackson Foundation for the Advancement of Military Medicine, DoD IG began a review of the Grant Thornton LLP, single audit and supporting working papers for the audit period Oct. 1, 2010, to Sept. 30, 2011. The purpose of the review was to determine whether the single audit was conducted in accordance with auditing standards and the auditing and reporting requirements of the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Foundation is a not-for-profit organization authorized by Congress in May 1983 to support military medical research. During FY 2011, the Foundation expended $398.4 million in federal awards, under one federal program, the research and development cluster. Of the $398.4 million, $335.9 million was expended for Department of Defense programs.

Findings:

DoD IG discontinued its quality control review due to the determination that some of the Grant Thornton work papers could not be relied on and, therefore, neither could the audit report opinion on compliance with requirements on the federal program. As such, Grant Thornton needs to perform additional audit procedures to support the audit conclusions and overall audit opinion. DoD IG will reschedule its review once the additional audit work is completed and the audit report is resubmitted to the Federal Audit Clearinghouse. Although DoD IG discontinued its review, they identified an issue with Grant Thornton's sampling policy that needs to be addressed to ensure the audit procedures performed for all single audits are sufficient to support the opinion on compliance with requirements on federal programs.

Result:

DoD IG recommended that the National Managing Partner, Professional Standards Group, Grant Thornton, LLP, provide DoD IG with (1) the results of the Grant Thornton investigation into the matter of the falsified work papers, (2) a list of all Circular A-133 audits and any audits impacting DoD on which the Grant Thornton auditor who falsified work papers was assigned, (3) the role of the auditor and any specific actions taken on the audit(s) identified above and (4) any corrective actions taken, including changes to Grant Thornton's supervisory review process and overall quality control procedures. Concerning Grant Thornton's sampling policy, DoD IG recommended that the National Managing Partner, Professional Standards Group, Grant Thornton, LLP revise the Grant Thornton sampling policy to include steps on how to determine and document the significance of the internal controls being tested according to the auditing guidance in the American Institute of CPAs Audit Guide. DoD IG also recommended that the Audit Partner, Grant Thornton, LLP assess the significance of the internal controls being tested, according to the auditing guidance in the American Institute of CPAs Audit Guide, when determining the sample sizes for the FY 2011 Single Audit on the Henry M. Jackson Foundation for the Advancement of Military Medicine. Management agreed to all report recommendations.

Report No. DODIG-2013-124

Investigative Policy and Oversight

DoD IG evaluates the performance of and develops policy for the DoD criminal investigative and law enforcement community, as well as the non-Defense Criminal Investigative Organization offices of DoD.

Evaluation of the Military Criminal Investigative Organizations Sexual Assault Investigations

Overview:

DoD IG evaluated the sexual assault investigations completed in 2010 by Military Criminal Investigative Organizations to determine whether they conducted investigations as required by DoD, military service and MCIO guidance. The evaluation focused on the following question: Did the MCIOs investigate sexual assaults as required by guiding policies and procedures?

Findings:

DoD IG found that most MCIO investigations met or exceeded the investigative standards. However 11 percent of cases had significant deficiencies and

were returned to the MCIOs for corrective action. The U.S. Army Criminal Investigation Defense Command and Air Force Office of Special Investigations policy guidance did not direct the collection of clothing articles that a victim or suspect might have placed on themselves shortly after the assault, if different from the clothing worn during the assault. Naval Criminal Investigative Service policy did not require NCIS investigators to notify or coordinate with their servicing judge advocate(s) upon initiating an investigation. Army CID guidance regarding records checks did not provide a definitive timeliness requirement. NCIS needs policy to require Sexual Assault Response Coordinator notifications and documentation.

Result:

DoD IG made pertinent recommendations including (1) the MCIOs implement measures to improve crime scene processing, evidence collection, supervision and documentation to reduce investigative deficiencies and (2) the commanders of Army CID and AFOSI evaluate their existing policies regarding the collection of clothing worn by suspects and victims subsequent to a sexual assault.

Report No. DODIG-2013-091

Criminal Investigative Policy

During the reporting period, DoD IG issued three policies affecting the criminal investigative arena as follows:

1. **DoD Instruction (DoDI) 5505.02, Criminal Investigations of Fraud Offenses, August 29, 2013.** The Instruction reissuance establishes the authority to initiate, conduct and supervise fraud investigations within the DoD (including the military departments) and other investigations as DoD IG deems appropriate. Also it establishes policy, assigns responsibilities and prescribes procedures for determining which of the Defense Criminal Investigative Organizations will conduct investigations of fraud offenses.
2. **DoDI 5505.08, Military Criminal Investigative Organizations (MCIO) and other DoD Law Enforcement Organizations Investigations of Adult, Private, Consensual Sexual Misconduct, April 17, 2013.** The Instruction reissuance establishes policy, assigns responsibilities and provides procedures for the initiation of criminal investigations into adult, private, consensual sexual misconduct. The Instruction also incorporates the repeal of policy in Public Law 111-321, Don't Ask, Don't Tell Repeal Act of 2010.
3. **DoDI 5505.10, Criminal Investigations of Noncombat Deaths, August 15, 2013.** The Instruction reissuance establishes policy, assigns responsibilities and prescribes procedures for the criminal investigation of noncombat deaths by military criminal investigative organizations.

Technical Assessments

DoD IG performs expert technical assessments that affect improvements in defense system acquisition, operation and sustainment by proactively addressing issues of concern to Congress, DoD and the public.

Quality Assurance Assessment of the F-35 Lightning II Program

Overview:

DoD IG performed an evaluation of the F-35 Lightning II program by conducting a series of quality assurance assessments of the Joint Program Office, prime contractor and major subcontractors. DoD IG assessed conformity to the contractually required Aerospace Standard (AS)9100, "Quality Management Systems - Requirements for Aviation, Space and Defense Organizations," contractual quality assurance clauses, and internal quality assurance processes and procedures for the following six contractors: Lockheed Martin Aeronautics Company (Prime Contractor and Aircraft Integrator); Northrop Grumman Aerospace Systems (Center Fuselage Integrator); BAE Systems (Aft Fuselage Integrator); L-3 Display Systems (Panoramic Cockpit Display System); Honeywell Aerospace (On-Board Oxygen Generation System); and United Technologies Corporation, Aerospace Systems (Landing Gear System).

Findings:

The F-35 program did not sufficiently implement or ensure that technical and quality management system requirements were placed on subcontractor contracts throughout the supply chain to prevent the fielding of nonconforming hardware and software. As such, this could adversely affect aircraft performance, reliability, maintainability and ultimately program cost. Lockheed Martin and its subcontractors did

DoD IG evaluated the F-35 Lightning II program.

not follow disciplined AS9100 Quality Management System practices, as evidenced by 363 findings, which contained 719 issues. Further, the Joint Program Office did not (1) ensure that Lockheed Martin and its subcontractors were applying rigor to design, manufacturing and quality assurance processes; (2) ensure that critical safety item requirements were placed on subcontractor contracts; (3) ensure that Lockheed Martin provided quality assurance and technical requirements to subcontractors; (4) establish an effective quality assurance organization; and (5) ensure that the Defense Contract Management Agency perform adequate quality assurance oversight. In addition, the Defense Contract Management Agency did not sufficiently perform government quality assurance oversight of F-35 contractors.

Result:

DoD IG recommended that the Joint Program Office:

- Ensure compliance with AS9100 throughout the F-35 supply chain.
- Ensure that Lockheed Martin approves all design and material review board changes and variances with government concurrence.
- Perform process proofing of all critical processes to include first-article inspections.
- Modify its contracts to include a quality escape clause to ensure the government does not pay for nonconforming products.
- Assess the impacts and risks to all delivered aircraft for all findings.
- Implement an aviation critical safety item program that meets the requirements of public law and DoD policy, which would include ensuring that requirements for a critical safety item program to Lockheed Martin and its subcontractors.
- Assess the impacts and risks to all delivered aircraft for critical safety item deficiencies.
- Perform a verification of the technical and quality assurance requirements applied throughout the F-35 supply chain.
- Establish an independent quality assurance organization, which has the authority and resources to enforce the AS9100 standard and F-35 product quality.
- Revise the Defense Contract Management Agency memorandum of agreement to include explicit quality assurance oversight requirements.
- Ensure that Defense Contract Management Agency is performing quality assurance oversight commensurate with product criticality.

The Defense Contract Management Agency should:

- Provide a comprehensive quality assurance oversight plan for Joint Program Office approval to be included in the memorandum of agreement.
- Audit the execution of the quality assurance oversight plan throughout the F-35 supply chain.

The Joint Program Office agreed with eight recommendations, partially agreed with two and disagreed with one. The Defense Contract Management Agency agreed with one recommendation and partially agreed with the second.

Report No. DODIG-2013-140

Compliance with Electrical and Fire Protection Standards of U.S. Controlled and Occupied Facilities in Afghanistan

Overview:

At selected U.S. controlled and occupied facilities in Kandahar Air Field and Bagram Air Field, Afghanistan, DoD IG inspected for compliance with the National Electrical Code ,the Unified Facilities Criteria, National Fire Protection Association standards and corrective actions for previous DoD IG electrical and fire protection findings.

DoD IG found hazardous conditions due to a lack of consistent adherence at selected U.S. controlled and occupied facilities in Afghanistan.

Findings:

Hazardous conditions due to a lack of consistent adherence to minimum NEC and NFPA standards were evidenced by 1,089 findings; 440 findings violated NEC electrical standards and 649 findings violated UFC and/or NFPA fire protection standards. Further, DoD IG found:

- Fire protection systems were not maintained and/or repaired.
- Garrison commands lacked qualified government or dedicated contractor electricians, fire alarm, or fire suppression technicians on their staffs to perform inspection, testing and maintenance.
- Inadequate government oversight and inspection of facilities.
- Lack of independent technical support for the Government Contracting Office resulted in overreliance on facility construction and maintenance contractors.
- The base camp master plans lacked a comprehensive fire protection plan.
- Corrective actions for previous DoD IG audits and inspections were incomplete and ineffective for many findings.

Result:

DoD IG recommended that all 1,089 findings, which include 71 critical findings, be addressed and prioritized according to a robust risk management plan and that:

- U.S. Forces-Afghanistan review the government oversight and inspection requirements for electrical and fire protection systems and ensure that sufficient qualified resources are available and deployed to meet requirements throughout the USFOR-A area of responsibility.
- Provisions be made for regular inspection and maintenance of electrical and fire protection systems.
- Base camp master plans include a comprehensive fire protection plan.
- Commander, U.S. Central Command Joint Theater Support Contracting Command, review applicable contracts to determine if contractual remedies, including financial recovery, are appropriate in those cases where contract requirements for electrical or fire protection construction, maintenance or repair services were not satisfied.

USCENTCOM and its subordinate commands reviewed the findings and recommendations concurring with nine and partially concur with two of the eleven recommendations.

Report No. DODIG-2013-099

Advanced Combat Helmet Technical Assessment

Overview:

DoD IG assessed the methods and technical rationale in developing the Advanced Combat Helmet testing protocols issued by the Office of the Director, Operational Test and Evaluation to determine whether the test protocols were appropriate for the ACH. Specifically, the assessment focused on the first article testing, resistance to penetration requirement of at least 90 percent probability of no penetration with 90 percent confidence level, commonly termed the "90/90 standard," and the lot acceptance testing and RTP requirement of 4 percent Acceptable Quality Level. Lastly, DoD IG assessed the participation of various stakeholders and industry experts such as active ACH manufacturers and test facilities.

Findings:

DoD IG, after reviewing the methods and technical rationale in developing the helmet RTP requirements, found that the DOT&E test protocol for the ACH adopts a statistically principled approach and represents an improvement from the legacy test protocol with regard to increased sample size.

DoD IG assessed the Advanced Combat Helmet testing protocols to determine whether they were appropriate for the ACH.

However, future protocol revisions necessitate further refinement by anchoring the RTP requirements to helmet specific empirical data such as manufacturing capabilities and test performance. The DOT&E LAT protocol is an improvement from the legacy LAT and adopts a widely established and industrially accepted American National Standards Institute. In selecting the LAT RTP requirement of 4 percent AQL, DOT&E considered the government risk of accepting underperforming helmets, manufacturer risk of failing LAT with acceptable helmets and historical LAT data. However, DOT&E did not consider selecting an AQL that was based on the safety criticality of the helmet. Also in accordance with authorizing statutes, DOT&E has the authority to establish test standards for personnel protective equipment such as the ACH. However, despite the significance and broad effect of these protocols, DOT&E did not explicitly consult with heads of the military departments to provide them an opportunity to comment on new or changed test protocols and did not adequately document the adjudication of inputs provided by program offices and subject matter experts in the staffing process. The program office also did not solicit comments on the helmet test protocols with the helmet vendors and Defense Contract Management Agency. Lastly the FAT RTP acceptance was based on an aggregate of all test outcomes under varying conditions to achieve 90/90, or 17 penetrations out of 240 shots. This could result in passing FAT, despite test results showing clusters of failures for a unique helmet size or in a particular test environment.

Result:

During the course of the assessment, DOT&E and the Army's Program Executive Office Soldier were very responsive and had already committed to address most of the findings identified. The report contained various recommendations including that (1) DOT&E and PEO Soldier fully characterize the performance of all helmet designs included in the combat helmet test protocols; (2) performance characterization should consider threat, historical test data, prototype test data and manufacturing capabilities; and (3) based on helmet performance characterizations, DOT&E and PEO Soldier should determine if modification to the FAT and LAT protocols are appropriate. Also due to the significance and broad impact of the test protocols, DOT&E should ensure the affected organizations, including heads of the military departments, are consulted in developing the protocols and have an opportunity to provide input on new or changed test protocols. DOT&E should also ensure that inputs received are documented and adjudicated. Management agreed to all report recommendations.
Report No. DODIG-2013-079

3

Enabling Mission Areas

CONGRESSIONAL TESTIMONY AND BRIEFINGS

Section 4(a) of the Inspector General Act requires the Inspector General "to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]" and to make recommendations "concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations." DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings.

Representatives of DoD IG testified at two hearings during the period. Deputy Inspector General for Audit Daniel Blair testified before the House Committee on Oversight and Government Reform April 17, 2013. The subject of the hearing was,"Contracting to Feed U.S. Troops in Afghanistan: How did the Defense Department End Up in a Multi- Billion Dollar Billing Dispute?" The hearing focused on concerns uncovered during an initial audit of a contract with the prime vendor for food and nonfood products for the Nation's warfighters in Afghanistan; actions taken to address the report recommendations; and opportunities to improve contract administration through lessons learned that could be applied to future contracts.

On April 10, 2013, Ambassador Kenneth Moorefield, the deputy inspector general for Special Plans and Operations, testified before the House Committee on Oversight and Government Reform. The subject of the hearing was "U.S. Foreign Assistance: What Oversight Mechanisms are in Place to Ensure Accountability?" The testimony focused on DoD direct assistance to Afghanistan and DoD IG oversight efforts in that area.

Meetings with Congressional Members and Staff

During the reporting period, representatives of the Office of the Inspector General had 60 meetings with members of Congress and/or their staffs. Topics of discussion during those meetings included issues such as a series of audit reports concerning spare parts pricing and inventory issues, an audit of the TRICARE Mail Order Pharmacy program, an assessment of the testing protocols for the Advanced Combat Helmet and an audit of the Navy Commercial Access Control System. Additional topics included briefings on the Intelligence Community Inspectors General Accountability Review, whistleblower protections for military technicians and senior official accountability.

Congressional Requests

The Office of Communications and Congressional Liaison supports DoD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG public affairs office. From April 1 through Sept. 30, 2013, the Office of Communications and Congressional Liaison received 152 new congressional inquiries and closed 162, including a report required by the Reducing Over-Classification Act, an accountability review of the intelligence community, reviews of reprisal and senior official allegations and a review of the release of DoD information to the media.

New inquires and pending legislation involved issues such a review of allegations involving Joint Prisoner of War/Missing in Action Accounting Command, an audit of permanent change of station funding and an assessment of the planned testing of the Ground Based Interceptors program. The Office of Communications and Congressional Liaison continues to proactively reach out to congressional staffers to ensure they are informed about upcoming IG releases and ongoing reviews.

DOD HOTLINE

The mission of the DoD Hotline is to provide a confidential, reliable means for military service members, DoD civilians, contractors and the public to report violations of federal law or regulation. The DoD Hotline is also an avenue for these stakeholders to report mismanagement, gross waste of funds, abuse of authority and classified information leaks, as well as the detection and prevention of substantial and specific threats to public health and safety.

The DoD Hotline aims to become the recognized leader for federal government hotline programs. Significant accomplishments during the reporting period include:

- Developed and implemented a DoD Hotline improvement plan.
- Streamlined complaint intake and review processes for more effective and efficient triage.
- Established and met priority 1 and 2 complaint metrics.
- Systematically decreased the complaint processing backlog by one-third.
- Increased the number of personnel to more efficiently manage the volume of incoming complaints.
- Formed a DoD-wide hotline working group to establish a common vision and open dialogue about issues affecting the hotline community as a whole.
- Hosted a world-wide outreach for all federal and Defense hotline programs.
- Strengthened internal and external partnerships within the hotline community

DoD IG is committed to maintaining the Department's whistleblower protection program as a model for the federal government. The DoD Hotline directly supports this commitment by continuously analyzing and improving its processes for handling whistleblower complaints.

Hotline Contacts and Case Initiation

During this reporting period, the DoD Hotline received more than 15,000 contacts, the second largest number ever received in a six-month period. Of those 15,000 contacts, the DoD Hotline opened 1,341 cases, which involved the following types or categories of misconduct:

- Procurement fraud
- Ethics violations
- Abuse of authority
- Public corruption
- Prohibited personnel practices
- Conflict of interest
- Security violations
- Reprisal
- Trafficking in persons
- Safety violations

Open Cases

The DoD Hotline initiated 1,341 cases to the following activities:

Military Services	
Air Force	75
Army	306
Navy	80
Marine Corps	29
Joint Staff	45
DoD IG	
Investigation of Senior Officials	243
Whistleblower Reprisal	306
Hotline	9
Audits	10
Investigations	79
Intelligence & Special Program Assessments	17
Office of Professional Responsibility	6
Special Plans & Operations	1
Audit Policy and Oversight	14
Investigative P&O	11
Defense Agencies/DoD Field Activities	
DARPA	1
DCAA	11
DCMA	9
DECA	6
DFAS	8
DIA	6
DISA	3
DLA	7
Department of Defense Education Activity	7
Defense Security Service	1
Defense Threat Reduction Agency	1

Defense Agencies/DoD Field Activities (cont'd)	
Missile Defense Agency	5
National Security Agency	9
Pentagon Force Protection Agency	3
TRICARE Mgmt. Activity	3
Washington Headquarters Services	3
Office of the Secretary of Defense	
AAFES	2
Acquisition, Technology and Logistics	1
Health Affairs	1
Military Entrance Processing Command	6
Non-DoD	5
Office of General Counsel	4
Personnel and Readiness	5
Policy	3

Whistleblower Protection Ombudsman

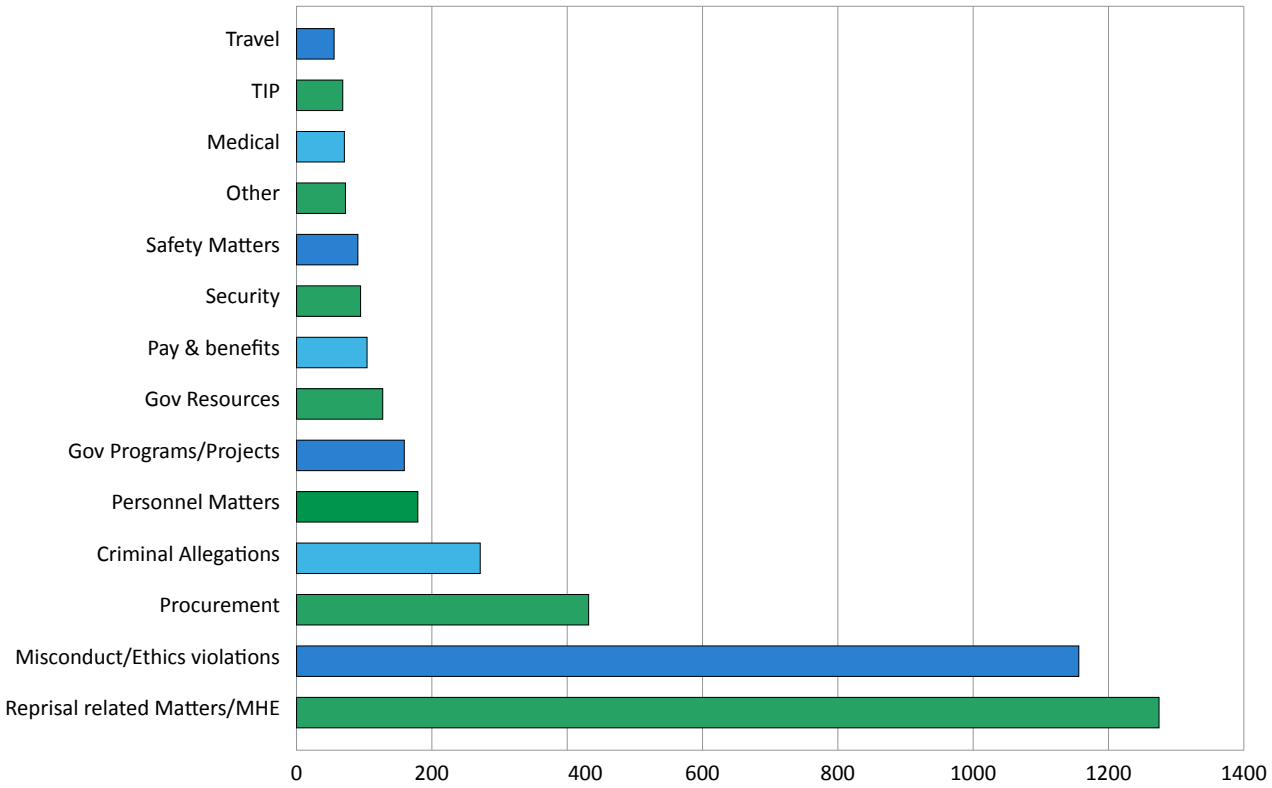
In accordance with the Whistleblower Protection Enhancement Act of 2012, the DoD inspector general designated a DoD whistleblower protection ombudsman, currently the DoD Hotline director. The WPO's role is to educate agency employees about the prohibitions, rights and remedies related to retaliation for protected disclosures.

The WPO accomplished the following:

- Established a whistleblower protection ombudsman page on the DoD IG website.
- Established direct email contact to the WPO.
- Published training slides for appropriated fund personnel.
- Established hyperlinks to the U.S. Office of Special Counsel.
- Coordinated training slides for nonappropriated fund, intelligence community, contractor and military personnel websites.
- Executed outreach to various groups comprised of DoD civilian, contractor, and military personnel.

The WPO aims to enhance the current No Fear Act training by providing additional and specific reprisal training based on whistleblower category (military, nonappropriated fund, appropriated fund and subcontractor). Steps are underway to have this additional training deemed mandatory for all DoD personnel.

Figure 3.1 Category of Allegations



*Cases may contain multiple allegations.

PROGRAMS

Subpoena Program

The DoD IG authority to issue subpoenas is based on the Inspector General Act of 1978, as amended. The Act authorizes the IGs to issue subpoenas in matters that involve fraud and abuse in Department programs and operations. Historically, most DoD IG subpoenas were issued on fraud-related matters. During 2005, DoD IG recognized the need to expand the DoD IG Subpoena Program into nonfraud related crimes such as violent crime, cybercrime, child pornography and theft of government property. During 2008, after a trial period, DoD IG made the issuance of subpoenas for certain specifically enumerated general crimes permanent. A DoD IG subpoena request must meet three criteria (1) the subpoena can only be issued for investigations within the statutory authority of the IG, (2) the information sought must be reasonably relevant to the IG investigation, audit, investigation or evaluation and (3) the subpoena cannot be unreasonably broad or burdensome. Using DoD IG subpoenas is a useful procedure for legally obtaining business, personnel, financial and state and local government records. Records obtained by DoD IG subpoenas may also be used to locate witnesses, confirm statements made by witnesses or subjects and provide other relevant information. DoD IG issued more than 500 subpoenas each year during the past three years in support of DoD criminal investigations, audits and evaluations. During this reporting period, 342 subpoenas were issued.

Contractor Disclosure Program

All contractor disclosures made pursuant to the Federal Acquisition Regulation shall be reported to DoD IG in accordance with the Defense Acquisition Regulation. A contractor disclosure is a written disclosure by a DoD contractor or subcontractor to DoD IG that addresses credible evidence that the contractor or subcontractor has committed a violation of Title 18, or Title 31, U. S. Code, in connection with the award, performance or closeout of a contract or any subcontract. During this reporting period, 114 contractor disclosures were received.

Figure 3.2 Subpoenas Issued by Type of Investigation - FY 2013

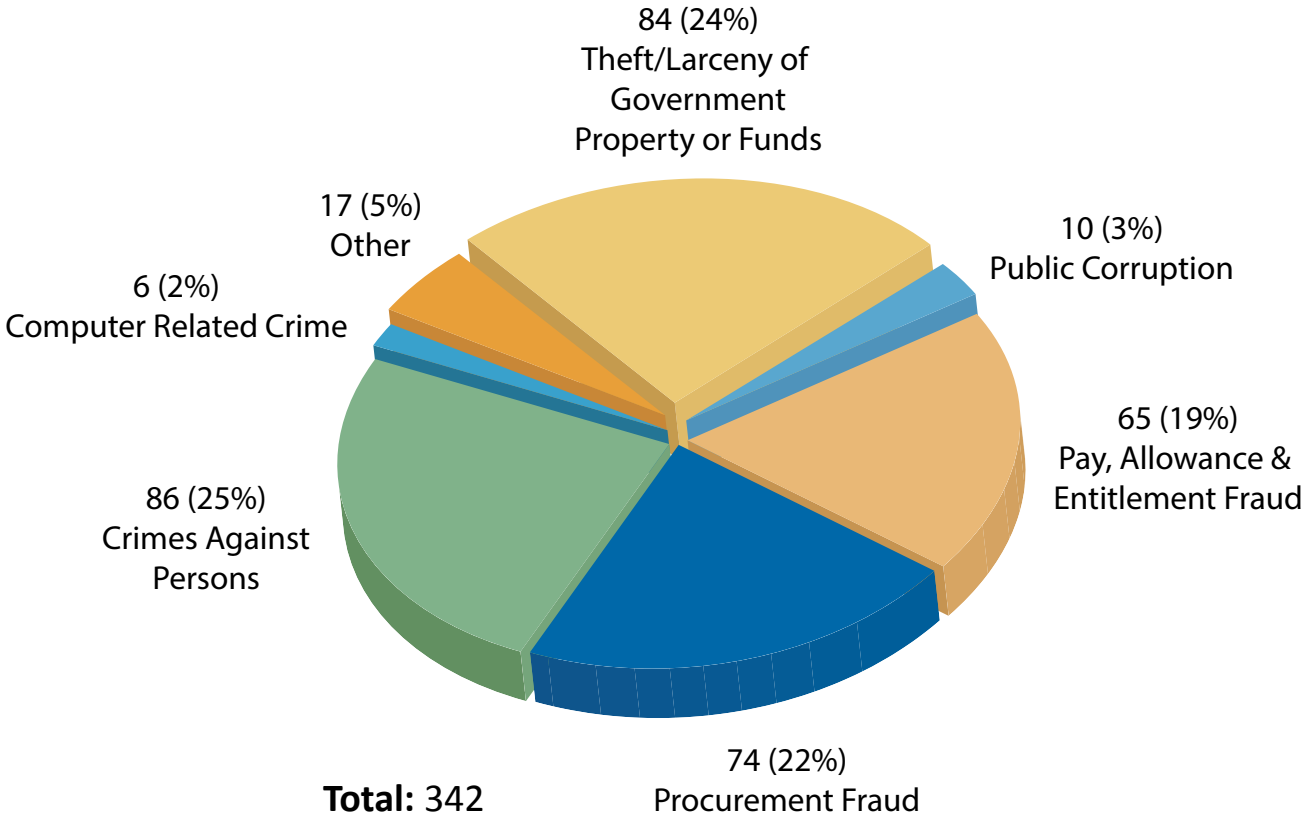
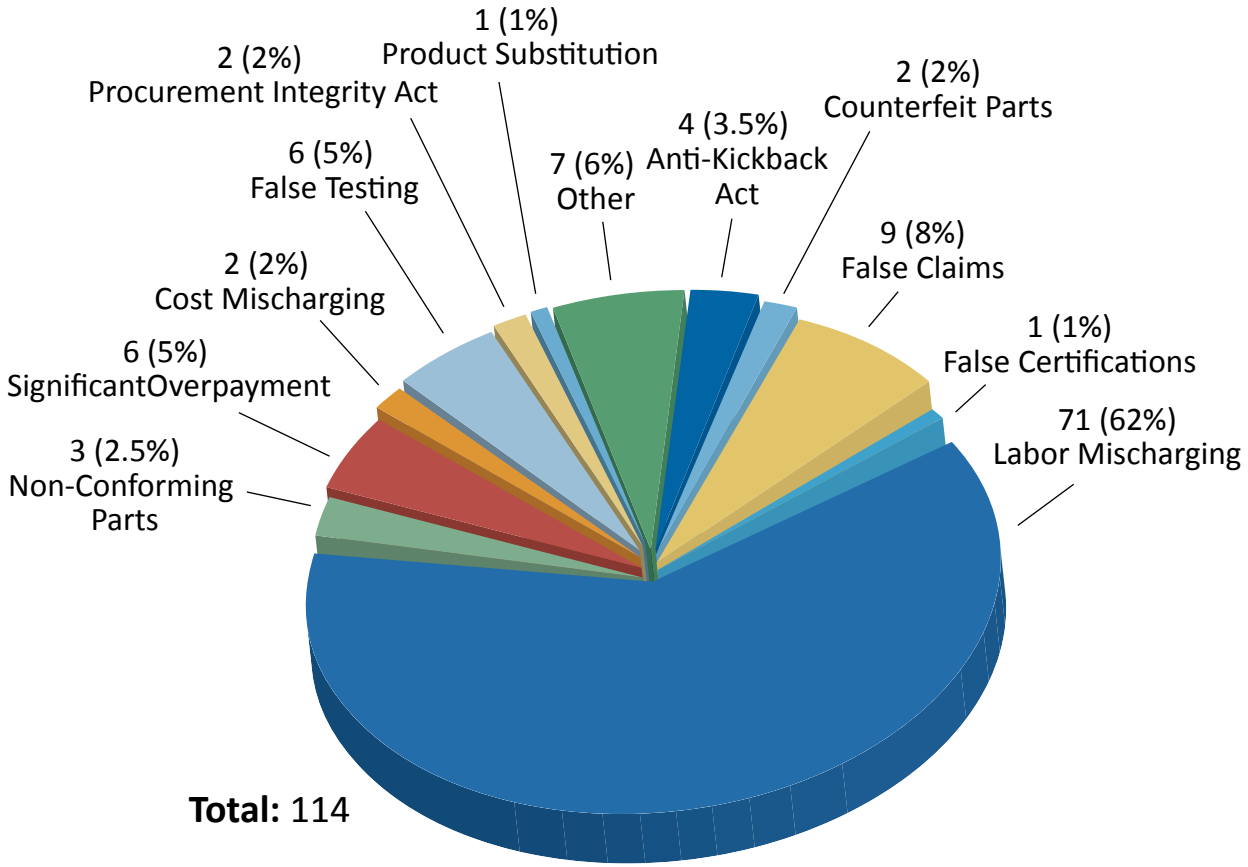


Figure 3.3 Contractor Disclosure Received



Asset Forfeiture Program

The Defense Criminal Investigative Service asset forfeiture program continues to effectively provide forfeiture support to DCIS investigations involving fraud, waste and abuse by including forfeiture counts in all indictments, criminal informations and consent agreements when warranted by the evidence. The program has successfully met its goal to deter criminal activity by depriving criminals of property used or acquired through illegal activity both in the United States and in Southwest Asia. In the past five years of the program, DCIS participated in the seizure of assets totaling $560.2 million, final orders of forfeiture totaling $525.2 million and money judgments in the amount of $161.8 million. During the six-month reporting period, DCIS participated in investigations that led to seizures of assets totaling $19.1 million, final orders of forfeiture totaling $9 million and money judgments in the amount of $40.3 million. Assets seized or forfeited included cash currency, financial instruments, lotto tickets, vehicles and firearms.

Investigative Examples:

On June 20, 2013, a final order of forfeiture was filed containing a forfeiture money judgment in the amount of $6.1 million. Additionally, four checks totaling $3.1 million were forfeited to satisfy the monetary judgment. This investigation was initiated based on a referral from the Government Accountability Office regarding a company that committed fraud to obtain Small Business Administration 8(a) Business Development program contracts with various agencies including the Department of Defense. The 8(a) program provides federal contracting opportunities to develop small businesses owned by socially and economically disadvantaged individuals.

On April 4, 2013, a final order of forfeiture was filed for $2.5 million in funds seized from three bank accounts associated with the owners of a company under investigation for contract fraud. The fraud involved false statements and applications being

submitted to the Small Business Administration for the purpose of obtaining "historically underutilized business zone"-related contracts from a U.S. military base.
In May 2013, $3.9 million was seized for forfeiture from 14 bank accounts related to a contract fraud investigation. The owners of a company certified their company as a Service-Disabled Veteran-Owned Small Business to obtain set-aside contracts under the Service-Disabled Veteran-Owned Small Business program, a portion of which were procured under the American Recovery and Reinvestment Act of 2009.

DCIS Cyber Crime Field Office Established

As the result of a previously conducted internal assessment of its staffing, organization and priorities, the Defense Criminal Investigative Service Cyber Crime program has transitioned into an independent, operational Cyber Crime Field Office. This reorganization will better focus DCIS efforts on the core missions of digital forensics and intrusion investigations. The new field office is led by a special agent in charge and staffed with 27 full-time agents and support personnel nationwide.

The priorities for the new DCIS Cyber Crime Field Office include:

- Intrusions into DoD networks where there has been a compromise of DoD data or personally identifiable information.
- Intrusions into cleared defense contractors resulting in loss/compromise of technical or other information affecting DoD warfighting or peacekeeping capabilities.
- Specific cyber threats affecting DoD, to include, but not limited to, terrorism, organized crime, criminal actors such as Anonymous, LulzSec and Web-based robot networks impacting DoD.
- Contract fraud exposing DoD networks to heightened risk of compromise.

Federal Law Enforcement Training Accreditation Board Grants Initial Accreditation to DCIS's Special Agent Basic Training Program

The Defense Criminal Investigative Service's Special Agent Basic Training program was formally accredited by the Federal Law Enforcement Training Accreditation Board in a ceremony in Brunswick, Ga. The DCIS Special Agent Basic Training is a four-week program developed to provide new DCIS special agents with standardized and enhanced skills, tools and knowledge necessary to operate successfully in the DoD environment. The program provides new agents with a thorough background of the DCIS organization, history, jurisdiction and authority. The training covers common fraud schemes and legal issues typically faced by DCIS agents.

This initial accreditation was the direct result of several years of hard work by the DCIS Training Division, Federal Law Enforcement Training Center. In late 2009, the DCIS Special Agent Basic Training program was specifically revamped by a Curriculum Review Board made up of DCIS supervisors and leaders representing each DCIS field office and several headquarters' components. Operating under the direction of the DCIS Training Division, they met several times over two years to develop, review and approve the new DCIS curriculum and to identify a quality instructor cadre.

The Federal Law Enforcement Training Accreditation Board is the accrediting body for all federal law enforcement training and support programs.
To achieve accreditation, DCIS submitted to an independent review of their program to ensure compliance with Federal Law Enforcement Training Accreditation standards and procedures in the areas of program administration, training staff, training development and training delivery. Initial accreditation is followed by a new and independent review every three years to justify reaccreditation.

OUTREACH

Interagency Initiatives

Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group is the coordinating body for U.S. government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. The group meets quarterly to coordinate and de-conflict oversight

activities. The group last met in August 2013, with participants located in the continental United States and Kabul, Afghanistan. During this fiscal year, the Southwest Asia Joint Planning Group chairman presented several distinguished senior military guest speakers at the quarterly meetings to provide situational awareness of ongoing and planned activities in Afghanistan:

January 2013

- Brig. Gen. Steven Shapiro, deputy commanding general, 1st Theater Sustainment Command, Afghanistan
- Brig. Gen. Jonathan Maddux, deputy commanding general, Support, Combined Security Transition Command – Afghanistan

April 2013

- Maj. Gen. Jim Ferron Jr., OMM, CD, commander, Canadian Mission, and deputy commanding general, NATO Training Mission – Afghanistan
- Col. Rick O'Donnell, U.S. Army, chief of staff, Combined Security Transition Command – Afghanistan

August 2013

- Lt. Gen. Ken Tovo, commanding general, NATO Training Mission – Afghanistan, and Combined Security Transition Command – Afghanistan

FY 2014 Comprehensive Oversight Plan for Southwest Asia

Other notable Afghanistan related activities by the Southwest Asia Joint Planning Group during this reporting period included the issuance of the FY 2014 Comprehensive Oversight Plan for Southwest Asia and the updated Joint Strategic Oversight Plan for Afghanistan. These plans reflect interagency collaboration within the oversight community to provide comprehensive audits, inspections and evaluations of contingency expenditures, to determine whether critical oversight gaps exist and to recommend actions to address those gaps. The FY 2014 COPSWA is effective as of Sept. 1, 2013, and may be revised and updated as necessary.

The FY 2014 COPSWA includes descriptions of 315 planned and ongoing oversight projects by the inspectors general of the Department of Defense, Department of State and the U.S. Agency for International Development; the Special Inspector General for Afghanistan Reconstruction; the Army Audit Agency; the Naval Audit Service; and the Air Force Audit Agency. The FY 2014 update also includes ongoing oversight efforts by the U.S. Government Accountability Office related to Southwest Asia. The oversight community uses a risk-based planning process that includes conducting outreach with congressional representatives, department and agency leadership, U.S. Central Command and senior military and civilian leadership in Afghanistan. Agency leaders in each of the oversight components meet with various senior officials responsible for the significant operations and programs in their respective departments and agencies to include financial, acquisition/contracting, logistics, transportation and military operations.

As emphasis continues on the U.S. military, diplomatic and development missions in Afghanistan, the COPSWA also includes an updated FY 2014 Joint Strategic Oversight Plan for Afghanistan that reflects the oversight of activities related to the transition from a military-led to a civilian-led U.S. mission in Afghanistan. Oversight efforts in Afghanistan will continue, consistent with the security posture of U.S. forces and the USCENTCOM ability to provide support.

In the interest of clarity and to better focus on the emerging issues relating to the transfer of security and other responsibilities to the Government of the Islamic Republic of Afghanistan (GIRoA), the strategic issue areas addressed in the Joint Strategic Oversight Plan for Afghanistan was consolidated from 22 in FY 2013 to 11 in FY 2014. These issues are presented in two sections: Reconstruction (7 issues) and Other Than Reconstruction (4 issues).

The COPSWA also includes descriptions of oversight projects in the rest of the USCENTCOM's area of responsibility, which is comprised of a total of 20 countries, including Iraq, Kuwait, Kyrgyzstan and Pakistan. The COPSWA contains a section that lists 198 products and alerts that were issued during FY 2013. In March 2013, the Special Inspector General for Iraq Reconstruction culminated its nine-year mission in the issuance of its study, Learning From Iraq: A Final Report From the Special Inspector General for Iraq Reconstruction.

Despite situational challenges, the oversight community will continue to follow the money, assess progress, and identify what is working, what is failing and what can be improved. The work of the oversight community, reflected in the FY 2014 COPSWA, will help identify and deter fraud, waste and abuse, and promote integrity, accountability, efficiency and excellence.

Council of the Inspectors General on Integrity and Efficiency

The Department of Defense Office of Inspector General received six awards Nov. 15, 2013, at the 16th Annual Awards Ceremony, hosted by the Council of the Inspectors General on Integrity and Efficiency. Beth Cobert, CIGIE executive chair and deputy director for management, Office of Management and Budget, presented the most prestigious awards to include one to DoD IG: Glenn/Roth Award for Exemplary Service, Combating Trafficking in Persons Team.

Phyllis K. Fong, CIGIE chairperson, and Lynne A. McFarland, CIGIE vice chairperson, presented the Awards for Excellence. DoD IG received awards for one Defense Criminal Investigative Service special agent and the following teams: G222 Audit Team; Service Disabled Veteran-Owned Small Business Audit Team; Afghan Local Police Team; and AES Investigation Team.

Jon T. Rymer, DoD IG inspector general, was part of the team that received the Barry R. Snyder Joint Award for their work with the Council of Inspectors General on Financial Oversight Working Group during his prior service as the inspector general for the Federal Deposit Insurance Corporation.

Also, two special agents with DCIS were members of teams from other offices of inspectors general that were presented the following Awards for Excellence: Investigation, National Aeronautics and Space Administration Multi-Agency Complex Fraud Investigative Team; and Investigation, Office of Personnel Management Amgen Investigative Team.

Intelligence Community Inspectors General Forum

DoD IG participates in the Intelligence Community IG Forum, which promotes and furthers collaboration, cooperation and coordination among the inspectors general of the intelligence community. The forum meets quarterly to discuss issues of common concern and to plan how to address them collaboratively.

Joint Intelligence Oversight Coordination Group

The deputy inspector general for intelligence and special program assessments chairs the Joint Intelligence Oversight Coordination Group, which meets quarterly. The group promotes and furthers collaboration, cooperation, coordination and information sharing among the inspectors general and auditors general of the Department of Defense. The group's objectives are to support the DoD inspectors general and auditors general in the performance of audits, inspections and evaluations within their respective departments and agencies as well as strengthen their collective role and effectiveness to enhance their support of the National Intelligence Strategy. Finally, the group seeks to optimize the use of resources, increase efficiency and avoid duplication of effort among DoD inspectors and auditors general. The group can also explore opportunities for joint and interagency training and education, as well as examine defense programs and operations and identify those requiring coverage from more than one member of the group.

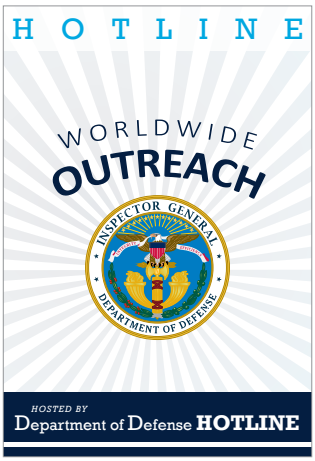
Administrative Investigations Outreach Initiatives

During the reporting period, Administrative Investigations conducted 40 hours of instruction and training on policy updates and best practices in whistleblower protection and senior official accountability matters reaching 874 attendees in various venues: periodic training symposia; service/defense agency IG roundtables; instruction at the Joint, Army and Air Force IG courses; and hotline outreach conferences. AI also participated in several roundtables to update media outlets on the senior official investigative process and various whistleblower reprisal statutes, with emphasis on recent enhancements to contractor whistleblower protections. The deputy IG for administrative investigations gave opening remarks during an Audit-sponsored conference.

Hotline Outreach Initiatives

Hotline World-wide Outreach event

The DoD Hotline hosted representatives from across the federal government and throughout the Defense Department at the Hotline Worldwide Outreach May 23, 2013. This was the first federal hotline event of its kind and was accessible to individuals regardless of their location. Attendees gathered as a hotline community, shared relevant information, and discussed collective best practices and challenges, using the Council of Inspectors General on Integrity and Efficiency's Recommended Practices for Office of Inspector General Hotlines as its framework. More than 200 people from 17 federal agencies and 23 DoD organizations attended the event via Defense Connect Online or at the Mark Center Conference Center, Alexandria, Va.



DoD Hotline Outreach Poster

Department-wide Hotline Working Group established.

The first DoD-wide Hotline Working Group was formed shortly following the Hotline Worldwide Outreach. The Working Group was established to create a forum for cooperation and participation among hotlines offices within the department, establish a common vision for the DoD Hotline community, and develop and implement a strategic plan to achieve the vision. The DoD-wide hotline Working Group is currently focusing on updating DoD Instruction 7050.01 – Defense Hotline Program. All members of the DoD-wide Hotline community participate in the monthly Working Group meetings via Defense Connect Online, video teleconferencing or at the Mark Center Conference Center, Alexandria, Va.

4

Services

ARMY

ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency relies on a workforce of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 580 employees and is organized into 20 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a significant presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of September 2013, it had 13 deployed auditors in Kuwait and Afghanistan. Overall, USAAA has deployed more than 215 auditors since 2002 and issued more than 205 reports on Operation Enduring Freedom/ Operation Iraqi Freedom.

USAAA's goal is to be a highly sought after and integral part of the Army by providing timely and valued services that focus on the evolving needs of Army leadership. To ensure its audits are relevant to the needs of the Army, USAAA aligned their audit coverage with the Army's highest priorities and high-risks areas as determined by its enterprise-level risk assessment and from input from Army senior leaders.

> *"USAAA published 79 reports, made more than 250 recommendations and identified about $1.3 billion of potential monetary benefits."*

During the second half of FY 2013, USAAA published 79 reports, made more than 250 recommendations and identified about $1.3 billion of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs:

Mobile Tower System

OVERVIEW:

The Army uses mobile towers to provide tactical air traffic control capabilities where no fixed control tower exists. The current system is too small and uses outdated technology. The towers were slow to deploy, required excessive setup times, and didn't have the reliability and maintainability to provide consistent air traffic control support. USAAA performed an audit to verify that the mobile tower system would meet the needs of the soldier and address current system capability shortfalls. USAAA focused on the current system and planned improvements and also reviewed testing practices and procedures to verify that testing was sufficient to evaluate Mobile Tower System performance.

FINDINGS:

The Mobile Tower System program had an approved capability production document and acquisition strategy, which identified the planned improvements needed to address air traffic control tower system shortfalls. USAAA verified that testing was sufficient to evaluate Mobile Tower System performance and that the test results supported the milestone C decision to approve low-rate initial production.

USAAA found the Army planned to procure four Mobile Tower Systems to be used as operational readiness floats. USAAA calculated ORF requirements using the authorizations-before-fielding formula outlined in Army Regulation 750-1 (Army Materiel Maintenance Policy) and determined that the requirement was less than one system. However, the Office of the Deputy Chief of Staff, G-4 personnel believed they needed four systems because of the system's low density and geographical dispersion requirement. The Office of the Deputy Chief of Staff, G-4 agreed that two engineering development models in inventory could be used as ORFs. Using the two engineering development models would satisfy two of four systems needed for ORFs.

RESULT:

USAAA reported the Army should use the two engineering development model systems to satisfy half of the ORF requirements. This would reduce the planned procurements by two systems and save the Army about $6.2 million. The Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) and the Office of the Deputy Chief of Staff, G-4 agreed with the intent of the recommendations and planned to adjust procurements.

Report No. A-2013-0113-ALA

> *"Transportation office personnel lacked guidance and training for processing transportation transactions and didn't understand the impact that missing data had on monitoring the centrally managed funds."*

Audit of Second Destination Transportation—Fund Execution

Overview:

At the request of the Office of the Deputy Chief of Staff, G-4, USAAA conducted this audit to verify that the Army had sufficient controls to oversee how second destination transportation funds were executed and recorded. Second destination transportation is the movement of Army materiel worldwide, from the first government point of acceptance or storage point to the point of use. The DoD uses a contractor-operated third-party payment system to pay for commercial transportation. In FY 2011, there were more than 400,000 transactions totaling about $453 million in the third-party payment system that the Army paid for using second destination transportation funds.

Findings:

USAAA concluded the Army needed to improve controls over executing and recording second destination transportation funds. USAAA's review of the funds that G-4 personnel centrally managed showed: (1) managers relied on incomplete information to oversee funds execution; (2) transportation transactions weren't consistently authorized and supported; (3) the Army working capital fund should have paid for some transportation charges; and (4) the Army could have avoided Defense Finance and Accounting Service charges to manually process transactions with missing transportation account codes. Transportation office personnel lacked guidance and training for processing transportation transactions and didn't understand the impact that missing data had on monitoring the centrally managed funds. As a result, the Army had decreased assurance that second destination transportation transactions were properly authorized and supported. About $528,000 in second destination transportation funding was incorrectly used to ship repair parts. The Army also incurred about $2.7 million annually in unnecessary DFAS processing fees.

Result:

USAAA recommended that the Office of the Deputy Chief of Staff, G-4 establish guidance on authorizing second destination transportation transactions, to include requirements for documenting transactions, assigning appropriate transportation account codes, performing internal control evaluations and conducting organizational inspections of transportation offices. In addition, USAAA recommended the deputy chief of staff establish a training course for transportation officers. USAAA estimated these actions would save the Army at least $19.4 million in FYs 2013-2018.

Report No. A-2013-0111-ALS

Property Accountability of Training Aids, Devices, Simulators, and Simulations Upon Receipt

Overview:

USAAA conducted this audit at the request of the deputy chief of staff, G-4 to verify that the Army properly accounted for and reported training aids, devices, simulators and simulations. This audit focused on verifying that receiving activities (installation-level activities) properly accounted for TADSS. Installation training support centers used the Training Support–Materiel Armywide Tracking System to account for TADSS. As of April 2012, TS-MATS contained 22.8 million TADSS items costing about $11.6 billion.

Findings:

USAAA concluded that installation-level activities didn't properly account for and report TADSS equipment. Physical inventories conducted at two installations showed the installations didn't have an accurate accounting of TADSS items or an audit trail of transactions. USAAA's review of TS-MATS also identified significant inaccuracies. For example, of the reported 22.8 million TADSS items costing about $11.6 billion, 14.5 million items costing about $4.7 billion consisted of fictitious ammunition. Personnel at one training support center entered this data into TS-MATS to quantify "real" ammunition saved by using the engagement skills trainer (a simulator).

Further, in accordance with DoD policy, 82,000 items costing about $5.4 billion were nonexpendable property that should have been accounted for in an accountable property system of record. Army policies required training support centers to use TS-MATS to

account for TADSS items, but the system wasn't an accountable property system of record. The system didn't link with core financial systems or maintain an audit trail of transactions. As a result, the Army had diminished assurance that TADSS items were properly accounted for and reported for asset visibility and financial readiness purposes.

Result:

The deputy chief of staff, G-4 issued a directive requiring units and activities to record nonexpendable TADSS in an accountable property system of record. The deputy chiefs of staff, G-3/5/7 and G-4, started revisions to Army Regulation 350-38 and Army Regulation 710-2. These changes define responsibilities for accounting for TADSS items and will improve the accuracy of asset and financial reporting. Finally, the Office of the Deputy Under Secretary of the Army for Business Transformation commenced a business process review of the functionality of TS-MATS.

Report No. A-2013-0129-ALS

Stopping Pay for Soldiers in an Absentee or Deserter Status

Overview:

USAAA conducted this audit to verify that the Army had sufficient policy, procedures and controls in place and operating to report deserters or absentee soldiers to the pay system to ensure that pay and benefits for these soldiers was promptly curtailed.

> *"More than 60 percent of soldiers who were absent without leave and reported during June, July and August 2012 didn't have their pay stopped within seven days of the date of their absence."*

Findings:

USAAA reported the Army didn't have sufficient controls in place and operating to enforce established policies and procedures for reporting deserters and absentee soldiers to the pay system to ensure the pay and benefits for these soldiers was promptly curtailed. Specifically:

- More than 60 percent of soldiers who were absent without leave and reported during June, July and August 2012 didn't have their pay stopped within seven days of the date of their absence.
- Army commands weren't reconciling their due-in list of incoming soldiers with the soldiers who in-processed. Commands didn't take appropriate action to report soldiers that were due to report, but didn't, as absence without leave if there wasn't a legitimate reason for their absence.

Further, USAAA found more than 39 percent of the absent without leave soldiers reported during July 2012 were absent for more than 30 days and hadn't been processed as deserters. As a result, the Army remained liable for active duty death benefits to these soldiers' next of kin if these soldiers died. The Army is liable until the soldier is processed as a deserter and is dropped from the rolls of the Army.

Result:

USAAA estimated that the Army could potentially achieve about $39 million in savings during FYs 2013-2018 by increasing command emphasis on unit commanders' responsibility to process and report absentee soldiers in accordance with current Army policies and procedures.

Report No. A-2013-0119-FMF

Government-Provided Meals for Soldiers Attending Institutional Training

Overview:

USAAA conducted multi-location audits to verify that the Army was properly charging soldiers for their meals when they attended institutional training and were provided government meals during their training attendance. USAAA found some serious weaknesses that needed immediate attention in the management of basic allowance for subsistence collections at three of the five sites visited.

Findings:

USAAA found that the Army wasn't collecting BAS from their soldiers when they were provided government meals during their training attendance. Specifically:

- The commands didn't have sufficient policies and procedures outlining the requirement for units to submit Department of the Army Form 4187 (Personnel Action) to collect BAS from soldiers receiving BAS during their training attendance.
- There wasn't coordination between the battalion, brigade S-1s and the school noncommissioned

officers on each office's responsibilities pertaining to enrolling soldiers for attendance at the NCO Academy and subsequent responsibility for the collection of the soldiers' BAS during their attendance.
- There wasn't oversight by the command G-1 to ensure the S-1s understood their duties to initiate and process the personnel actions to collect BAS from the unit's soldiers who attended the NCO Academy and received government-furnished meals.

Result:

USAAA estimated that by increasing command emphasis to unit commanders on their responsibility to collect BAS from their soldiers during their training attendance, the Army could potentially achieve about $1.7 million in savings at these three installations. As of the current date, two of the three reports have been published and one is still pending command reply. USAAA will also address the systemic problems identified in an overall report to the Department of the Army on the audit of government provided meals for soldiers attending institutional training.

Report No. A-2013-0123-FMF and A-2013-0146-FMF

Elevated Privileges

Overview:

USAAA performed this audit to verify that the Army's network enterprise centers met the principle of least privilege, thus limiting elevated access to those requiring it. USAAA visited four Army installations and reviewed the processes for approving elevated privileges and the oversight of the privileges for users accounts.

Findings:

USAAA couldn't verify that the Army met the principle of least privilege for its existing elevated users because the network enterprise centers weren't requiring sufficient justification before granting elevated privileges. USAAA reported that Army regulations lacked detailed information regarding the process for approving elevated privileges leading to confusion concerning who approved the privileges—the network enterprise center or the command. Also, the network enterprise centers were providing oversight of elevated users to ensure they met training and certificate requirements and used tokens to access privileged accounts. However, USAAA found that the Army could reduce the risk to its network by developing a best business practice identifying group policies and scripts that network enterprise centers could use to improve oversight of elevated accounts.

Result:

USAAA recommendations will help ensure that elevated privileged access on Army installations is sufficiently documented, justified and verifiable. It will also allow network enterprise centers to more easily modify any elevated privilege accounts if network enterprise center capabilities or staffing changes over time, and could reduce the Army risk of attack through an insider threat.

Report No. A-2013-0137-FMT

> *"USAAA identified about $119 million in efficiencies the Army should achieve in FYs 2013–2017."*

Enterprise Email

Overview:

Enterprise Email is one of the Army's initiatives directed at consolidating the information technology infrastructure. USAAA conducted this audit to verify that the Army maximized its efficiencies through the use of Enterprise Email and that the services provided met Army requirements. The review was limited to continental United States network enterprise centers and directorates of information management.

Findings:

USAAA reported that the Army realized efficiencies in the areas of server hardware, licenses, maintenance and power consumption. USAAA identified about $119 million in efficiencies the Army should achieve in FYs 2013-2017. Additionally USAAA calculated that the Army was spending about $5.2 million annually for email storage; however, USAAA couldn't validate this amount because storage equipment is multipurpose, and USAAA could not identify specific equipment specifically allocated for the storage of legacy email data. USAAA also did not identify manpower efficiencies because activities visited generally did not reduce their staffing levels as a result of Enterprise Email and there was no reliable baseline study available. USAAA concluded that the Army will not truly understand the efficiencies it achieved through Enterprise Email until the email service matures.

Although, many of the Army's email requirements are being met by the service provider—Defense Information Systems Agency—there were a few significant issues that still needed to be resolved. For example, DISA was providing two key services—journaling and BlackBerrys—at the level identified in the requirements document, but the need could be much greater. Further, the Army's ability to manage and oversee the service DISA provides was affected by the lack of tools to monitor and ensure performance of services. Specifically, metrics were not in full use, DISA had not provided detailed billing in a way that the Army could manage its costs and there was no formal remediation process for service quality management between the Army and DISA.

Result:

As a result, the Army may have paid for services that should have been baseline services and issues of nonperformance could go unresolved. The lack of a remediation process coupled with the lack of metric reporting and billing terms makes the Enterprise Email program, from the Army's perspective, difficult to manage and oversee. It also leaves the Army vulnerable to nonperformance in the Enterprise Email program. USAAA made recommendations to address these issues, which are vitally important as the Army continues toward more enterprise services provided by DISA or other governmental entities.

Report No. A-2013-0136-FMT

Audit of Army Sustainability Reporting Measures

Overview:

The Army Sustainability Report documents the Army's efforts and progress in instilling sustainability into planning, training, equipping and operations, and achieving DoD's annual Strategic Sustainability Performance Plan goals. At the request of the assistant secretary of the Army (installations, energy and environment), USAAA will conduct a series of audits to ensure the quality of ASR data. For this effort, which is the second of a three-phased audit approach, USAAA reviewed the ASR to ensure it sufficiently captured the Army's progress toward meeting DoD requirements and federal mandates for sustainability and to identify risk areas for phase III audits, which will focus on the quality (accuracy, completeness and sufficiency of data metrics) of the sustainability data.

Findings:

USAAA reported that the ASR sufficiently captured the Army's progress towards meeting DoD requirements and federal mandates for sustainability. The 2012 ASR emphasized the importance of sustainable operations and provided sustainability performance data trends for FYs 2004-2011. Also, unlike previous versions, the 2012 ASR contained a crosswalk between Executive Order 13514 requirements, DoD's Strategic Sustainability Performance Plan goals, Global Reporting Initiative indicators, and the Army's baselines and progress for each of the Army's core enterprises: materiel, readiness, human capital, and services and infrastructure. The Army also increased reporting of GRI indicators from 33 fully reported to 37 in the 2010 ASR and provided appropriate explanations for GRI indicators that weren't reported on or partially reported. In addition, USAAA reported that 12 of the 22 data sources used for the 2012 ASR had related audit coverage (prior, ongoing or planned) by USAAA or from external audit organizations such as DoD IG or the Government Accountability Office. Consequently, USAAA identified 10 data sources, which haven't had recent or planned audit coverage and could potentially be at risk. For phase III audits, USAAA plans to focus on at least four data sources (three of which are among the 10 sources that didn't have recent audit coverage).

Result:

The audit, which contained no recommendations, provided the assistant secretary with assurance the 2012 ASR sufficiently captured the Army's progress towards meeting DoD requirements and federal mandates for sustainability. The assistant secretary agreed with the audit findings and stated that the Army does not plan to issue a GRI-based ASR for 2013 due to resource restraints and will evaluate the feasibility of issuing a two year report in FY 2014.

Report No. A-2013-0095-IEE

Use of Energy Efficient Lighting

Overview:

In October 2010, the assistant secretary of the army (installations, energy and environment) directed activities to begin using energy efficient lighting to comply with energy conservation mandates. USAAA conducted an audit to verify that the Army has taken sufficient actions to use energy efficient lighting to help meet energy conservation goals.

Findings:

USAAA concluded that the Army has taken actions to comply with the policy. However, some improvements were needed to ensure the Army can consistently report and monitor progress. The three Army Installation Management Command installations and one Army Materiel Command installation that USAAA reviewed made progress towards implementing energy efficient lighting. For example, installations used energy savings performance contracts to install lighting upgrades in existing buildings and had policies in place to control the purchase of incandescent bulbs. In addition, IMCOM developed six energy conservation measures/performance metrics and issued guidance for installations to report their progress. However, although the Army provided guidance to replace incandescent bulbs in the next five years, it didn't have a sufficient process in place to consistently measure, track and report progress towards implementing the policy or to provide effective oversight because the guidance wasn't fully sufficient. Specifically, IMCOM's guidance didn't specify methodology and data sources to be used for reporting progress; other commands' guidance was limited and didn't require activities to report their progress; and Army guidance didn't specify how the policy applied to tenant activities. Consequently, energy managers may not have sufficient data to monitor progress toward implementing the efficient lighting policy by October 2015 to help meet energy conservation goals.

USAAA conducted an audit to verify that the Army uses energy efficient lighting to help meet conservation goals.

Result:

USAAA recommended that the deputy assistant secretary of the Army (energy and sustainability) and assistant chief of staff for installation management issue clarifying guidance and improve oversight of the implementation of the "Utilization of Efficient Lighting Policy." The deputy assistant secretary of the Army agreed to work with the assistant chief of staff for installation management to update the guidance and improve tracking of progress toward implementing the energy efficient lighting policy. This will provide assurance that the Army is making progress toward meeting energy conservation mandates.

Report No. A-2013-0089-IEE

Follow-up Audit of Accident Investigations and Reporting

Overview:

At the request of the deputy assistant secretary of the army (environment, safety and occupational health), USAAA conducted a follow-up audit on actions taken to oversee the development of the single accident reporting system and ensure activities discontinue development of legacy systems. The original audit report showed that the Army didn't have a centralized safety system that was sufficient to capture Armywide accident data. Further, an effective level of Army oversight wasn't in place to ensure the development of ReportIt and the discontinuance of developing legacy systems.

Findings:

USAAA reported that deputy assistant secretary of the army (environment, safety and occupational health) took actions to oversee and coordinate the development of ReportIt and the Army realized monetary benefits of $3.75 million. However, actions weren't sufficient to fully implement the recommendation and develop ReportIt in a timely manner. Specifically,

- Deputy assistant secretary of the army (environment, safety and occupational health) didn't establish a process to transfer or shift funds from other safety systems to the single accident reporting system. Further, USAAA found that Army Materiel Command's FY 2012 and FY 2013 budgets included an additional $4.5 million for its legacy system and the command had no plans to execute the funding as described in its budget request.

> *"The Army plans to spend an additional $18.1 million to develop and sustain the ASMIS-R modernization effort..."*

- Two Army activities were using systems with similar characteristics and capabilities as the Army Safety Management Information System-Revised. The Army plans to spend an additional $18.1 million to develop and sustain the ASMIS-R modernization effort between FYs 2013 and 2018 even though DoD currently has an ongoing initiative to select or develop a safety management system for the entire DoD community.

Result:

USAAA recommended that deputy assistant secretary of the army (environment, safety and occupational health) needs to reevaluate the cost-effectiveness and document the decision whether ASMIS-R (which includes ReportIt, AnalyzeIt, TrackIt and PreventIt) should remain the Army's vehicle for implementing the 2006 requirement of a single Armywide accident reporting system as directed by the vice chief of staff, Army. USAAA also recommended that the deputy assistant secretary of the army (environment, safety and occupational health) discontinue funding for the further development of the ASMIS-R modernization effort until the reevaluation is completed.

Report No. A-2013-0134-IEE

Contracting for Health Care Providers

Overview:

USAAA audited the Army Medical Command's processes for health care provider contracts to verify that the contracts were based on valid and well-defined performance requirements and the Army received the services for which it paid. USAAA performed the audit because MEDCOM spends a significant amount for contracted providers. For example, during FY 2011, the command obligated at least $2.2 billion for health care provider contracts.

Findings:

USAAA reported that MEDCOM's Health Care Acquisition Activity awarded the contracts according to the Federal Acquisition Regulation and policies issued by DoD, the Army and MEDCOM. Additionally, MEDCOM customers established requirements based on workload and staffing standards with command approval and generally monitored the contracts to ensure performance requirements were met and the Army received the services for which it paid. However, documentation wasn't available to show that three of six contracts reviewed were cost-effective and sufficient hours weren't available to pay for completed requirements on two contracts. In addition, contracting officer representatives on four contracts didn't follow quality assurance surveillance plans, document surveillance activities or report contractor performance to contracting officers.

Result:

USAAA made three recommendations to MEDCOM to improve health care provider contract oversight. Specifically, USAAA recommended establishing procedures to make sure contract approvals include documentation of cost-effectiveness and contract line items include sufficient funding for all requirements. Additionally, USAAA recommended that CORs document their activities in accordance with quality assurance surveillance plans and that contracting personnel provide prompt feedback on contractor performance. The assistant secretary of the Army (manpower and reserve affairs) agreed with the recommendations.

Report No. A-2013-0114-IEM

Service Cost Execution Process

Overview:

The assistant chief of staff for installation management requested that USAAA analyze the execution of service costs to determine if the Installation Status Report-Services captured the true service costs.

Findings:

USAAA reported that Installation Status Report-Services data compiled for FY 2010 and FY 2011 didn't reflect the complete cost picture for the installation services reviewed which could negatively affect the Army's ability to program for future funding needs of the installations. This occurred because of systemic problems implementing the General Fund Enterprise Business System, which the Army in turn used to populate Installation Status Report-Services. Additionally, local shortcomings in recording service execution costs and supplemental funds issues contributed to these differences.

Result:

USAAA made recommendations to improve the detailed reporting of base operations service costs, which should result in more accurate forecasting of future funding requirements. USAAA also identified potential savings of about $7.8 million due to the reduction in the existing vehicle fleet at one of the installations visited.

Report No. A-2013-0150-IEO

Cost Sharing: Logistics Support, Services, and Supplies, U.S. Forces-Afghanistan

Overview:

At the request of U.S. Forces-Afghanistan, USAAA verified that sufficient agreements, processes and procedures were in place to equitably allocate costs and recoup funds for logistics support, services and supplies provided to coalition partners supporting Operation Enduring Freedom in Afghanistan. The audit focused on Logistics Civil Augmentation Program provided services and costs.

Findings:

USAAA reported that USFOR-A and regional commands didn't have sufficient processes and procedures in place to identify and equitably allocate costs of logistics support, services and supplies shared with coalition partners. Regional command personnel and USFOR-A acquisition and cross-servicing agreement coordinators didn't prepare CC-35 transaction reports to capture the cost of services provided to coalition partners. In addition, CC-35 transaction reports that were prepared, many didn't arrive at the Defense Finance and Accounting Service for billing to coalition partners.

Result:

There were 178 CC-35 transaction reports valued at about $27.2 million prepared by regional commands that had not been received and processed by DFAS. In addition, once sound procedures are in place and operating, USAAA estimated that through USFOR-A, U.S. Army Central Command should recoup about $384.4 million from coalition partners for logistics support, services and supplies for FYs 2013 and 2014.

Report No. A-2013-0110-MTE

Financial Management—Home Station Mission

Overview:

At the request of the assistant secretary of the army (financial management and comptroller), in coordination with the Task Force on the Optimization of Army Financial Management, USAAA completed a narrowly-focused review of potential opportunities that exist for financial management soldiers to perform a home station mission to meet the agreed-to deadline of the task force. This audit was the final phase in a series of audits on financial management operations. Prior USAAA audits addressed training, force structure, and mission resources and capabilities.

Findings:

USAAA reported that a home station financial management mission was feasible in the new enterprise environment. Currently, soldiers are not sustaining their deployable skills while at home station. This occurred in part due to limited opportunities based on the financial management force structure and doctrine, transfer of garrison financial functions to civilians and competing training requirements. As the Army moves to an enterprise environment having a cost culture that embraces audit readiness, increased opportunities for financial management soldiers to perform functions at home station have expanded and continue to evolve.
A home station mission should serve to enhance critical deployed skill sets, as well as augment other organizations as they plan to meet workload requirements in an increasingly resourced-constrained environment. Without development opportunities at home station, technical proficiency gained through deployments may decrease, which will impede future unit readiness levels.

Result:

USAAA identified several common functions or missions that financial management soldiers performed in a deployed environment that could be performed at home station in some capacity. These included, but weren't limited to, commercial vendor services, disbursing, managerial accounting, operational planning, decision-making, budget execution and audit readiness. However, the opportunities for a home station mission or enhanced training faced several implementation challenges. These challenges are complex and require

collaboration among multiple entities to resolve which the Army's Financial Management Optimization Workforce Task Force agreed to address.
Report No. A-2013-0094-MTS

U. S. Army Installation Management Command Civilian Workforce Reductions

Overview:
At the request of the assistant secretary of the army (manpower and reserve affairs), USAAA audited installation service contracts to verify that contractors didn't replace Army civilians who were eliminated by budget constraints. USAAA focused on changes to the civilian and contractor workforce mix and the associated strategies for getting the work done with the staffing reductions at three locations: Fort Meade, Md.; Fort Stewart, Ga.; and Joint Base Lewis-McChord, Wash.

Finding:
USAAA reported that it didn't find Army civilians replaced by service contracts or modifications to the scope of work in existing contracts to accommodate work formerly performed by Army civilians. Analysis of the annual contract costs over a three-year period showed the annual costs remained unchanged or declined. Army garrisons met their mission by using a combination of civilian over-hires, borrowed military and a reduction to the level of services provided to customers. Although USAAA didn't find Army civilians replaced by service contracts, USAAA also acknowledged that the installations weren't operating at their FY 2014 targeted reductions. Therefore, the full impact of the reductions won't be recognized until the release of all encumbered over-strength positions and the FY 2014 targeted reductions are completed.

Result:
USAAA helped validate that service contracts didn't replace Army civilians eliminated by budget constraints—a specific congressional interest of the Senate Subcommittee on Contract Oversight.
Report No. A-2013-0093-MTS

Retrograde of Class V-Afghanistan

Overview:
The deputy commanding general for support, U.S. Forces–Afghanistan endorsed this audit in which USAAA verified that the ammunition accountability and visibility in Afghanistan was sufficient—from the tactical level of Army units located at forward operating bases to supply activities at logistical hubs and strategic bases. USAAA also evaluated the effectiveness of disposition decisions for items identified as excess to requirements or determined to be unserviceable.

> *"USAAA reported that asset disposition decisions were generally economical and provided the best value to the Army."*

Findings:
USAAA reported that U.S. Army Central Command activities had policies in place for asset visibility and accountability; however, units sometimes didn't comply with these policies nor had they established sufficient processes and procedures to maintain proper asset accountability and visibility. Commands generally had controls in place, such as sensitive item physical inventories, to ensure accurate recording of ammunition items. However, USAAA found the key internal control of physical inventory wasn't always effective at the unit level. Units didn't have the command emphasis needed to make sure all legacy munitions were recorded, retrograded or disposed of accordingly. Commands also hadn't implemented some aspects of an explosive safety inspection program at the company level to ensure units identified issues and initiated corrective actions in a timely manner.

USAAA reported that asset disposition decisions were generally economical and provided the best value to the Army. Theater activities worked closely together to develop sufficient processes and procedures for the reposture/retrograde of ammunition. U.S. Army Central Command personnel properly demilitarized unserviceable items, maximized the use of the do not return list, and conserved excess serviceable ammunition for other requirements. They also monitored reoccurring requirements to make sure excess retrograded items weren't immediately called back into theater. These actions provided reasonable assurance the Army received the best value for its resources.

Result:
USAAA made recommendations to the commander, U.S. Forces-Afghanistan to coordinate with the commander, International Security Assistance

Forces Joint Command to improve accountability over property book items, some of which were Category I and II and sensitive items; establish task force oversight metrics to ensure units bring legacy ammunition to record; and to direct regional commanders to have units initiate investigations for items not located during USAAA's inventory. These recommendations should strengthen controls and improve the Army's asset accountability and visibility in Afghanistan.
Report No. A-2013-0152-MTE

> *"Since April 1, 2013, the Army CID generated 5,674 new reports of investigation and more than 4,225 non-reports of investigation sequence actions."*

U.S. Army Criminal Investigation Command

Significant Activities

The U.S. Army Criminal Investigation Command is an independent, combat-ready organization dedicated to providing the U.S. Army critical investigative support, actionable criminal intelligence, logistics security and protective services to senior Department of Defense personnel around the globe. The Army CID had 469 agents and other personnel forward-deployed in support of ongoing contingency operations in Kuwait and Afghanistan. This support extended beyond normal criminal investigations and included logistics security operations, training host nation law enforcement personnel, detainee investigations, and the use of forensic sciences and criminal investigative techniques, which aided combatant commanders in identifying, targeting, capturing, deterring and prosecuting insurgents and criminal elements that pose a threat to U.S. forces.

Since April 1, 2013, the Army CID generated 5,674 new reports of investigation and more than 4,225 non-reports of investigation sequence actions. In spite of the demanding caseload, the Army CID maintained a solve-rate of 99.6 percent for drug crimes, 94 percent for persons crimes, 95 percent for economic fraud crimes, 94 percent for violent death crimes, 87 percent for violent sex crimes, 64 percent for property crimes and 100 percent for miscellaneous crimes, with an overall solve-rate of 97.2 percent. According to the 2011 FBI Uniform Crime Report, these solve-rates for Army CID exceeded the national average of 47.7 percent for violent crimes (murder, forcible rape, robbery and aggravated assault) and 18.6 percent for property crimes (burglary, larceny and motor vehicle theft). The Army CID generated more than $33,023,503 in total recoveries of criminal fines, civil penalties, civil false claims recoveries and restitution during the reporting period.

The Army CID continued to place significant emphasis on the conduct of sexual assault and death investigations to help meet the intent of DoD and Department of the Army leadership in reducing the number of sexual assaults and suicides that affect the Army community.

Specialized Unit Operations

Protective Services Battalion

The Protective Services Battalion conducted continuous worldwide executive protection from assassination, kidnapping, injury and embarrassment for designated senior, high-risk personnel in DoD, the Joint Chiefs of Staff, the Army and for their foreign counterparts during official visits to the United States. The Protective Services Battalion also provided oversight of training and operational effectiveness for combatant commander protective services in U.S. Southern Command and U.S. Forces Korea. Since April 2013, the Protective Services Battalion conducted more than 200 protective services missions outside the continental United States, in continental United States and in deployed environments without incident. This included 11 visiting foreign counterpart missions for ministers and chiefs of defense within the national capital region and throughout continental United States. The Protective Services Battalion continued to provide protective support for two former secretaries of defense and one former chairman of the joint chiefs of staff. The battalion's intelligence section conducted full spectrum threat assessments for every low, medium or high-risk travel mission and for each personal security vulnerability assessment, incorporating terrorist and criminal

threat data into a comprehensive risk analysis program. The intelligence section established a new 24-hour watch and support team that assisted Protective Services Battalion special agents around the clock and anywhere in the world while on missions. The battalion led the way in establishing the Digital Persona and Personal Information Protection program, which secured the personally identifiable information, sensitive data and other personal information of the protected principals that was collected or stored by the U.S. government and public and private entities. This information is often the target of individuals attempting to gain unauthorized access, hackers and other threats. The Protective Services Battalion continued to deploy special agents to the U.S. Central Command to lead protective service details for senior U.S. combatant commanders.

Computer Crime Investigative Unit

The Army CID Computer Crime Investigative Unit continued its support of the DoD strategy for operating in cyberspace by aggressively investigating intrusions and related malicious activities affecting Army computers and networks. The Computer Crime Investigative Unit's increased emphasis on insider threats was exemplified by the successful prosecution of an Army intelligence analyst for cyber espionage stemming from the largest illegal disclosure of classified material in U.S. history. The Computer Crime Investigative Unit partnered with the U.S. Army Cyber Command to conduct crime prevention surveys of the Army's LandWarNet to proactively identify vulnerabilities and prevent unauthorized access, misuse, damage and disruption to military operations. This program resulted in a $42.2 million cost avoidance to the Army. Following the mandatory remediation of identified vulnerabilities, no computer network compromises occurred at assessed installations for this reporting period.

Major Procurement Fraud Unit

The Major Procurement Fraud Unit continued to combat fraud and corruption related to contingency operations. The global mission of the Major Procurement Fraud Unit is to conduct criminal investigations into allegations of fraud associated with major Army system acquisition programs to recover Army funds, ensure the integrity of the Army procurement process and deter future crimes to preserve soldier safety and Army readiness. The Major Procurement Fraud Unit investigated allegations of fraud affecting contracting operations in contingency environments throughout the world. The Major Procurement Fraud Unit has four forward operating investigative offices in Afghanistan and Kuwait, focused on contingency fund contractual fraud involving overseas contingency operations in support to the various military operations under Operation Enduring Freedom and Operation New Dawn. Since April 2013, the Major Procurement Fraud Unit initiated 102 reports of investigations, with approximately $15,155,040 in total recoveries and $1,346,856 returned to the Army. Specific to over-seas contingency operations, the Major Procurement Fraud Unit initiated 20 reports of investigations and realized $14.4 million in fines and restitutions.

U.S. Army Criminal Investigation Laboratory

The U.S.Army Criminal Investigation Laboratory's Forensic Exploitation Directorate has two operational elements: the Global Forensic Exploitation Center and the Forensic Exploitation Team(s). The Global Forensic Exploitation Center is the CONUS reach-back, which provided forensic exploitation for overflow from the Afghanistan Theater of Operations as well as to those global customers without organic exploitation capability. The Forensic Exploitation Team(s) provided deployable solutions that were tailored, scaled and customized based on the particular mission. While

A special agent collected fingerprints for the Global Forenseic Exploitation Center.

the focus of the directorate remains largely on support to Operation Enduring Freedom, the Forensic Exploitation Directorate experienced a sharp increase in demand for deployable laboratories and reach-back services from the geographic combatant commands for future contingency operations. There is still a growing need to use forensics in support of joint interagency and multinational activities conducted on an ongoing, routine basis as a component of Theater Security Cooperation Plans to assure friendly relationships and alliances and deter potential adversaries.

During the reporting period, the Global Forensic Exploitation Center received 497 exploitation requests from several organizations around the world and completed 423 cases containing 2,707 separate items. While the majority of cases came from the Afghanistan Theater of Operations, other supported organizations included the Biometric Identity Management Activity, the U.S. Naval Forces Central Command Exploitation Laboratory in Bahrain, the National Ground Intelligence Center, Joint Task Force Guantanamo and the Armed Forces DNA Identification Laboratory. Of the total cases received and completed, the Latent Print Branch completed analysis on 67 cases, the DNA Branch completed analysis on 338 cases, the Electronic Engineer Branch completed analysis on 29 cases and the Explosive Chemistry Branch completed analysis on 35 cases. The analysis of the received materials resulted in 2,518 searchable DNA profiles and yielded 293 biometric matches. There were more than 324 latent fingerprints found and 25 database matches.

The Global Forensic Exploitation Center established the first resident explosive triage section in concert with Naval Explosive Ordnance Disposal Technical Division. This is a fully functional explosive triage section in direct support of the Forensic Exploitation Directorate and the Global Forensic Exploitation Center, to conduct secondary level II triage and technical exploitation of all captured enemy material and evidence received at Global Forensic Exploitation Center for exploitation, processing and analysis. The explosive triage technician is responsible for the explosive safety and protection of Global Forensic Exploitation Center laboratory personnel from the hazards associated with all captured enemy material, particularly improvised explosive device components. He also provides subject matter expertise for all matter involving the technical exploitation of improvised explosive device material. The technician was integrated into Global Forensic Exploitation Center operations, synchronizing the efforts of the Forensic Exploitation Division and Naval Explosive Ordnance Disposal Technical Division Technical Support Division to support the weapons technical intelligence process and exploitation of captured enemy material and improvised explosive device components.

> *"The Latent Print Branch examined 1,125 latent-to-latent cases which resulted in 1,425 matches or linked cases after 39,382 examinations."*

During this reporting period, the Forensic Exploitation Directorate and Global Forensic Exploitation Center Latent Print Branch resumed the latent-to-latent comparisons derived from the Biometric Identity Management Activity's biometric database, Automated Biometric Identification System, and also reported those findings to the intelligence community. The Latent Print Branch examined 1,125 latent-to-latent cases which resulted in 1,425 matches or linked cases after 39,382 examinations. The Latent Print Branch also revised and effectively integrated the support provided to the Combined Joint Task Force Paladin Theater Explosive Exploitation Cell regarding the creation of 30 prosecution support packages. It developed court charts of latent prints and record prints of detainees prior to going to trial. These court charts were added to the prosecution support packages and were used by Afghan prosecutors and judges to convict and sentence terrorists to prison. The Global Forensic Exploitation Center DNA Branch successfully completed the training and certification of five DNA analysts and one technician who were approved and released for independent case work. The DNA Branch started backfilling data into the Expeditionary Forensic DNA Index System. This required a complete review of all completed case work from legacy laboratories in theater, as well as all of the Global Forensic Exploitation Center historical cases. A new protocol was put online that allowed the DNA team to perform a robotic extraction using the EZ1 Robots instead of performing it manually;

the team completed extractions more expeditiously and produced the same high-quality product. The DNA sample identifiers were submitted to Biometric Identity Management Activity on a weekly basis to try to link the Armed Forces DNA Identification Laboratory, Biometric Identity Management Activity and Combined DNA Index System databases. The Global Forensic Exploitation Center DNA Branch began preparing for a full accreditation according to the International Organization for Standardization and FBI quality assurance standards.

The Forensic Exploitation Team 1 maintained a robust capability to conduct forensic examinations in the following disciplines: explosive triage, latent prints, DNA, chemistry (explosives and drug analyses), electronic engineering, firearms and tool marks, and forensic/biometric enabled intelligence analysis. Team 1's forensic analysis provided timely intelligence used for linking known insurgents forensically to captured enemy material, such as improvised explosive devices, weapons, documents and other materials that were used for targeting and prosecution in Afghan courts. The Afghanistan Captured Materiel Exploitation Laboratories are under the operational control of Combined Joint Task Force Paladin Theater Explosive Exploitation. The Afghanistan Captured Materiel Exploitation laboratories are comprised of U.S. military personnel, coalition forces, Department of the U.S. Army Civilians and U.S. contractors.

An Army CID agent collected fingerprints at a criminal investigation scene.

Forensic Analyses and Productivity: The laboratory caseload in Afghanistan decreased 60 percent in 2013 compared to the same period in 2012. The decrease is attributed mainly to the turnover of combat operations to the Afghanistan National Security Forces. The Forensic Exploitation Team examiners conducted forensic examinations on more than 209,561 pieces of material, completing more than 3,367 laboratory requests. More than 735 insurgents were uniquely identified using latent prints and DNA processed from captured enemy material and matching it to known profiles in DoD databases: 543 of those identifications came from latent prints submitted to the Biometric Identity Management Activity and searched in the Automated Biometric Identification System database; 192 identifications came from DNA submitted to the Armed Forces DNA Identification Laboratory and searched in its database. Forensic examination results supported the successful prosecution of 78 individuals resulting in a total of 698.5 years of confinement. Apart from prosecution successes, significant cases during this reporting period also included captured and killed enemies of Afghanistan. Examples, of each, are included:

- In April 2013, Jana Akharamahamad was biometrically matched when his fingerprints were developed from the adhesive side of clear packing tape used to build a pressure-plate improvised explosive device. The Forensic Exploitation Directorate Intelligence staff directed the dissemination of a be-on-the-look-out document throughout Afghanistan; U.S. Special Operations Command personnel killed Jana Akharamahamad May 27, 2013.
- In February 2013, Abdul Razaq was biometrically matched when his fingerprints were developed from the adhesive side of an interior layer of yellow packing tape used to build a command-wire improvised explosive device. The Forensic Exploitation Directorate Intelligence staff directed the dissemination of a be-on-the-look-out document throughout Afghanistan. On May 8, 2013, an Afghan National Army patrol received small arms fire. While the patrol questioned nearby locals after the incident, it recognized Abdul Razaq from his be-on-the-look-out, and detained him on site.
- The Digital Evidence Branch examined a partially melted cell phone and obtained information that linked the phone to the subject, who was immediately questioned.

- The Trace Evidence Branch conducted fire debris analysis in both incidents and found ignitable liquids. In the second incident, alcohol rags were used and the presence of isopropyl alcohol was detected. The fabric rags and alcohol rags were consistent with the source materials at the scene and statements made by the subject. A suspected shipyard worker confessed and pleaded guilty to two counts of arson. This shipyard worker set fire to rags aboard the USS Miami nuclear submarine because he was allegedly fighting depression. He was sentenced to 17 years in jail. The blaze injured seven people and caused $450 million in damage. He was ordered to pay $400 million in restitution.

"The USACIL's DNA Branch continued to excel both in its day-to-day operation and in scientific advances benefitting support to criminal investigations..."

The USACIL's DNA Branch continued to excel both in its day-to-day operation and in scientific advances benefitting support to criminal investigations:

- The USACIL DNA Branch provided an on-line automated process for examining touch DNA samples. This new procedure not only allowed the laboratory to conduct DNA on those types of samples faster, but also retired the old organic DNA extraction procedures, which required work with very hazardous chemicals and reagents.
- The USACIL DNA Branch continued to lead the way in the forensic DNA community in the area of complex mixture interpretation and applying statistical weight. The branch collaborated with specialists in New Zealand to adopt new software and statistical methods, placing them in the forefront of this issue in the United States.

Research, development, testing and evaluation technology improvements during this period included the following:

- Typical forensic evidence (e.g. rape kits) submitted to USACIL contained DNA mixtures with a major female fraction and minor male fraction. To increase detection of the male fraction, automated DNA isolation robots were tested, validated and implemented at the crime lab. This technology resulted in a two to threefold recovery increase of the male fraction, leading to more accurate downstream DNA analyses. Moreover, the same technology was also leveraged by the Forensic Exploitation Directorate laboratories that were deployed in Afghanistan with a modified protocol to analyze low-level touch DNA samples isolated from improvised explosive devices.
- Forensic evidence with complex DNA mixtures (i.e., mixtures containing three or more contributors) frequently submitted to USACIL laboratories include sexual assault swabs, improvised explosive device components and cell phones. These mixtures were difficult for DNA examiners to analyze and often were left uninterrupted. To improve analysis of these mixtures, Research, Development, Testing and Evaluation partnered with the Institute of Environmental Science and Research Limited, New Zealand, to train DNA examiners to use the STRmix program. STRmix is an expert software program that assists DNA examiners in their interpretation of complex mixtures, enabling them to extract more information from previously unusable data sets. Consequently, USACIL will be the first forensic laboratory in the nation to test, validate and implement this software. The affect of the software will:
    - Introduce a new statistical model for DNA-mixture interpretation.
    - Accelerate the prosecution of sexual assault cases, improvised explosive device evidence and other cases involving DNA mixtures.
    - Establish USACIL as the in-country authority for technology transfer of the system to other federal, state and local crime labs.

The time required for forensic laboratories to process DNA samples can be lengthy—eight or more hours to a day and half—depending on the sample quality, laboratory resources and laboratory throughput capability. To reduce this time requirement, a rapid DNA program was initiated. USACIL led in the testing and evaluation of three different rapid DNA platforms: NetBio's Accelerated Nuclear DNA Equipment, IntegenX's RapidHit platforms and LGC's ParaDNA. The first two systems provide full short tandem repeat profiles based on the combined DNA index

system's core STR loci in approximately 90 minutes. The ParaDNA platform is an investigative screening tool that analyzes a subset of those same loci in 75 minutes. The effect of this technology is immense and could lead to reduced laboratory backlogs for DNA casework. Moreover, since all the platforms require minimal user training and hands-on time, the systems offer increased efficiency with less user errors.

Criminal Investigation Task Force

The DoD Criminal Investigation Task Force is a highly specialized joint unit that conducted criminal investigations of suspected terrorists, war criminals and insurgents, in conjunction with deployed battalions, leading to trials across all appropriate legal venues, including military commissions, U.S. federal courts and host-nation courts.

In support of the Guantanamo military commissions, Criminal Investigation Task Force special agents conducted criminal investigations of detainees; Criminal Investigation Task Force attorneys worked hand-in-hand with the DoD Office of the Chief Prosecutor, Office of Military Commissions; Criminal Investigation Task Force linguists reviewed evidence and provided translations in Pashto, Dari, Urdu, Arabic and Farsi of documents, audio and video files; and Criminal Investigation Task Force analysts successfully integrated an advanced intelligence augmentation system with Criminal Investigation Task Force investigations, providing an invaluable tool which mined massive data sets for intelligence and law enforcement applications and linked evidence to crimes. The analysts also provided direct reach-back support on seven requests related to high priority cases.

The Criminal Investigation Task Force pursued justice for the victims of the deadly attacks on the United States Sept. 11, 2001, in which 2,977 people were killed, and on the USS Cole where 17 U.S. sailors were killed Oct. 12, 2000. The Criminal Investigation Task Force also assisted prosecutors with several high-profile, pretrial military commission hearings for the detainees charged in those cases and assisted prosecutors with preparations for their planned trials. The Criminal Investigation Task Force also investigated the case of a Guantanamo detainee, Abd al Hadi al-Iraqi, who allegedly once commanded al Qaeda's efforts in Afghanistan and Pakistan. He was charged June 7, 2013, for allegedly coordinating a series of attacks and related offenses in Afghanistan against U.S. and coalition forces from 2001 to 2004 and for overseeing an operation that included firing upon a medical helicopter as it attempted to recover causalities.

In an initiative related to Guantanamo, Criminal Investigation Task Force attorneys and analysts continued to serve as an integral part of the DoD Security Classification/Declassification Review Team, established in August 2008 to review all DoD documents to be used in military commissions and Supreme Court-ordered detainee habeas hearings, and to produce declassified records for those proceedings and other legal proceedings.

> *"Between April and September 2013 analysts reviewed, redacted and declassified more than 22,500 pages of records and processed more than 870 documents ..."*

Between April and September 2013, Criminal Investigation Task Force attorneys and analysts reviewed, redacted and declassified more than 22,500 pages of records and processed more than 870 documents for release to military commissions and the federal court. Since the project's inception, Criminal Investigation Task Force attorneys and analysts processed more than 16,000 documents.

The Criminal Investigation Task Force's efforts have enabled Criminal Investigation Task Force documents and other DoD documents to be utilized in ongoing habeas litigation and the planned trials of detainees, including Khalid Sheikh Mohammed, believed to be the mastermind of the Sept. 11, 2001, plot, and four other detainees charged with planning and executing the attack; Abd al Rahim al Nashiri, who allegedly oversaw the planning and preparation of the Oct. 12, 2000, attack on the USS Cole; and Ahmed Mohammed Ahmed Haza al Darbi, charged with aiding and abetting terrorism and other offenses related to a 2002 attack against a French oil tanker, which killed a Bulgarian sailor, and other plots to bomb civilian oil tankers.

During the reporting period, Criminal Investigation Task Force Document Media Exploitation unit imaged, reviewed and summarized more than 580 gigabytes of digital documents and audio and video files. Since the inception of the project in mid-2002, Criminal Investigation Task Force personnel have identified and linked evidence found in documents and other material to more than 40 terrorism investigations. In total, they have identified and cataloged more than 400,000 documents and have imaged, reviewed, exploited, summarized and entered more than 9.8 terabytes of digital media evidence (documents, audio and video files) into Criminal Investigation Task Force's case management system for use by agents and analysts.

> *"...at the Justice Center in Parwan, Afghanistan...there were more than 765 trials held between April and September 2013, resulting in more than 490 convictions."*

In support of the Combined Joint Interagency Task Force 435, Criminal Investigation Task Force agents conducted more than 220 interviews of detainees in Afghanistan and were successful in developing confessions from more than 90 percent of them. The confessions will be used in Afghan courts, along with other evidence. Afghans prosecuted the cases in the anti-terrorism court at the Justice Center in Parwan, Afghanistan; there were more than 765 trials held between April and September 2013, resulting in more than 490 convictions.

The Criminal Investigation Task Force attorneys and analysts in Afghanistan and at Fort Belvoir, Va., also contributed to a process, named after Section 841 of the National Defense Authorization Act of 2012, to determine if entities with potential or existing contracts with the United States had insurgent connections. The Section 841 process provides the U.S. Central Command Theater commander with the means to restrict, terminate or void contracts with entities with insurgent connections. The attorneys reviewed more than 10 potential cases against entities with potential or existing contracts for legal sufficiency, and the analysts provided direct analytical reach-back support to more than seven potential Section 841 nominations. USCENTCOM issued four notification letters identifying five companies and their associates as Section 841 designees, and Criminal Investigation Task Force contributed to all of those investigations.

The Criminal Investigation Task Force agents and analysts in Virginia identified 24 Army CID cases that involved logistical-related thefts in the Afghanistan Theater of Operations totaling $6.9 million, and $636,150 of that amount has since been recovered. Of the 24 cases, they assisted in resolving five Army CID cases by providing Army CID agents deployed in theater with direct analytical reach-back support. They also provided information and analytical assistance pertaining to 111 Army CID cases.

The Criminal Investigation Task Force analysts also completed the development of a cutting-edge, government-owned logistics security common operational picture tool that is comparable to software that probably would have cost the government millions of dollars. The tool, which took two years to develop, is designed to enable an operational response to the theft and capture of U.S. materiel transiting unsecured lines of communication in Afghanistan. Criminal Investigation Task Force plans to share this tool with the Department of Homeland Security-Customs and Border Protection National Targeting Center.

Law Enforcement Professionals

To effectively combat extremist/insurgent groups, U.S. forces must understand international organizations, including their intent, motives, structure and methods of movement for personnel, money and arms. The Law Enforcement Professionals program is an ongoing Army CID-managed program which supports both the U.S. Army and the U.S. Marine Corps during contingency operations. The Law Enforcement Professionals program embeds experienced former law enforcement personnel at all echelons from corps to battalions and some select companies. The LEP mission is to advise, assist, mentor and train U.S., host nation and coalition forces in various criminal enterprise investigative and analytical law enforcement skill sets used in counter-improvised explosive device operations, counter-narcotics and counter nexus operations. LEP personnel are an

integral component of a comprehensive civil-military counterinsurgency campaign. They assist commanders with enhanced expertise and methodology to understand, identify, penetrate, interdict and suppress international insurgent and criminal-like network enterprises. The Law Enforcement Professionals program, through advising, assisting, training and mentoring, has been a great success; significant amounts of evidence were collected, and individuals were profiled and identified for questioning and prosecution in Afghanistan in support of the rule of law. In the Afghanistan theater of operation, the Law Enforcement Professionals program has accomplished the following in the past six months:

- LEP personnel assisted Army CID and military police officers with numerous investigations of thefts from Forward Operating Base Fenty, Behsud District, Nangarhar Province, Afghanistan. Soldiers at the entrance control point identified stolen lumber and security uniforms being driven off the Forward Operating Base by base employees using the base operations vehicle. The uniforms were the type used by Afghan security guards who worked at Forward Operating Base Fenty. The Afghan security guards provide contract security at the Forward Operating Base and are armed. The investigation revealed a detailed and deliberate plan to remove lumber from the base. The stolen property was sold by bid for the lot. There was evidence that local workers and contractors were involved. LEP personnel advised, assisted and mentored many aspects of the investigation, including methods, history, financial interest and the effect on force protection. There were immediate procedures initiated to prevent further thefts and improve force protection measures. This is a striking example of the "added value" of the LEP personnel working with their military partners.
- The Farah Investigative Surveillance unit site leader met with a law enforcement professional assigned to Farah Law Enforcement Professionals Investigative Surveillance and was mentored on the significance of the capture of an insurgent in Farah City. This insurgent attacked a coalition forces patrol convoy in Farah City and killed one coalition forces commander. The insurgent was captured by Afghanistan National Police during an unsuccessful second attack on coalition forces several days later. Farah Law Enforcement Professionals - Investigative Surveillance advised them of the importance of interviewing the detainee to determine if he would provide information concerning other insurgents in Farah City who were planning acts of terror against Afghan Security Forces, local nationals and coalition forces. The Investigative Surveillance Unit site leader was trained to obtain biometric evidence from the detainee in order to compare evidence collected from previous attacks to this detainee. The Investigative Surveillance site leader met with the Law Enforcement Professionals - Investigative Surveillance and provided the biometric evidence and disclosed that the detainee admitted to committing both attacks.
- The National Directorate Security agents arrested five members of a suicide bomber cell. The agents allowed the LEP personnel to biometrically enroll and collect buccal swabs from the leader of the cell, Jandulla Ghulam Mohammad. The detainee's DNA sample was matched to previously recovered suicide vest materials. Additional National Directorate Security agents detained three other persons who tested positive for biometric hits. One person was detained as a match on a be-on-the-lookout flyer.

Command Intelligence Operations Center

The Command Intelligence Operations Center continued to expand its analytical support to investigative elements worldwide by collecting, assessing and disseminating criminal intelligence to the Army CID field units conducting criminal investigations or employed in crime prevention efforts. The Command Intelligence Operations Center also continued to grow the Army's e-Guardian program, which allowed Army law enforcement to share and disseminate potential terrorist threat information with the FBI, DoD, state and local civilian law enforcement authorities, nationwide. The Army CID continued to strengthen use of the FBI eGuardian Suspicious Activity Report system by Army activities. The Command Intelligence Operations Center managed the accounts of 406 Army eGuardian users who were responsible for the issuance of 206 suspicious activity reports during the first three

> *"Since February 2008, the Command Intelligence Operations Center has had an analyst solely dedicated to monitoring the illicit and synthetic drug abuse threats to Army personnel and their families."*

quarters of 2013. Since 2011, there have been eight incidents that resolved to a "YES" nexus to terrorism and a full field investigation by the FBI. Enhancements in search capabilities will allow military police and analysts to gain a better understanding of the suspicious activity surrounding installations to enable improved investigative response.

- Since February 2008, the Command Intelligence Operations Center has had an analyst solely dedicated to monitoring the illicit and synthetic drug abuse threats to Army personnel and their families. The analyst works with the Office of National Drug Control Policy and other federal, state and local drug enforcement personnel. By establishing and maintaining these relationships, the analyst leveraged and shared information to educate Army CID offices about emerging and shifting drug trends. The information pertaining to illicit drug trends was then used to set drug suppression goals and make resource management decisions. The analyst also assisted Army CID offices in active drug investigations. The analyst's knowledge of illicit and synthetic drugs and other abused substances, in conjunction with other drug enforcement personnel, allowed for more efficient, effective and comprehensive assistance and analysis during active drug investigations. The illicit and synthetic drugs and other abused substances are ongoing threats to the Army that demand continuous observation.
- Since October 2011, the Command Intelligence Operations Center has had an analyst dedicated to monitoring the gang and domestic extremist threat to the Army. The analyst works with the National Gang Intelligence Center to cultivate working relationships with federal, state and local law enforcement agencies investigating gang-related crime. Gang activity continues to be a contributing factor in only a very low number of criminal investigations conducted by the Army CID. However, the threat of gang and domestic extremist groups conducting criminal activity on Army installations, the threat of extremist infiltration of the Army to pursue training in weapons and explosives, and the potential loss in public confidence due to a perception that the Army allows extremists in its ranks requires constant monitoring.

In FY 2013, the Investigative Analysis Branch completed numerous studies to include 10 installation comparison papers that identified offenders by crime type and by number of offenses; an analysis on child sexual assault/child pornography offenders, with action taken by civilian authorities; a report on soldiers involved in extortion and blackmail using social media; and an analysis of all active duty and mobilized reservist soldier suicides, with a particular focus on suicides that occurred in the barracks and involved the inhalation of a toxic substance.

Significant Investigative Cases

Spare Parts Overcharged for US Army Tanks

Overview:

An investigation into Curtiss Wright Controls Incorporated determined the company had submitted inaccurate cost and pricing data in connection with a Tank Automotive and Armaments Command contract for Bradley Fighting Vehicle spare parts, which resulted in overcharges to the government totaling approximately $1,311,728. Curtiss Wright Controls Incorporated certified material part unit prices which were higher than actual purchase order histories; submitted certified bills of material containing out-of-date price quotations; purchased material parts from a different vendor at a lower cost; and failed to notify the Army of a corporate pricing agreement prior to the certification.

Result:

On May 15, 2013, The U.S. Attorney's Office, District of Massachusetts, executed a civil settlement agreement wherein Curtiss Wright Controls agreed to pay a $1,352,441 in criminal penalty to the government. The Army Procurement Fraud Branch declined to take administrative action.

False Invoices Submitted by Contracting Officer

OVERVIEW:

This joint investigation with Defense Criminal Investigation Service and the Department of Health and Human Services Office of the Inspector General determined Nanoscale Corporation and its chief operating officer, Aaron Madison, mischarged acquisition costs of equipment used on multiple projects to two government contracts totaling approximately $177,294. The false invoices and certifications Madison submitted electronically overstated Nanoscale's costs related to nitrogen use on various contracts and also charged the costs of leasing equipment to the government for equipment that Nanoscale used for various nongovernment projects.

RESULT:

The Army Procurement Fraud Branch debarred Madison from participating in government contracting for two years effective April 5, 2013, through Feb. 19, 2015. The Army Procurement Fraud Branch declined to pursue further action against Nanoscale because the company went out of business.

Contractor in Iraq files False Invoices

OVERVIEW:

This joint investigation with AFOSI, the Internal Revenue Service-Criminal Investigations and the Special Inspector General for Iraq Reconstruction was initiated after it was determined the owner of Sourcing Specialist, LLC, Jill Charpia, was awarded a contract with the U.S. government to provide a turn-key housing facility located outside Iraq's international zone. The building was to facilitate the introduction of multinational firms desiring to develop business opportunities in Iraq. Charpia submitted a false invoice for payment in the amount of $1,270,075 for mobilization costs. In addition, Charpia submitted an invoice representing she paid $700,000 for the rental of two villas in Baghdad and another representing she paid $570,075 for the purchase of three armored vehicles from an Iraqi company. As a result of the false invoices, $1,270,075 was wired to Charpia's bank account.

RESULT:

Charpia was debarred from participating in government contracting for five years effective April 28, 2013, through Sept. 4, 2018. Additionally, Charpia was sentenced by the Western District of Texas, U.S. District Court, to serve three years of supervised release and ordered to pay $920,000 plus interest in restitution to the United States.

Fort Drum Head Shop Closed after Distribution of Illegal Drugs

OVERVIEW:

Army CID initiated this joint investigation with the Drug Enforcement Administration and the Metropolitan Jefferson County Drug Task Force, N.Y., after information was obtained relating to soldiers assigned to Fort Drum purchasing synthetic cannabinoids from Tebb's Head Shop, N.Y. The investigation determined Tebb's Head Shop was selling synthetic cannabinoids and bath salts, a banned substance for sale in New York State. During covert drug operations, about 1 gram of bath salts from Tebb's Head Shop was purchased. During the monitored purchase, the employee provided instructions on how to best consume the substances for purposes other than what was advertised and labeled on the product. The DEA obtained a warrant to seize all illegal products from numerous Tebb's Head Shops, located throughout Central New York, where thousands of grams of bath salts and synthetic cannabinoids were seized.

RESULT:

John Tebbett, the owner of Tebb's Head Shop, was charged with possessing and selling bath salts and

An Army CID special agent seized illegal drugs as evidence.

synthetic cannabinoids, in violation of New York Public Health Law, Section 16. Tebbett pleaded guilty in state court and admitted to the distribution of bath salts and to money laundering. The New York Supreme Court issued a decision holding Tebbett responsible for selling deceptively-labeled drug products to consumers and issued a fine in the amount of $200,000. All Tebb's Head Shops have been placed off limits for Fort Drum soldiers, and Tebbett is pending sentencing for money laundering offenses. The case has been delayed due to a subsequent violation of the terms of his release by using pain pills not prescribed to him.

Soldier Seeking Stress Treatment Kills Service Members

Overview:

Army CID responded after Army Sgt. John Russell murdered five other service members at the Combat Stress Center. Russell also assaulted another service member and attempted to murder another service member. Russell's commander had prohibited Russell from carrying a weapon while receiving mental health treatment. On May 11, 2009, Russell became upset with one of his psychiatrists. Military police responded to the altercation and Russell was released to a unit escort. Once Russell arrived at the unit, he stole his escort's rifle and stole a government vehicle that he used to drive to the Combat Stress Center. When he arrived, Russell moved through the building, methodically shooting the staff and patients. The military police and Army CID special agents responded to the shooting and apprehended Russell as he exited the building. U.S. Army Criminal Investigative Laboratory technicians responded to the scene and obtained scene imaging. Russell's gunshot-residue tests were positive. Blood found on Russell's boots matched the blood of the victims. Blood from the victims was found on the rifle Russell used. Shell casings found at the scene and bullet fragments recovered from the victims matched Russell's weapon.

Result:

On May 16, 2013, Russell was convicted by a general court-martial of the unpremeditated murder of five service members and attempted murder of two service members. Russell received a sentence of life in prison without the possibility of parole, reduction in grade to E-1 and a dishonorable discharge.

Army Member Murders Afghan Nationals

Overview:

An Army CID investigation was initiated after U.S. Army Staff Judge Advocate Lt. Comdr. Kathryn Matt, Combined Forces Special Operations Component Command – Afghanistan, reported a service member killed and possibly injured several Afghan local nationals near Village Stability Platform Belambai. The service member was identified as U.S. Army Staff Sgt. Robert Bales, who left the Village Stability Platform during the early morning hours of March 11, 2012, and attacked two different local national Afghan family compounds with small arms fire resulting in the deaths of 16 local nationals and wounding of others. The investigation established probable cause to believe Bales illegally used steroids after he submitted a urine sample via search authorization, which tested positive for steroids. Three bottles of steroids were found hidden under a walkway outside Bales' room. The investigation established that Bales forcefully entered seven residential structures in the hours of darkness and shot and killed 16 Afghan local national civilians. The investigation determined that Bales shot and injured five Afghan local national civilians and shot an Afghan local national child in the knee. Bales also shot an Afghan national in the side of the neck causing both disfiguration and loss of feeling in his hand.

Result:

On Aug. 23, 2013, Bales was convicted by a general court-martial and sentenced to life in prison without parole.

Army Member Found Guilty of Leaking Information to Wikileaks

Overview:

On May 25, 2010, a joint investigation was initiated with the FBI, Department of State Diplomatic Security Service and Army CID's Computer Crime Investigative Unit into the largest disclosure of classified material in U.S. history. A Computer Crime Investigative Unit source reported that a service member, identified as Pfc. Bradley Manning, claimed during online chat sessions that he had disclosed classified information to the online news organization Wikileaks.org. On May 27, 2010, Manning was apprehended and a military search authorization was executed on his military quarters in Iraq. Forensic examination of the evidence collected during the investigation by the

Digital Forensics and Research Branch, Computer Crime Investigative Unit, as well as analysis of the released documents and government servers revealed that while stationed in Iraq, Manning accumulated voluminous classified documents, which he subsequently passed to the operators of the website WikiLeaks.org. Manning released hundreds of thousands of classified and unclassified U.S. diplomatic cables, war logs on Iraq and Afghanistan, and Guantanamo Bay detainee files.

RESULT:

On July 30, 2013, Manning was convicted by a general court-martial of 20 specifications related to exceeding his authorized access on a classified computer system and the theft and release of hundreds of thousands of classified intelligence documents. On Aug. 21, 2013, Manning was sentenced to 35 years of confinement, reduction to grade of E-1, forfeiture of all pay and allowances and a dishonorable discharge.

Army Major Guilty of Premeditated Murder at Fort Hood

OVERVIEW:

On Nov. 5, 2009, the Fort Hood, Texas, Criminal Investigative Division Office was notified of shots fired at the Soldier Readiness Center. A joint investigation by CID, Texas Rangers and the FBI determined Army Maj. Nidal Hasan committed premeditated murder when he shot and killed 13 persons and an unborn child of one of the victims present at the Soldier Readiness Center. Hasan also attempted to kill numerous other personnel in and around the Soldier Readiness Center by shooting at them with his semiautomatic pistol. Hasan was shot by a responding police officer after a short exchange of gunfire. A multiagency task force, led by Army CID agents and consisting of the FBI, Texas Rangers and local area law enforcement agencies, conducted more than 3,200 interviews, collected in excess of 2,000 items of physical evidence and ultimately expended in excess of 10,000 investigative hours. Their work resulted in the successful prosecution of Hasan.

RESULT:

On Aug. 23, 2013, Hasan was convicted by a general court-martial on 13 counts of premeditated murder and 32 counts of premeditated attempted murder charges and received a sentence of death.

NAVY

NAVAL AUDIT SERVICE

NAVAUDSVC mission is to provide independent and objective audit services to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability and program effectiveness. NAVAUDSVC works with senior DON officials to develop an annual risk-based audit plan addressing critical areas officials feel merit additional oversight. NAVAUDSVC also responds to requests from senior DON officials to provide audit work on emergent issues, such as determining whether there was documentation that sufficient background checks were conducted for DON childcare providers.

In the past six months, NAVAUDSVC audits have addressed such issues as contract administration, the management and physical security of fuel storage tanks and more. NAVAUDSVC assist reports for NCIS identified approximately $5.3 million in potential fraud (or approximately $6.6 million over the entire fiscal year). In the year ahead, NAVAUDSVC will continue to work with senior DON officials to provide them with an expert and impartial assessment of critical issues, and, if necessary, make recommendations that address identified conditions and help DON achieve greater efficiency and effectiveness in its operations.

During this period NAVAUDSVC issued 33 final reports, which identified $2.7 million of potential funds to be put to other use. To date, management has agreed to $2.7 million.

NAVAUDSVC provided performance and financial audit coverage in areas with significant impact. The sources of work for reports published in this period are shown in Exhibit 1.

Exhibit 1. Workload by Source Published Reports April 1, 2013 – September 30, 2013

Source	Reports
Congressional Requests and Statutory	0
Management Requests	24
Risk Benefit Assessments	9
Total	**33**

Exhibit 2 shows the number of final reports published by issue area.

Exhibit 2. Number of Reports by Issue Area
April 1, 2013 – September 30, 2013

Issue Area	Reports
Joint Warfighting and Readiness	2
Human Capital	0
Information Assurance, Security and Privacy	1
Acquisition Processes and Contract Management	6
Financial Management	9
Health Care	0
Infrastructure and Environment	8
Equipping and Training Iraqi and Afghan Security Forces	0
Nuclear Enterprise	0
Other	7
Total	**33**

Exhibit 3 shows the funds identified for potential other use through audit reports issued by NAVAUDSVC over the past three years.

Exhibit 3. Funds Identified For Potential Other Use
($ in thousands)

Program	Past 3 Years	Past 6 Months
Acquisition Programs	$34,600	$0
Construction Programs	$914,342	$0
Logistics Programs	$0	$0
Other Programs	$7,075	$2,700
Total	**$956,017**	**$2,700**

Exhibit 4 shows the authorized and actual civilian year-end strengths for FYs 2010 through 2013.

Exhibit 4. Civilian Year-End Strength
(Includes audit, other professional, administrative and support personnel)

Fiscal Year	Authorized	Actual
2010	398	391
2011	398	370
2012	398	373
2013	383	366

Acquisition Processes and Contract Management

Naval Air Station Sigonella, Italy Base Operating Support Contract

OVERVIEW:

The under secretary of the Navy requested NAVAUDSVC review the Navy's Base Operating Support contracts located outside the continental United States. The objective of this audit was to verify that the Naval Air Station Sigonella, Italy, Base Operational Support contract is effectively administered in accordance with contracting and disbursing policies and procedures.

FINDINGS:

NAVAUDSVC found that Naval Facilities Engineering Command Public Works Department Sigonella did not have sufficient internal controls in place to ensure the Base Operational Support contract at Naval Air Station Sigonella, Italy, was effectively administered in accordance with contracting and disbursing policies and procedures. Specifically, Naval Facilities Engineering Command Europe Africa Southwest Asia had not provided sufficient oversight of contracting operations and contract payments supporting the Base Operational Support contract at Public Works Directorate Sigonella. As a result, Naval Facilities Engineering Command Europe Africa Southwest Asia and Public Works Directorate Sigonella could not provide assurance that the Navy received the goods and services for which it paid on the Base Operational Support contract or that internal controls were sufficient to detect, deter and prevent fraud and abuse.

RESULT:

NAVAUDSVC recommended the command:

- Conduct management reviews of the Public Works Directorate Sigonella contracting office to ensure that surveillance duties and responsibilities are sufficiently performed and documented.
- Review the Sigonella Base Operational Support contract and ensure all contract requirements are measurable to allow for sufficient assessments of contractor's performance.
- Direct the Sigonella Base Operational Support contractor to provide itemized monthly contractor invoices.

- Appoint Departmental Accountable Officials to provide surveillance over the construction delivery orders under the Sigonella Base Operational Support contract to ensure goods and services are provided.
- Issue written policy and procedures identifying the roles and responsibilities for reviewing and validating accuracy and reasonableness of invoices for the Sigonella Base Operational Support contract.
- Issue written policies and procedures to ensure that the Contracting Officer Representative has oversight of construction delivery orders being issued under the Base Operational Support contract to ensure surveillance is being conducted.

Report No: N2013-0030

Internal Controls over the Execution of Husbanding Contracts – 7th Fleet Area of Responsibility

Overview:

NAVAUDSVC sought to verify whether internal controls over the execution of Department of the Navy husbanding contracts were operating to (1) maximize cost effectiveness, quality of service and efficiency across the 7th Fleet; and (2) detect, deter and prevent fraud, waste and abuse.

Findings:

The execution of husbanding contracts within the 7th Fleet area of responsibility was not sufficient to maximize the value and cost efficiency of port services provided to the Department of the Navy. NAVAUDSVC found in their review (1) husbanding contracts were executed without an appointed Contracting Officer's Representative; (2) contract requirements were not met regarding supporting documentation; (3) some personnel lacked access to the Logistics Support Services Repository (a database that captures standard data globally under all husbanding contracts); (4) some noncontract line items lacked appropriate approvals; (5) Contractor Performance Assessment Reporting reviews were not conducted for husbanding task orders issued by the ships; (6) in some instances, estimated charges on invoices were paid during port visits; (7) ship personnel were not able to validate offload measurements of volume-based services (i.e., collection, holding, transfer and trash) during port visits; and (8) contracting personnel were not actively involved in the cost reconciliation process for all husbanding task orders. These conditions occurred because the implementation of husbanding contracts and task orders lacked effective internal controls and management oversight. As a result, ships may have been overpaying for services received and husbanding contracts/actions were vulnerable to fraud, waste and abuse. Additionally, there was not an accurate assessment of contractor performance, thus resulting in (1) the ineffective measurement of costs and quality of service; and (2) the possibility of the government not receiving the best services for the war fighter.

Result:

NAVAUDSVC recommended that the commander, U.S. Pacific Fleet, and commander, Naval Supply Systems Command:

- Assign a contracting officer's representative for husbanding contracts.
- Develop procedures to ensure personnel use the Logistics Support Services Repository.
- Update policy to ensure volume-based services are measured accurately.
- Enforce policy on payment for port visit services.
- Capture all husbanding task orders in the Procurement Performance Management Assessment Program/Quality Assurance Self Assessment processes.
- Conduct Contractor Performance Assessment Reporting reviews for all task orders.
- Establish procedures to ensure contracting personnel are involved in the cost reconciliation process.

Report No. N2013-00336

Guam Base Operating Support Contract

Overview:

The under secretary of the Navy requested that NAVAUDSVC review the Navy's Base Operating Support contracts located outside the continental United States. The objective of this audit was to verify that the Guam Base Operational Support contract is effectively administered in accordance with contracting and disbursing policies and procedures.

Findings:

Naval Audit Service found that Naval Facilities Engineering Command Marianas did not sufficiently perform surveillance to ensure the Guam Base Operational Support contract was effectively

administered in accordance with contracting and disbursing policies and procedures. The contracting officer did not provide oversight at a level that would ensure the CORs were performing their surveillance responsibilities in accordance with Federal Acquisition Regulation and Naval Facilities Engineering Command's Performance Assessment User Guide. Contracting officer representative training did not address how to review contractor submitted vouchers to verify that costs were reasonable or met contract requirements.

Without sufficient surveillance, the Department of the Navy cannot be assured that the contractor complied fully with the terms of the Base Operational Support contract or that Naval Facilities Engineering Command Marianas received the goods and services for which it paid.

Result:

NAVAUDSVC recommended that the command:

- Update and implement policy and procedures detailing how performance assessment personnel are to evaluate and document cost management, technical services and program management.
- Update and implement policy and procedures to ensure contracting officer representatives review a broad spectrum of transactions utilizing supporting documentation and contract requirements as a basis for determining that contractor costs within vouchers are allowable per the Federal Acquisition Regulation.
- Establish controls and provide oversight and training to ensure surveillance of contractor performance and incurred costs are evaluated, documented and operating as required.

Report No. N2013-0037

Financial Management

Fiscal Management at the Center for Excellence in Disaster Management and Humanitarian Assistance, United States Pacific Command

Overview:

NAVAUDSVC (1) analyzed the organizational budget for the U.S. Pacific Command Center for Excellence to determine whether amounts billed, received and expended for mission execution were justified; (2) reviewed U.S. Pacific Command Center for Excellence's travel activities for sufficient justification according to mission requirements, and where anomalies existed, performed a detailed analysis to identify whether questionable or potentially unauthorized transactions were made; and (3) reviewed internal controls related to U.S. Pacific Command Center for Excellence's hiring process.

Findings:

NAVAUDSVC identified issues related to funding (possible Antideficiency Act), lack of controls/oversight for funding documents, obligations, expenditures, foreign currency conversion and reconciliation/timely return of unobligated funds. Also, NAVAUDSVC identified a need for establishing procedures and providing oversight to ensure:

- Accounting is in compliance with applicable DoD Financial Management Regulations.
- Defense Travel System is properly utilized and accounted for and personnel are training appropriately.
- Individuals whose work assignments include travel are being chosen to meet mission need requirements.
- Employment documentation is retained to comply with the Secretary of the Navy Records Management Manual.
- Office of Personnel Management occupational series of current personnel is revised.
- Position descriptions for current personnel are updated.
- Managers' Internal Control processes are completed.
- Review of the organization's internal controls is conducted for the annual statement of assurance and documentation is maintained.
- Maintenance of all project files from inception to completion.
- Project managers are completing afteraction reports.
- Subject matter experts are defined.

Result:

NAVAUDSVC recommended that assistant secretary of the Navy (financial management and comptroller), determine whether an Antideficiency Act investigation is warranted for the potential over-obligation and time violations for Fiscal Years 2010 and 2011 funds.

NAVAUDSVC also recommended that comptroller, U.S. Pacific Command, establish and implement controls

and provide oversight to ensure Center for Excellence accounting personnel prevent over-obligations of funds, and that the comptroller provide oversight over the Center for Excellence's Managers' Internal Control program processes.

NAVAUDSVC recommended that the director, Center for Excellence establish and implement policies and procedures and provide management oversight with regard to financial management, travel and hiring practices to ensure an internal control environment has been established and activities are in compliance with applicable laws and regulations. NAVAUDSVC also recommended that the director ensure a thorough review of the organization's internal controls is conducted for the annual statement of assurance and maintain documentation showing the analysis of each internal control reviewed. The director should also require the maintenance of all project files from inception to completion to show a sufficient audit trail, ensure that project managers are completing after-action reports at the completion of events, and establish a process for determining whether an individual should be designated as a subject matter expert.

Report No. N2013-0027

Fiscal and Resource Management at the Naval Postgraduate School

Overview:

NAVAUDSVC identified and tested internal controls at the Naval Postgraduate School, Monterey,Calif., to ensure (1) compliance with applicable laws and regulations on the management of funds, (2) travel funds are being used appropriately, (3) accountability for pilferable items and (4) wireless communication devices are being used appropriately. In addition, NAVAUDSVC followed up on a prior report, N2009-0039, with 34 recommendations.

Findings:

NAVAUDSVC found that Naval Postgraduate School did not properly manage their programs. Specifically, the Naval Postgraduate School did not:

- Properly manage and execute their government travel and property management programs because they did not have sufficient internal controls in place, there was insufficient monitoring and oversight and there was noncompliance with DON guidance.
- Properly manage their funds in the area of gifts because they did not have sufficient internal controls in place.
- Properly manage their wireless communication devices because they did not have sufficient internal controls in place as required by Department of the Navy Chief Information Officer policy.

In addition, Naval Postgraduate School management did not sufficiently implement agreed-to corrective actions for 15 of 33 recommendations made in the prior NAVAUDSVC report

Result:

NAVAUDSVC made 27 recommendations to the president, Naval Postgraduate School, to establish internal controls and provide sufficient oversight in the areas reviewed. Also, a recommendation was addressed to the chief of naval operations to provide oversight on implementing these recommendations.

Report No. N2013-0038

Joint Warfighting and Readiness

Marine Corps War Reserve Levels

Overview:

The audit objective was to verify that the Marine Corps war reserve levels are supported by valid requirements. This audit was initiated by the auditor general of the Navy.

Findings:

Valid Marine Corps-approved acquisition objectives for war reserve materiel requirements (in-stores) did not exist within Total Force Structure Management System. Instead, Marine Requirements Oversight Council decisions required the Marine Corps to temporarily use equipment density lists (that portrayed asset quantities in support of Operation Iraqi Freedom and Operation Enduring Freedom) for the Marine Forces Central Command as an input into the war reserve material requirement (in-stores). The condition also occurred because (1) equipment procured through the Urgent Universal Needs Statement process (and shipped directly to the warfighter) was included in the war reserve material requirement (in-stores); (2) standardized procedures did not exist to ensure equipment requiring periodic upgrades to software, firmware or hardware was not procured and held in wholesale war reserve; and (3) Marine Corps Combat Development and Integration

personnel were not validating and updating the war reserve material requirements within TFSMS.

As a result, the approved acquisition objective data contained in TFSMS cannot be relied upon by Marine Corps personnel. Also, since the Marine Corps uses that system to support procurement actions, the lack of valid approved acquisition objectives could lead to unnecessary or insufficient material quantities being purchased to sustain the operating forces. Although, NAVAUDSVC found that valid Marine Corps approved acquisition objectives for war reserve material requirements (in-stores) data did not exist within TFSMS, NAVAUDSVC did not identify any communications-electronics war reserve items that were purchased and going obsolete in storage at the Marine Corps Logistics Command. However, as noted above, Combat Development and Integration personnel conducted a special validation of 217 war reserve materiel requirements (in-stores) during the audit and identified 30 workstations, valued at $138,000, not to procure during Fiscal Year 2013. Therefore, as a result of NAVAUDSVC audit efforts, $138,000 of funds was identified to be put to better use during Fiscal Year 2013.

Result:

NAVAUDSVC recommended that the commandant of the Marine Corps (1) initiate actions to validate remaining war reserve material requirement approved acquisition objective requirements data in TFSMS to provide stakeholders accurate and supportable data; (2) upon completion of the validation discussed above, determine the quantity and unit cost of procurements that will not occur as a result and report to NAVAUDSVC the amount of funds put to better use resulting from this recommendation; and (3) establish and promulgate procedures that ensure equipment requiring periodic upgrades to software, firmware or hardware is not procured and held in wholesale war reserve.

Report No. N2013-0041

> *"Due to management oversight, Bureau of Naval Personnel and Naval Health Clinic Annapolis were noncompliant with high-level criteria that require a contingency plan to be in place."*

Information Assurance, Security and Privacy

Department of Navy Contract Requirements–Personally Identifiable Information and Sensitive Data

Overview:

The audit objective was to verify that DON contracts contain adequate provisions requiring the safeguarding and disposal of DON personally identifiable information and sensitive data.

Findings:

NAVAUDSVC analysis of the contract provisions for safeguarding and disposal of DON personally identifiable information and sensitive data showed that the control environment and processes for protecting and safeguarding DON personally identifiable information and sensitive information was in place for contractor personnel and appeared to be working. However, NAVAUDSVC found that Bureau of Naval Personnel and Naval Health Clinic Annapolis did not have an approved and implemented contingency plan in place to deal with an unexpected event that would interrupt their business operations, such as that which may occur if DON personally identifiable information or sensitive data were to be compromised. Directive 3020.26, dated Jan. 9, 2009, requires the continuation of current approved DoD and DoD component mission-essential functions under all circumstances across the spectrum of threats. Due to management oversight, Bureau of Naval Personnel and Naval Health Clinic Annapolis were noncompliant with high-level criteria that require a contingency plan to be in place. Without an approved contingency plan, they cannot provide assurance that they are prepared to support and/or perform DON mission essential functions and facilitate business continuity during recovery form a disruptive event.

Result:

NAVAUDSVC recommended the action commands approve and implement a contingency plan to support and/or perform DON mission-essential functions and to facilitate business continuity during recovery from a disruptive event, up to the time when organization returns to normal operations; and to require all contractor personnel who are anticipated to have access to a significant amount personally identifiable information or sensitive data to

sign a nondisclosure agreement by the start of their employment under the contract.
Report No. N2013-0034

> *"NAVAUDSVC consolidated the five audits' results of sampling 1,514 fuel transactions/reports, identifying a difference with supporting documentation for 11 percent of samples, and noting 28 percent of samples did not have supporting documentation."*

Infrastructure and Environment

Summary of Audits of Department of the Navy Fuel Consumption Reporting

OVERVIEW:
NAVAUDSVC summarized the results of five audit reports covering Navy aviation, Marine Corps aviation, Navy maritime, Military Sealift Command maritime and DON expeditionary fuel consumption.

FINDINGS:
The response to Task 4 of the 2010 Secretary of the Navy Energy Directive, which required reporting the current quantities of consumption data for each category of energy usage, relied on an informal data collection process to report fuel consumption. The Navy Energy Coordination Office relied on open lines of communication to gather fuel consumption data since DON did not have a policy or a formal process for units to periodically report fuel consumption. Aviation, maritime and expeditionary data sources relied upon to report DON fuel consumption in response to the directive did not include complete fuel consumption for all units. In addition, Marine Corps expeditionary and Navy maritime fuel consumption was over-reported by including aviation fuel consumption. NAVAUDSVC consolidated the five audits' results of sampling 1,514 fuel transactions/reports, identifying a difference with supporting documentation for 11 percent of samples, and noting 28 percent of samples did not have supporting documentation. DON's tracking of progress toward the secretary of the Navy energy goals is hindered without a policy and processes for routine reporting of fuel consumption.

RESULT:
NAVAUDSVC recommended DON management establish a requirement to perform regular collection of DON fuel consumption data at least annually. In addition, DON should establish formal processes, such as standard operating procedures, to collect fuel consumption data from all units. Each of the five audit reports included separate recommendations to address gaps in policy or oversight for reporting fuel, such as for the retention of fuel transaction supporting documentation.
Report No. N2013-0020

Summary of Department of the Navy Bulk Fuel Storage Facilities and Farms

OVERVIEW:
The summary fuel audit captured systemic issues identified during four previous Navy fuel storage facilities audits. Systemic issues were found in areas including (1) tank management and oversight and (2) physical security and antiterrorism measures. The individual fuel facility audit reports provided recommendations for improvement in areas that were installation specific; however, the summary audit highlighted concerns that occurred during site visits at multiple installations and made recommendations to senior management to improve the systemic issues identified across the Navy.

FINDINGS:
Systemic weaknesses were identified in controls over tank management and oversight and physical security and antiterrorism measures for Navy fuel facilities. Specifically, NAVAUDSVC found (1) inspections and maintenance of fuel facilities were irregular and insufficient; (2) tank management plans were missing or incomplete; (3) quality assurance measures were either not completed or insufficient; and (4) the Navy had not established clear roles and responsibilities for the oversight and operational responsibility of fuel storage facilities. In regards to physical security and antiterrorism, NAVAUDSVC identified systemic weaknesses to include (1) missing or incomplete antiterrorism plans; (2) inconsistent restricted level designations; and (3) physical security access control methods.

RESULT:
NAVAUDSVC recommended that the Navy establish and promulgate guidance to outline roles and responsibilities in regards to management, oversight,

and monitoring of Navy fuel storage facilities, as well as procedures to ensure quality assurance inspections are completed for Navy fuel infrastructure. Recommendations were also made to assess and reevaluate current memorandums of agreement pertaining to fuel facility operations as well as tank management plans across the Navy. In addition, the Navy should conduct assessments to determine whether fuel storage facilities have complete, current and approved antiterrorism plans, accurate restricted level designations and sufficient access control procedures in place.
Report No. N2013-0026

> *"Out of the sampled 459 tanks reviewed, NAVAUDSVC determined that 76 percent (348 of 459) were not recorded individually in iNFADS."*

Navy Fuel Storage Tank Inventory

Overview:

The objective of the report was to verify the completeness and accuracy of the Navy's fuel storage tank inventory for both aboveground and the underground tanks at selected installations.

Findings:

The Navy did not establish effective processes and procedures to ensure that fuel storage tanks were being properly managed in an "accountable property system of record" and that property records for fuel storage tanks recorded in the internet Navy Facility Assets Data Store management system were complete and accurate. NAVAUDSVC randomly selected 32 Navy installations (out of a universe of 735) and compared local tank inventory lists to the tanks recorded in iNFADS. NAVAUDSVC found that significant variances existed between the number of tanks recorded in the system and those recorded on installation listings. NAVAUDSVC also visited eight installations and selected a stratified random sample of 459 tanks (out of the total 1,649 tanks contained on the local lists) for detailed testing. Out of the sampled 459 tanks reviewed, NAVAUDSVC determined that 76 percent (348 of 459) were not recorded individually in iNFADS. These conditions primarily existed because the Navy has not established clear and concise guidance to determine if fuel storage tanks should be classified as real property or personal property equipment. This resulted in confusion at the installation level about which fuel storage tanks should be recorded in iNFADS, if they should be recorded at all and in what system they should be recorded.

In addition, for the eight installations, NAVAUDSVC also reviewed 334 tank property records that were recorded in iNFADS and found 11 percent (37 of 334) were for fuel storage tanks that no longer existed; 6 percent (20 of 334) had inaccurate fuel storage tank capacities; 3 percent (10 of 334) of the property records included multiple fuel storage tanks on one record; and about 5 percent (18 of 334) of the property records could not be associated with a tank or other real property asset. The weaknesses occurred because notification was not provided in many instances when fuel storage tanks were installed or removed; and there was insufficient coordination between asset management and environmental personnel at the installations visited. As a result, the Navy does not have reasonable assurance that relevant data on accountable fuel storage tank assets is visible and accessible to key stakeholders in the Navy and DoD or that facilities and sustainment requirements are calculated using correct inventory data.

Result:

NAVAUDSVC recommended that the Office of the Chief of Naval Operations direct the revision of criteria/guidance and establish a checklist that standardizes how fuel storage tanks should be recorded; and establish oversight to ensure fuel storage tanks across the Navy enterprise are consistently recorded in the approved accountability system. NAVAUDSVC also recommended that Naval Facilities Engineering Command (1) revise the roles and responsibilities between asset management and environmental personnel and any other Naval Facilities Engineering Command business lines involved in the installment or removal of fuel storage tanks to facilitate reconciliation of fuel storage tank assets; and reconcile property records to the most authoritative source to identify and correct errors to ensure data accuracy and completeness.
Report No. N2013-0047

Other

Marine Corps Child, Youth, and Teen Programs

OVERVIEW:

On Dec. 20, 2012, Secretary of Defense Memorandum to the DoD directed each Military Department to "conduct a 100 percent review and evaluation of the actual background check documentation on file for each individual, employee and volunteer, for compliance with applicable DoD and Military Service Policies." Director of Marine Corps Marine and Family Programs requested NAVAUDSVC to validate the data integrity of their 100 percent file review of all background checks for all child care employees.

FINDINGS:

NAVAUDSVC found that Marine Corps Marine and Family Programs was not able to provide sufficient background check documentation for 66 percent of the child care providers in the sample. Based on this result, NAVAUDSVC projected that MC MF would be unable to provide sufficient background check documentation for 996 child care providers. However, by obtaining supplemental background check documentation NAVAUDSVC was able to assemble the required documentation for all but 3 percent of the sampled child care providers. After supplementing the MC MF provided background check documentation with that which NAVAUDSVC obtained separately, NAVAUDSVC was able to revise their projection of child care providers without sufficient background check documentation from 996 to 82. NAVAUDSVC found that Marine Family Care Program Management, of which the MC MF Child, Youth, and Teen Programs is considered a component, is listed as an assessable unit in the Fiscal Year 2103 Management Internal Control program. However, Marine Corps Child, Youth, and Teen Programs was not an assessable unit under Marine Family Care Program Management.

RESULT:

NAVAUDSVC recommended the Marine Corps establish controls and provide oversight to ensure that the background check documentation for all child care providers is readily available for inspection and verification. Also, NAVAUDSVC recommended assistant secretary of the Navy (manpower and reserve affairs) establish controls and provide oversight to ensure that the corrective actions are implemented by the Marine Corps.

Report No. N2013-0044

> *"NAVAUDSVC found that the commander, Navy Installations Command, could not provide sufficient background check documentation for 66 percent of the child care providers in the NAVAUDSVC sample."*

Navy Child and Youth Programs

OVERVIEW:

On Dec. 20, 2012, Secretary of Defense Memorandum to the DoD directed each military department to "conduct a 100 percent review and evaluation of the actual background check documentation on file for each individual, employee and volunteer, for compliance with applicable DoD and Military Service Policies." Commander, Navy Installations Command requested that NAVAUDSVC validate the data integrity of their 100-percent file review of all background checks for all child care employees.

FINDINGS:

NAVAUDSVC found that the commander, Navy Installations Command, could not provide sufficient background check documentation for 66 percent of the child care providers in the NAVAUDSVC sample. Based on this result, NAVAUDSVC projected that commander, Navy Installations Command would be unable to provide sufficient background check documentation for 3,977 child care providers. However, by obtaining supplemental background check documentation, NAVAUDSVC assembled the required documentation for all but 16 percent of the sampled child care providers.However, by obtaining supplemental background check documentation, NAVAUDSVC was able to assemble the required documentation for all but 16 percent of the sampled child care providers. After obtaining the information, NAVAUDSVC was able to revise the projection of child care providers, who were without sufficient background check documentation, from 3,977 to 979 child care providers, a smaller but still highly significant number.

RESULT:

NAVAUDSVC recommended commander, Navy Installations Command, establish controls and provide oversight to ensure that the background check documentation for all child care providers is readily available for inspection and verification. Also,

NAVAUDSVC recommended assistant secretary of the Navy (manpower and reserve affairs) establish controls and provide oversight to ensure that the corrective actions are implemented by commander, Navy Installations Command.
Report No. N2013-0045

Naval Criminal Investigative Service

The Naval Criminal Investigative Service has primary responsibility for law enforcement and counterintelligence within the Department of the Navy and actively supports interagency efforts to identify and interdict terrorist activity. NCIS's focus on information dominance and investigative and operational excellence provides Navy and Marine Corps commanders with decision-making advantage over the adversary.

Counterintelligence

Combatting Insider Threat

In March 2013, a joint NCIS and FBI investigation led to the arrest and indictment of a defense contractor working for the U.S. Pacific Command in Hawaii. Benjamin Bishop, a former lieutenant colonel in the Army Reserves, was charged with communicating classified national defense information to a foreign national on multiple occasions. Bishop is the third U.S. citizen in less than six months who has been arrested by NCIS and FBI on charges related to endangering national security, either by unlawfully retaining information or by attempting to pass classified secrets to a foreign entity. The national defense information Bishop allegedly provided included matters relating to nuclear weapons, the ability of the United States to detect ballistic missiles and the deployment of early warning radar systems in the Pacific Rim. Bishop is being held at a federal detention facility in Hawaii.

Committee on Foreign Investment in the United States

Based on NCIS's analytical framework for assessing threats, the Department of the Navy provided support to the FBI's Committee on Foreign Investment Section and changed its own methodology for assessing potential counterintelligence threats posed by foreign entities owning or controlling businesses located near Department of the Navy facilities. This change has enabled the Navy to provide more efficient, timely and accurate assessments to the Committee on Foreign Investment in the United States. The Committee on Foreign Investment in the United States uses various threat assessments to determine the potential national security vulnerabilities posed by a non-U.S. entity owning or controlling a U.S. business. As the Department's executive agent for counterintelligence, part of the NCIS mission is to advise on the potential threat to the U.S. Navy posed by a foreign entity owning a business or property.

Conviction of Former Navy Sailor

On Aug. 21, 2013, Robert Hoffman II was convicted by a federal jury in Norfolk, Va., of attempting to provide classified information to individuals whom he believed to be representatives of the Russian government. NCIS previously reported on the joint NCIS-FBI undercover operation and investigation that led to the arrest and indictment of the retired Navy cryptologist. Sentencing is scheduled for December 2013.

Defeating Cyber Intrusions

NCIS continues to investigate and assist prosecutors through its capability to identify a broad spectrum of cybercriminal threats from inside and outside the Navy's network using a human source network and collaboration with multiple law enforcement and corporate entities around the world. Previously, NCIS reported on the investigation and prosecution of "Zyklon B," the online moniker for a French juvenile who hacked into the Military Sealift Command and posted sensitive military information online. The Zyklon B investigation was one of several cyber cases spawned by proactive NCIS cyber operations to identify emerging cybercriminal threats and act on those affecting the Department of the Navy.

This cyber capability was essential to the recent success in dismantling a hacking group responsible for compromising several government and military websites. In June 2012, unidentified hackers broke into a Navy website used for permanent change of station moves. The intruders accessed personal information—full names, Social Security numbers, home addresses, personal email addresses, user names and answers to online security questions—of more than 200,000 service members who had used the system since 2001.

Despite a lack of concrete evidence, such as the attacker's IP addresses or computer logs, a team of cyberintelligence specialists identified and located the suspect by comparing small clues in postings he made using several online aliases. NCIS identified the suspect as an active duty enlisted sailor, and other members of the group were discovered and interviewed, resulting in two confessions. The collaborative investigation involved at least 40 law enforcement personnel from various agencies across almost two dozen locations. To date, the case has included more than 70 grand jury subpoenas, 12 federal search warrants, one command authorized search, and several permissive searches of computers and online accounts, two cooperating witnesses, numerous hours of surveillance and the execution of an undercover cyber sting operation aboard the USS Harry S. Truman as it was underway. In May 2013, the sailor was administratively separated from the Navy. While additional administrative and judicial actions remain pending, this investigation effectively mitigated the threat from a previously unknown hacker group. The approximate loss to the Navy in response and mitigation costs is nearly $515,000.

In addition to the Zyklon B and Navy permanent change of station website cases, proactive NCIS cyber operations have led to several cases and prosecutions of personnel searching for child erotica and drug-related content on the Navy-Marine Corps network.

Criminal Investigations and Program Initiatives

Disrupting Maritime Sources of Terrorism Funding

The NCIS-led Operation Riptide provided information that helped lead to the March 2013 interdiction of $104 million worth of heroin—one of the largest heroin seizures in maritime history. The suspect vessel was carrying more than 500 kilograms of heroin when the Canadian warship HMCS Toronto intercepted it off the coast of Tanzania. Operation Riptide, a joint effort of NCIS, the Drug Enforcement Administration and the Office of Naval Intelligence, provides actionable intelligence and law enforcement support to the Combined Maritime Forces to disrupt the movement

NCIS-led Operation Riptide was an essential element in the largest heroin seizure in maritime history.

of drugs and other illegal cargo that are known to be major funding sources for terrorist networks. In 2013, Operation Riptide helped identify and track eight contacts of interest, resulting in boarding and drug seizures of 2,548 kilograms of heroin and 15,323 kilograms of hashish. Operation Riptide helps enable operational partners, international task forces and host-nation counterparts to develop long-term targeted investigations leading to the prosecution of criminal networks in the region.

1984 Cold Case Murder

NCIS and the Jacksonville Sheriff's Office in Florida identified a suspect in a cold case sexual assault and murder from 1984 using advanced DNA testing. In February 2013, James Jackson was charged in the rape and slaying of Tammy Welch, a 10-year-old daughter of a Navy petty officer. The child's body was found strangled behind the family's apartment building. Jackson lived next door to the Welches at the time and denied knowing Tammy Welch when he was questioned by law enforcement. In 1999 and 2002, authorities again interviewed Jackson and collected DNA samples. In 2012, NCIS and the sheriff's office submitted more than 50 pieces of evidence for advanced DNA testing, which resulted in identifying Jackson, now 60. Jackson is being held without bail in a pretrial facility.

USS Miami sustained more than $700 million in damage from arson in 2012.

USS Miami Investigation

In March 2013, a former Portsmouth Naval Shipyard employee was sentenced to 17 years confinement followed by five years of supervised release for deliberately setting the fire that caused $400 million worth of damage to the nuclear-powered attack submarine USS Miami. Casey Fury was also ordered to pay $400 million in restitution to the Navy. The Navy reversed its decision to repair the sub when cost estimates rose to $700 million. In November 2012, Fury pleaded guilty to two charges of arson within the special maritime and territorial jurisdiction of the United States. NCIS reported previously on the investigation that led to Fury's confession.

Piracy Convictions

The last three pirates convicted in February 2011 for kidnapping and murdering four Americans aboard an American yacht, Quest, have been sentenced. In July 2013, Somali nationals Ahmed Muse Salad, Abukar Osman Beyle and Shani Nurani Shiekh Abrar were found guilty of 26 charges, to include 22 capital offenses, and piracy, conspiracy to commit kidnapping, hostage-taking resulting in death, kidnapping resulting in death and multiple firearms offenses. The pirates received 22 mandatory life sentences. Additionally, in July 2013, the 4th U.S. Circuit Court of Appeals upheld the conviction of pirate negotiator Mohammad Saaili Shibin. Shibin was tried and found guilty in August 2012 of 15 charges, including multiple counts of piracy under the law of nations, and sentenced to 12 life sentences. He is believed to be the highest-ranking pirate caught and tried in the United States. The other 11 co-subjects pleaded guilty during earlier court proceedings in the U.S. District Court for the Eastern District of Virginia and all received life terms for various charges, including piracy under the law of nations. The convictions are the result of a joint FBI and NCIS investigation that required collaboration with Naval Special Warfare assets, the State Department and various foreign counterparts to identify, locate and extract Shibin from Somalia. NCIS analysts provided the investigative and trial teams with information linking Shibin to known pirate financiers, facilitators and action teams.

Support to the Warfighter

Green-on-Blue Murder in Afghanistan

On July 21, 2013, the Afghan Appellate Court affirmed the 20-year sentence of Abdul Wodood Najibi, one of two civilian security contractors convicted in the September 2011 kidnapping and murder of James Coker, a civilian Navy engineer working in Kabul, Afghanistan. It is the longest sentence ever upheld by the appellate court. Ahmad Seyar Kaihan received a 16-year prison sentence for his role. NCIS previously reported on the war-zone investigation into Coker's disappearance. His body was later discovered in a cave at a military training facility, and NCIS identified the suspects and built the cases prosecutors in Afghanistan used to convict them.

Force Protection Support in Southwest Asia

NCIS analysis identified an important shift in regional terrorist tactics, training and protocol, as well as potential attack venues, related to a significant terrorist threat in South Asia. The in-depth trend analysis altered the assessments of the U.S. intelligence community and foreign partners and, as a result, U.S. and allied partners have synchronized and shifted collective force protection planning to mitigate the identified, developing terrorist threat. Separately, NCIS identified a specific, significant force protection concern in Bangladesh ahead of a scheduled joint exercise planning conference. Because of the threat analysis, conference planners canceled the gathering, thus mitigating any risks to Department of the Navy interests.

Interagency Collaboration

NCIS remains the model within DoD for interagency information sharing and fusing of asymmetric force protection threat reporting. NCIS's Watch Analytic Center continues to expand collective DoD situational awareness through the co-location of representatives from the military criminal investigative organizations. In addition to AFOSI and Army CID representatives, the Watch Analytic Center now includes representatives from U.S. Marine Corps Headquarters, the Army Protective Service Battalion and the Pentagon Force Protection Agency. Co-location enables the various representatives to access and share service-specific operational and investigative data. Real-time sharing promotes the correlation of information from various databases to fuse investigative, law enforcement, security and intelligence to create a one-stop information center for FBI and other national and state law enforcement entities seeking timely assistance for breaking asymmetric threat issues involving DoD personnel, assets and interests. Additional benefits include cost savings and expanded interoperability.

The watch center supports larger DoD priorities, ranging from tactical support to coordination with DoD, local and national law enforcement elements. For example, in February 2013, elements from the Watch Analytic Center coordinated information in real-time and provided positive identification and background information—including previous military and weapons training—about former Los Angeles, Calif., police officer and former Navy Lt. Christopher Dorner, who was wanted in connection with three deaths in California. During the Boston Marathon bombings, the Watch Center coordinated information with the FBI, National Counterterrorism Center and the National Joint Terrorism Task Force, greatly enhancing the safety and situational awareness of law enforcement and investigative agencies on the ground.

Significant Investigative Cases

Bribery of a Navy Employee

OVERVIEW:

This joint investigation between DCIS and NCIS was initiated in September 2011 after notification of irregularities regarding the use of an assigned government purchase credit card by a civilian, Michelle Rodriguez, employed by Maintenance Center Albany, Marine Corps Logistics Command, Ga. An audit of Rodriguez's procurement files between 2009 and 2011 revealed numerous procedural violations, falsified government records and overcharges to the government of more than $500,000. Investigators also identified $59,000 in cash deposits to Rodriguez's personal bank account that were made around the same time that similar amounts were withdrawn from vendors' accounts. Rodriquez was interviewed and admitted to violating procedures, falsifying government records and receiving gifts from vendors. Frederick Simon and Thomas Cole Jr. of the Ran Can Corporation of Albany, Ga., admitted to paying Rodriguez $161,000 in bribes for requisitions she made from their businesses between 2009 and 2011. The total loss to the government was approximately $900,000.

RESULT:

In June 2013, Rodriguez, Cole and Simon were sentenced in U.S. District Court, Middle District of Georgia. Rodriguez pleaded guilty to one count of bribery, and Cole and Simon both pleaded guilty to one count of bribery of a public official. Rodriguez was sentenced to 70 months in prison and forfeiture of $161,000. Cole was sentenced to 46 months and forfeiture of $209,000. Simon was sentenced to 32 months and forfeiture of $74,500. In addition, they were also sentenced to three years of supervised release and ordered to pay restitution of $907,000 to the Marine Depot Maintenance Command.

> *"...the lifetime cost avoidance to the Navy in removing Shurn from the workers' compensation program resulted in an additional savings of $873,832."*

Retired Navy Employee Wrongfully Received Workers' Compensation

OVERVIEW:

This joint NCIS and DCIS investigation was initiated in August 2009 upon notification that a former Navy employee, Leray Shurn, was fraudulently receiving workers' compensation benefits. Shurn had been collecting benefits for job-related injuries he suffered

in 2003 and 2005. In 2009, Shurn was observed performing strenuous physical activities related to his landscaping business. Shurn admitted to investigators that he owned and operated the landscaping business, but that he did not profit from it because he used the proceeds to pay his workers. Loss to the Veterans Administration was estimated at $146,840 and loss to the Navy was estimated at $283,028. However, the lifetime cost avoidance to the Navy in removing Shurn from the workers' compensation program resulted in an additional savings of $873,832.

Result:

In March 2012, Shurn was indicted by the U.S. District Court, Southern District of California of 16 felony counts. In July 2013, Shurn was found guilty of mail and wire fraud, false statement to a government agency and false statement or fraud to obtain federal employees' compensation. He was sentenced to 24 months of confinement in federal prison, ordered to pay $357,977.20 in restitution to the Department of Labor and Veterans Administration, as well as fined $5,000 and given two years of supervised release upon completion of confinement.

"In July 2013, Nunez became the first American to be remanded to Japanese custody under the U.S.-Japan extradition treaty signed in 1980."

Navy Employees and Former Sailor involved in Japanese Drug Distribution

Overview:

This joint investigation with NCIS, the Japanese National Police Agency, Kanagawa Prefecture, U.S. Marshals Service, Drug Enforcement Administration, Chiba Airport Police, U.S. Bureau Immigration and Customs Enforcement was initiated in 2004, after Japanese authorities seized two boxes of drugs sent through military mail to civilians aboard Commander Fleet Activity Yokosuka. The packages were addressed to Babe Cole, an employee of the Yokosuka Morale, Welfare, and Recreation Command, and William Jenkins, a former employee of the Yokosuka Morale, Welfare, and Recreation Command, and contained nearly $2 million worth of MDMA (Ecstasy), MDMA with methamphetamine and crystal methamphetamine. Cole and Jenkins admitted to NCIS that they were helping a former sailor, Jonathan Nunez, carry out a drug-smuggling scheme. Japanese authorities arrested Cole and Jenkins, but Nunez fled the country before police could execute his arrest warrant.

Result:

In July 2013, Nunez became the first American to be remanded to Japanese custody under the U.S.-Japan extradition treaty signed in 1980. The complex and lengthy extradition process required extensive coordination efforts among Navy investigators and authorities in the United States and Japan. In 2004, Cole and Jenkins were debarred from Yokosuka and sentenced in Yokohama District Court to seven years of confinement and forfeiture of 3 million yen, which is about $28,600 in U.S. currency.

Child Sexual Assault by Marine Corporal

Overview:

In September 2012, NCIS was notified that Marine Cpl. Josue Gallegos, stationed at the Marine Corps Air Ground Combat Center, Twentynine Palms, Calif., had sexually abused a 5-year-old child his wife was babysitting. The child, a Navy dependent, reported the events when her mother came to pick her up from Gallegos' home. A forensic medical examination supported the child's allegations that she had been sodomized. Gallegos admitted to investigators that he was alone with the child but denied sexually assaulting her. NCIS seized several items of evidence from the scene; however, no relevant DNA was recovered. During a second interview, Gallegos invoked his right to legal counsel. A military protective order was obtained, and he was placed in pretrial confinement.

Result:

Gallegos pleaded guilty and was convicted of sexual assault and providing a false official statement. He was sentenced in March 2013 to 25 years of confinement, reduction to E-1 and a dishonorable discharge.

Navy Petty Officer Guilty of Sexually Assaulting Daughter

Overview:

This joint investigation between NCIS and the Guam Police Department was initiated March 21, 2012, in response to allegations that Navy Petty Officer 1st Class Bradford Lung had been sexually abusing his

10-year-old daughter. The abuse allegedly began when the girl was 5 years old and the family was living in Washington. The abuse continued when the family moved to California and Guam. The daughter told investigators that Lung videotaped her being abused and made her watch videos of adults and children having sex. Lung was arrested March 22, 2012, after admitting to NCIS and Guam police that he sexually abused his daughter on numerous occasions between 2008 and 2012. In addition, investigators found 46 images of suspected child pornography, including two series of known victims of child pornography, on digital media seized at the crime scene.

Result:

In May 2012, Lung pleaded guilty and was convicted of 20 counts of first-degree criminal sexual contact in Guam Superior Court. He was sentenced to life in prison and remanded to U.S. Navy custody. At a general court-martial June 6, 2013, Lung pleaded guilty and was convicted of aggravated sexual contact with a child, sodomy and indecent acts with a child. He was sentenced to 42 years of confinement, reduced to E-1 and a dishonorable discharge.

Rape of Civilian by Marine Lance Corporal

Overview:

This investigation was initiated in May 2012 upon notification that Marine Lance Corporal Marco Hernandez allegedly sexually assaulted a civilian after she passed out from drinking alcoholic beverages. On the night of the assault, the victim and her civilian boyfriend were attending a party at his sister's and brother-in-law's home aboard Camp Pendleton. The victim reported feeling sick and was carried to a bedroom and passed out. When the sister and brother-in-law went to check on her about 20 minutes later, they found Hernandez having sex with the unconscious woman. Initially, he told investigators that the victim was conscious and invited him to lie next to her. During a second interview, Hernandez admitted the victim was passed out when he sexually assaulted her.

Result:

On March 11, 2013, Hernandez was found guilty at a general court-martial of rape and failure to obey a lawful general order. He was sentenced to 15 years of confinement, reduction to E-1, sex offender registration, forfeiture of all pay and allowances, and a dishonorable discharge.

> *"In September 2008, an NCIS source reported that an active-duty Marine was taking bribes from a contractor while stationed at Camp Fallujah, Iraq."*

Accepting Bribes by Marine in Iraq

Overview:

In September 2008, an NCIS source reported that an active-duty Marine was taking bribes from a contractor while stationed at Camp Fallujah, Iraq. During the joint investigation between NCIS and DCIS, it was discovered that Marine Gy. Sgt. Julio Arreola allowed the Davut Construction and Services Company to intentionally overcharge the Marine Corps for supplies in exchange for monetary bribes. In November 2010, Arreola waived his rights and admitted to investigators that he allowed Davut to overprice supplies sold to the Marine Corps in exchange for more than $19,000 in bribes paid by Murat Ozerden, Davut's manager, and that he solicited bribes from several other DoD contractors while supervising construction projects at Camp Fallujah in 2008.

Result:

In July 2012, Arreola was indicted and convicted in U.S. District Court for the Eastern District of North Carolina for bribery of a public official. In February 2013, Arreola pleaded guilty and was separated from the Marine Corps with an other than honorable discharge. In July 2013, Arreola was sentenced to five years of probation and ordered to pay restitution of $31,470. The U.S. Attorney's Office for the Eastern District of North Carolina declined to prosecute Ozerden, who had already returned to his native Turkey.

Illegal Dumping of Petroleum Contaminated Soil by Navy Contractor

Overview:

This joint investigation with NCIS, North Carolina State Bureau of Investigation, Environmental Protection Agency–Criminal Investigation Division and Department of Agriculture Office of the Inspector General was initiated in May 2010 upon notification that petroleum-contaminated soil from Marine Corps Air Station New River was being dumped in

a protected wetland. As part of an environmental cleanup project at Marine Corps Air Station New River, P&F Environmental had been contracted to haul the soil to a treatment facility in Whitakers, N.C. However, the company's owner, Harvey B. Pridgen, directed employees to dump the soil at a farm in Trenton, N.C., to fulfill a separate contract to deliver clean soil to farmer Enoch Foy Jr. When questioned, Pridgen maintained his company dumped the dirty soil at the facility and brought clean soil to the Foy farm. NCIS's investigation, however, confirmed that approximately 1,000 pounds of petroleum-contaminated soil from Marine Corps Air Station New River had been dumped on Foy's property and dispersed into wetlands on the farm.

Result:

In September 2012, Pridgen was convicted in U.S. District Court for the Eastern District of North Carolina of unauthorized fill of wetlands. He was sentenced in April 2013 to six months of imprisonment and six months of home confinement with electric monitoring and fined $300,000. As part of his plea agreement, Pridgen paid $11,367 to the North Carolina Ecological System Enhancement Program–Wetlands Restoration Fund. Foy was convicted by the U.S. District Court for the Eastern District of North Carolina in September 2011 of discharging of pollutants. He was sentenced in April 2012 to 36 months of probation and fined $15,000.

"In June 2012, Harris pleaded guilty and was convicted in U.S. District Court, Eastern District of Virginia, to one felony count of production of child pornography and was sentenced to 25 years in prison followed by supervised release for life."

Navy Sailors Involved in the Sexual Exploitation of Children

Overview:

This joint investigation between NCIS and the Indiana State Police was initiated in 2011 upon notification that Seaman Ryan Schroeder had received text messages containing photos of a woman molesting a boy approximately 3 years old. When investigators interviewed Schroeder, he said, "It was possible" that he asked his girlfriend, Tara Tryon, to produce and send child pornography to him as text messages. Schroeder's phone contained several images and videos sent by Tryon of her molesting a co-worker's 2-year-old boy and younger sister while she was babysitting them. Digital media seized from Schroeder's barracks aboard Naval Station Mayport, Fla., contained additional sexually explicit photographs of children and led to the discovery of a second woman sending Schroeder images of child pornography. Petty Officer 3rd Class Adrienne Harris was interviewed and admitted to sending photographs to Schroeder of her sexually abusing a 1-year-old.

Result:

On July 12, 2013, Tryon pleaded guilty and was convicted of one count each of child molestation and child exploitation. She was sentenced to 10 and 8 years of imprisonment to run concurrently. Schroeder and Harris were both discharged from the Navy in 2012 for "misconduct due to commission of a serious offense." In June 2012, Harris pleaded guilty and was convicted in U.S. District Court, Eastern District of Virginia, to one felony count of production of child pornography and was sentenced to 25 years in prison followed by supervised release for life.
Schroeder was tried in Porter Superior Court, Valparaiso, Ind., and found guilty of all 23 felony counts, including five class A felony charges of aiding in child molesting. He was sentenced in February 2013 to 45 years in prison. All three must register as sex offenders.

AIR FORCE

AIR FORCE AUDIT AGENCY

Air Force Audit Agency

The Air Force Audit Agency mission is to provide timely, relevant and quality audit services to all levels of Air Force management by reviewing and promoting the economy, effectiveness and efficiency of operations; assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting; and evaluating programs and activities and assisting management in achieving intended results. AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision-makers, AFAA has approximately 625 personnel at more than 50 worldwide locations. AFAA conducts centrally-directed, Air Force-wide audits in numerous functional areas to support Air Force senior leaders. Installation-level audit teams provide additional audit services to installation commanders.

To provide Air Force officials timely, responsive, balanced and value-added audit services, AFAA audit-planning methods include frequent contact with Air Force senior leaders and Joint Audit Planning Groups. The FY 2013 Audit Plan was prepared in partnership with Air Force decision-makers to address the most significant areas of management concern. As such, AFAA ongoing and planned audits address many of the Air Force's most critical programs and initiatives, including topics such as personnel training, cyber security, environmental management, systems acquisition, health initiatives and Afghanistan Base closure planning.

Further, the Secretary of Defense called for the Department to achieve audit readiness of the Statement of Budgetary Resources by the end of CY 2014 and of all Department financial statements by 2017. The Secretary also called for personnel to increase emphasis on asset accountability and execute a full review over financial controls. Consequently, during the second half of FY 2013, AFAA issued eleven reports directly supporting Air Force Financial Improvement and Audit Readiness.

During the second half of FY 2013, AFAA published 46 centrally directed audit reports, made more than 178 recommendations to Air Force senior officials and identified $380.3 million in potential monetary benefits. The following paragraphs provide and synopsize a few examples of AFAA audit coverage related to specific DoD Management Challenge areas.

Joint Warfighting and Readiness

Engine Parts Reclamation

OVERVIEW:

AFAA determined whether personnel properly identified excess engine parts that could be reclaimed and used to meet valid Air Force requirements.

FINDINGS:

Air Force engine managers identified excess T56 and F100 engines available for parts reclamation; however, supply chain management personnel did not properly identify engine parts that were available to offset buy requirements.

RESULT:

Properly identifying parts for reclamation will allow the Air Force to reduce future buy requirements by approximately $43 million during FYs 2013-2018. AFAA made two recommendations to improve the engine reclamation process.

Report No. F-2013-0006-L20000

AFAA determined if engine parts could be reclaimed.

> *"Reducing these overstatements and correcting the condition would allow the Air Force to put $151.3 million to better use over the next six years (execution year and the Future Years Defense Program)"*

Depot Condemnations

Overview:

AFAA determined if equipment specialists established accurate condemnation rates and accurately recorded condemnations.

Findings:

Air Force equipment specialists established inaccurate estimated condemnation rates for 57 (59 percent) of 97 items reviewed and recorded inaccurate condemnations for 35 (39 percent) of 90 items reviewed.

Result:

Inaccurate estimated condemnation percentages overstated buy and repair budget requirements by $57.2 million. Reducing these overstatements and correcting the condition would allow the Air Force to put $151.3 million to better use over the next six years (execution year and the Future Years Defense Program). Inaccurate recorded condemnations overstated buy and repair requirements by $30.4 million and understated requirements by $1.5 million. Reducing these overstatements and correcting the condition would allow the Air Force to put $85.1 million to better use over the next six years (execution year and the Future Years Defense Program). AFAA made two recommendations to improve management of depot condemnations.

Report No. F-2013-0007-L40000

Follow-up Audit, Military Personnel Appropriation Man-Days

Overview:

AFAA determined whether Air Force personnel efficiently used man-days for valid mission needs, limited man-day usage to authorized quantities, and limited use of technicians to short-term requirements and less than 1,095 man-days in a four-year period.

Findings:

Air Reserve Component personnel did not limit man-day usage to authorized quantities. Specifically, ARC personnel approved 53 percent of man-day orders with more or less days than authorized to the man-day mission (repeat finding). In addition, officials did not always limit technicians to short-term man-day requirements. In FY 2012, 190 technicians performed 240 or more man-days; 119 (63 percent) of the 190 technicians performed the man-days at their home station.

Result:

Based on statistical projection, at least 4,064 additional man-days (valued at $828,319) were used without prior approval during the period reviewed. In addition, returning unused man-days will provide approximately $266 million over the next six years (execution year and the Future Years Defense Program) to support mission requirements. Using technicians for long-term man-days results in an unfilled full time support requirement for the ARC unit. In addition, long-term unfilled full-time positions affect civilian personnel requirement accuracy and the effective distribution of limited resources to meet mission needs. AFAA made five recommendations to improve Man-Day Program management.

Report No. F-2013-0008-O40000

Follow-up Audit, United States Air Forces Central Deployed Locations Aerial Port Operations

Overview:

AFAA determined whether Air Force personnel efficiently utilized airlift, effectively managed cargo and passenger movement, and effectively managed passenger and contractor reimbursements.

Findings:

The Air Force did not fully utilize airlift weight and volume capacity for 35 percent of missions (repeat finding), and personnel did not properly code passenger entries and submit required supporting documents to facilitate reimbursement (repeat finding). Finally, U.S. Air Forces Central and port personnel implemented controls over cargo and passenger movement, but these actions did not completely correct the previous condition (repeat finding).

> *"...effective controls over travel would result in additional Transportation Working Capital Fund revenue totaling $15.8 million."*

RESULT:
Using a standardized and accurate methodology to adjust, consolidate and redirect airlift, auditors estimated the Air Force could put at least $63.1 million to better use during FYs 2014-2015. In addition, effective controls over travel would result in additional Transportation Working Capital Fund revenue totaling $15.8 million. Finally, effective controls over cargo reduce the risks of loss and theft, and timely cargo processing increases cargo movement efficiency. AFAA made four recommendations to further improve management of airlift utilization, passenger travel reimbursement, and cargo and passenger movement within the U.S. Central Command area of responsibility.
Report No. F-2013-0010-O30000

Cyber Security

Medical Platform Information Technology Security

OVERVIEW:
AFAA determined whether program management office personnel effectively identified and registered medical platform information technology, properly identified applicable information assurance controls and properly implemented IA controls requirements.

FINDINGS:
Air Force personnel did not effectively identify and register medical platform IT, identify IA controls applicable to platform IT or implement IA controls requirements.

RESULT:
Unidentified platform IT impedes effective completion of security risk assessments and prevents implementation of critical IA controls. Proper IA controls identification promotes effective mitigation of security vulnerabilities that could pose risks to medical platform IT and the Air Force network. IA controls-requirements implementation mitigates risk of unauthorized access and other cyber attack, and provides assurance of system and information confidentiality, integrity, and availability. AFAA made three recommendations to improve controls over medical platform IT identification, IA controls identification and IA controls implementation.
Report No. F-2013-0017-O10000

Commercial Off-The-Shelf Software Management

OVERVIEW:
AFAA determined whether Air Force officials effectively managed commercial off-the-shelf software. Specifically, audit evaluated software inventory management, enterprise licenses, individual licenses and the approved products list.

FINDINGS:
AFAA identified discrepancies in commercial off-the-shelf software inventory management, enterprise licenses, individual licenses and the approved products lists.

RESULT:
Complete and reliable software inventories will reduce the risk of undetected malicious software on Air Force networks and highlight enterprise license purchasing opportunities. Also, a more effective software license program will ensure efficient use of limited information technology funds and, where possible, reduce unneeded or duplicate license purchases. Finally, a standardized approved products list will facilitate efficient management of software on Air Force networks. AFAA made three recommendations that should improve commercial off-the-shelf software management.
Report No. F-2013-0019-O10000

Acquisition Processes and Contract Management

Joint Air-To-Surface Standoff Missile Warranty Management

OVERVIEW:
AFAA determined whether Air Force officials accomplished effective warranty cost analysis and established adequate contract warranty provisions for the joint air-to-surface standoff missile.

FINDINGS:
Air Force did not accomplish effective warranty cost analysis prior to acquiring each production lot warranty or establish adequate contract warranty provisions that incentivized the contractor to improve missile availability.

RESULT:

As a result of ineffective warranty cost analysis, program personnel allowed the contractor to shift the cost risks associated with manufacturing defects to the Air Force, increasing the warranty unit price 513 percent, from $7,155 to $36,774 per missile. Also, missile availability may remain well below the user's requirement. AFAA made two recommendations to improve program management.

Report No. F-2013-0010-L30000

Air Force Real Property Ingrants

OVERVIEW:

AFAA determined whether real property personnel performed required environmental evaluations, paid fair market value rents and associated fees, and effectively administered real property in-grants.

FINDINGS:

Air Force personnel did not properly administer (justify, renovate, execute or account for) 39 office space leases valued more than $88 million.

RESULT:

Proper administration enables the Air Force to reach lease reduction goals and prevents overpaying for unneeded leased facilities and unauthorized improvements to them. By cancelling unneeded leases, the Air Force would save at least $2.3 million over the next six years (execution year and the Future Years Defense Program). AFAA made one recommendation to improve Air Force real property in-grant management.

Report No. F-2013-0010-O20000

Health Care

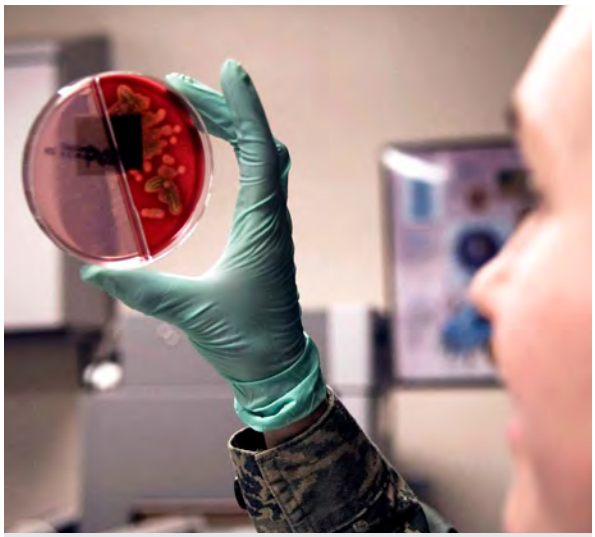
Medical Research and Development

OVERVIEW:

AFAA determined whether Air Force medical officials performed research consistent with Air Force Medical Service research and development objectives; appropriately managed project fund distributions and timely de-obligated unneeded unliquidated balances; and provided formal feedback on all project reviews and timely executed projects.

FINDINGS:

Air Force officials did not timely distribute funds for 11 of 40 projects, de-obligate 46 of 153 ULO balances no longer needed, provide formal feedback for 16 of 40 projects reviewed or timely execute 11 projects.



AFAA determined whether Air Force medical officials performed research consistent with Air Force Medical Service research and development objectives.

RESULT:

Effective medical R&D fund execution ensures funds are used for their intended purpose and improves resource allocation decisions. Further, timely de-obligating unneeded medical R&D ULOs allows the Air Force to put more than $4 million toward solving critical capability gaps. Effective R&D project management allows the Air Force to better control total costs, maintain collaborative research relationships and produce quality research results. Air Force Medical Support Agency officials took corrective action to improve the project review process and de-obligated almost $335,000 in invalid ULOs. AFAA made two recommendations to improve medical R&D management.

Report No. F-2013-0010-O40000

Integrated Disability Evaluation System

OVERVIEW:

AFAA determined whether Air Force officials effectively implemented integrated disability evaluation system initiatives to include pre-screening processes, automated tracking systems, and communication protocols and timely processed Medical Evaluation Board and Physical Evaluation Board cases and appeals.

FINDINGS:
Air Force personnel did not always timely process MEB and PEB cases and appeals to meet various DoD standard lapsed day goals. This was a repeat of the condition identified in AFAA Report of Audit F-2010-0002-FD2000, Disability Evaluation System Internal Controls, Dec. 3, 2010.

RESULT:
Timely processing MEB and PEB cases and appeals minimizes the impact to unit readiness, quickly identifies Air Force members able to return to duty and separates or retires those no longer fit for duty. Further, fully implementing electronic technologies will avoid shipping costs, resulting in a savings to the Air Force in excess of $1.6 million over the next six years (execution year and the Future Years Defense Program). AFAA made three recommendations to effectively implement and timely perform integrated disability evaluation system pre-screening, MEB, PEB and appeals processes.
Report No. F-2013-0014-O40000

Patient Centered Medical Home

OVERVIEW:
AFAA determined whether Air Force Medical Service officials effectively managed continuity of care and patient appointments.

FINDINGS:
Air Force Medical Service officials generally met the team continuity of care goal, but they could improve patient continuity of care. Further, officials did not meet Air Force goals for appointment no-shows and appointment utilization.

RESULT:
Effective management of patient-centered medical home continuity of care and patient appointments will improve access to team providers, helping the Air Force achieve objectives and save more than $9.7 million in reduced private sector care referral costs over the next six years (execution year and the Future Years Defense Program). AFAA made one recommendation to sufficiently staff patient-centered medical home teams and more effectively manage controls over patient continuity of care and appointments.
Report No. F-2013-0017-O40000

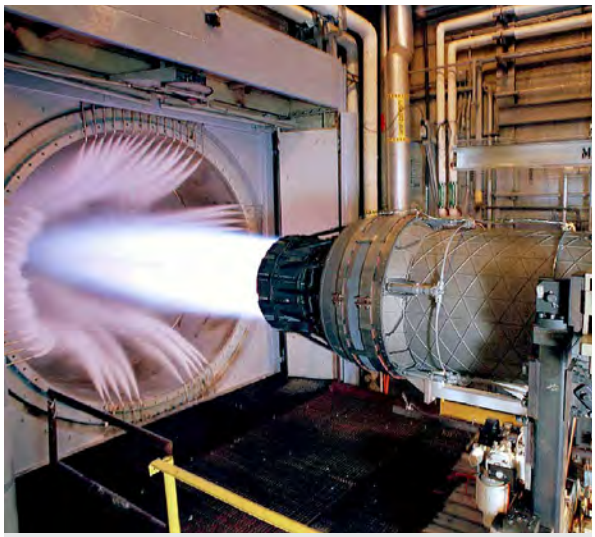
Financial Management

Aircraft Depot Maintenance Labor Standards

OVERVIEW:
AFAA assessed the accuracy of depot maintenance labor standards used to plan aircraft overhaul requirements.

FINDINGS:
Maintenance personnel did not develop and maintain accurate labor standards for 335 (60 percent) of the 556 operations reviewed or document labor standard reviews as required.

RESULT:
As a result, the Air Force overstated FYs 2013-2017 anticipated direct labor expenditures by more than $52.9 million and understated the expenditures by more than $59.3 million. The net result is an estimated understatement of direct labor expenditures exceeding $6.4 million for FYs 2013-2017. As a result of undocumented labor standard reviews, Air Force Materiel Command cannot adequately support or defend planned direct product standard hours, personnel requirements, anticipated labor expenditures and customer pricing. AFAA made two recommendations to improve the management of aircraft depot maintenance labor standards.
Report No. F-2013-0004-L20000



AFAA assessed the accuracy of depot maintenance labor standards used to plan aircraft overhaul requirements.

> *"Reinvesting bonuses for airmen who are sub-proficient in their language skills will allow the Air Force to avoid spending more than $1 million from FYs 2016-2018."*

Intelligence, Surveillance, and Reconnaissance Bonus

Overview:
AFAA determined whether Air Force officials correctly identified Intelligence, Surveillance, and Reconnaissance Air Force Specialty Codes requiring bonuses and accurately paid the bonuses to eligible ISR airmen; appropriately used ISR bonus recipients within their critical specialties; and provided timely annual assessments and proficiency training to ISR linguists receiving, or those eligible to receive, bonuses.

Findings:
Air Force personnel did not appropriately use ISR bonus recipients within critical specialties. Nineteen percent of the ISR airmen receiving, or eligible to receive, bonuses worked outside their critical skills for an average of 19 months. In addition, responsible personnel did not provide timely proficiency training to ISR linguists receiving, or eligible to receive, bonuses as 34 percent of linguists attended training up to six years late.

Result:
More efficiently using ISR airmen receiving bonuses will allow the Air Force to put almost $8 million to better use over the next six years (execution year and the Future Years Defense Program). Reinvesting bonuses for airmen who are sub-proficient in their language skills will allow the Air Force to avoid spending more than $1 million from FYs 2016-2018. AFAA made four recommendations to improve the controls over ISR bonus utilization.
Report No. F-2013-0007-O30000

Secretary of the Air Force Administrative Assistant Resource Directorate Miscellaneous Obligation/Reimbursement Documents

Overview:
AFAA determined whether resource advisors properly established miscellaneous obligation/reimbursement documents, supported MORD payments and managed MORD funds.

Findings:
Resource advisors did not maintain documentation supporting establishment of 22 MORDs valued at $4 million and payment of 25 MORDs valued at $4.7 million. In addition, resource advisors at four of nine organizations did not promptly de-obligate excess unliquidated obligation balances.

Result:
Maintaining documentation to support amounts obligated and paid helps ensure payments are only made for valid requirements and goods or services actually received. Further, documentation provides evidence amounts recorded in financial records and reported in financial statements are valid, complete and accurate. In addition, de-obligating unneeded balances will permit reallocation of approximately $4.6 million for Air Force prior year adjustments. AFAA made one recommendation to improve MORD management.
Report No. F-2013-0008-L10000

Nuclear Enterprise

Personnel Reliability Program

Overview:
AFAA determined whether Air Force officials accurately identified personnel reliability program manpower requirements, properly monitored and timely certified individuals in PRP positions, and timely and consistently performed administrative qualification for PRP personnel.

Findings:
Air Force officials accurately identified manpower requirements and properly monitored and timely certified individuals in PRP positions. However, individuals did not timely perform administrative qualification within 60 days.

Result:
Effectively and timely qualifying PRP personnel helps ensure only trustworthy and dependable personnel handle critical nuclear assets. AFAA made one recommendation to improve the administrative qualification process.
Report No. F-2013-0006-O30000

Other

Child and Youth Programs Personnel Background Investigations

OVERVIEW:

AFAA determined whether Air Force officials properly initiated and completed initial background investigations and re-verifications, and performed suitability determinations for all employees providing services in child and youth programs.

FINDINGS:

Air Force personnel did not properly complete initial background investigations and re-verifications for 11 and 14 percent, respectively. In addition, 8 percent of employees lacked a current (either initial or re-verification) investigation, and there was no evidence to validate an investigation or re-verification for 13 percent of employees. Finally, Air Force personnel did not perform or document suitability determinations for 8 percent of persons with available evidence of derogatory information resulting from investigations.

RESULT:

Background investigations and re-verifications help provide children with a safe environment, minimizing risk of harm. Suitability determinations ensure personnel are properly screened before caring for children. AFAA made two recommendations to improve management of Child and Youth Program personnel background investigations.

Report No. F-2013-0015-O40000

AFAA determined whether Air Force officials properly initiated and completed background investigations for all employees providing services in child and youth programs.

AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

Significant Activities

The Air Force Office of Special Investigations has primary responsibility for law enforcement and counterintelligence within the Department of the Air Force and supports interagency efforts to identify and interdict terrorist activity. AFOSI's mission is to identify, exploit and neutralize criminal, terrorist and intelligence threats to the Air Force, Department of Defense and the U.S. government.

Supporting Forward-Deployed Forces

AFOSI members operating in the vicinity of Kandahar, Afghanistan, received information on the location of Taliban members associated with improvised explosive devices and substantial logistic support activities. As a result of the information, AFOSI, additional American forces and the Afghan National Police conducted an operation targeting the Taliban insurgents. During the operation, a high-level Taliban commander was neutralized and six other insurgents were captured.

While operating in the area of Kandahar, Afghanistan, AFOSI special agents assisted coalition forces during activities designed to disrupt and neutralize Taliban operations in the area. Information received and relayed by the AFOSI members enabled the neutralization of a Taliban commander who was responsible for at least three suicide attacks in the Kandahar area and the distribution of bomb making components.

On a mission conducting village engagement operations near Shindand, Afghanistan, AFOSI members identified and captured a known Taliban weapons facilitator. This particular dealer previously claimed responsibility for the sale of rockets ultimately used to conduct indirect fire attacks against coalition forces and military bases.

Near Shindand, Afghanistan, AFOSI special agents received information concerning the location of a hidden weapons storage location. AFOSI members and the Afghan National Army conducted an exploitation operation in which they found and seized

The AFOSI Detachment in Turkey provided significant counterintelligence support to the deployment of eight Patriot missile defense batteries in southeastern Turkey.

a large amount of weapons and explosives, some of which were rigged as IEDs. The seized items were submitted for further exploitation.

AFOSI special agents received information regarding the location of several Taliban fighters who had positioned an ambush location near a shopping area in Shindand, Afghanistan. AFOSI members shared the information with Afghan National Army members, who responded to the area and conducted clearing operations. During the operation, Afghan National Army members detected several Taliban insurgents attempting to set up an ambush. The Taliban members subsequently fled the area to avoid contact and capture. Upon search of the area, Afghan National Army members found abandoned weapons in the ambush site.

The AFOSI Detachment at Incirlik Air Base, Turkey, rendered significant counterintelligence support to the deployment of eight Patriot missile defense batteries to three locations in southeastern Turkey. Approximately 900 personnel of the Dutch, German and U.S. military deployed with these systems to enhance NATO's air defenses along Turkey's border against hostile Syrian aggression. AFOSI provided on-the-ground assessments of the threats from terrorism and foreign intelligence for each site and conducted assessments of hundreds of miles of possible routes to be used by convoys transporting this sensitive equipment. In addition, AFOSI helped organize and conduct a biweekly Combined Joint Threat Working Group so threat information could be shared in a timely manner with NATO allies and U.S. Army partners. This teamwork enhanced mutual antiterrorism and force protection.

Combatting Procurement Fraud

AFOSI activated the Office of Procurement Fraud in the summer of 2013 to enhance AFOSI's major acquisition fraud investigative capability and maximize its ability to effect greater Air Force acquisition and sustainment integrity. The Office of Procurement Fraud is headquartered at Joint Base Anacostia-Bolling, Washington, D.C., with detachments and operating locations dispersed over six geographic regions. The new office will focus on major procurement fraud investigations and cooperation with counterpart investigative agencies. The Office of Procurement Fraud's organizational structure, as a separate office within AFOSI, facilitates partnership with, and the securing of procurement and sustainment integrity concerns and priorities of, AFOSI's key customers to help align AFOSI's fraud targeting accordingly. The new office will be instrumental in reinvigorating AFOSI's procurement fraud mission and detecting and deterring fraud in Air Force programs.

Focused Cyber Support

The Defense Cyber Crime Center is designated as a national cyber center under National Security Presidential Directive-54/Homeland Security Presidential Directive-23 and provides the following capabilities to DoD law enforcement and counterintelligence organizations, information assurance and critical infrastructure protection, document and media exploitation requirements, and counterterrorism objectives:

- Digital and multimedia forensics and laboratory services.
- Cyber training with certifications in cyber investigations, incident response and digital forensics.
- Digital forensics research, development, test and evaluation.
- Cyber analytics for information assurance and critical infrastructure protection, and law enforcement / counterintelligence cyber investigations and operations.

The Defense Cyber Crime Center delivers these capabilities through the Defense Computer Forensics Laboratory, the Defense Cyber Investigations Training Academy, the Defense Cyber Crime Institute, the Defense Cyber Crime Center Analytical Group and the Defense Industrial Base Collaborative Information Sharing Environment.

> *"AFOSI seized Meyer's work and home computers and recovered 542 files containing child pornography..."*

Significant Investigative Cases

US Air Force Member Soliciting Sex from a Minor

OVERVIEW:

On March 15, 2012, the Kenton County Police Department, Internet Crimes Against Children Task Force, Independence, Ky., advised an unidentified individual, later identified as Air Force Master Sgt. Thomas Meyer, contacted an undercover officer posing as a 13-year-old female living in Kentucky. Meyer engaged in sexually explicit computer chats and transmitted sexually graphic images of himself to the undercover officer from a computer belonging to U.S. Central Command, MacDill Air Force Base, Fla. On May 16, 2012, AFOSI special agents, working jointly with the FBI, obtained an Internet protocol address used during the chats and traced it back to Meyer's spouse in Valrico, Fla. AFOSI seized Meyer's work and home computers and recovered 542 files containing child pornography, in addition to multiple chat logs between Meyer and suspected minors. Meyer confessed to the inappropriate Internet relationship with a person he believed to be a minor and admitted that he had sent pornographic pictures of himself to the individual. Additionally, Meyer confessed to having made contact with a known pedophile and received training about approaching Meyer's stepdaughter for sex.

RESULT:

On May 7, 2013, Meyer pleaded guilty in federal court to the production of child pornography. Meyer was convicted and received a 15-year sentence in a federal penitentiary, with supervised release for life and registration as a sex offender.

Use and Distribution of Narcotics

OVERVIEW:

This investigation was initiated after Air Force Airman First Class Adonis Little Dog, stationed at Keesler Air Force Base, Miss., tested positive for marijuana and cocaine during a routine urinalysis. Little Dog confessed to AFOSI that he, along with Airman Basics Joseph Paroski and Matthew Shaffer, ingested marijuana and cocaine four to five times between Jan. 31 and Feb. 20, 2013. Little Dog advised he had met a civilian drug dealer at a mental health hospital in Biloxi, Miss. In addition to the cocaine and marijuana, Little Dog purchased five tablets of Vicodin from another airman. Little Dog stated that Paproski paid for the marijuana, cocaine and Vicodin. Paproski confessed to AFOSI that he had purchased and used marijuana and cocaine on several occasions with Little Dog and Shaffer. Paproski confessed to the purchase of five tablets of Vicodin. Shaffer admitted he, Paproski and Little Dog purchased and used marijuana and cocaine on multiple occasions. Paproski's urine tested positive for cocaine and marijuana. Analysis of residue from a straw found on Little Dog during the search incident to apprehension revealed the presence of cocaine. Analysis of a green leafy substance seized from Paproskil's dormitory room determined it was marijuana.

RESULT:

On April 10, 2013, Paproski was convicted by a special court-martial and received four months confinement, forfeiture of $5,000 and a bad conduct discharge. On March 29, 2013, Shaffer was convicted by a special court-martial and received six months confinement, forfeiture of $6,060 and a bad conduct discharge. On April 9, 2013, Little Dog was convicted by a special court-martial and received four months confinement, forfeiture of $5,000 and a bad conduct discharge.

Chinese Parts Substituted in UAV's

OVERVIEW:

This joint investigation between AFOSI, DCIS and the FBI was initiated after AFOSI received information of alleged product substitution on the Predator and Reaper Unmanned Aerial Vehicle programs involving Mesa Bearing located in Trabuco Canyon, Calif. Mesa Bearing was a subcontractor for multiple government contracts. In approximately 2009, Keith Faber sold Mesa Bearing and worked as a consultant with Mesa

A joint investigation determined that Chinese-made ball bearings were fraudulently provided for use in Unmanned aerial vehicle.

Bearing until 2010. In May 2010, a new employee was cleaning the storage area and discovered a green folder with handwritten notes. The notes contained confessions from Faber of substituting Chinese ball bearings not approved by the original contract. Additionally, testing documents were discovered from a third-party testing facility that demonstrated failures of the Chinese ball bearings submitted by Mesa Bearing. Faber confessed to AFOSI special agents of knowingly providing parts "of questionable origin" for use on the Predator program. A Defense Contract Audit Agency investigative audit estimated the damages to be between $60,645 and $334,777.

Result:

On June 10, 2013, Faber pleaded guilty and was convicted in a federal court to the depredation of government property. Faber was ordered to pay $60,000 in restitution, given a $250 fine and sentenced to a three-year probation period.

USAF Recruiter Indicted on Sexual Assault Charges

Overview:

On Nov. 22, 2011, AFOSI was notified of an Air Force recruiter,Tech Sgt. Jaime Rodriguez, stationed at Lake Jackson, Texas, engaged in multiple unprofessional sexual relationships with potential Air Force recruits. AFOSI special agents conducted multiple records reviews, completed numerous witness interviews and completed searches of social media to confirm the allegations levied against Rodriguez. Through their efforts, AFOSI confirmed that Rodriguez was engaged in sexual relations with six recruits, to include nonconsensual sex, sodomy and sexual assault.

Result:

On June 14, 2013, Rodriguez was convicted by a general court-martial and sentenced to 27 years of confinement, reduction to the grade of E-1, forfeiture of all pay and allowances, and a dishonorable discharge.

Air Force Airman Drug Trafficking in the Republic of Korea

Overview:

This investigation was initiated after AFOSI at Osan Air Base, Republic of Korea, was notified by Korean Officials that they intercepted a package of marijuana addressed to Senior Airman Lawrence Milton, stationed at Osan Air Base. Milton's postal records from February-September 2012 showed he signed for at least six other packages from the same sender. AFOSI special agents apprehended Milton, and in a search of his dorm room, seized his cell phone. The phone had multiple text messages from a nonbase-affiliated civilian, Minju Shields, to Milton asking if Milton checked his mail box for a package. A search of Milton's backpack revealed a printout of a Facebook conversation between Milton and U.S. Air Force Staff Sgt. Dominick Streeter, stationed at Joint Base Andrews, Md. In the conversation, Streeter asked Milton if he deleted Streeter's messages and instructed Milton to tell authorities they knew each other from stateside. Streeter, while stationed at Osan Air Base, received several packages of marijuana for Shields from the spring 2011 through December 2011. Streeter introduced Shields to Milton so Milton could assume control of the illegal activity. While in custody, Shields confessed that, from approximately May to November 2011, Streeter provided six to eight packages of marijuana. The amount of marijuana increased in each package until the final package contained 250 to 300 grams of marijuana. Shields asked Milton if he would accept the delivery of packages containing marijuana through his military mailbox, and Milton agreed. In February 2012, Milton started receiving packages of marijuana.

RESULT:

On May 3, 2013, Milton was convicted by the Incheon District Court, 13th Criminal Court for the import or export of narcotics into or out of Korea. Milton was sentenced to two years and six months confinement. Shields was sentenced to three years confinement and a fine of $1,108.

Test of Base Security in Alaska

OVERVIEW:

On Jan. 19, 2013, a nonbase-affiliated civilian, Kyle Hansen, drove through the Joint Base Elmendorf-Richardson, Alaska gate at a high rate of speed. Hansen traveled across Joint Base Elmendorf-Richardson at speeds in excess of 60 miles per hour. Attempting to exit Joint Base Elmendorf-Richardson, Hansen reversed his vehicle into an Air Force vehicle. Members of the 673rd Security Forces Squadron set up a road block utilizing patrol vehicles in an attempt to stop Hansen's vehicle. Hansen maneuvered his vehicle around the patrol cars, striking a member of the 673rd Security Forces Squadron. Members of the 673rd Security Forces Squadron and the 545th Military Police Company, Joint Base Elmendorf-Richardson, Alaska, fired at Hansen's vehicle. Hansen was not hit by the gunfire and departed the base, driving through the chain-link gate. Based on evidence left at the scene, AFOSI special agents, working with the Anchorage Police Department, identified Hansen and arrested him later that day. A physical search of Hansen's vehicle found damage consistent with a high-speed crash and numerous bullet holes and broken windows. Fingerprint analysis of items recovered from the vehicle placed Hansen inside the vehicle.

RESULT:

Hansen pleaded guilty in Federal Court in Anchorage, Alaska, on one count of felony assault of a law enforcement officer and was sentenced to 60 months in prison, three years of supervised release and was ordered to pay $78,310.44 in restitution.

Aggravated Sexual Abuse of Multiple Children

OVERVIEW:

This investigation was initiated after AFOSI was notified of possible child sexual abuse. After conducting interviews of the child, a search authorization was acquired to search the residence and deployed dormitory room of Air Force Senior Airman Adam Parker, stationed at Minot Air Force Base, N.D. The search resulted in the seizure of various electronic media. After a review by the Defense Computer Forensics Laboratory and the National Center for Missing and Exploited Children, files found on Parker's computers, hard drives and electronic media resulted in the discovery of 239 files, consisting of photographs and videos, of known child pornography as identified by the National Center for Missing and Exploited Children, and 365,083 files, consisting of photographs and videos, of suspected child pornography. Parker confessed to several illegal sexual encounters with five children. Parker stated he was roughly 19-20 years old when he began sexually assaulting two children and believed they were between the ages of four to six at the time of the assaults. Parker admitted to viewing and downloading child pornography before and after enlisting in the Air Force. In April 2010, he began sexually assaulting two other children. One was approximately 2 years and 6 months old at the time and the other was approximately 1 year and 4 months old at the time. Parker further confessed to several illegal sexual acts with the 1-year-and-4-month old child. Child forensic interviews with several more children disclosed that Parker engaged in illegal sexual activity with them.

RESULT:

On April 9, 2013, Parker was convicted by a general court-martial of engaging in sexual acts with a child,

Air Force Senior Airman Adam Parker was convicted of aggravated sexual abuse of multiple children.

sodomy of a child, indecent acts with a child and possession of child pornography. Parker received confinement for life, a reduction to E-1 and a dishonorable discharge.

Rape

Overview:

This investigation was initiated after a female reported to AFOSI that Air Force Senior Airman Stefin Reed, assigned to Shaw Air Force Base, S.C., had raped her. The female stated that she and Reed had walked to a local bar. While at the bar, Reed got into several verbal altercations and was told to return to his room. The female and another military member found Reed later that evening on the hotel balcony and walked Reed to his room. Later that night, the female went to check on Reed in his room. After approaching the bed, Reed began to kiss the female, became aggressive and forced her to engage in an illegal sexual act. The female said she shouted for help and Reed struck her, detained her and threatened to kill her. Reed forced the female to engage in further illegal sexual acts and, fearing for her safety, she complied. At some point, the female escaped and ran into the hotel hallway for help. Later analysis disclosed evidence consistent with rape.

Result:

On June 7, 2013, Reed was convicted of rape by a general court-martial and received a sentence to 10 years confinement, reduction of grade to E-1 and a dishonorable discharge.

Cost Mischarging against the DoD

Overview:

This joint investigation between AFOSI, DCIS and the Army CID was initiated after AFOSI after received information from the Defense Contract Management Agency, Contract Integrity Center, which alleged Aerovironment, Inc., located in Monrovia, Calif., mischarged multiple DoD contracts. Extensive document reviews and a Defense Contract Audit Agency audit found that Aerovironment, Inc. charged more than $1 million in federal income tax expenses, which is an unallowable cost, to their incurred cost account for transportation expenses. This resulted in a nearly 9 percent increase in the company's overhead rates charged on numerous DoD contracts. Aerovironment, Inc. cost accounting controls were also found to be inadequate.

Result:

On Aug. 29, 2013, Aerovironment, Inc. signed a civil settlement agreement to pay $667,000 to the United States. Aerovironment, Inc. also had to modify cost accounting controls as a result of the investigation's findings.

> *"The blanket purchase agreement contained 19 task orders with award amounts totaling $80,407,838 and a ceiling value with options totaling $ 206,119,017."*

Retired Lieutenant Colonel Attempts to Defraud Government

Overview:

This joint investigation between AFOSI, DCIS, Army CID and the General Service Administration Office of the Inspector General was initiated after AFOSI received information that in 2006, retired Air Force Lt. Col. Steven Stallings, living in Valrico, Fla., falsely entered into a memorandum of agreement for a blanket purchase agreement with the General Services Administration, Pensacola, Fla., and with the Science Applications International Corp., a Top 100 Defense Contractor. Stallings falsely represented himself as a government senior executive services member. Stallings was a retired at the time but still had a connection with the Science Applications International Corp. The blanket purchase agreement contained 19 task orders with award amounts totaling $80,407,838 and a ceiling value with options totaling $ 206,119,017.

More than $10 million awarded to the Science Applications International Corp. under the Blanket Purchase Agreement were funded by various military branches. Stallings' false representation was uncovered when contracting officials at Nellis Air Force Base, Nev., questioned his connection with a task order under this blanket purchase agreement for Nellis Air Force Base. Stallings claimed that he was a senior executive service member who worked for the Chief of Naval Operations. During an interview with Stallings, he stated that he had violated the False Claims Act by creating a fictitious company, Trusted Agent, in 2006, which he claimed was an independent testing organization, and that he was the sole

employee. Stallings admitted that he had created a deceptive scheme by representing himself as a federal government senior executive service member for the sole purpose of being awarded contracts through the General Service Agency for the Science Applications International Corp.

Result:

On June 6, 2013, the Science Applications International Corp. reached a settlement agreement to pay the United States $5.75 million on or before June 12, 2013. Additionally, the Assistant U.S. Attorney's Office reached an agreement to settle with Stallings under which Stallings will pay $105,000 to the United States over a three-month period.

5

Appendixes

AUDIT, INSPECTION, AND EVALUATION REPORTS ISSUED

Copies of reports may be obtained from the appropriate issuing office by contacting:

DoD IG
www.dodig.mil/PUBS

Army Audit Agency
(703) 693-5679
www.hqda.army.mil/aaaweb

Naval Audit Service
(202) 433-5757

Air Force Audit Agency
(703) 696-7904
www.afaa.af.mil

	DoD IG	Military Depts.	Total
Acquisition Processes and Contract Management	29	34	63
Joint Warfighting and Readiness	11	39	50
Cyber Security	6	6	12
Health Care and Safety	5	12	17
Equipping and Training Iraqi and Afghan Security Forces	10	0	10
Investigative Oversight	1	0	1
Financial Management	13	49	62
Security	2	1	3
Nuclear Enterprise	3	1	4
Other	3	16	19
Total	**83**	**158**	**241**

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-063	Award and Administration of Performance-Based Payments in DoD Contracts	04/08/2013
DoD IG	DODIG-2013-065	Quality Control Review of the Defense Contract Management Agency Internal Review Audit Function	04/18/2013
DoD IG	DODIG-2013-069	Defense Contract Management Agency Santa Ana Quality Assurance Oversight Needs Improvement	04/19/2013
DoD IG	DODIG-2013-073	Use of Defense Logistics Agency Excess Parts for High Mobility Multipurpose Wheeled Vehicle Depot Repairs Will Reduce Costs	04/25/2013
DoD IG	DODIG-2013-075	Improvements Needed in U.S. Special Operations Command Global Battlestaff and Program Support Contract Oversight	04/26/2013
DoD IG	DODIG-2013-078	TRICARE Management Activity Needs to Improve Oversight of Acquisition Workforce	05/01/2013
DoD IG	DODIG-2013-082	Hotline Allegation Regarding the Failure to Take Action on Material Management and Accounting System (MMAS) Audit Findings	05/29/2013
DoD IG	DODIG-2013-084	Increased Procurement Quantity for CH-53K Helicopter Not Justified (FOUO)	05/31/2013
DoD IG	DODIG-2013-088	The Navy P-8A Poseidon Aircraft Needs Additional Critical Testing Before the Full-Rate Production Decision (FOUO)	06/10/2013
DoD IG	DODIG-2013-090	Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company (FOUO)	06/07/2013

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-097	Improvements Needed in the Oversight of the Medical-Support Services and Award-Fee Process Under the Camp As Sayliyah, Qatar, Base Operation Support Services Contract	06/26/2013
DoD IG	DODIG-2013-100	Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan Improved, but Additional Actions are Needed	07/02/2013
DoD IG	DODIG-2013-103	Boeing Overstated Contract Requirements for the CH-47F Helicopter (FOUO)	07/16/2013
DoD IG	DODIG-2013-104	DoD Oversight Improvements Are Needed on the Contractor Accounting System for the Army's Cost-Reimbursable Stryker Logistics Support Contract	07/16/2013
DoD IG	DODIG-2013-106	Defense Advanced Research Projects Agency Properly Awarded Contracts for Disc-Rotor Research and Development	07/19/2013
DoD IG	DODIG-2013-115	The Navy's Management of Software Licenses Needs Improvement	08/07/2013
DoD IG	DODIG-2013-118	Acquisition of the Air Force Hard Target Void Sensing Fuze Program (FOUO)	08/20/2013
DoD IG	DODIG-2013-120	Army Needs Better Processes to Justify and Manage Cost-Reimbursement Contracts	08/23/2013
DoD IG	DODIG-2013-121	Award and Administration of Multiple-Award Contracts at Joint Base San Antonio-Lackland Need Improvement	08/23/2013
DoD IG	DODIG-2013-124	Report on Quality Control Review of the Grant Thornton, LLP, FY 2011 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine	08/26/2013
DoD IG	DODIG-2013-125	Quality Control Review of the PricewaterhouseCoopers, LLP FY 2011 Single Audit of SRI International	08/29/2013
DoD IG	DODIG-2013-126	Improvements Needed at the Defense Advanced Research Projects Agency When Evaluating Broad Agency Announcement Proposals	09/06/2013
DoD IG	DODIG-2013-128	Air Force and Army Corps of Engineers Improperly Managed the Award of Contracts for the Blue Devil Block 2 Persistent Surveillance System	09/19/2013
DoD IG	DODIG-2013-131	Army Requirement to Acquire Individual Carbine Not Justified	09/16/2013
DoD IG	DODIG-2013-132	Appropriate Contracting Processes Used to Satisfy Validated Marine Corps Logistics Prepositioning Requirements	09/18/2013
DoD IG	DODIG-2013-133	CH-53K Program Management is Satisfactory, but Risks Remain (FOUO)	09/23/2013
DoD IG	DODIG-2013-137	DoD Is Not Properly Monitoring the Initiation of Maintenance for Facilities at Kandahar Airfield, Afghanistan (FOUO)	09/30/2013
DoD IG	DODIG-2013-140	Quality Assurance Assessment of the F-35 Lightning II Program	09/30/2013
DoD IG	DODIG-2013-143	Allegations Unsubstantiated Concerning Defense Logistics Agency Violation of Federal Guidance for the Maintenance, Repair, and Operations Contracts	09/30/2013
USAAA	A-2013-0081-IEF	Agreed-Upon Procedures Attestation of Latrine Contracts--Fort Bliss, Texas (FOUO)	04/08/2013
USAAA	A-2013-0082-MTE	Administration of the Contractor Logistics Support Services Contract--Mine Resistant Ambush Protected Vehicle Program, Afghanistan (FOUO)	04/08/2013
USAAA	A-2013-0088-FMI	Audit of U.S. Army Special Operations Command Materiel Development (FOUO)	04/29/2013
USAAA	A-2013-0128-MTH	Contracting for the Guard Recruiting Assistance Program, National Guard Bureau, Arlington, Virginia (FOUO)	08/01/2013
USAAA	A-2013-0135-FMP	Time-Sensitive Report; Contract Award Fee Process; Audit of Base Operations Support-Reagan Test Site, Kwajalein (FOUO)	08/12/2013
USAAA	A-2013-0142-MTE	Audit of Contract Requirements for the Base Operations Support Contract-Kuwait (FOUO)	08/22/2013
USAAA	A-2013-0155-FMP	Followup Audit of the Contract for Program Management Services, U.S. Army Corps of Engineers Far East District, South Korea (FOUO)	09/16/2013
USAAA	A-2013-0162-ALE	Agreed-Upon Procedures Attestation of Contractor Billings on Contract W900KK-07-D-0001 (FOUO)	09/30/2013
USAAA	A-2013-0153-FMP	Audit of Single and Multiple Award Indefinite-Delivery/Indefinite-Quantity Contracts in Korea, U.S. Army Garrison Daegu, Notification of Potential Antideficiency Act Violation (FOUO)	09/11/2013

Agency	Report Number	Report Title	Date
USAAA	A-2013-0100-FMP	Administration of Service Contracts in Alaska, Fort Wainwright	06/12/2013
USAAA	A-2013-0103-MTP	Followup Audit of Contracts for Intrusion Detection Systems-Acquisition Strategy	06/04/2013
USAAA	A-2013-0105-ALC	Contract Training of Military Personnel	06/20/2013
USAAA	A-2013-0107-ALC	Contracting Oversight, Quality Control, and Accountability	06/25/2013
USAAA	A-2013-0113-ALA	Mobile Tower System	06/28/2013
USAAA	A-2013-0114-IEM	Contracting for Health Care Providers, U.S. Army Medical Command	07/08/2013
USAAA	A-2013-0120-ALA	Army's Development of Weapon System Requirements	08/06/2013
USAAA	A-2013-0121-MTP	Followup Audit of Contracts for Intrusion Detection Systems--Non-Mission Critical Facilities	07/09/2013
USAAA	A-2013-0126-ALC	Followup Audit of the Army's Human Capital Plans--Contracting (Reachback Capabilities)	08/29/2013
USAAA	A-2013-0139-ALC	Army Geospatial Center Contract Fees, Fort Belvoir, Virginia	08/21/2013
USAAA	A-2013-0144-ALA	Audit of the Army Program Office Estimate for the MQ-1C Gray Eagle	09/13/2013
USAAA	A-2013-0151-ALC	Arlington National Cemetery Millennium Project, U.S. Army Corps of Engineers, Baltimore District	09/10/2013
USAAA	A-2013-0156-ALC	Management of Contracting Officer's Representatives, Office of the Deputy Assistant Secretary of the Army (Procurement)	09/18/2013
USAAA	A-2013-0160-ALA	Army Tactical Radio Strategy, Program Executive Office, Command, Control and Communications-Tactical	09/25/2013
NAVAUDSVC	N2013-0025	Department of the Navy Procurement Performance Management Assessment Program	04/30/2013
NAVAUDSVC	N2013-0030	Naval Air Station Sigonella, Italy Base Operating Support Contract	06/07/2013
NAVAUDSVC	N2013-0032	Implementation of the Procurement Performance Management Assessment Program at Classified Activities (Classified)	06/20/2013
NAVAUDSVC	N2013-0033	Internal Controls over the Execution of Husbanding Contracts – 7th Fleet Area of Responsibility	06/21/2013
NAVAUDSVC	N2013-0037	Guam Base Operating Support Contract	07/25/2013
NAVAUDSVC	N2013-0046	Service Contract Administration at Naval Air Warfare Center Aircraft Division, Patuxent River	09/24/2013
AFAA	F-2013-0009-L30000	Air Force Center for Engineering and the Environment Support Services Contract Management	04/01/2013
AFAA	F-2013-0010-L30000	Joint Air-To-Surface Standoff Missile Warranty Management	04/11/2013
AFAA	F-2013-0011-L30000	Acquisition Professional Development Program Management	05/15/2013
AFAA	F-2013-0012-L30000	Follow-Up Audit, Government Purchase Card Use of Convenience Checks	05/21/2013
AFAA	F-2013-0010-O20000	Air Force Real Property In-grants	06/10/2013

Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-066	Transportation Planning Is Sufficient for Retrograde Operations; However, There Is an Opportunity To Improve the Efficiency of Management Systems (Classified)	04/12/2013
DoD IG	DODIG-2013-067	Efficiency Improvements Identified Within the Munitions Requirements Process (Classified)	04/15/2013
DoD IG	DODIG-2013-080	Better Oversight and Accountability Needed for the U.S. Army Special Operations Command C-12 Aircraft	05/09/2013
DoD IG	DODIG-2013-096	U.S. Army, Europe's Management of Base Operations at the Black Sea Facility Was Generally Effective (Classified)	07/15/2013
DoD IG	DODIG-2013-098	Assessment of U.S. Military Cemeteries	06/28/2013

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-102	Improved Oversight of Communications Capabilities Preparedness Needed for Domestic Emergencies	07/01/2013
DoD IG	DODIG-2013-110	Guidance Needed to Adequately Integrate Military Information Support Operations into Civil-Military Operations in the Horn of Africa (Classified)	07/26/2013
DoD IG	DODIG-2013-112	Assessment of DoD Long-Term Intelligence Analysis Capabilities (Classified)	08/05/2012
DoD IG	DODIG-2013-119	Better Procedures and Oversight Needed to Accurately Identify and Prioritize Task Critical Assets (Classified)	08/16/2013
DoD IG	DODIG-2013-127	Inspection of DoD Detainee Transfers and Assurances (Classified)	09/23/2013
DoD IG	DODIG-2013-136	Assessment of the Office of Security Cooperation-Iraq Mission Capabilities	09/18/2013
USAAA	A-2013-0080-FMP	Planning Survey of Army Relocation Program-Korea (FOUO)	04/03/2013
USAAA	A-2013-0085-ALE	Energy Conservation in Europe	04/19/2013
USAAA	A-2013-0086-ALE	Counseling Services in Europe	04/23/2013
USAAA	A-2013-0089-IEE	Use of Energy Efficient Lighting	05/08/2013
USAAA	A-2013-0092-ALA	Army Blast Standards—Testing, U.S. Army Test and Evaluation Command and U.S. Army Research Laboratory (FOUO)	05/06/2013
USAAA	A-2013-0093-MTS	U.S. Army Installation Management Command Civilian Workforce Reductions	05/09/2013
USAAA	A-2013-0095-IEE	Audit of Army Sustainability Reporting Measures	06/05/2013
USAAA	A-2013-0096-MTH	Meal Card Program Controls, Deputy Chief of Staff, G-1 and Deputy Chief of Staff, G-4	05/17/2013
USAAA	A-2013-0098-IEO	Reimbursable Support for Installation Services, Assistant Secretary of the Army (Financial Management and Comptroller) and Assistant Chief of Staff for Installation Management	05/21/2013
USAAA	A-2013-0099-ALE	Workload Planning Report, Resource Requirements for Logistics Operations (FOUO)	05/29/2013
USAAA	A-2013-0104-ALS	Followup Audit of Project Manager Assets, Aviation	06/03/2013
USAAA	A-2013-0106-MTS	Time-Sensitive Issue—Opportunity to Reduce Expenditures—Followup Audit: Active Duty Operational Support for Contingency Operations Outside of Theater	06/06/2013
USAAA	A-2013-0122-MTS	Agreed Upon Procedures Attestation of Paratrooper Requirements (FOUO)	07/10/2013
USAAA	A-2013-0124-MTS	Agreed-Upon Procedures Attestation for the Verification of Accountability Transactions for the Defense Reutilization and Marketing Office, Fort Bragg, North Carolina (FOUO)	07/15/2013
USAAA	A-2013-0129-ALS	Property Accountability of Training Aids, Devices, Simulators, and Simulations Upon Receipt (FOUO)	08/19/2013
USAAA	A-2013-0131-FMP	Transportation Operations, Hawaii	08/01/2013
USAAA	A-2013-0133-FMP	Army Prepositioned Stock - 4 Medical, Japan	09/03/2013
USAAA	A-2013-0134-IEE	Followup of Accident Investigations and Reporting	08/20/2013
USAAA	A-2013-0145-MTH	Followup Audit of Officer Career Incentive Program	09/03/2013
USAAA	A-2013-0147-ALM	Audit of Automatic Reset Induction Criteria	09/09/2013
USAAA	A-2013-0148-MTT	Training Support System Manning Models - U.S. Army Reserve, Office of the Deputy Chief of Staff, G-3/5/7	09/06/2013
USAAA	A-2013-0149-FMP	Followup Audit of Construction Site Preparation—Parcel 1, U.S. Army Corps of Engineers, Far East District	09/10/2013
USAAA	A-2013-0152-MTE	Audit of Retrograde of Class V-Afghanistan (FOUO)	09/20/2013
USAAA	A-2013-0157-FMP	Army Prepositioned Stock-4, Japan	09/19/2013
USAAA	A-2013-0158-MTS	Attestation of 7th Infantry Division Force Structure, Joint Base Lewis-McChord (FOUO)	09/25/2013
USAAA	A-2013-0159-ALM	Audit of Army Prepositioned Stocks, CONUS Storage (FOUO)	09/25/2013
USAAA	A-2013-0161-FMP	U.S. Army Pacific Environmental Planning and Processes, Hawaii (FOUO)	09/26/2013
NAVAUDSVC	N2013-0041	Marine Corps War Reserve Levels	08/28/2013

Agency	Report Number	Report Title	Date
NAVAUDSVC	N2013-0052	Limited Duty Population in the Navy	09/30/2013
AFAA	F-2013-0003-L20000	Serialized Parts Configuration Management	04/01/2013
AFAA	F-2013-0006-L20000	Engine Parts Reclamation	08/13/2013
AFAA	F-2013-0007-L40000	Depot Condemnations	05/13/2013
AFAA	F-2013-0008-L40000	Shipment of Controlled Items from the United States Air Forces Central Area of Responsibility	06/10/2013
AFAA	F-2013-0010-L40000	Air Force Special Operations Command Equipment Management	07/29/2013
AFAA	F-2013-0005-O30000	Military Personnel Data System Sourcing of Institutional Forces	04/09/2013
AFAA	F-2013-0008-O30000	Blue Force Tracking Devices (Classified)	06/12/2013
AFAA	F-2013-0009-O30000	Personnel Deployment and Redeployment	06/26/2013
AFAA	F-2013-0010-O30000	Follow-Up Audit, United States Air Forces Central Deployed Locations Aerial Port Operations	08/26/2013
AFAA	F-2013-0008-O40000	Follow-up Audit, Military Personnel Appropriation Man-Days	05/14/2013

Cyber Security

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-068	Maintaining Authorization Accreditation for Select DoD Information Systems Needed Improvement (FOUO)	04/15/2013
DoD IG	DODIG-2013-072	Data Loss Prevention Strategy Needed for the Case Adjudication Tracking System (FOUO)	04/24/2013
DoD IG	DODIG-2013-107	Defense Information Systems Agency Needs to Improve Its Information Assurance Vulnerability Management Program (FOUO)	07/26/2013
DoD IG	DODIG-2013-109	Improved Security Needed to Protect Infrastructure and Systems in the Great Lakes and Ohio River Division (FOUO)	07/29/2013
DoD IG	DODIG-2013-134	Navy Commercial Access Control System Did Not Effectively Mitigate Access Control Risks (FOUO)	09/16/2013
DoD IG	DODIG-2013-141	DoD Information Assurance Weaknesses as Reported by Audit Reports Issued From August 1, 2012, Through July 31, 2013 (FOUO)	09/30/3013
USAAA	A-2013-0112-FMT	Audit of Future of Telephony Requirements	06/25/2013
USAAA	A-2013-0136-FMT	Enterprise Email, Chief Information Officer/G-6	08/12/2013
USAAA	A-2013-0137-FMT	Elevated Privileges, U.S. Army Chief Information Officer/G-6 and U.S. Army Network Enterprise Technology Command	08/20/2013
AFAA	F-2013-0017-O10000	Medical Platform Information Technology Security	06/10/2013
AFAA	F-2013-0019-O10000	Commercial Off-The-Shelf Software Management	06/26/2013
AFAA	F-2013-0004-O30000	Next Generation Electronic Warfare Integrated Reprogramming Database System (Classified)	04/01/2013

Health Care and Safety

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-087	Assessment of DoD Wounded Warrior Matters – Joint Base Lewis-McChord	05/31/2013
DoD IG	DODIG-2013-099	Compliance with Electrical and Fire Protection Standards of U.S. Controlled and Occupied Facilities in Afghanistan	07/18/2013
DoD IG	DODIG-2013-108	The TRICARE Mail Order Pharmacy Program Was Cost Efficient and Adequate Dispensing Controls Were in Place	07/24/2013
DoD IG	DODIG-2013-113	Assessment of DoD Wounded Warrior Matters – Fort Riley	08/06/2013
DoD IG	DODIG-2013-135	The Department of Defense and Veteran Affairs Health Care Joint Venture at Tripler Army Medical Center Needs More Management Oversight	09/18/2013
USAAA	A-2013-0083-IEM	Workload Survey of the e-Profile System, U.S. Army Medical Command (FOUO)	04/10/2013

Agency	Report Number	Report Title	Date
USAAA	A-2013-0087-IEM	Workload Survey of Army Resilience Programs (FOUO)	04/25/2013
USAAA	A-2013-0097-IEM	Workload Survey of the Integrated Disability Evaluation System, Deputy Chief of Staff, G-1 and U.S. Army Medical Command	05/16/2013
USAAA	A-2013-0140-IEM	Medical Research Grants and Cooperative Agreements, U.S. Army Medical Research and Materiel Command	08/20/2013
USAAA	A-2013-0154-IEM	Implementation of Pain Management Initiatives—Polypharmacy, U.S. Army Medical Command	09/16/2013
AFAA	F-2013-0007-O40000	Temporary Disability Retirement List	04/09/2013
AFAA	F-2013-0009-O40000	Follow-Up Audit, Air Reserve Component Line of Duty Determinations	05/21/2013
AFAA	F-2013-0010-O40000	Medical Research and Development	06/26/2013
AFAA	F-2013-0011-O40000	Follow-up Audit, Civilian Drug Demand Reduction Program	07/15/2013
AFAA	F-2013-0013-O40000	Follow-up Audit, Medical War Reserve Materiel Requirements	08/15/2013
AFAA	F-2013-0014-O40000	Integrated Disability Evaluation System	08/15/2013
AFAA	F-2013-0017-O40000	Patient Centered Medical Home	09/10/2013

Equipping and Training Iraqi and Afghan Security Forces

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-081	Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Advise the Afghan Border Police	05/24/2013
DoD IG	DODIG-2013-079	Advanced Combat Helmet Technical Assessment	05/29/2013
DoD IG	DODIG-2013-093	DoD Needs to Improve Oversight of the Afghan National Police Training/ Mentoring and Logistics Support Contract	06/25/2013
DoD IG	DODIG-2013-094	Assessment of U.S. and Coalition Efforts to Develop Leaders in the Afghan National Army	06/24/2013
DoD IG	DODIG-2013-095	Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement (FOUO)	06/27/2013
DoD IG	DODIG-2012-034.5	Assessment of Afghan National Security Forces Metrics, Ministry of Interior Police Forces, October 2012 - March 2013 (Classified)	06/28/2013
DoD IG	DODIG-2013-122	Assessment of the DSE 40mm Grenades	08/22/2013
DoD IG	DODIG-2013-123	Army Needs To Improve Mi-17 Overhaul Management and Contract Administration (FOUO)	08/30/2013
DoD IG	DODIG-2012-034.6	Assessment of Afghan National Security Forces Metrics, Afghan National Army (ANA), October 2012 - March 2013 (Classified)	08/30/2013
DoD IG	DODIG-2013-129	Planning for the Effective Development and Transition of Critical ANSF Enablers to Post-2014 Capabilities Part I - Afghan National Army Enabler Description	09/20/2013

Investigative Oversight

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-091	Evaluation of the Military Criminal Investigative Organizations Sexual Assault Investigations	07/09/2013

Financial Management

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-070	Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements	04/19/2013
DoD IG	DODIG-2013-071	The Audit Opinion of the DISA FY 2011 Working Capital Fund Financial Statements Was Not Adequately Supported	04/26/2013

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-076	Examination of Army Management's Assertion for Existence and Completeness of Operating Materials and Supplies Quick Win Assets	04/29/2013
DoD IG	DODIG-2013-077	The Navy Commercial Bill Pay Office, in Naples, Italy, Needs to Identify and Report Improper Payments	04/30/2013
DoD IG	DODIG-2013-083	Efforts to Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Needed Improvement	05/15/2013
DoD IG	DODIG-2013-086	Complaint Regarding Tinker Air Force Base Agreement to Pay an Unallowable Markup on a Foreign Military Sales Contract	05/29/2013
DoD IG	DODIG-2013-101	Fuel Exchange Agreement Reconciliations Are Effective, but the Joint Reconciliation Process Needs Improvement (FOUO)	07/01/2013
DoD IG	DODIG-2013-105	Navy Did Not Develop Processes in the Navy Enterprise Resource Planning System to Account for Military Equipment Assets	07/18/2013
DoD IG	DODIG-2013-111	Status of Enterprise Resource Planning Systems' Cost, Schedule, and Management Actions Taken to Address Prior Recommendations	08/01/2013
DoD IG	DODIG-2013-117	Enhanced Oversight Needed for Nontactical Vehicle Fleets in the National Capital Region	08/15/2013
DoD IG	DODIG-2013-130	Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Business Process	09/13/2013
DoD IG	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	09/23/2013
DoD IG	DODIG-2013-139	Independent Auditor's Report on the Agreed-Upon Procedures for Reviewing the FY 2013 Civilian Payroll Withholding Data and Enrollment Information	09/25/2013
USAAA	A-2013-0084-IEO	Audit of Nonappropriated Fund Labor Expenses	04/11/2013
USAAA	A-2013-0090-FMF	Followup Audit of Controls of the Incentive Program in the California Army National Guard	05/02/2013
USAAA	A-2013-0091-FMF	Controls Over the Incentive Program in the Army Reserve, U.S. Army Reserve Command	06/05/2013
USAAA	A-2013-0094-MTS	Audit of Financial Management--Home Station Mission	05/22/2013
USAAA	A-2013-0101-IEM	Attestation of Non-Profit Foundation Transactions (FOUO)	05/30/2013
USAAA	A-2013-0102-IEI	Army's Participation in the Association of the U.S. Army Conferences (FOUO)	05/31/2013
USAAA	A-2013-0108-FMF	Army Executive Dining Facility Fund Internal Controls, Office of the Administrative Assistant to the Secretary of the Army	06/24/2013
USAAA	A-2013-0109-FMF	Army Executive Dining Facility Fund Financial Statements, Office of the Administrative Assistant to the Secretary of the Army	06/24/2013
USAAA	A-2013-0110-MTE	Cost Sharing: Logistics Support, Services, and Supplies, U.S. Forces—Afghanistan (FOUO)	06/13/2013
USAAA	A-2013-0111-ALS	Second Destination Transportation--Fund Execution	06/20/2013
USAAA	A-2013-0115-FMF	Time-Sensitive Report, Audit of Controls Over the Incentive Program in the Army Reserve Command	07/10/2013
USAAA	A-2013-0116-ALE	Housing Allowances in Europe, U.S. Army Europe	07/08/2013
USAAA	A-2013-0118-FMF	Followup Audit of Proliferation of Wide Area Workflow System	06/28/2013
USAAA	A-2013-0119-FMF	Stopping Pay for Soldiers in an Absentee or Deserter Status	07/02/2013
USAAA	A-2013-0123-FMF	Time-Sensitive Report, Audit of Government Provided Meals for Soldiers Attending Institutional Training	07/11/2013
USAAA	A-2013-0127-FMF	Agreed-Upon Procedures Attestation of Investigative Support for the 46th Engineering Battalion Defense Travel System Case (FOUO)	07/25/2013
USAAA	A-2013-0130-FMR	Miscellaneous Pay Process General Fund Enterprise Business System	07/31/2013
USAAA	A-2013-0138-FMR	Review of the Army's Compliance with the Federal Managers' Financial Integrity Act	08/26/2013
USAAA	A-2013-0141-MTE	Agreed-Upon Procedures Attestation for Calculating Government Overtime Costs of a DoD GS-09 Employee, Bagram Airfield, Afghanistan (FOUO)	08/23/2013

Agency	Report Number	Report Title	Date
USAAA	A-2013-0146-FMF	Time-Sensitive Report, Audit of Government-Provided Meals for Soldiers Attending Institutional Training	09/03/2013
USAAA	A-2013-0150-IEO	Service Cost Execution Process, Office of the Assistant Chief of Staff for Installation Management	09/09/2013
NAVAUDSVC	N2013-0021	Internal Controls over Naval Criminal Investigative Service Salary Payments and Travel Process	04/08/2013
NAVAUDSVC	N2013-0022	Naval War College Gift and Other Related Funds	04/11/2013
NAVAUDSVC	N2013-0024	Internal Controls over Navy's Electronic Leave System	04/26/2013
NAVAUDSVC	N2013-0027	Fiscal Management at the Center for Excellence in Disaster Management and Humanitarian Assistance, United States Pacific Command	05/22/2013
NAVAUDSVC	N2013-0028	Independent Attestation – Agreed-Upon Procedures Attestation Engagement of Assessing Internal Controls over Financial Reporting in the Department of the Navy, Phase 4	06/03/2013
NAVAUDSVC	N2013-0029	Marine Aircraft Group 49 Site Support Aviation Supply – Marine Corps Light Attack Helicopter Squadron 773 Detachment B	06/05/2013
NAVAUDSVC	N2013-0038	Fiscal and Resource Management at the Naval Postgraduate School	08/07/2013
NAVAUDSVC	N2013-0039	Followup on Information Assurance Training and Certification	08/15/2013
NAVAUDSVC	N2013-0043	Bureau of Medicine and Surgery Travel and Purchase Card Transactions	09/11/2013
AFAA	F-2013-0005-L10000	Air Force Financial Improvement and Audit Readiness Reports - Fiscal Year 2012 Roll-Up	06/25/2013
AFAA	F-2013-0006-L10000	Air Force Working Capital Fund Spending Authority Collections - Flying Hours	08/14/2013
AFAA	F-2013-0007-L10000	General Fund Military Equipment - Remotely Piloted Aircraft in the Continental United States and Overseas	08/14/2013
AFAA	F-2013-0008-L10000	Secretary of the Air Force Administrative Assistant Resource Directorate Miscellaneous Obligation/Reimbursement Documents	08/16/2013
AFAA	F-2013-0009-L10000	Air Force Working Capital Fund Spending Authority Collections - Standard Base Supply System Transactions	08/27/2013
AFAA	F-2013-0010-L10000	Official Representation Funds	09/09/2013
AFAA	F-2013-0004-L20000	Aircraft Depot Maintenance Labor Standards	04/02/2013
AFAA	F-2013-0005-L20000	Aircraft Weight Reduction	06/13/2013
AFAA	F-2013-0009-L40000	Flying Hour Consumables	07/09/2013
AFAA	F-2013-0016-O10000	Memorandum Report of Audit, Reliability and Maintainability Information System Accounting Conformance	05/15/2013
AFAA	F-2013-0018-O10000	Summary of Reports of Audit on Financial System Application Controls	06/11/2013
AFAA	F-2013-0020-O10000	Memorandum Report of Audit, Reliability, Availability, Maintainability Support System for Electronic Combat Pods - General Controls	06/26/2013
AFAA	F-2013-0021-O10000	Summary of Air Force System Accounting Conformance	07/15/2013
AFAA	F-2013-0022-O10000	Memorandum Report of Audit, Reliability and Maintainability Information System - General Controls	08/26/2013
AFAA	F-2013-0009-O20000	Warehouse Space Utilization	04/10/2013
AFAA	F-2013-0011-O20000	Fiscal Year 2013 Utilities Privatization Economic Analysis	09/11/2013
AFAA	F-2013-0007-O30000	Intelligence, Surveillance, and Reconnaissance Bonus Utilization	06/11/2013
AFAA	F-2013-0012-O40000	Memorandum Report of Audit, Air Reserve Order Writing System - Reserve Application Controls	07/15/2013
AFAA	F-2013-0016-O40000	Memorandum Report of Audit, Reserve Travel System - Phase 1, General and Selected Application Controls	09/05/2013

Security

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-092	Release of Department of Defense Information to the Media	06/14/2013
DoD IG	DODIG-2013-142	DoD Over-Classification of National Security Information	09/30/2013
NAVAUDSVC	N2013-0034	Department of the Navy Contract Requirements – Personally Identifiable Information and Sensitive Data	06/27/2013

Nuclear Enterprise

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-064	Accountability of the Air Force's Classified Inventory of Nuclear Weapons-Related Material (Redacted)	04/18/2013
DoD IG	DODIG-2013-085	Cryptographic Modernization of Critical Nuclear Command, Control, and Communications Systems (Classified)	05/29/2013
DoD IG	DODIG-2013-089	Hotline Report on the Proposed Elimination of the Nuclear Command and Control system Support Staff (FOUO)	06/06/2013
AFAA	F-2013-0006-O30000	Personnel Reliability Program	04/29/2013

Other

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-074	Assessment of Voting Assistance Programs for Calendar Year 2012	04/29/2013
DoD IG	DODIG-2013-114	Cost Increases and Delays Occurred During Closure and Land Transfers of Army Ammunition Plants and Chemical Depots Under Base Realignment and Closure 2005	08/06/2013
DoD IG	DODIG-2013-116	National Geospatial-Intelligence Agency Did Not Comply With Base Realignment and Closure Legislation	08/13/2013
NAVAUDSVC	N2013-0020	Summary of Audits of Department of the Navy Fuel Consumption Reporting	04/05/2013
NAVAUDSVC	N2013-0023	Controls and Oversight for United States Marine Corps Fuel Storage Tanks	04/12/2013
NAVAUDSVC	N2013-0026	Summary of Department of the Navy Fuel Storage Facilities and Farms	05/06/2013
NAVAUDSVC	N2013-0031	Followup on Internal Controls Over Department of the Navy Energy Funding and Financing Tools	06/13/2013
NAVAUDSVC	N2013-0035	Validation and Use of Life-Cycle Cost Analysis within the Marine Corps Energy Investment Program	06/28/2013
NAVAUDSVC	N2013-0036	Controls and Oversight for Naval Research Laboratory Fuel Storage Tanks	07/09/2013
NAVAUDSVC	N2013-0040	Verification of Hotline Complaints in the Naval Inspector General Hotline Tracking System at Selected Western and Pacific Commands	08/15/2013
NAVAUDSVC	N2013-0042	Auditor General Advisory – Naval Audit Service Input for the Fiscal Year 2013 Statement of Assurance	08/28/2013
NAVAUDSVC	N2013-0044	Marine Corps Child, Youth, and Teen Programs	09/11/2013
NAVAUDSVC	N2013-0045	Navy Child and Youth Programs	09/12/2013
NAVAUDSVC	N2013-0047	Navy Fuel Storage Tank Inventory	09/25/2013
NAVAUDSVC	N2013-0048	Department of the Navy Achievement of Leadership in Energy and Environmental Design Certification	09/25/2013
NAVAUDSVC	N2013-0049	Department of the Navy Tax Exempt Commercial Lodging	09/27/2013
NAVAUDSVC	N2013-0050	Long-Term Temporary Duty Orders for Marine Corps Reserves Performing Duty within the Continental United States and Hawaii	09/30/2013
NAVAUDSVC	N2013-0051	Department of the Navy Premium Class Travel Costs	09/30/2013
AFAA	F-2013-0015-O40000	Child and Youth Programs Personnel Background Investigations	08/16/2013

◊ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a) (6).

REPORTS CONTAINING POTENTIAL MONETARY BENEFITS

Reports Issued	Date	Potential Monetary Benefits	
		Questioned Costs	Funds Put to Better Use
DODIG-2013-063 Award and Administration of Performance-Based Payments in DoD Contracts	04/08/2013	N/A	$53,300,000
DODIG-2013-083 Efforts to Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Needed Improvement	05/15/2013	N/A	$13,000,000
DODIG-2013-084 Increased Procurement Quantity for CH-53K Helicopter Not Justified (FOUO)	05/31/2013	$22,200,000,000	N/A
DODIG-2013-090 Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company (FOUO)	06/07/2013	N/A	$13,700,000
DODIG-2013-095 Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement (FOUO)	06/27/2013	$133,000,000	$5,000,000
DODIG-2013-097 Improvements Needed in the Oversight of the Medical-Support Services and Award-Fee Processes Under the Camp As Sayliyah, Qatar, Base Operation Support Services Contract	06/26/2013	$211,000	$131,886
DODIG-2013-100 Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan Improved, but Additional Actions are Needed	07/02/2013	N/A	$631,700,000
DODIG-2013-101 Fuel Exchange Agreement Reconciliations Are Effective, but the Joint Reconciliation Process Needs Improvement (FOUO)	07/01/2013	$10,800,000	N/A
DODIG-2013-103 Boeing Overstated Contract Requirements for the CH-47F Helicopter (FOUO)	07/16/2013	N/A	$51,873,746
DODIG-2013-117 Enhanced Oversight Needed for Nontactical Vehicle Fleets in the National Capital Region	08/15/2013	N/A	$1,200,000
DODIG-2013-121 Award and Administration of Multiple-Award Contracts at Joint Base San Antonio–Lackland Need Improvement	08/23/2013	$267,405	N/A
DODIG-2013-123 Army Needs To Improve Mi-17 Overhaul Management and Contract Administration (FOUO)	08/30/2013	$7,744,989	N/A

REPORTS CONTAINING POTENTIAL MONETARY BENEFITS (CONT'D)

Reports Issued	Date	Potential Monetary Benefits	
		Questioned Costs	Funds Put to Better Use
D-2013-128 Air Force and Army Corps of Engineers Improperly Managed the Award of Contracts for the Blue Devil Block 2 Persistent Surveillance System	09/19/2013	$1,137,000	N/A
D-2013-131 Army Requirement To Acquire Individual Carbine Not Justified	09/16/2013	N/A	$382,000,000
D-2013-135 The Department of Defense and Veteran Affairs Health Care Joint Venture at Tripler Army Medical Center Needs More Management Oversight	09/18/2013	N/A	$33,600,000
Total		**$22,353,160,394**	**$1,185,505,632**

◊ Partially fulfills the requirement of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(6) (See Appendix A).

FOLLOW-UP ACTIVITIES

Decision status of DoD IG issued audit, inspection, and evaluation reports and dollar value of recommendations that funds be put to better use.

Status	Number	Funds Put to Better Use[1] ($ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	20	$0
B. Which were issued during the reporting period.	83	$23,538,666
Subtotals (A+B)	103	$23,538,666
C. For which a management decision was made during the reporting period.	70	$23,359,321
(i) dollar value of recommendations that were agreed to by management.		
- based on proposed management action		$397,175
- based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management.		$22,962,146[2]
D. For which no management decision has been made by the end of the reporting period.	33	$179,345
Reports for which no management decision was made within 6 months of issue (as of Sept. 30, 2013)	2[3]	0

1. DoD IG issued audit reports during the period involving $22.4 billion in "questioned costs."

2. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.

3. DoD IG Report Nos. DODIG-2012-057, "Guidance Needed to Prevent Military Construction Projects From Exceeding the Approved Scope of Work"; and, DODIG-2013-024, "U.S. Army Corps of Engineers Needs to Improve Contract Oversight of Military Construction Projects at Bagram Airfield, Afghanistan," had no decision as of Sept. 30, 2013, but action to achieve a decision is in process.

◊ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(8)(9) & (10).

FOLLOW-UP ACTIVITIES (CONT'D)

Status of action on central internal audits period ending Sept. 30, 2013

Status	Number	Funds Put to Better Use[1] ($ in thousands)
DoD IG		
Action in Progress - Beginning of Period	154	$0
Action Initiated - During Period	80	$23,359,321
Action Completed - During Period	68	$2,284,459
Action in Progress - End of Period	166	$0[2]
Military Departments		
Action in Progress - Beginning of Period	588	$6,982,012
Action Initiated - During Period	157	$1,695,340
Action Completed - During Period	220	$81,341
Action in Progress - End of Period	525	$7,543,305

1. DoD IG opened audit reports during the period involving $22.2 billion in "questioned costs."
2. On certain reports with audit estimated monetary benefits of $23.7 billion, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.

◊ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(b)(2) & (3).

CONTRACT AUDIT REPORTS ISSUED[1]

Type of Audit[2]	Reports Issued	Dollars Examined ($ in millions)	Questioned Costs[3] ($ in millions)	Funds Put to Better Use ($ in millions)
Incurred Costs, Ops Audits, Special Audits	2,480	$44,565.2	$2,233.0	$17.4[4]
Forward Pricing Proposals	721	$64,844.9	---	$8,543.85[5]
Cost Accounting Standards	462	$257.1	$38.8	---
Defective Pricing	23	(Note 6)	$111.8	---
Totals	**3,686**	**$109,667.2**	**$2,383.6**	**$8,561.2**

Note 1. This schedule represents Defense Contract Audit Agency contract audit reports issued during the six months ended Sept. 30, 2013. This schedule includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months ended Sept. 30, 2013 was 8,064. Some completed assignments do not result in a report issued because they are part of a larger audit or because the scope of the work performed does not constitute an audit or attestation engagement under generally accepted government auditing standards, so the number of audit reports issued is less than the total number of assignments completed.

Note 2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:

- Incurred Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.
- Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.
- Cost Accounting Standards – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation.
- Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).

Note 3. Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.

Note 4. Represents recommendations associated with Operations Audits where DCAA has presented to a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.

Note 5. Represents potential cost reductions that may be realized during contract negotiations.

Note 6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

◊ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 8(f)(1).

STATUS OF ACTION ON POST-AWARD CONTRACTS[1]

	Number of Reports	Costs Questioned[6] ($ in millions)	Costs Sustained[7] ($ in millions)
Open Reports			
Within Guidelines[2]	617	$5,635.5	N/A[8]
Overage, greater than 6 months[3]	626	$2,208.2	N/A
Overage, greater than 12 months[4]	547	$1,234.7	N/A
In Litigation[5]	156	$1,949.7	N/A
Total Open Reports	1,946	$11,028.1	N/A
Closed Reports	583	$1,273.0	$540.8 (42.5%)[9]
All Reports	2,529	$12,301.1	

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by DoD Components. The status of action on significant post-award contract audits is reported in accordance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports". Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.

2. These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up", and DoD Instruction 7640.02 as described in footnotes 3 and 4 below.

3. OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.

4. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.

5. Of the 156 reports in litigation, 44 are under criminal investigation.

6. Cost Questioned represents the amount of audit exception, potential cost avoidance, or recommended price adjustment in the audit report.

7. Cost Sustained represent the questioned costs, potential cost avoidance, or recommended price adjustment sustained by the contracting officer.

8. Not applicable. Cost Sustained occurs when an audit report has been dispositioned (closed) during the reporting period and as a result would not be applicable when reporting data on open reports..

9. Contracting officers sustained $540.8 million (42.5 percent) of the $1,273.0 million questioned as a result of significant post-award contract audits during the period. The contracting officer sustention rate of 42.5 percent represents a decrease from the sustention rate of 62.3 percent for the prior reporting period.

◊ Fulfills requirement of DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports", Enclosure 2, Section (1)(d).

STATUS OF REPORTS WITH ACTION PENDING

Report: D-2006-077, DoD Security Clearance Process at Requesting Activities, 04/19/2006
Description of Action: Updating DoD Personnel Security Clearance Program policies to include information on investigative responsibilities, security clearance systems, submission processes, levels of security clearances, and training requirements.
Reason Action Not Completed: Current DoD guidance is dated January 1987. The Office of Management and Budget has delayed publication of DoD Instruction 5200.2 as a final rule three times since DoD''s submission to Office of Management and Budget in September 2012. The most recent delay is to resolve Office of Management and Budget's categorization of the policy as a "significant rule" under Executive Order 12866, which requires further review, a ruling that DoD Office of General Counsel is working to have reversed. Estimated completion date on the related DoD Manual is 2014. Air Force guidance delayed due to increased workload supporting new personnel security efforts. Estimated completion date is December 2013. Army Regulation 380-67 on hold by Army Judge Adocate General pending publication of revised DoD guidance.
Principal Action Office: Under Secretary of Defense for Intelligence, Army, Air Force

Report: D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 03/19/2008
Description of Action: Publish guidance/manual to address deficiencies in interagency acquisitions on the proper use of non-DoD contracts.
Reason Action Not Completed: Due to questions raised by the Office of the General Counsel, the principal assistant responsible for contracting policy alert was delayed in order to reconcile the issues and coordinate the additional changes with key stakeholders. The anticipated release date is not later than Dec. 31, 2013.
Principal Action Office: Army

Report: D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 05/09/2008
Description of Action: Update the capabilities documents for the Family of Medium Tactical Vehicles to include armor kit requirements. Once these requirements are approved, document plans for issuance of the armor kits.
Reason Action Not Completed: Although action was initiated in late 2008, the Army has yet to establish validated armor kit requirements for the Family of Medium Tactical Vehicles.
Principal Action Office: Army

Report: D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 05/13/2008
Description of Action: The Army is working to update system capabilities for annual and end-of-day inventory reconciliations.
Reason Action Not Completed: Requested systems changes to the Logistics Modernization Program have not been funded.
Principal Action Office: Army

Report: D-2009-028, Organizational Structure and Managers' Internal Control Program for the Assistant Secretary of Defense (Public Affairs) and American Forces Information Service, 12/10/2008
Description of Action: Investigate potential misuse of funds, improper contracting, and statutory violations.
Reason Action Not Completed: The formal Antideficiency Act Violation Investigation is ongoing.
Principal Action Office: Assistant Secretary of Defense for Public Affiars

Report: D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, 12/08/2008
Description of Action: Report is FOUO.
Reason Action Not Completed: The Marine Corps action was on hold pending Joint Staff issuing revised guidance. Joint Staff issued revised guidance in January 2012. The Marine Corps has not yet updated their guidance.
Principal Action Office: Marine Corps

Report: D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 03/25/2009
Description of Action: Improve internal controls over cash and other monetary assets by establishing a special control account, developing policies and procedures, and monitoring cash usage. Develop non-cash methods of payment for contingency operations.

Reason Action Not Completed: Corrective actions cannot be implemented until coordination with Office of Management and Budget and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its components, and with the Treasury and Office of Management and Budget.
Principal Action Office: USD(C), DFAS

Report: D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 03/24/2009
Description of Action: Develop mandatory training to address how the rules and regulations governing multiple-award contracts differ from those governing the General Services Administration's Federal Supply Schedules, including the award and administration of task and delivery orders.
Reason Action Not Completed: Updating policy and in-processing Federal Acquisition Regulation changes takes time. Developing training materials to be consistent with the regulation changes also takes time.
Principal Action Office: USD(AT&L)

Report: D-2009-072, Monitoring PowerTrack Payments for DoD Freight Transportation, 04/09/2009
Description of Action: Use data mining to monitor problematic payments for duplicate payment indicators.
Reason Action Not Completed: Enterprise Data Warehousing and data mining solutions to assist with the pre-payment and post-payment processes will be analyzed and implemented through an internal controls effort sponsored by the Deputy Assistant Secretary of Defense (Transportation Policy) and DFAS.
Principal Action Office: USD(AT&L)

Report: D-2009-098, Status of the Defense Emergency Response Fund in Support of the Global War on Terror, 07/30/2009
Description of Action: Review the Fund for Global War on Terrorism obligations and deobligate all unliquidated obligations, withdraw all excess funds provided to the DoD components, and transfer the funds to the U.S. Treasury.
Reason Action Not Completed: Extensive time needed to coordinate deobligation of unliquidated obligations, withdrawal of excess funds, and transference of funds to U.S. Treasury.
Principal Action Office: USD(C)

Report: D-2009-104, Sanitization and Disposal of Excess Information Technology Equipment, 09/21/2009
Description of Action: DoD Chief Information Office is updating DoD Instructions 8500.01 and 8510.01.
Reason Action Not Completed: Extended time is required for revision of DoD guidance series.
Principal Action Office: DoD Chief Information Office

Report: D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009
Description of Action: Update DoD and joint guidance to add clarity to the process of staffing Federal Emergency Management Agency mission assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities, and on specific events for command and control handoff guidance.
Reason Action Not Completed: Extensive time required to develop, coordinate and implement the guidance.
Principal Action Office: Joint Chiefs of Staff, USD(C)

Report: D-2010-024, Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems, 11/24/2009
Description of Action: Report is FOUO.
Reason Action Not Completed: Extensive time required to coordinate and issue guidance.
Principal Action Office: USD(AT&L)

Report: D-2010-026, Joint Civilian Orientation Conference Program, 12/09/2009
Description of Action: Update DoD Instruction 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program. Initiate a preliminary Antideficiency Act review of the use of Joint Civilian Orientation Conference fees received since the inception of the Miscellaneous Receipts Statute.
Reason Action Not Completed: The Washington Headquarters Service is appointing an investigator to conduct a formal investigation of the reportable violation. A complete rewrite of DoD Instruction 5410.19 is underway.
Principal Action Office: Assistant Secreteary of Defense (Public Affairs), Washington Headquarters Service

Report: D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009
Description of Action: Report is FOUO.

Reason Action Not Completed: Long-term corrective actions are ongoing.
Principal Action Office: Navy

Report: D-2010-036, Controls Over Navy Military Payroll Disbursed in Support of Operations in Southwest Asia at San Diego-Area Disbursing Centers, 01/22/2010
Description of Action: Develop an electronic storage capability for supporting documentation.
Reason Action Not Completed: Navy plans to commence the Training Requirements and Information Management System implementation within the United States has been delayed. The newest version of Training Requirements and Information Management System cannot interface with overseas activities, and there is currently no overseas implementation schedule.
Principal Action Office: Navy

Report: D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 03/02/2010
Description of Action: Report is FOUO.
Reason Action Not Completed: The proposed change has been incorporated into the revised Financial Management Regulation, which is now expected February 2014.
Principal Action Office: USD(C)

Report: D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 04/08/2010
Description of Action: Revise DoD Instruction 5000.66 to require military departments and defense agencies to develop guidance to identify acquisition, technology and logistics workforce requirements in accordance with other DoD instructions and the Financial Management Regulation.
Reason Action Not Completed: Extensive time required to revise and coordinate instructions/guidance.
Principal Action Office: USD(AT&L)

Report: D-2010-065, Validity and Security of Selected DoD Civilian Employee Accounts, 05/25/2010
Description of Action: Report is classified.
Reason Action Not Completed: Extensive time required to review and validate potentially invalid accounts and apply corrections.
Principal Action Office: DFAS

Report: D-2010-078, Air Force Use of Time-and-Materials Contracts in Southwest Asia, 08/16/2010
Description of Action: The Air Force Center for Engineering and the Environment requested Defense Contract Audit Agency audit assistance and will obtain reimbursements for incorrect charges with attention to $24.3 million for labor charges invoiced by the contractors but not authorized by the task orders.
Reason Action Not Completed: DCAA work is ongoing and the contracting officer was to review $3.3 million in DCAA identified questioned costs.
Principal Action Office: Air Force

Report: D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 08/27/2010
Description of Action: Army Contracting Command will establish a plan for reviewing invoices for 18 contracts, and will request DCAA assistance. ACC-Aberdeen Proving Ground and White Sands Missile Range. ACC-White Sands Missile Range will review contracts and task orders. DCAA will conduct incurred cost audits on the contractor for FY 2006 and FY 2007. ACC will pursue a refund from the contractor, if appropriate.
Reason Action Not Completed: ACC and DCAA have not completed reviews of task orders and audits of incurred costs.
Principal Action Office: Army

Report: D-2011-028, Contract Oversight for the Broad Area Maritime Surveillance Contract Needs Improvement, 12/23/2010
Description of Action: Develop an agency improvement policy that will require all letters of delegation be modified to include necessary surveillance and inspection requirements.
Reason Action Not Completed: Extensive time required to develop and coordinate guidance.
Principal Action Office: Defense Contract Management Agency

Report: D-2011-037, Marine Corps Response to Nonlethal Laser Dazzler Urgent Request, 02/09/2011
Description of Action: Perform a review of the circumstances that led to the purchase of the 28 Compact High Power Laser Dazzlers and initiate administrative action, if appropriate.
Reason Action Not Completed: Competing management priorities.
Principal Action Office: Navy

Report: D-2011-047, Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan, 03/02/2011
Description of Action: The Defense Logistics Agency will conduct fair and reasonable pricing determinations, refunds of overpayments, and review costs charged to incorrect appropriations.

Reason Action Not Completed: DLA has not adequately supported pricing determinations for premium transportation, recovered potential overpayments to the prime vendor contractor, established controls for managing refunds of subsistence prime vendor overpayments, and reviewed all subsistence prime vendor contracts.
Principal Action Office: DLA

Report: D-2011-060, Marine Corps Inventory of Small Arms Was Generally Accurate but Improvements Are Needed for Related Guidance and Training, 04/22/2011
Description of Action: Update Marine Corps Order 8300.1C to include additional guidance for small arms accountability.
Reason Action Not Completed: Competing management priorities.
Principal Action Office: Navy

Report: D-2011-061, Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot, 05/03/2011
Description of Action: Establish a formal memorandum of agreement between the Corpus Christi Army Depot, Aviation and Missile Command Integrated Material Management Center, Defense Logistics Agency and Boeing for dealing with excess DoD inventory.
Reason Action Not Completed: Long-term corrective actions are still ongoing.
Principal Action Office: Army

Report: D-2011-071, U.S. Air Force Academy Could Have Significantly Improved Planning, Funding, and Initial Execution of the American Recovery and Reinvestment Act Solar Array Project, 06/16/2011
Description of Action: Determine accountability for the categorization of Recovery Act solar array project costs as a utility company connection charge.
Reason Action Not Completed: Competing management priorities.
Principal Action Office: Air Force

Report: D-2011-077, Improved Management Can Reduce Costs of the Maintenance, Repair, and Operations Prime Vendor Contract for the Republic of Korea, 06/24/2011
Description of Action: Report is FOUO.
Reason Action Not Completed: Administrative delays in awarding contract. The estimated completion date is January 2014.
Principal Action Office: DLA

Report: D-2011-080, DoD and DoS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program, 07/07/2011
Description of Action: Defense Contract Audit Agency will conduct audit work to verify that DynCorp did not double-bill claimed costs under DoD and Department of State contracts from Dec. 30, 2010, through to July 15, 2011.
Reason Action Not Completed: Corrective actions are on-going and on schedule.
Principal Action Office: DCAA

Report: D-2011-083, Additional Actions Can Further Improve the DoD Suspension and Debarment Process, 07/14/2011
Description of Action: Develop a training program to inform contracting personnel of the suspension and debarment program and the process for referring poorly performing contractors.
Reason Action Not Completed: Long-term corrective actions are in process.
Principal Action Office: USD(AT&L)

Report: D-2011-089, Reducing Vulnerabilities at the Defense Information Systems Agency Defense Enterprise Computing Centers, 07/22/2011
Description of Action: Report is FOUO.
Reason Action Not Completed: Extensive time required to coordinate and implement corrective actions.
Principal Action Office: Defense Information Systems Agency

Report: D-2011-090, Cost of War Data for Marine Corps Contingency Operations Were Not Reliable, 07/22/2011
Description of Action: Update Marine Corps Order 7300.21A "Marine Corps Financial Management Standard Operating Procedure Manual," Oct. 2, 2008.
Reason Action Not Completed: Long-term corrective actions are in process.
Principal Action Office: Navy

Report: D-2011-096, Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program, 08/12/2011
Description of Action: Report is FOUO.
Reason Action Not Completed: Extensive time required to revise and coordinate policy guidance.
Principal Action Office: DoD Chief Information Office, Joint Chiefs of Staff, U.S. Strategic Command

Report: D-2011-104, Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With

Sikorsky to Support the Corpus Christi Army Depot, 09/08/2011
Description of Action: Defense Contract Management Agency will identify the Sikorsky purchasing system as high risk and perform a review to determine improvements that can be made. Army will improve contracting procedures for pricing and procurement, and obtain refunds from Sikorsky for pricing and excessive escalation.
Reason Action Not Completed: Long-term corrective actions are on-going.
Principal Action Office: DCMA, Army

Report: D-2011-106, The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective, 09/22/2011
Description of Action: Develop comprehensive policy for planning, prioritizing, selecting, and executing cost-effective shore energy projects in accordance with DoD and federal requirements.
Reason Action Not Completed: The Navy and the Marine Corps are developing planning and implementation guidance.
Principal Action Office: Navy, Marine Corps

Report: D-2011-108, Geothermal Energy Development Project at Naval Air Station Fallon, Nevada, Did Not Meet Recovery Act Requirements, 09/19/2011
Description of Action: Establish a timeline for project completion and then determine if the project is still a valid use of Recovery Act funds.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Navy

Report: D-2011-111, Guidance on Petroleum War Reserve Stock Needs Clarification, 09/27/2011
Description of Action: Report is classified.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: USD(AT&L), JCS

Report: D-2011-115, DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts, 09/30/2011
Description of Action: Report is FOUO.
Reason Action Not Completed: Significant public comments required additional time to adjudicate.
Principal Action Office: USD (AT&L)

Report: DODIG-2012-004, Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot, 11/03/2011
Description of Action: Army will develop a plan to improve use of existing inventory and source of supply; will obtain refunds from Sikorsky for a materiel cost reduction incentive and for excessive profits on purchases from Defense Logistics Agency; and contracting personnel will improve contracts related to materiel cost reduction incentives and purchases from DLA to prevent Sikorsky from making excessive profits.
Reason Action Not Completed: Long-term corrective actions are on-going.
Principal Action Office: Army

Report: DODIG-2012-006, Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees, and the Army Was Incorrectly Billed, 11/01/2011
Description of Action: The U.S. Army Space and Missile Command contracting office will complete their final review of excess fixed fees in the amount of $20,000 and will negotiate a return of the funds, if appropriate.
Reason Action Not Completed: The U.S. Army Space and Missile Command contracting office has not yet completed their final review of excess fixed fees.
Principal Action Office: Army

Report: DODIG-2012-007, Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability, 11/02/2011
Description of Action: Direct the Air Force to update the Acquisition Strategy before Milestone C, submit a Capability Production Document in the Acquisition Decision Memorandum, and update the Multi-Platform Radar Technology Insertion Program/Global Hawk Block 40 Test and Evaluation Master Plan.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: USD(AT&L)

Report: DODIG-2012-017, U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies, 11/07/2011
Description of Action: The U.S. Naval Academy will revise guidance, improve controls, and implement computer software systems covering in-kind gifts and sponsorship funds.
Reason Action Not Completed: Corrective actions are on schedule..
Principal Action Office: Navy

Report: DODIG-2012-036, DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft, 01/05/2012
Description of Action: Develop a departmental directive that establishes and implements policy for service and component airworthiness programs.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: USD(AT&L)

Report: DODIG-2012-039, Summary Report on DoD's Management of Undefinitized Contractual Actions, 01/13/2012
Description of Action: Develop a transparent means to document incurred costs and reduced cost risk related to substantial incurred costs during undefinitized periods.
Reason Action Not Completed: The original Defense Federal Acquisition Regulation Supplement case has been subsumed under a new DFARS case to address a broader effort to review and modify the Department's profit guidelines.
Principal Action Office: USD(AT&L)

Report: DODIG-2012-050, Improvements Needed With Host-Based Intrusion Detection Systems, 02/03/2012
Description of Action: Report is FOUO.
Reason Action Not Completed: Multiple systems and configuration processes that are needed are ongoing.
Principal Action Office: U.S. Strategic Command, Defense Information Systems Agency

Report: DODIG-2012-064, Vulnerability and Risk Assessments Needed to Protect Defense Industrial Base Critical Assets, 03/13/2012
Description of Action: Report is FOUO
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Under Secretary of Defense for Policy

Report: DODIG-2012-066, General Fund Enterprise Business System Did Not Provide Required Financial Information, 03/26/2012
Description of Action: Implement corrective actions to address the Standard Financial Information Structure gaps as reported in the General Fund Enterprise Business System.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Army

Report: DODIG-2012-069, Action is Needed to Improve the Completeness and Accuracy of Defense Enrollment Eligibility Reporting System Beneficiary Data, 04/02/2012
Description of Action: Issue policy that requires Real-time Automated Personnel Identification System personnel to scan and store documentation in the Defense Enrollment Reporting System that supports eligibility.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Under Secretary of Defense for Personnel and Readiness

Report: DODIG-2012-072, DoD's FY 2010 Purchases Made Through the Department of the Interior, 04/13/2012
Description of Action: USD(AT&L) will issue contracting guidance to DoD that establishes procedures for approving contracting actions when using other federal agencies contracts to make purchases for DoD.
Reason Action Not Completed: The DoD has not yet completed the policy memorandum for contracting guidance.
Principal Action Office: USD(AT&L)

Report: DODIG-2012-081, Navy Organic Airborne and Surface Influence Sweep Program Needs Defense Contract Management Agency Support, 04/27/2012
Description of Action: Navy will review the other programs of littoral combat ship portfolio to determine whether program managers are maximizing the use of DCMA services.
Reason Action Not Completed: Corrective actions are in process.
Principal Action Office: Navy

Report: DODIG-2012-082, DoD Can Improve Its Accounting for Residual Value From the Sale of U.S. Facilities in Europe., 05/04/2012
Description of Action: The comptroller will obligate $6 million of a $6.8 million unobligated balance in the DoD Overseas Military Facilities Investment Recovery Account, and will revise the DoD Financial Management Regulation to address oversight of unobligated balances. USD (AT&L) will revise guidance to require that future residual value settlement negotiations analyze and document how the settlement was determined.
Reason Action Not Completed: The corrective actions are being implemented on schedule.
Principal Action Office: USD(C), USD(AT&L)

Report: DODIG-2012-083, Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution, 05/07/2012
Description of Action: Develop a new course that will provide pharmacy technicians with the logistics training needed to perform their jobs and help improve the pharmaceutical distribution process.
Reason Action Not Completed: Time needed to develop new a training module for the Pharmacy Technician Training Course and update policy changes.
Principal Action Office: U.S. Central Command

Report: DODIG-2012-087, Logistics Modernization Program System Procure-to-Pay Process Did Not Correct Material Weaknesses, 05/29/2012
Description of Action: Develop a plan of action and milestones to bring the Logistics Modernization Program system into compliance with the DoD Business Enterprise Architecture Procure-to-Pay business rules.
Reason Action Not Completed: Long-term corrective actions are still ongoing.
Principal Action Office: Army

Report: DODIG-2012-090, Improvements Needed to Strengthen the Defense Enrollment Eligibility Reporting System Security Posture, 05/22/2012
Description of Action: Report is FOUO.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Under Secretary of Defense for Personnel and Readiness

Report: DODIG-2012-095, American Recovery and Reinvestment - Ineffective Controls Over the Contractor's Performance and Reporting for Modernization of the Navy Operational Support Center in Charlotte, North Carolina, 06/05/2012
Description of Action: The Commanding Officer, Naval Facilities Engineering Command Mid-Atlantic will validate contractor-reported data to detect and correct significant reporting errors.
Reason Action Not Completed: Corrective actions are ongoing.
Principal Action Office: Navy

Report: DODIG-2012-099, Adequate Contract Support and Oversight Needed for the Tactical Wheeled Vehicle Maintenance Mission in Kuwait, 06/01/2012
Description of Action: Report is FOUO.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Army

Report: DODIG-2012-102, Better Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles, 06/18/2012
Description of Action: Revise Army Regulation 700-127 to require the use of all necessary DoD overarching total life-cycle systems management metrics in performance-based logistics contracts to effectively ensure desired outcomes.
Reason Action Not Completed: Extensive time required to coordinate and issue guidance.
Principal Action Office: Army

Report: DODIG-2012-104, DoD Needs to Improve Vocational Training Efforts to Develop the Afghan National Security Forces Infrastructure Maintenance Capabilities, 06/18/2012
Description of Action: The Combined Security Transition Command-Afghanistan will execute existing transition strategy initiatives and develop new initiatives to accelerate development of Afghan National Security Forces infrastructure maintenance capabilities.
Reason Action Not Completed: Time needed to revise and staff the Infrastructure Training Advisory Team Campaign Plan.
Principal Action Office: U.S. Central Command

Report: DODIG-2012-106, DoD Needs to Improve the Billing System for Health Care Provided to Contractors at Medical Treatment Facilities in Southwest Asia, 06/27/2012
Description of Action: In April 2011, DoD began billing contractors for health care provided in Southwest Asia, but improvements to the billing system are needed. Without improvements to the billing system, it is likely Defense Finance and Accounting Service will continue to underbill.
Reason Action Not Completed: General Counsel review to determine if current process to bill non-DoD contractors is adequate or if an alternate process is required.
Principal Action Office: Under Secretary of Defense for Contracting

Report: DODIG-2012-107, Defense Finance and Accounting Service Needs to Improve the Process for Reconciling the Other Defense Organizations' Fund Balance with Treasury, 07/09/2012
Description of Action: Develop a systems infrastructure that will allow: retrieval of detailed transactions that support open appropriations, reconciliations between transactions supporting the amounts on the Cash Management Report and Other

Defense Organizations' accounting systems, and monthly transaction level reconciliations for the Other Defense Organizations. Also, develop an agreement that designates responsibility for remediating transactions that have remained unmatched since 2007.
Reason Action Not Completed: Long-term corrective actions are still ongoing.
Principal Action Office: DFAS

Report: DODIG-2012-108, Questionable Data Cast Doubt on the Need for Continuing the Defense Transportation Coordination Initiative, 08/31/2012
Description of Action: Review contractor performance against the criteria in the Award Term Option Plan to determine whether the Defense Transportation Coordination Initiative achieves cost-savings goals and other key performance indicators prior to exercising an option year.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: U.S. Transportation Command

Report: DODIG-2012-110, Better Oversight Needed for the National Guard's Weapons of Mass Destruction Civil Support Teams, 07/02/2012
Description of Action: The director, National Guard Bureau-J3, will develop a written oversight plan that verifies compliance with mission-reporting requirements and provides feedback to Weapons of Mass Destruction Civil Support Teams on omissions and errors.
Reason Action Not Completed: Time required to convert all National Guard Bureau issued instructions to Chief, National Guard Bureau issued policy and manuals.
Principal Action Office: National Guard Bureau

Report: DODIG-2012-112, Reporting the Daily Location of Deployed Service Members Generally Adequate; However, the Navy Needed Improvement, 07/18/2012
Description of Action: Task the appropriate commands to establish roles and responsibilities for implementing daily location reporting for deployed service members required by DoD Instruction 6490.03, "Deployment Health."
Reason Action Not Completed: The Chief of Naval Operations is developing a plan of action and milestones outlining the way to achieve compliance with the location reporting requirements.
Principal Action Office: Navy

Report: DODIG-2012-115, Improved Oversight, but No Invoice Reviews and Potential Antideficiency Act Violation May Have Occurred on the Kuwait Observer Controller Team Task Orders, 08/02/2012
Description of Action: Defense Contract Audit Agency will coordinate with the Army contracting officer to implement procedures for reviewing vouchers and verifying that the contractor does not receive reimbursement for potentially unallowable costs, and will determine whether to include direct travel costs as a high risk area.
Reason Action Not Completed: DCAA action is on-going and on schedule.
Principal Action Office: DCAA

Report: DODIG-2012-117, DoD Needs to improve Controls Over Economy Act Orders with U.S. Agency for International Development, 08/14/2012
Description of Action: DoD Acquisition and Logistics officials established a working group to review acquisition policy related to Economy Act and non-Economy Act interagency acquisitions. The group will address the recommendation regarding the use of either a reimbursement process or a direct cite when establishing Economy Act orders with non-DoD agencies; and the recommendation to include procedures for properly monitoring interagency acquisitions. U.S. Forces-Afghanistan is updating procedures and establishing controls over the development and monitoring of Economy Act orders.
Reason Action Not Completed: Long-term corrective actions are in process.
Principal Action Office: USD(AT&L), USFOR-A

Report: DODIG-2012-119, Most Geographic Combatant Commands Effectively Planned and Executed Disaster Relief Operations, but Improvements Could be Made, 08/14/2012
Description of Action: Implement best practices for disaster relief in key areas, such as command procedures, information sharing, phase-zero activities, and dissemination of lessons learned.
Reason Action Not Completed: U.S. European Command will review Disaster Relief Plans from other combatant commands and utilize concepts, ideas and best practices from those plans that are compatible and effective into U.S. European Command plans.
Principal Action Office: U.S. European Command

Report: DODIG-2012-122, DoD Should Procure Compliant Physical Access Control Systems to Reduce the Risk of Unauthorized Access, 08/29/2012

Description of Action: Reassess and require each office responsible for the full implementation of Homeland Security Presidential Directive-12 to provide oversight and accountability including the reprogramming of funding when appropriate or necessary. Require the services and DoD agencies to report semiannually to the Under Secretary of Defense for Personnel and Readiness on the status of their Homeland Security Presidential Directive-12 implementation efforts. Report on facilities with installed physical access control systems and physical access control systems' equipment that comply with Federal Information Processing Standard 201 and on those facilities required to install or upgrade physical access control systems and equipment to comply with Federal Information Processing Standard 201. Require the completion of site surveys, to include participation of installation security personnel, that address all mission requirements and infrastructure limitations.
Reason Action Not Completed: Under Secretary of Defense for Personnel and Readiness will convene senior and working level meetings to address the responsibilities of each Homeland Security Presidential Directive-12 Office of Secretary of Defense principal staff assistant. USD (P&R) will work with each principal staff assistant to ensure compliance with relevant federal requirements and request each principal staff assistant to provide an annual update regarding their Homeland Security Presidential Directive-12 implementation efforts. All DoD components will be directed to use the Defense Property Accountability System to inventory and manage physical access control systems and physical access control equipment. Once a Department-wide inventory is completed, authorized users will be able to query Defense Property Accountability System for the required report information on a real-time basis. A directive paragraph will be included in the Navy Physical Security and Law Enforcement Policy to include the requirement for installation officials to be included in the site survey. Headquarters Marine Corps coordination of working groups is ongoing to address required support to the integrated assessment team and to identify specific information, requirements, and standards that will be compiled during the site visits.
Principal Action Office: Under Secretary of Defense for Personnel and Readiness, Under Secretary of Defense for Intelligence, Navy, Marine Corps

Report: DODIG-2012-125, Inappropriate Leasing for the General Fund Enterprise Business System Office Space, 09/11/2012
Description of Action: Army conducted a preliminary Antideficiency Act review of the modification of the General Fund Enterprise Business System contract concerning leased space for the General Fund Enterprise Business System Project Office, will request the General Services Administration to ratify the contract, and will evaluate appropriate remedies for potential improper payments.
Reason Action Not Completed: Army conducted a preliminary Antideficiency Act review but DoD IG disagrees with the Army's results.
Principal Action Office: Army

Report: DODIG-2012-129, General Purpose Forces Enablers Support to Special Operations Forces Works Effectively, but Opportunities Exist for Improvement, 09/13/2012
Description of Action: The Report is classified
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: JCS

Report: DODIG-2012-130, DFAS Controls over Duplicate Payments in One Pay Were Generally Effective, But There Were Opportunities for Improvement, 09/14/2012
Description of Action: Conduct testing of various settings and use those results to determine if a logic change would improve both improper payment prevention and optimized resource use.
Reason Action Not Completed: Corrective actions still ongoing.
Principal Action Office: DFAS

Report: DODIG-2012-131, Improvements Needed in How the Defense Finance and Accounting Service Adjusts and Supports Billing Rates, 09/19/2012
Description of Action: USD(C) is updating the DoD Financial Management Regulation to require written authorization to use prices other than those established in the budget review process. DFAS is working to provide sufficient information to customers so that they can understand the accounting services performed and how they contribute to increased DFAS costs and workload.
Reason Action Not Completed: Long-term corrective actions are in process.
Principal Action Office: DFAS; USD(C)

Report: DODIG-2012-132, Improvements Needed in How the Defense Finance and Accounting Service Adjusts and Supports Billing Rates, 09/14/2012

Description of Action: Identify existing deficiencies, such as those identified in this report related to the unified facilities criteria and quality of life, and implement appropriate actions to correct the deficiencies.
Reason Action Not Completed: Of the 26 items noted, 19 now have been closed, five are in progress and two are listed for future funding.
Principal Action Office: Navy

Report: DODIG-2012-135, Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays, 09/27/2012
Description of Action: Army will consider suspension or debarment of a contractor; review analyses of costs to ensure correctness; withhold payments to contractor until costs have been verified as correct; and establish controls for contracting officers on cost and price analysis, modifications, and documentation of fair and reasonable price determinations.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Army

Report: DODIG-2012-136, DoD Education Activity Needed Better Planning for Military Construction Projects, 09/24/2012
Description of Action: DoD Education Activity will conduct a Business Case Analysis and cost estimate on the 21st Century Education Facilities Specifications Initiative that meets applicable standards and guidance.
Reason Action Not Completed: Corrective actions are on schedule.
Principal Action Office: Under Secretary of Defense for Personnel and Readiness

Report: DODIG-2012-137, U.S. Pacific Command's Petroleum War Reserve Requirements and Stocks, 09/26/2012
Description of Action: Revise DoD Manual 4140-25-M, "DoD Management of Bulk Petroleum Products, Natural Gas, and Coal," to include a requirement for updating the days of supply planning factors at least biannually.
Reason Action Not Completed: DoD Directive 4140-25 and DoD Manual 4140-25-M are expected to be issued in the 2nd quarter 2014.
Principal Action Office: USD(AT&L)

Report: DODIG-2012-138, Wholesale Accountability Procedures Need Improvement for the Redistribution Property Assistance Team Operations, 09/26/2012
Description of Action: Define wholesale accountability process, develop written procedures, and disseminate procedures to all officials involved with wholesale accountability. Inspect compliance with guidance. Update performance work statement to include performance measures for Redistribution Property Assistance Team operations, and incorporate updated performance work statement into contract.
Reason Action Not Completed: Training and assessment of compliance with new guidance are in process. Updated performance work statement was not incorporated in existing contract because mission was complete. Change in acquisition strategy delayed contract re-competition. Contract award is expected in November 2013.
Principal Action Office: Army

◊ Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(b)(4).

SECTION 845 ANNEX AUDIT REPORTS WITH SIGNIFICANT FINDINGS

DoD IG

Audit Report No. DODIG-2013-063	**Date:** April 8, 2013
Subject: Award and Administration of Performance-Based Payments in DoD Contracts	
Report: $53.3 Million in Funds Put to Better Use	
DoD contracting personnel needed additional guidance and training to better award and administer the $13.2 billion in performance-based payment events contained in the 60 contracts reviewed. DoD risked making advance payments totaling $11.4 billion and might have made full payments for less than full contract performance. Also, the government could have needlessly incurred $28.8 million in carrying costs associated with the $7.5 billion that DoD paid contractors. The government could realize potential monetary benefits of $13.6 million to $53.3 million over the next five years related to reduced carrying costs.	

Audit Report No. DODIG-2013-090	**Date:** June 13, 2013
Subject: Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company	
Report: $13.7 Million in Funds Put to Better Use	
Defense Logistics Agency Aviation contracting officers did not negotiate fair and reasonable prices on 1,469 delivery orders, valued at $27.2 million, thereby not getting best value for the government. DLA Aviation paid approximately $13.7 million in excess of fair and reasonable prices for the delivery orders.	

Audit Report No. DODIG-2013-095	**Date:** June 27,2013
Subject: Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement	
Report: $133.0 Million in Questioned Costs and $5. Million in Funds Put to Better Use	
U.S. Army Communications–Electronics Command, Security Assistance Management Directorate personnel could not substantiate the requirements for $133 million of Datron radios and equipment procured for the Afghan National Security Forces because personnel developed letters of offer and acceptance for more equipment than NATO Training Mission–Afghanistan/Combined Security Assistance Command–Afghanistan requested. Additionally, Datron did not meet the initial 90-day contractual delivery requirement for 29 of 36 contract actions, and Army Contracting Command–Aberdeen Proving Ground contracting officials did not renegotiate to establish reasonable delivery schedules. Lastly, the Defense Security Cooperation Agency personnel did not return excess contract administration services fees associated with Datron radio contracts to the Afghanistan Security Forces Fund. Therefore, approximately $5 million in excess fees were not available to NTM-A/CSTC-A to procure unfunded requirements for ANSF.	

Audit Report No. DODIG-2013-103	Date: July 16, 2013
Subject: Boeing Overstated Contract Requirements for the CH-47F Helicopter	
Report: $51.8 Million in Funds Put to Better Use	
Boeing overstated contract requirements by $15.1 million for 21 high dollar parts. Boeing also overstated requirements for 17 parts valued at $35.1 million that would result in overcharges ranging from $7.4 million to $16.6 million. As a result of our audit, Army Aviation and Missile Life Cycle Management Command performed an analysis of Boeing's multi-year II contract proposal and calculated $36.8 million in funds that could be put to better use by reducing safety stock costs. The multi-year II contract also had potential requirement overcharges for eight parts valued at $51.7 million that would result in overcharges ranging from $10.6 million to $19.1 million. As a result of our audit, AMCOM officials reviewed these eight parts on the multi-year II contract, and Boeing adjusted the requirements.	

Audit Report No. DODIG-2013-128	Date: Sept. 19, 2013
Subject: Air Force and Army Corps of Engineers Improperly Managed the Award of Contracts for the Blue Devil Block 2 Persistent Surveillance System	
Report: $149 Million in Wasted Funds	
Air Force efforts were unsuccessful to rapidly develop and field a persistent surveillance capability in response to joint urgent operational needs. Air Force and Army Corps of Engineers personnel improperly managed the award of contracts for Blue Devil Block 2. The warfighter did not receive an urgently needed capability and Air Force personnel wasted about $149 million on a system the contractor did not complete.	

DCAA

Audit Report No. 06281-2006H10100001	Date: March 27, 2013
Subject: Independent Audit of Contractor FY 2006 Incurred Cost Submission	
Prepared For: Defense Contract Management Agency	
Report: $120.7 Million Questioned Costs	
The audit of the incurred cost submission disclosed $120.7 million in questioned costs, including the following significant items: $61.6 million pension costs that should be part of segment-incurred cost submission; $7.9 million pension administrative costs that were unsupported, out of period or ERISA noncompliant; $18.5 million business insurance costs primarily that are allocable to the prior year; $17.8 million health and welfare costs related to ineligible dependents and excess self-insurance, over purchased insurance; $4.6 million state income taxes in excess of actual costs billed to segments; $2.2 million fringe-benefit costs for unallowable vacation accrual and paid holiday costs and fringe costs related to questioned labor costs; $2.1 million executive compensation for employees performing unallowable activities, unreasonable compensation and compensation over the executive compensation ceiling.	

Audit Report No. 09771-2010C17100002	Date: March 27, 2013
Subject: Examination of Termination	
Prepared For: Contracting Officer	
Report: $52.3 Million Questioned Costs	
The audit of the termination proposal resulted in $52.3 million in questioned costs. The significant items of questioned costs relate to labor hours not supported by timecards, unsupported material costs, lack of supporting documentation for computer services billed as other direct costs and assist audit results of proposed subcontract costs.	

Audit Report No. 06341-2011A17900002	**Date:** March 28, 2013
Subject: Independent Audit of Labor Charging	
Prepared For: DCMA Munitions and Support Systems	
Report: $23.2 Million Questioned Costs	
The audit of the labor billings on a Time and Materials contract resulted in $23.2 million of questioned costs, including $1.2 million of subcontractor labor billed above cost; and $22.0 million of billed subcontractor and prime contractor labor for employees that did not meet the education or experience requirements specified in the contract.	

Audit Report No. 06281-2005G10100001	**Date:** April 15, 2013
Subject: Independent Audit of FY 2005 Final Indirect Cost Rate Proposal	
Prepared For: Defense Contract Management Agency	
Report: $60.9 Million Questioned Costs	
The audit of the indirect cost rate proposal resulted in $60.9 million in questioned costs, $30.4 million of direct costs and $30.5 million of indirect costs. The significant items of direct costs questioned are $16 million of labor not adequately supported, e.g. lack of timesheets for labor; $8.5 million of material was not supported adequately, e.g. lack of voucher, check and/or purchase order support or lack of required contracting officer approval for material. The significant items of indirect costs are $20.3 million in questioned allocations and questioned costs from the audit of the home office; $9.0 million not adequately supported, e.g. indirect labor not supported by timesheets or unallowable, e.g. excess executive compensation.	

Audit Report No. 03221-2006T10100001	**Date:** April 17, 2013
Subject: Independent Audit of Contractor FY 2006 Administrative, Centrally Administered, and Cost of Money Certified Final Indirect Proposal	
Prepared For: Defense Contract Management Agency	
Report: $212.9 Million Questioned Costs	
The audit of the indirect cost proposal resulted in $212.9 million in questioned costs, including the following significant items: $5.4 million purchased services—due to inadequate support, e.g., service agreements and/or invoices; $2.8 million travel—unallowable primarily due to costs in excess of per diem and economy fare or as inadequately supported; $2.5 million employee motivation—primarily patent costs related to invention awards were not adequately supported as allowable, incurred as a government contract requirement; $38.5 million professional services—primarily related to insufficient support such as invoices and signed service agreements; $26.7 million consulting—primarily for inadequate support such as invoices, agreements and work product; $30.3 million contractor international—due to inadequate support of percentages for determining unallowable international office costs; $60.0 million employee group insurance—primarily as unallowable due to lack of support of dependent eligibility; $10.3 retired medical insurance—as unallowable due to lack of support of dependent eligibility; $25.5 million corporate liability insurance—as unallowable primarily due to inadequate support of actual loss history experience used to determine the self-insurance premium.	

Audit Report No. 06281-2005G10100002	**Date:** April 26, 2013
Subject: Independent Audit of FY 2005 Final Indirect Cost Rate Proposal	
Prepared For: Defense Contract Management Agency	
Report: $63.9 Million Questioned Costs	
The audit of the indirect cost rate proposal resulted in $38.8 million of questioned indirect costs and $25.1 million of questioned direct costs. The significant items of indirect costs questioned are $29 million—allocations from division and home office allocations questioned in other DCAA audit reports; $5.7 million indirect labor—not adequately supported, e.g. properly completed timesheet. The significant items of direct costs questioned are $18.1 million direct labor—due to lack of properly completed timesheets to establish the cost was incurred as claimed; and $2.5 million consultant costs not supported by statements of work/contract agreements as required by the Federal Acquisition Regulation.	

Audit Report No. 09771-2008C42000005	**Date:** April 30, 2013
Subject: Post Award Audit	
Prepared For: Defense Contract Management Agency	
Report: $22.3 Million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a, Truth in Negotiations Act, resulted in a recommended price adjustment of $22.3 million for increased material, labor and related indirect costs included in the negotiated contract price, because the contractor did not comply with the statutory requirement to furnish accurate, complete and current cost or pricing data prior to contract award. The recommended price adjustment was based on current purchase orders; labor hour history from prior delivery orders; correction of pricing errors for items based on purchase orders and quotes; application of a material price curve representative of the unit price/quantities from the current purchase orders; application of a labor improvement curve based on historical labor hours and application of a labor improvement curve base on quantities manufactured from prior delivery orders.	

Audit Report No. 03181-2012D10180017	**Date:** May 7, 2013
Subject: Independent Audit Of Direct Costs Incurred and Claimed Under Contract, FY 2000 to CY 2011	
Prepared For: U.S. Air Force Central Command	
Report: $136.2 Million Questioned Costs	
The audit of the incurred cost claim disclosed $136.2 million in questioned costs, including the following significant items: $39.7 million direct labor—costs were not adequately supported by timesheets, employment agreements or there was no support provided; $15.6 million direct travel—costs were not adequately supported (e.g., by vouchers, receipts and/or expense reports), not allocable to this period, or exceeded per diem; $76.6 million other direct costs—claimed costs did not tie to books, were not adequately supported (e.g. by vouchers, proof of payment, contractual agreements) or were not allocable to this period.	

Audit Report No. 01621-2012A17100001	**Date:** May 14, 2013
Subject: Independent Audit of Termination Settlement Proposal	
Prepared For: Defense Contract Management Agency – Terminations Group	
Report: $12.5 Million Questioned Costs	
The audit of the termination settlement proposal resulted in $12.5 million of questioned cost, including the following significant items: $3.8 million of general and administrative expenses due to questioned rates and to questioned base costs; $2.0 million of settlement expenses including unreasonable consultant expenses and unallowable labor for idle time and job search; $3.2 million of claimed "loss of useful life" for special equipment that the contractor does not intend to transfer to the government; and $2.2 million of proposed subcontract settlement costs in excess of the actual or updated estimated settlements.	

Audit Report No. 03231-2007M10100049	**Date:** May 22, 2013
Subject: Independent Audit of FY 2007 Incurred Cost Proposal	
Prepared For: U.S. Department of Energy	
Report: $15.4 Million Questioned Costs	
The audit of the incurred cost proposal disclosed $15.4 million in questioned costs, including the following significant items: $4.7 million labor—costs were not adequately supported (e.g., no timesheets or timesheet not adequate) or wage exceeded Federal Acquisition Regulation's compensation limitation; $3.1 million consultants—costs were for unallowable lobbying or advertising activities, were not adequately supported (e.g. by invoices agreements, expense reports to establish allowability) or were not allocable as claimed; $2.4 million shareholder expenses—were not adequately supported to determine the actual activities or constitute equity payouts.	

Audit Report No. 06281-2005G10100003	**Date:** May 22, 2013
Subject: Independent Audit of FY 2005 Final Indirect Cost Rate Proposal	
Prepared For: Defense Contract Management Agency	
Report: $136.6 Million Questioned Costs	
The audit of the indirect cost rate proposal resulted in $136.8 million of questioned indirect costs, including the following significant items: $70.9 million not allocable per Federal Acquisition Regulation; $35.5 million not adequately supported to determine allowability; $19.9 million questioned based on other Defense Contract Audit Agency audits and reconciliation differences of claimed to booked costs; $3.7 million unallowable compensation; $1.9 million out of period costs.	

Audit Report No. 02901-2012C17100004	**Date:** May 24, 2013
Subject: Independent Audit of Termination Proposal	
Prepared For: Office of the Assistant Secretary of Defense	
Report: $16.0 Million Questioned Costs	
The audit of the termination proposal resulted in $16.0 million of questioned indirect costs. The significant items of termination costs questioned are: $6.3 million general and administrative —pool and base costs were based on estimates not supported by documentation or approved by contracting officer and expenses are cash basis versus accrual basis; $2.7 million pre-contract costs—labor, other costs and applicable overhead costs are related to unallowable pre-contract effort based on contracting officer determination; $4.7 million settlement with subcontractors—proposed subcontracts were not supported adequately (e.g., contractual agreement) and included various unallowable pre-contract, idle facility and bid and proposal costs, and the settlement expenses were not adequately supported.	

Audit Report No. 03321-2005K10100001	**Date:** May 24, 2013
Subject: Independent Audit of Contractor FY 2005 Incurred Cost Submission	
Prepared For: Defense Contract Audit Agency Americas Business Group	
Report: $350 Million Noncompliant Costs	
Because of scope restrictions, DCAA was not able to obtain sufficient evidential matter on which to base a definitive opinion on the reasonableness, allowability and allocability of the claimed costs resulting in a disclaimer of opinion. The procedures performed disclosed $350 million of costs noncompliant with the Federal Acquisition Regulation, including the following significant items: $267.5 million of subcontract costs that were not based on adequate price analysis, were not awarded to the lowest bidder, did not comply with subcontract terms or were unreasonable; $42.1 million of travel costs, $16.4 million of equipment costs and $4.6 million of consultant expenses for which the contractor did not provide adequate supporting documentation or that did not comply with contract terms; and $6.8 million of legal, freight and costs related to defective material.	

Audit Report No. 03321-2009K10100002	**Date:** May 28, 2013
Subject: Independent Audit of Contractor FY 2009 Incurred Cost Submission	
Prepared For: Defense Contract Management Agency—Cost and Pricing Center	
Report: $182.7 Million Questioned Costs	
The audit of the incurred cost submission resulted in $182.7 million of questioned costs, including the following significant items: $56.3 million of Defense Base Act insurance premiums because the contractor did not support the labor costs used to compute the premiums; $54.9 million of inadequately documented travel costs for subcontractor-leased aircraft and related fuel and foreign royalty and landing fees; $24.6 million of Home Office allocations; $19.0 million of legal expenses because the contractor failed to provide details of the legal matters covered; $14.9 million of legal settlements with subcontractors related to unallowable legal fees and work already paid for by the government; and $7.6 million of subcontract costs because the subcontract price was not fair and reasonable.	

Audit Report No. 03321-2009K10100001	**Date:** May 29, 2013
Subject: Independent Audit of Corporate Home Office and Intermediate Management Allocated Expenses	
Prepared For: Defense Contract Management Agency Civil Augmentation Program Team	
Report: $64.8 Million Questioned Costs	
The audit of the Home Office and intermediate office final indirect rate proposal resulted in $64.8 million of questioned costs, including the following significant items: $19.5 million of claimed facilities lease costs for which the contractor failed to provide any supporting information; $4.4 million of costs for deposits for facilities for which the contractor failed to provide adequate supporting information; $17.9 million of inadequately supported consultant expenses; and $12.1 million of subcontract costs.	

Audit Report No. 01281-2007A10100782	**Date:** May 30, 2013
Subject: Independent Audit of FY 2007 Incurred Cost Proposal	
Prepared For: Defense Contract Management Agency	
Report: $30.6 Million Questioned Costs	
The audit of the incurred cost proposal disclosed $30.6 million in questioned costs, including the following significant items: general and administrative pool—$8.5 million bonuses where no support was provided and no bonus policy existed; $10.9 million independent research and development had no support provided; general and administrative base—$10.2 million (upward adjustment) to properly include unallowable direct and indirect costs; $6.8 million affiliate aviation charges—inadequate support that charges were limited to cost; and $1.2 million labor—lacked adequate supporting documentation, e.g. properly completed timesheets.	

Audit Report No. 06281-2006G10100001	**Date:** May 30, 2013
Subject: Independent Audit of FY 2006 Final Indirect Cost Rate Proposal	
Prepared For: Defense Contract Management Agency	
Report: $65.3 Million Questioned Costs	
The audit of the indirect cost rate proposal questioned $44.7 million in direct costs and $20.6 million indirect costs. The significant items of questioned cost include: indirect costs—$16.4 million related to various allocations and the Home Division audit (Report No. 06281-2006G10100002), and $2.6 million in various accounts did not have adequate support provided to determine allowability; direct costs—$42.3 million due to inadequate supporting documentation, e.g., for labor properly prepared timesheets were not provided, for materials checks, vouchers and/or purchase orders were not provided.	

Audit Report No. 06281-2006G10100002	**Date:** May 30, 2013
Subject: Independent Audit of FY 2006 Final Indirect Cost Rate Proposal	
Prepared For: Defense Contract Management Agency	
Report: $47.8 Million Questioned Costs	
The audit of the indirect cost rate proposal questioned $11.7 million of direct costs and $36.1 million of indirect costs. The significant items of questioned cost include: indirect costs—$31.6 million related to various allocations and a division audit (Report No. 06281-2006G10100001) and the Home Office audit (Report No. 06281-2006G10100003), and $3.1 million in various accounts did not have adequate support provided to determine allowability; direct costs—$10.7 million due to inadequate supporting documentation, e.g., for labor properly prepared timesheets were not provided, for consultant costs agreements, billings and/or invoices were not provided.	

Audit Report No. 03521-2010S42000002	**Date:** May 31, 2013
Subject: Independent Audit—Postaward Review	
Prepared For: U.S. Army Contracting Command, Procuring Contracting Officer, Team Chief, Medium Tactical Vehicles	
Report: $61.6 Million Recommended Price Adjustment	
The audit of the contractor's compliance with 10 U.S.C. 2306a, Truth in Negotiations Act, resulted in a recommended price adjustment of $61.6 million for overstated material costs and related burdens included in the negotiated contract price because the cost or pricing data disclosed to the government (i) did not contain the most current vendor price quotations for some parts, (ii) did not reflect the costs in a forward pricing rate agreement that was in place prior to the date of price agreement and (iii) did not contain accurate parts quantities. The contractor submitted a $44.4 million offset proposal resulting in a June 17, 2013, supplemental report on the offset. The supplemental report recommended a $1.4 million offset and reported the remaining $42.9 million was not an allowable offset.	

Audit Report No. 06281-2006G10100003	**Date:** May 31, 2013
Subject: Independent Audit of Intermediate Home Office FY 2006 Final Indirect Cost Rate Proposal	
Prepared For: Defense Contract Management Agency	
Report: $136.8 Million Questioned Costs	
The audit of the indirect cost proposal disclosed $136.8 million in questioned costs including $90.5 million of costs not allocable in accordance with the Federal Acquisition Regulation 31.201-4, Determining Allocability; $21.4 million of costs not adequately supported; $17.0 million of various internal, divisional, group and home office allocations from assist audit reports; $3.7 million of reconciling differences and out of period costs; and $4.3 million of costs not reasonable, allowable or allocable in accordance with FAR Part 31.	

Audit Report No. 03121-2006H10100058	**Date:** June 3, 2013
Subject: Independent Audit of Contractor FY 2006 Incurred Cost	
Prepared For: Defense Contract Management Agency	
Report: $19.0 Million Questioned Costs	
The audit of the incurred cost proposal resulted in $19 million of questioned costs, including the following significant items; $4 million of direct subcontracts missing executed agreements, documented requirements or cost/price analyses, $4.3 million based on the corporate assist audit report, and $5.1 million of indirect project labor and related fringe costs due to inadequate project descriptions.	

Audit Report No. 04411-2006N10100004	**Date:** June 3, 2013
Subject: Independent Audit of FY 2006 Incurred Cost	
Prepared For: Defense Contract Management Agency	
Report: $168.3 Million Questioned Costs	
The audit of the incurred cost proposal resulted in $168.3 million of questioned costs. Questioned direct costs of $138.2 million included; (i) $49.8 million direct labor due primarily to differences between billed and incurred interdivisional labor, improper application of international premium rates, and unapproved overtime, (ii) $32.9 million direct material due to excess related party rental costs, (iii) $17.7 million other direct costs primarily due to lack of adequate documentation supporting travel costs and excess related party vehicle lease costs, and (iv) $37.7 million subcontracts primarily due to lack of executed subcontract agreements and invoices. Questioned indirect costs of $30.1 million included $11.9 million of burden and benefits due to excess estimated worker's compensation and other insurance, $13.5 million of corporate and group allocated costs based on assist audits, $1 million for update to a revised corporate submission and $3.7 million questioned as unallowable based on various FAR cost principles.	

Audit Report No. 03321-2006K10100001	**Date:** June 10, 2013
Subject: Independent Audit of Contractor (CFY) 2006 Incurred Cost Submission	
Prepared For: Defense Contract Management Agency – Americas Business Group	
Report: $60.7 Million Noncompliant Costs	
Because of scope restrictions, DCAA was not able to obtain sufficient evidential support on which to base a definitive opinion on the reasonableness, allowability, and allocability of the claimed costs resulting in a disclaimer of opinion. The procedures performed disclosed $60.7 million of costs noncompliant with FAR, including the following significant items: $60.5 million of subcontract costs that were not based on adequate price analysis, were not awarded to the lowest bidder, did not comply with subcontract terms, were for unauthorized private security or were unreasonable; and $.2 million of legal expenses for which the contractor does not have a written agreement.	

Audit Report No. 06271-2003A10100102	**Date:** June 12, 2013
Subject: Independent Audit of Incurred Cost Proposal for FY 2003	
Prepared For: Defense Contract Management Agency – Cost and Pricing Center	
Report: $98.6 Million Questioned Costs	
The audit of the incurred cost proposal resulted in $98.6 million of questioned costs including $79.5 million of direct contract costs and $12.5 million of indirect costs questioned due to lack of adequate supporting documentation primarily due to the contractor having destroyed records.	

Audit Report No. 04371-2006M10100015	**Date:** June 14, 2013
Subject: Independent Audit of FY Ending Dec. 31, 2006 Incurred Cost Proposal	
Prepared For: Defense Contract Management Agency - Lathrop	
Report: $11.6 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in $11.6 million of questioned costs, including the following significant items: $4.7 million of claimed labor on time and material test and measurement contracts and subcontracts because the claimed hours or labor rates did not agree with the contract or subcontract terms, the contract or subcontract was not provided for audit or claimed hours exceeded the hours recorded in the contractor's books and records; $1.5 million of direct materials because the contractor did not provide adequate documentation to support the allowability, allocability or reasonableness of the costs; $1.3 million of travel costs for unallowable per diem expenses and premium airfare, unallowable international airfare in noncompliance with the Fly America Act, unreasonable costs due to deviations from the contractor's established policies and procedures, costs not adequately supported with documentation or not justified; and $1.2 million of consultant costs as unallowable because they were lacking a signed contract, invoice or work product, were for undue influence of solicitation process or lobbying costs or lacked supporting evidence to determine allowability.	

Audit Report No. 03701-2006B10100001	**Date:** June 21, 2013
Subject: Independent Audit of Contractor FY 2006 Incurred Cost	
Prepared For: Defense Contract Management Agency	
Report: $55.8 Million Questioned Costs	
The audit of the incurred cost proposal resulted in $55.8 million of questioned costs, comprised of $29.0 million of questioned indirect costs and $26.8 million of questioned direct costs. More than 90 percent of the questioned costs were due to lack of documentation adequate to support the allowability, allocability and reasonableness of the proposed costs. Other questioned indirect costs were due to noncompliances with various Financial Management Regulation cost principles.	

Audit Report No. 06221-2011M42000009	**Date:** June 21, 2013
Subject: Post-Award Audit of Contract Delivery Order	
Prepared For: U.S. Army Contracting Command	
Report: $11.8 Million Recommended Price Adjustment	
The postaward audit for compliance with the Truth In Negotiations Act disclosed a recommended price adjustment of $11.8 million for increased costs in the negotiated contract due to defectively-priced materials, including the related general and administrative expenses and profit. The contractor did not disclose available purchase history or the existing documented confirmations that the historical lower vendor prices were valid for the procurement.	

Audit Report No. 02161-2012G10110001	**Date:** June 26, 2013
Subject: Independent Audit of Contractor's Compliance with Requirements Applicable to its Research and Development Program and on Internal Control over Compliance in Accordance with OMB A-133, for FY 2012	
Prepared For: USAF Enterprise Acquisition Division	
Report: $14.2 Million Questioned Costs	
The audit resulted in $14.2 million of questioned costs. Significant items in the $13.5 million questioned indirect costs included $10.1 million for vacant and underutilized facilities and $1.6 million of downtime labor. Questioned direct costs of $0.7 million were due to an internal control deficiency related to travel costs.	

Audit Report No. 06421-2006B10100403	**Date:** July 12, 2013
Subject: Independent of Contractor's FY 2006 Direct and Indirect Costs	
Prepared For: Defense Contract Management Agency	
Report: $11.1 Million Questioned Costs	
The audit of the incurred cost submission questioned $11.1 million including the following significant items: $8.5 million of direct subcontracts billed in excess of costs and $2.7 million of indirect costs for facility rental, executive compensation, consultant fees and bonuses questioned as unallowable costs.	

Audit Report No. 09771-2013B17900002	**Date:** July 18, 2013
Subject: Audit of De-Scope Contract Proposal	
Prepared For: Contracting Officer	
Report: $16.6 Million Questioned Costs	
The audit of the firm-fixed-price, de-scoped proposal resulted in $16.6 million in questioned costs. The questioned costs related to excessive profit due to noncurrent contractor cost estimates at completion which resulted in an understatement of the proposed credit amount. The profit was considered unallowable per Financial Management Regulation 31.205-7, Contingencies.	

Audit Report No. 04281-2005I10100036	**Date:** July 30, 2013
Subject: Independent Audit of Contractor FY 2005 Incurred Cost	
Prepared For: Defense Contract Management Agency	
Report: $25.8 Million Questioned Costs	
The audit of the incurred cost submission questioned $17.5 million direct and $8.4 million indirect costs primarily due to insufficient documentation as required by Financial Management Regulation Part 31 criteria and contractor established policies and procedures. Significant items in the direct costs questioned included $15.3 million of subcontracts and $1.9 million of other direct costs. Questioned indirect costs were primarily indirect labor, fringe benefits expenses and consulting costs.	

Audit Report No. 09861-2005R10100001	**Date:** July 31, 2013
Subject: Examination of Calendar Year 2005 Incurred Cost Submission	
Prepared For: Defense Contract Management Agency	
Report: $99.7 Million Questioned Costs	
The audit of the incurred cost submission resulted in $99.7 million of questioned costs. Audit procedures identified $15.9 million of questioned direct costs and $83.8 million of questioned indirect expenses applicable to government contracts. Significant questioned direct costs related to direct material and other direct costs. Significant questioned indirect expenses related to depreciation, indirect expenses incurred by direct-charge employees, idle facilities, overtime premium, professional services, and unsupported basis of allocation for several intermediate overhead pools.	

Audit Report No. 01291-2012F17200001	**Date:** Aug. 8, 2013
Subject: Independent Audit of Contractor's Price Adjustment Proposal for Period of Performance Under Contract Task Order	
Prepared For: Department of the Army, Rock Island Contracting Center	
Report: $148.8 Million Questioned Costs	
The audit of the price adjustment proposal questioned the entire $148.8 million of costs proposed because the contractor did not support increased costs associated with the alleged changes discussed in the proposal.	

Audit Report No. 03511-2007M10100012	**Date:** Aug. 20, 2013
Subject: Independent Audit of Contractor FY 2007 Incurred Cost Proposal	
Prepared For: Defense Contract Management Agency	
Report: $36 Million Questioned Costs	
The audit of the incurred cost proposal questioned $32 million of direct and $4 million of indirect costs. The $32 million of questioned direct costs included $31.9 million of subcontracts, with the significant items being $18.3 million questioned as out-of-period costs and $13.5 million questioned based on a subcontract assist audit. The significant item in the $4 million of questioned indirect costs was $3.9 million of professional services questioned because the documentation provided did not show the nature and scope of the services furnished as required by Financial Management Regulation.	

Audit Report No. 04411-2007N10100006	**Date:** Aug. 26, 2013
Subject: Independent Audit of FY 2007 Incurred Cost	
Prepared For: Defense Contract Management Agency	
Report: $62.7 Million Questioned Costs	
The audit of the incurred cost proposal questioned $31.4 million of direct and $31.4 million of indirect costs. Questioned direct costs included (i) $13 million direct labor due primarily to differences between billed and incurred interdivisional labor and improper application of international premium rates, (ii) $13.1 million direct material due to excess related party equipment rental costs and lack of supporting documents, (iii) $4.3 million other direct costs primarily due to lack of adequate documentation and (iv) $1 million subcontracts due to lack of procurement documentation demonstrating reasonableness of costs. Questioned indirect costs included $11.4 million of burden and benefits due to excess estimated worker's compensation and other insurance, $17.5 million of corporate and group allocated costs based on assist audits, and $2.5 million questioned as unallowable based on the Financial Management Regulation cost principles and insufficient supporting documentation.	

Audit Report No. 03201-2012E10180001	**Date:** Aug. 29, 2013
Subject: Independent Audit of Contractor Direct Cost Incurred and Billed on Contract from Oct. 1, 2008, to Sept. 30, 2012	
Prepared For: U.S. Agency for International Development	
Report: $17 Million Questioned Costs	
The audit of direct costs incurred questioned $16.5 million in subcontract cost and $0.5 million in travel costs. Subcontract costs were questioned because they were not adequately supported, often supported only by the invoice without documentation for delivery, receipt, acceptance or payment. Travel costs questioned were those in excess of the lowest standard airfare that were not adequately justified and documented.	

Audit Report No. 06271-2005B10100001	**Date:** Aug. 30, 2013
Subject: Independent Audit of Contractor Incurred Cost Proposal for CY 2005	
Prepared For: Defense Contract Management Agency	
Report: $139.4 Million Noncompliant Costs	
The audit disclosed that the contractor was unable to provide sufficient documentation to support its incurred cost proposal, resulting in a disclaimer of opinion. The procedures performed disclosed $139.4 million of costs inadequately supported, representing material noncompliances with applicable Financial Management Regulation provisions. The noncompliant costs are contractor service center costs for which the contractor was unable to support the basis for allocation of costs to segments or unable to provide supporting documentation for costs directly billed to segments.	

Audit Report No. 06421-2006B10100401	**Date:** Sept. 3, 2013
Subject: Independent Audit of Contractor Intermediate Home Office Indirect Cost Rate Proposal for Contractor FY 2006	
Prepared For: Defense Contract Management Agency	
Report: $79.8 Million Noncompliant Costs	
Time constraints and lack of sufficient evidence in support of the contractor's proposal resulted in a disclaimer of opinion. The procedures performed disclosed $57.2 million of noncompliant costs primarily because the contractor was unable to provide documentation adequate to support allowability, allocability or reasonableness, including $1.5 million for which documentation was in boxes destroyed by a warehouse collapse; $3.5 million for which documentation was provided but time constraints did not allow for detailed review; and $19 million primarily due to reconciliation differences from related entity submissions and from amounts supported by the general ledger.	

Audit Report No. 01211-2011B17100002	**Date:** Sept. 5, 2013
Subject: Independent Audit of Contractor's Termination for Convenience Settlement Proposal	
Prepared For: U.S. Department of State	
Report: $9.7 Million Questioned Costs	
The audit questioned $7.1 million of the settlement proposal for the fixed-priced contract line items and $2.7 million of the settlement proposal for the cost-reimbursement line items. Questioned costs include the following significant items: $2 million in costs continuing after termination; $2.3 million of related indirect and general and administrative expenses primarily due to update to the 2011 actual general and administrative rate; $2 million of profit and fee because the costs classified as non-billable (which were to have been recuperated through fee) exceeded the fee on the fixed price line items, and fee was unallowable on the cost reimbursable line items; and $3.6 million of prior payments to the contractor that were not recognized in the termination settlement proposals.	

Audit Report No. 02241-2012S10503003	**Date:** Sept. 9, 2013
Subject: Independent Operations Audit of Contractor Material Handling Equipment Utilization System	
Prepared For: Defense Contract Management Agency	
Report: $17.4 Million Annual Cost Avoidance	
The operations audit disclosed that by exercising more effective management controls over material handling equipment utilization in Afghanistan, the contractor has the opportunity to achieve cost savings and efficiency gains of an estimated $1.45 million per month in container handler and forklift lease costs.	

Audit Report No. 06831-2006B10100004	**Date:** Sept. 9, 2013
Subject: Independent Audit of Contractor Intermediate Home Office FY 2006 Incurred Cost Proposal	
Prepared For: Defense Contract Management Agency	
Report: $32.7 Million Noncompliant Costs	
The audit disclosed that the contractor was unable to provide an adequate explanation of the development of its incurred cost proposal, or sufficient documentation to support a majority of the transactions sampled from its proposal, resulting in a disclaimer of opinion. The procedures performed disclosed $32.7 million of costs inadequately supported, representing material noncompliances with applicable Financial Management Regulation provisions. The most significant element ($30.6 million) of the noncompliant costs are allocations-in from various other related entities (corporate, service centers, segments) for which the contractor was unable to map to the source entities, and therefore unable to support the costs. The remaining $2.1 million of noncompliant costs include various elements such as consulting fees, facility rental expenses, indirect labor/executive compensation and other miscellaneous costs.	

Audit Report No. 03701-2011B17200001	**Date:** Sept. 20, 2013
Subject: Independent Audit of Parts of Contractor's Certified Claim for Payment for Low Rate Initial Production Items for FYs 2006-2011	
Prepared For: U.S. Department of Justice	
Report: $21.9 Million Questioned Costs	
The audit of parts of the certified claim resulted in $21.9 million in questioned costs, including $20.8 million for settlements with subcontractors, and $1.1 million for inventory common to other work, differences between raw material standard cost and purchase order cost, and unallowable profit on settlement expenses. The $20.8 million questioned subcontractor settlements included: $10.6 million questioned based on more current available information (revision to the prime contractor's claim, updates to subcontractor claims, and negotiated settlement with a subcontractor); $6.5 million questioned because the proposed settlement is not supported by accounting data and other information sufficient for adequate review by the government; and $3.7 million for items common to other work of the contractor or subcontractor.	

Audit Report No. 04901-2007C10100002	**Date:** Sept. 27, 2013
Subject: Independent Audit of Contractor FY 2007 Final Incurred Cost Submission	
Prepared For: Defense Contract Management Agency	
Report: $24.3 Million Questioned Costs	
The audit of the incurred cost proposal questioned $7.1 million payroll burden, $9.7 million of indirect and $7.5 million of direct costs. The $7.1 million questioned payroll burden included a $6.6 million reduction for the impact of a settled CAS noncompliance related to the contractor's employee stock ownership plan, and $0.5 million of questioned payroll related expenses. Significant items in the $9.7 million indirect costs included $3.2 million of costs removed based on a revised submission from the contractor; $1.5 million of questioned facility occupancy costs due to exceptions to asset service lives, reconciling differences and reallocation of occupancy square footage; $1.5 million questioned as unreasonable executive compensation based on an audit of the contractor's compensation system; $1.2 million questioned legal expenses because they were not adequately supported by documented agreements and detailed invoices; and $0.8 million of incentive payments questioned primarily because the contractor paid the incentives though established targets that were not achieved. The $7.5 million in questioned direct costs included $7 million of subcontracts and other direct costs questioned primarily because the contractor did not provide adequate supporting documentation, and $0.6 million of compensation questioned as unreasonable based on the results of the compensation system audit.	

Audit Report No. 03421-2010J17100801	**Date:** Sept. 30, 2013
Subject: Independent Audit of Partial Termination for Convenience	
Prepared For: Defense Contract Management Agency – Termination Division	
Report: $109.8 Million Questioned Costs	
The audit of the partial termination settlement proposal resulted in $109.8 million of questioned costs, including the following significant items: $33.4 million of subcontract costs from assist audits; $36.4 million of estimated continuing costs in excess of actual costs incurred; $9.6 million of costs for equipment and facilities that were transferred to other work and were therefore unallowable on the terminated contract; and $17.4 million of fee due to questioned base costs.	

Audit Report No. 03711-2007A10100001	**Date:** Sept. 30, 2013
Subject: Independent Audit of FY 2007 Proposed Incurred Costs and Indirect Rates	
Prepared For: Defense Contract Management Agency	
Report: $145.7 Million Questioned Costs	
The audit of the final indirect cost rate proposal resulted in $145.7 million of questioned costs including the following significant items: $77.2 million of questioned expenses due to lack of supporting documentation; $24.5 million of expenses not allocable to FY 2007; $11.5 million of unallowable legal and professional costs; $9.9 million of unreasonable expenses; $8.3 million of unallowable rental costs; $5.1 million of unallowable travel costs; and $3.2 million of expensed costs that should have been capitalized.	

Audit Report No. 06831-2006B10100006	**Date:** Sept. 30, 2013
Subject: Independent Audit of FY 2006	
Prepared For: Defense Contract Management Agency, Virginia	
Report: $92.3 Million Noncompliant Costs	
The audit disclosed that the contractor was unable to provide an adequate explanation of the development of its incurred cost proposal or sufficient documentation to support a majority of the transactions sampled from its proposal, resulting in a disclaimer of opinion. The procedures performed disclosed $92.3 million of claimed costs noncompliant with Financial Management Regulation, including the following significant items: $23.4 million of direct materials that were not supported with documentation such as bills of material, purchase orders, vendor invoices, receiving reports, proof of payment, make-or-buy analyses; $30.2 million of direct labor for which the labor rates, labor hours, proof of payment and employee existence could not be verified or reconciled with banking, accounting or human resource records; and $22.4 million of allocations from other contractor segments for which the allocation methodology was not adequately explained or demonstrated.	

Audit Report No. 06831-2006M10100001	**Date:** Sept. 30, 2013
Subject: Independent Audit of FY 2006 Incurred Cost Proposal	
Prepared For: Defense Contract Management Agency	
Report: $283.2 Million Noncompliant Costs	
The audit disclosed that the contractor was unable to provide an adequate explanation of the development of its incurred cost proposal or sufficient documentation to support a majority of the transactions sampled from its proposal, resulting in a disclaimer of opinion. The procedures performed disclosed $283.2 million of claimed costs noncompliant with Financial Management Regulation, including the following significant items: $176.8 million of allocations from other contractor segments that could not be reconciled with the accounting records or with the other segment incurred cost submissions; $30.5 million of facilities rental costs for which no or inadequate supporting documentation was provided; $18.5 million of direct labor resulting from differences between the claimed costs or labor hours and data in the accounting records or for which no employee resumes were provided or for which inadequate supporting data was provided; and $15.8 million of direct materials for which sufficient supporting documentation such as vendor invoices, proof of payment, purchase orders or vendor agreements and evidence of receipt was not provided.	

◊ Fulfills requirements of the National Defense Authorization Act for FY 2008 Section 845.

RESULTS OF PEER REVIEWS

Peer Review of Department of Defense IG by U.S. Department of Housing and Urban Development Office of the Inspector General

The Department of Housing and Urban Development Office of the Inspector General conducted an external peer review of DoD IG Office of Audit and issued a final report Nov. 13, 2012. DoD IG received a peer review rating of pass (with a scope limitation). There are no outstanding recommendations. A copy of the external quality control review report can be viewed at www.dodig.mil/pubs/reviews.html.

Peer Review of Department of Transportation Office of Inspector General by U.S. Department of Defense OIG

DoD IG conducted an external quality control review of Department of Transportation Office of Inspector General, audit organization, and issued a final report Aug. 8, 2013. Department of Transportation OIG received a peer review rating of pass. There are no outstanding recommendations. A copy of the external quality control review report can be viewed on the Department of Transportation OIG website at www.oig.dot.gov/peer-review.

DODIG-2013-065, Quality Control Review of the Defense Contract Management Agency Internal Review Audit Function

DoD IG reviewed the adequacy of the Defense Contract Management Agency Internal Review Team compliance with quality policies, procedures and standards. In performing the review, DoD IG considered the requirements of quality control standards contained in the July 2007 revision of generally accepted government auditing standards issued by the Comptroller General of the United States. DoD IG judgmentally selected two reports to review for compliance with Generally Accepted Government Auditing Standards in nine areas: quality control, independence, professional judgment, competence, audit planning, supervision, evidence, audit documentation and reporting. In addition, DoD IG selected one audit in which DCMA performed monitoring of an independent public accounting firm for compliance with the Council of the Inspectors General on Integrity and Efficiency Guide. DoD IG issued a pass opinion because DCMA's system of quality control for the DCMA IRT was adequately designed and functioning as prescribed. The findings DoD IG identified during its review of the selected audit reports were not cumulatively significant enough to rise to the level of a deficiency or significant deficiency, based on DoD IG's opinion and as defined by the CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. DoD IG did identify five areas with findings relating to the quality control system, independence, planning, audit documentation and quality control of audits. In addition, DoD IG made recommendations in relation to the monitoring of independent public accountants. The review of the monitoring of the independent public accountants did not affect the opinion of the DCMA initial response team quality control review. Management agreed with all report recommendations.

Peer Review of DCIS Operations by the U.S. Department of Health and Human Services Office of Inspector General

The U.S. Department of Health and Human Services OIG conducted an external peer review of Defense Criminal Investigative Service's system of internal safeguards and management procedures in effect through July 2011 and HHS OIG also conducted an evaluation to determine DCIS' compliance with applicable internal policies and procedures from April 2009 to July 2011. Since DCIS does not derive its statutory law enforcement authority from the Attorney General or the Inspector General Act, it is not subject to the Council of the Inspectors General on Integrity and Efficiency; thus, DCIS's participation in this peer review was voluntary. After completing its review of DCIS, the HHS OIG issued a final report dated Aug. 19, 2011, and concluded that the system of internal safeguards and management procedures for DCIS was in full compliance with the quality standards established by CIGIE and the Attorney General guidelines. These safeguards and procedures provide reasonable assurance that DCIS is conforming to the professional standards for investigations established by CIGIE.

RESULTS OF PEER REVIEWS (CONT'D)

Peer Review of DHS OIG Investigative Operations by DCIS

Defense Criminal Investigative Service conducted an external peer review of Department of Homeland Security OIG's system of internal safeguards and management procedures in effect through April 2013. The DHS OIG derives its statutory law enforcement authority from the Attorney General and the Inspector General Act and is subject to the Council of the Inspectors General on Integrity and Efficiency. After completing its review of DHS OIG, DCIS issued a final report dated Sept. 18, 2013, and concluded that the system of internal safeguards and management procedures for DHS OIG were in full compliance with the quality standards established by CIGIE and the Attorney General guidelines. These safeguards and procedures provide reasonable assurance that DHS OIG is conforming to the professional standards for investigations established by CIGIE.

- Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(14),(15),(16) and Section 8(c)(10).

ACRONYMS

AADC	Alaska Aerospace Development Corporation
AAFES	Army and Air Force Exchange Service
ACC	Army Contracting Command
ACC-APG	Army Contracting Command–Aberdeen Proving Ground
ACH	Advanced Combat Helmet
AFAA	Air Force Audit Agency
AFCENT	U.S. Air Forces Central
AFOSI	Air Force Office of Special Investigations
AI	Administrative Investigations
AMCOM	Army Aviation and Missile Life Cycle Management Command
ANA	Afghan National Army
ANP	Afghan National Police
AQL	Acceptable Quality Level
ARC	Air Reserve Component
Army CID	U.S. Army Criminal Investigation Command
ANSF	Afghan National Security Force
ASFF	Afghan Security Forces Fund
ASMIS-R	Army Safety Management Information System-Revised
ASR	Army Sustainability Report
AWACS	Airborne Warning and Control System
BAS	basic allowance for subsistence
BIMA	Biometric Identity Management Activity
BML	Blue Marsh Laboratory
BRAC	Base Realignment and Closure
CBPO	Commercial Bill Pay Offices
CECOM	U.S. Army Communications–Electronics Command
CIGIE	Council of Inspectors General on Integrity and Efficiency
COCOM	combatant command
COR	contracting officer representative
CPA	certified public accountant
CSTC-A	Combined Security Transition Command-Afghanistan
CY	calendar year
DA	Department of the Army
DAI	Defense Agencies Initiative
DARPA	Defense Advanced Research Projects Agency
DCAA	Defense Contract Audit Agency
D-CATS	Defense Case Activity Tracking System
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DEA	Drug Enforcement Administration
DFAS	Defense Finance and Accounting Services
DHS	Department of Homeland Security
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
DoD IG	DoD Inspector General
DON	Department of the Navy
DOS	Department of State
DOT&E	Director, Operational Test and Evaluation
DSCC	Defense Supply Center-Columbus
E-1	private (Army and Marine Corps), airman basic, seaman
ELA	Enterprise Licensing Agreement
EPA	Environemental Protection Agency
FAR	Federal Acquisition Regulation
FAT	First Article Testing
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FMR	Financial Management Regulation
FY	Fiscal Year
G-1	component manpower or personnel staff
G-4	component logistics staff
G-3/5/7	operations/plans staff
GEAS	General Electric Aviation Systems
GFEBS	General Fund Enterprise Business System
GRI	Global Reporting Initiative
GSA	General Services Administration
HMCS	Her Majesty's Canadian Ship
HMMWV	high mobility multipurpose wheeled vehicle
IA	information assurance
IED	improvised explosive device
INCOM	(Army) Installation Management Command
iNFADS	internet Navy Facility Assets Data Store
ISAF	International Security Assistance Force
ISO	Investigations of Senior Officials

ISR	Intelligence, Surveillance, and Reconnaissance
IT	information technology
JCS	Joint Chiefs of Staff
LAT	Lot Acceptance Testing
LEP	law enforcement professionals
MoD	Ministry of Defense
MC MF	Marine Corps Marine and Family
MCIO	Military Criminal Investigative Organization
MEB	Medical Evaluation Board
MEDCOM	Army Medical Command
MIA	missing in action
MMAS	Material Management and Accounting System
MORD	miscellaneous obligation/ reimbursement document
NATO	North Atlantic Treaty Organization
NAVAUD	Naval Audit Service
NCIS	Naval Criminal Investigative Service
NCO	noncommissioned officer
NEC	National Electrical Code
NFPA	National Fire Protection Association
NGA	National Geospatial-Intelligence Agency
NTM-A/CSTC-A	NATO Training Mission–Afghanistan/ Combined Security Assistance Command–Afghanistan
NSRWA PMO	Non-Standard Rotary Wing Aircraft Project Management Office
OIG	Office of Inspector General
ORF	operational readiness floats
OSC-I	Office of Security Cooperation–Iraq
PEB	Physical Evaluation Board
PEO	Program Executive Office
PMO	Program Management Office
POW	prisoner of war
PRP	personnel reliability program
QA	quality assurance
R&D	research and development
RTP	Resistance to Penetration
S-1	battalion or brigade manpower and personnel staff
SES	senior executive service
STR	short tandem repeats
SUPSHIP	Supervisor of Shipbuilding, Conversion and Repair
TADSS	training aids, devices, simulators and simulations
TAMC	Tripler Army Medical Center
TFSMS	Total Force Structure Management System
TMA	TRICARE Management Activity
TS-MATS	Training Support–Materiel Armywide Tracking System
UAV	unmanned aerial vehicle
UFC	Unified Facilities Criteria
UK	United Kingdom
ULO	unliquidated obligation
US	United States
USAAA	Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACIL	U.S. Army Criminal Investigation Laboratory
USASOC	U.S. Army Special Operations Command
USCENTCOM	U.S. Central Command
USFOR-A	U.S. Forces-Afghanistan
USSOCOM	U.S. Special Operations Command
UTC	United Technology Corporation
WPO	whistleblower protection ombudsman
WRI	Whistleblower Reprisal Investigations
WTB	Warrior Transition Battalion
WTU	Warrior Transition Unit

Whistleblower Protection
U.S. Department of Defense

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD IG Director for Whistleblowing & Transparency. For more information on your rights and remedies against retaliation, go to the Whistleblower webpage at www.dodig.mil/programs/whistleblower.

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