

# Inspector General

United States  
Department of Defense



## Semiannual Report to the Congress

October 1, 2007 - March 31, 2008

Required by Public Law 95-452



# OFFICE OF THE INSPECTOR GENERAL DEPARTMENT OF DEFENSE



## VISION STATEMENT

One professional team strengthening the integrity, efficiency, and effectiveness of the Department of Defense.

## MISSION STATEMENT

Promote integrity, accountability, and improvement of Department of Defense personnel, programs and operations to support the Department's mission and serve the public interest

## CORE VALUES

*Accountability • Integrity • Efficiency*

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- Goal 1* Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations.
  - Goal 2* Eliminate fraud, waste, and abuse in the programs and operations of the Department.
  - Goal 3* Ensure the efficiency and effectiveness of DoD IG products, processes, and operations.

## Message from the Inspector General

We are pleased to present the Department of Defense Inspector General Semiannual Report to Congress for October 1, 2007 to March 31, 2008. Issued in accordance with the Inspector General Act of 1978, as amended, this report summarizes our significant activities and recommendations.



The Secretary of Defense has established four focus areas for the Department: prevail in the Global War on Terror; strengthen joint warfighting capabilities; focus on people; and transform enterprise management. We fully support these areas through our oversight of Defense programs and operations.

We in the oversight community are on the forefront of detecting and preventing waste, fraud, and abuse. We serve two very important groups: warfighters and the American people. We have a responsibility to ensure that the American taxpayer gets the most for their hard-earned dollars. We have a responsibility to the DoD leadership that they are getting what they pay for so they can carry out their mission of protecting this great Nation.

It is the independence of the IG that allows us to identify a problem or situation, analyze it, make an actionable recommendation, and oversee the recommendation's implementation.

We have identified priorities based on GWOT challenges faced by the Department and established the following goals: increase the DoD IG presence in Southwest Asia to work on priority issues directly supporting Operation Enduring Freedom and Operation Iraqi Freedom; expand coverage of DoD GWOT-related programs and operations by providing oversight in fundamental areas, such as contract surveillance, financial management, accountability of resources, as well as training and equipping of personnel; and increase efforts to prevent the illegal transfer of strategic technologies and U.S. Munitions List items to prohibited nations, terrorist organizations, and other criminal enterprises.

The DoD IG has 49 audits, 121 investigations, 10 inspections and 4 intelligence reviews relating to the GWOT that were either ongoing or completed during this reporting period. As part of our initiative to improve the strategic positioning of forward deployed presence in the Southwest Asia region, the DoD IG has field offices in Iraq, Afghanistan, Qatar, and Kuwait.

This report also includes summaries of work being done by our counterpart Defense oversight organizations, including the Defense Contract Audit Agency, the Army Audit Agency, the Naval Audit Service, the Air Force Audit Agency, the Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations. The DoD oversight community has a solemn duty to ensure that we do everything possible to provide our warfighters – our sons and daughters – with the type of high quality, reliable equipment that will not only enable them to complete their mission, but also survive in hostile environments around the world and return home.

The DoD IG remains focused on accomplishing its goals of improving the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations, as well as eliminating and preventing fraud, waste and abuse in the programs and operations of the Department. We will maintain focus in the years ahead to ensure that those we send forward in locations around the world are trained and have the support that they need to provide proper oversight and to ensure good stewardship over all we have been entrusted, especially our troops and those that support them.

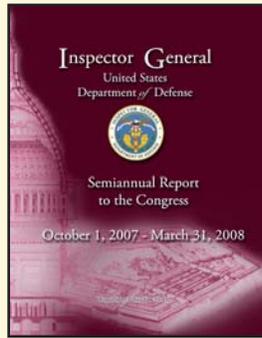


In closing, we are proud of the dedicated DoD IG auditors, investigators, inspectors, and support personnel who pursue our mission with integrity and professionalism. We also wish to express our gratitude to and admiration for the people we serve, the men and women in DoD, both in uniform and civilian. We will continue to provide independent, objective, timely and relevant information to the Department and Congress. We look forward to working closely with the Department and Congress to fulfill our shared responsibilities of making the Department as efficient as possible in protecting this Nation and taking care of those fighting the Global War on Terror.

Submitted April 30, 2008.



Claude M. Kicklighter  
Inspector General



DoD IG COVER



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# DoD IG Reporting Requirements

IG ACT REFERENCES	REPORTING 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...”	45-70
Section 5 (a)(2)	▶ “description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	45-70
Section 5 (a)(3)	▶ “identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”	104-105
Section 5 (a)(4)	▶ “a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted...”	45-70
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 issued...” showing dollar value of questioned costs and recommendations that funds be put to better use.	116-125
Section 5 (a)(7)	▶ “a summary of each particularly significant report...”	45-70
Section 5 (a)(8)	▶ “statistical tables showing the total number of audit reports and the total dollar value of questioned costs...”	127
Section 5 (a)(9)	▶ “statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management...”	127
Section 5 (a)(10)	▶ “a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period...”	127
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 804 [sic] 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 (b)(2)	▶ “statistical tables showing the total number of audit reports and the dollar value of disallowed costs...”	128
Section 5 (b)(3)	▶ “statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision...”	128
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...”	131-173
Section 8 (f)(1)	▶ “information concerning the number and types of contract audits...”	129

# CHAPTER 1: GLOBAL WAR ON TERROR





# DEPARTMENT OF DEFENSE INSPECTOR GENERAL

These are the people we work for....



and they deserve the best!

# GLOBAL WAR ON TERROR GOALS

A look at the Global War on Terror goals of the Department of Defense Inspector General



The DoD IG is committed to supporting the GWOT and the needs of the men and women fighting this war. Overall, the DoD IG is responsible for providing oversight to more than \$655 billion in funds dedicated for the GWOT. The responsibility of the DoD IG is to identify and help fix critical mission support problems that impact Operations Enduring Freedom and Iraqi Freedom. The DoD IG has established the following GWOT-related goals:

## GOAL 1

Increase the DoD IG presence in Southwest Asia to work on priority issues directly supporting efforts for Operation Enduring Freedom and Operation Iraqi Freedom.

## GOAL 2

Expand coverage of DoD GWOT-related programs and operations by providing oversight in fundamental areas, —contract surveillance, financial management, accountability of resources, as well as training and equipping of personnel and developing a logistics sustainment base.

## GOAL 3

Increase efforts to prevent the illegal transfer of strategic technologies and U.S. Munitions List items to prohibited nations, terrorist organizations, and other criminal enterprises.



## GOAL 1: INCREASE DOD IG PRESENCE

To accomplish its oversight mission, the DoD IG has adopted a strategy that is based on maintaining the ideal presence in theater, but which also recognizes that much of our work can be done away from the war zones, ensuring safety of personnel and saving the unnecessary monetary funds it would cost to send our people there. An important part of our oversight effort is to improve inter-service and interagency coordination and collaboration to minimize duplication of effort and ensure that we have only the staff needed in theater to accomplish the mission.

To provide a more effective and efficient oversight role, the DoD IG has established field offices in strategic Southwest Asia locations and continues key placement of DoD IG personnel in Southwest Asia. This facilitates timely reviews and reporting of results in theater and minimizes disruption to the warfighter. The DoD IG has adopted an expeditionary workforce model to support efforts throughout all of Southwest Asia. The DoD IG has core staff forward deployed at all times. The core contingent is composed of individuals serving between 6 and 12 month deployments. Expeditionary team members deploy for as long as needed to complete the review. The actual number of auditors, investigators, and inspectors in Southwest Asia fluctuates on a daily basis depending on the requirements.

### IRAQ FIELD OFFICES

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In coordination with the Commanding General, Multi-National Force-Iraq and the U.S. Central Command, the DoD IG established field offices in Iraq at Camp Victory and the International Zone. The Iraq offices are staffed with up to five auditors at a time. Auditors from the Iraq offices and supporting DoD IG staff who were temporarily in Iraq performed Phase III of the Iraq Security Forces Fund audit and are currently supporting the assessment on munitions accountability. Auditors are also performing a joint follow-up review with the MNF-I Inspector General's Office on the equipment status of forces in Iraq. In addition, the DoD IG has assigned auditors in Iraq to provide the Defense Criminal Investigative Service support for ongoing criminal investigations pertaining to contract fraud. The auditors in Iraq also provide support to DoD IG teams based in the continental United States performing oversight related to Iraq such as the management of contractor issues within Southwest Asia and the Army Reset program.

DCIS has established a permanent presence in Iraq. Two special agents are currently assigned to Iraq. An additional special agent has been temporarily deployed to support a special cell investigating issues relating to weapons accountability. These in-theater agents are the forward deployed elements of the approximately 71 DCIS special agents in CONUS and OCONUS participating in Southwest Asia investigations.

### AFGHANISTAN FIELD OFFICE

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In coordination with the Commander, Combined Joint Task Force-82 and the U.S. Central Command, the DoD IG established a field office in Afghanistan at Bagram Air Base. The DoD IG Afghanistan Field Office is staffed by three full time auditors, who, along with a six-member expeditionary team are conducting several projects including audits on "The Procurement and Use of Nontactical Vehicles at Bagram Air Field, Afghanistan" and "Contingency Construction Contracting Procedures Implemented by the Joint Contracting Command-Iraq/Afghanistan." In



In addition, the auditors in Afghanistan are providing support to DoD IG teams based in the continental United States looking at contractor issues within Southwest Asia.

Additionally, DCIS is in the process of establishing a full-time presence in Afghanistan. Two special agents will be deployed to Afghanistan. These agents will work alongside partner agencies, such as the U.S. Army Criminal Investigation Command, to investigate fraud, waste, and abuse impacting theater operations.

*DoD IG personnel at the Afghanistan Field Office.*

## QATAR FIELD OFFICE

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The DoD IG established a field office in Qatar collocated with U.S. Central Command Air Forces on Al Udeid Air Base, Qatar. The Qatar office is staffed with up to five auditors at a time. The Qatar office conducts audits as required in Iraq, Afghanistan, or throughout the U.S. Central Command area of responsibility. Auditors from the Qatar field office have traveled to Iraq and Afghanistan to perform specific reviews, such as the audits of “Potable and Non-Potable Water in Iraq” and “Contractor Support to the Joint Improvised Explosive Device Defeat Organization in Afghanistan.” Additionally, the Qatar office staff facilitates and may augment other teams that require temporary travel in theater to conduct specific reviews. Also, the auditors in Qatar are providing support to DoD IG teams based in the continental United States looking at the management of contractor issues within Southwest Asia. The Qatar office also provides administrative operations support to the DoD IG Southwest Asia field offices.

## KUWAIT FIELD OFFICE

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The DoD IG field office in Kuwait is staffed by two DCIS special agents who are focused on contract fraud and other potential criminal activities in Kuwait that impact Southwest Asia efforts.

*DoD IG auditors in Afghanistan discussing and reviewing expenditures of Afghanistan Security Forces Fund.*



## GOAL 2: EXPAND DOD IG OVERSIGHT

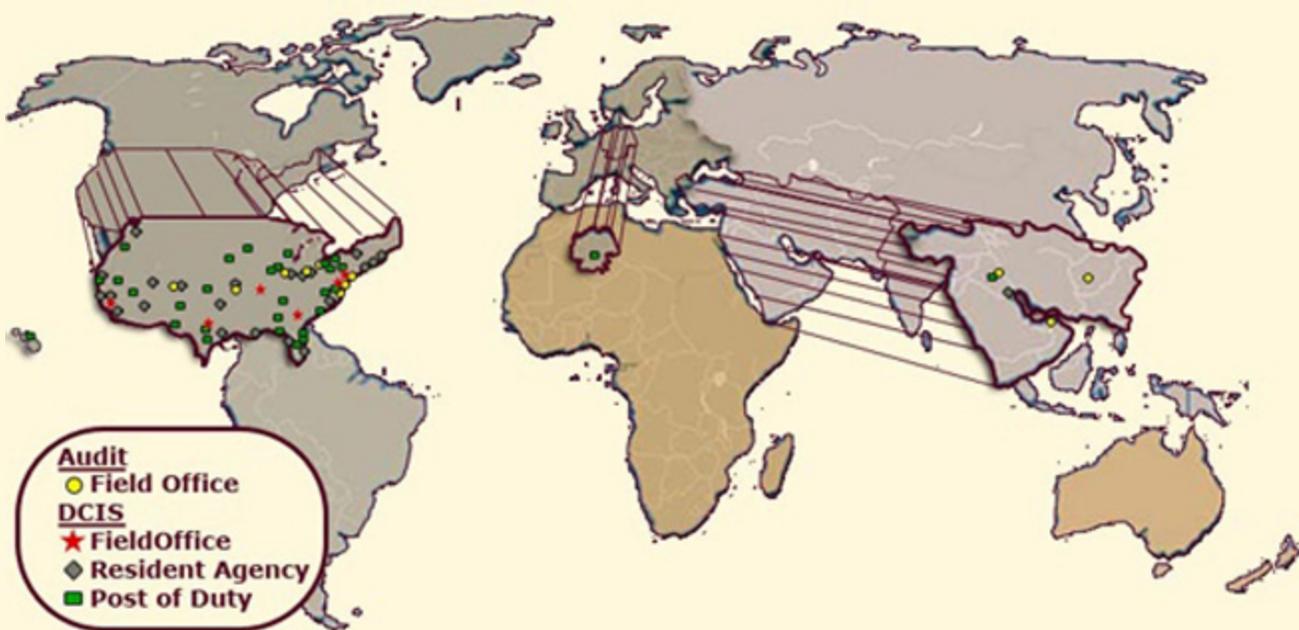
GWOT, especially operations in Southwest Asia, continues to be a top priority of the DoD IG and its four operational components. Auditing, Investigations, Policy and Oversight, and Intelligence have 184 ongoing or completed projects; 49 in Auditing, 121 in Investigations, 10 in Policy and Oversight, and 4 in Intelligence.

Those 184 projects provide oversight of various functions and activities such as contracts and contract fraud, readiness, logistics, funds management, accountability, theft, corruption, and intelligence efforts. DoD IG has completed or is conducting oversight efforts that cover approximately \$129.6 billion related to DoD GWOT efforts.

AUDITS	INVESTIGATIONS	EVALUATIONS	INTEL REPORTS
49	121	10	4

The DoD IG is developing a comprehensive plan for a series of audits of Department of Defense contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan in support of the FY 2008 National Defense Authorization Act Section 842, "Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan," January 28, 2008. The DoD IG anticipates starting approximately 40 projects relating to this area within the next 6 months.

### DOD IG FIELD OFFICES





## GOAL 3: INCREASE TECHNOLOGY PROTECTION

DCIS conducts investigations into the illegal diversion, theft, or movement of strategic technologies and U.S. Munitions List items to proscribed nations, terrorist organizations and other criminal organizations that pose a threat to national security. Technology protection-related investigations have grown to encompass approximately 12 percent of DCIS' active caseload. DCIS is currently recognized by the Department of Homeland Security, FBI and various members of the Intelligence Community as the primary DoD criminal investigative element supporting the on-going battle against counter-proliferation and illicit technology transfer. Examples of DCIS work in this area are highlighted below.

Two subjects were each charged with three violations of the Arms Export Control Act for attempting to illegally export F-14 and F-4 fighter components to foreign buyers without possessing a required license. They were indicted on October 4, 2007. Currently, the only country that uses F-14 and the F-4 fighter aircraft is Iran. This investigation began when both ICE and DCIS identified F-14 parts listed for sale on a web site maintained by one of the subjects. ICE agents bought cable assemblies and other materials from the subject. The subject and his associates tried to disguise and export the items they were selling, but the materials were intercepted by ICE agents before they left the United States.

A joint DCIS and ICE investigation lead to a citizen of the Democratic Socialist Republic of Sri Lanka being convicted of conspiracy to provide material support to a designated foreign terrorist organization and attempted exportation of arms and munitions and sentenced to 57 months confinement, followed by three years supervised release and deportation. The Sri Lankan citizen conspired to illegally export machine guns, ammunition, surface-to-air missiles, night vision goggles, and other military equipment to the Liberation Tigers of Tamil Eelam (Tamil Tigers).

The same investigation resulted in the conviction of a citizen of the Republic of Indonesia who conspired to provide material support to a foreign terrorist organization, laundered money, and attempted to export arms and munitions. The Indonesian citizen sent an itemized list to an undercover business requesting 53 military weapons, including sniper rifles, machine guns, and grenade launchers, with the intent of supplying the weapons to the Tamil Tigers.

A joint DCIS/ICE investigation identified World Electronics as the purchaser of a transformer seized by Israeli officials. Further investigation identified over the course of several years, an individual affiliated with the company made numerous shipments of U.S. Munitions List Items, such as F-14 aircraft parts, and Hawk missile systems, to Germany and other countries without obtaining required licenses. On November 30, 2007, the individual and World Electronics were sentenced for their involvement in a conspiracy to violate export laws. The individual was sentenced to two-years probation, and ordered to pay a \$20,000 fine. World Electronics was ordered to pay a \$20,000 fine.

A DCIS/FBI investigation disclosed an individual was involved in the sale of stolen military property. The stolen equipment included Vital 100 military laser aiming devices and night vision equipment. The individual subsequently advertised the stolen items on an Internet auction site. The stolen property was seized as evidence and the individual was subsequently arrested, convicted, and sentenced to 21 months confinement followed by three years of supervised release for his involvement in the possession and sale of stolen U.S. military property.

The illegal trafficking of critical military technology presents a danger to the United States, its allies and threatens America's Warfighters deployed around the world. The illegal exportation of Department of Defense technology to other countries has been and remains a high investigative priority for DCIS.

# Afghanistan Spotlight



In the spotlight: DoD IG audit teams interact with Afghanistan Minister of Defense personnel. During this reporting period, the DoD IG expeditionary team has strengthened and broadened its relationship with Afghanistan Minister of Defense personnel. This relationship has resulted in greater support and is making a difference in Afghanistan. Additional details are discussed in the spotlight below.

At the invitation of the Combined Security Transition Command - Afghanistan, DoD IG personnel briefed a Combined Security Transition Command - Afghanistan sponsored auditing class for the Afghanistan Ministry of Defense on the DoD OIG review of Afghanistan Security Force Funds, including an overview of the life cycle from appropriations to purchases to turn over of goods and services to the Afghanistan Security Forces.

*DoD IG auditor briefing an Afghanistan Ministry of Defense auditing class.*

The Afghan students and about 60 people, many of whom were Colonels, expressed interest in the accountability of funds and the procurement practices in place for supporting the Afghanistan Security Forces.

Also, the DoD IG expeditionary work force met with senior personnel from the Afghanistan Ministry of Defense Office of the Inspector General, to discuss auditing and accountability topics related to the Afghanistan Security Forces Fund audits.

The staff of the Inspector General for the Ministry of Defense requested a follow-up meeting to discuss accountability issues.



*DoD IG audit team members meet with the first female General in the MoD.*

# GWOT HIGHLIGHTS

A look at Department of Defense Inspector General efforts in the Global War on Terror



The worldwide campaign against terrorism is the top priority of the DoD IG. Meeting the challenges of combating terror and upholding our commitment to support the warfighter will continue to place stress on budgetary, manpower, and materiel resources for both the IG and the Department.

This section focuses on the following efforts made by the DoD IG during this reporting period to support the GWOT:

- › MUNITIONS ASSESSMENT
- › INTERAGENCY OVERSIGHT
- › CONGRESSIONAL TESTIMONY

## MUNITIONS ASSESSMENT



*Assessment Team for Munitions  
Accountability in Southwest Asia.*

The previous Semiannual Report to Congress discussed the inter-agency Assessment Team on Munitions Accountability that was sent to Iraq to review the accountability and control of U.S. munitions being supplied to the Iraq Security Forces. The team was composed of members from DoD IG, Department of State Office of Inspector General, U.S. Army Corps of Engineers, among others.

The assessment team had two main objectives. The first objective was to determine whether DoD currently had adequate accountability and control over U.S.-purchased munitions before formal turnover to the ISF. Secondly, the team set out to determine whether the ISF currently had adequate accountability and control over U.S.-purchased munitions once they were in ISF possession.

In Iraq, the assessment team examined the current U.S. and ISF supply chain operations, following the munitions through transportation, storage, and distribution.

While examining these operations in Iraq, the team conferred with U.S. Ambassador Ryan Crocker and staff, and the respective Commanders and staff of the Multi-National Force-Iraq led by General David H. Petraeus.

The assessment team's preliminary finding is that DoD and ISF have a system currently in place for controlling and accounting for weapons and ammunition; however, there is work that still needs to be done. Many missing weapons were lost early on due in large part to battle loss, police stations being overrun, desertion, disintegration of untrained units, some police and military selling their weapons, poor record keeping, and some pilferage from storage facilities.

As the U.S. supply of munitions to Iraq shifts to Foreign Military Sales, the U.S. needs to put the FMS program on a war-time footing, while also assisting the ISF in building their logistic sustainment base. Both these actions are underway and will greatly enhance the control and accountability of munitions.

The assessment team returned to Iraq in April/May 2008 to review the status of actions taken on the report's recommendations and to assess the current status of munitions accountability and control, the FMS program, and the development of the logistics sustainment base for the ISF. The DoD IG will also spend time working with the Iraq Ministries of Defense and Interior Inspectors General.

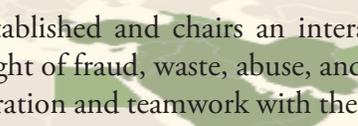


## INTERAGENCY OVERSIGHT

The DoD IG is the lead oversight agency for accountability in DoD, and as such, is committed to maintaining an effective working relationship with other oversight organizations to minimize duplication of efforts and to provide more comprehensive coverage. Effective interagency coordination, collaboration, and partnerships within the oversight community are essential to providing comprehensive reviews of wartime expenditures to identify whether critical gaps exist, and then to recommend actions to fix those gaps.

### SOUTHWEST ASIA JOINT PLANNING GROUP

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The DoD IG has jointly established and chairs an interagency Southwest Asia Joint Planning Group that meets quarterly and provides oversight of fraud, waste, abuse, and criminal activities in the Southwest Asia region. The JPG provides a chance for collaboration and teamwork with the organizations engaged in this effort, including the military inspectors general and service auditors general, combatant commands inspectors general, the Defense Contract Audit Agency, the Defense Finance and Accounting Service, the Defense Contract Management Agency, the Inspectors General of State and the U.S. Agency for International Development, and the Special Inspector General for Iraq Reconstruction. The mission of the JPG is to better coordinate and integrate oversight activities in the region. The Southwest Asia JPG leads the coordination and oversight required to identify and recommend improved mission support to military units conducting operations.

### AFGHANISTAN WORKING GROUP

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The DoD IG, along with the Government Accountability Office, the Department of State Inspector General, and the U.S. Agency for International Development, established a working group on oversight activities in Afghanistan to minimize the impact on forward command operations, eradicate overlapping and duplicate oversight requests, and facilitate the exchange of oversight information. The DoD IG, as the Department of Defense representative of the group, also incorporates the ongoing and planned Afghanistan-related oversight efforts of the Service Auditors General into the working group. The Afghanistan Working Group has convened this reporting period to discuss ongoing, planned, and completed projects that address issues related to Afghanistan operations. This group has briefed congressional committees on Afghanistan oversight projects.

### IRAQ INSPECTORS GENERAL COUNCIL

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In conjunction with the Southwest Asia Joint Planning Group, the DoD IG also participates in the Iraq Inspectors General Council chaired by the Special Inspector General for Iraq Reconstruction, to minimize the impact on forward command operations, deconflict overlapping and duplicate oversight requests, and facilitate the exchange of oversight information unique to Iraq.



## GWOT COST OF WAR SENIOR STEERING GROUP

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The DoD IG is an invited observer to the GWOT Cost of War Senior Steering Group that DoD established on February 26, 2007, to improve and standardize cost of war reporting. Attending the meetings helps the DoD IG remain apprised of DoD efforts for cost of war reporting and furthers its oversight regarding financial aspects of GWOT to ensure timeliness and value to the DoD. DoD IG representatives attended the December 2007 and March 2008 meetings.

## PANEL ON CONTRACTING INTEGRITY

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The DoD IG participates in the Panel on Contracting Integrity. Established under Section 813 of the National Defense Authorization Act for FY 2007, the Panel is chaired by the Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics to conduct reviews of DoD progress made in eliminating areas of vulnerability in the Defense contracting system that allow fraud, waste, and abuse and affect Operations Iraqi and Enduring Freedom. The DoD IG representative is a member of the overall Panel on Contracting Integrity, a member of the subcommittee on Adequate Pricing, and is Chairperson of the Procurement Fraud Indicators subcommittee. The Procurement Fraud Indicators subcommittee is identifying what these indicators are and how they should best be addressed and used for the contracting/acquisition workforce.

## JOINT INVESTIGATIVE PARTNERSHIPS

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DCIS works jointly with other federal law enforcement agencies, participates in various working groups and has agents assigned to FBI Joint Terrorism Task Forces throughout the nation. Examples of partnerships between DCIS and other agencies include:

- Joint cases with the Federal Bureau of Investigation; Immigrations and Customs Enforcement; United States Secret Service; United States Marshals Service; Alcohol Tobacco and Firearms; United States Postal Inspection Service; and various IGs including National Aeronautics and Space Administration; General Services Administration; Health and Human Services; Veterans Affairs; Department of Transportation; Department of State; Housing and Urban Development; and the Military Criminal Investigative Organizations including the United States Army Criminal Investigation Command; Naval Criminal Investigative Service; and Air Force Office of Special Investigations
- Member of the National Procurement Fraud Task Force, created in October 2006 to promote the prevention, early detection and prosecution of procurement fraud
- Member of the International Contract Corruption Task Force with full time agent assigned to the Joint Operations Center
- Member of the Defense Enterprise Working Group
- Excellent working relationships with agencies in the Southwest Asia theater of operations

## CONGRESSIONAL TESTIMONY



*Inspector General Kicklighter Testifies Before the Senate Appropriations Committee.*

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.” The DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings. During this reporting period, the DoD IG has testified two times before Congress, specifically:

On March 11, 2008, the Honorable Claude M. Kicklighter, Inspector General, Department of Defense, testified before the Senate Appropriations Committee regarding “The effectiveness of U.S. efforts to combat corruption, waste, fraud, and abuse in Iraq.” The Inspector General told the committee that his agency has the primary responsibility within the Department of Defense for providing oversight of the Defense programs and the funds appropriated to the Department, at home and around the world, to include Southwest Asia.

To accomplish its oversight mission, the DoD IG has adopted a strategy that is based on maintaining the right size presence in-theater but which also recognizes that much of its work can be done out of Iraq. Inspector General Kicklighter explained the Inspector General’s expeditionary workforce model to support efforts throughout all of Southwest Asia. As an example of our implementation of the expeditionary model, Inspector General Kicklighter described DoD IG efforts regarding munitions accountability.

The DoD IG has an ongoing investigation into pilferage of storage facilities. The Inspector General also summarized the ongoing and planned efforts of the agency’s audit and investigative staff and highlighted some significant accomplishments regarding the GWOT.

On January 29, 2008, Inspector General Kicklighter, testified at a closed hearing before the House Appropriations Committee, Subcommittee on Defense regarding “Defense Department Outsourcing.” During the hearing Inspector General Kicklighter discussed the Inspector General’s role in oversight of DoD contracting, specifically in support of operations in Southwest Asia.



*Inspector General Kicklighter and Senator Patrick Leahy.*

## INSPECTOR GENERAL

During this reporting period, the DoD IG increased its coverage of DoD GWOT-related efforts. The DoD IG and its four components (Audit, Investigations, Policy and Oversight, and Intelligence) have 184 ongoing and completed GWOT projects. Those 184 projects provide oversight and probe various functions and activities such as readiness, principled governance, capacity building, contracts, contract fraud logistics, funds management, corruption, theft, and intelligence efforts.

To maintain a forward presence, the deployment and redeployment of our personnel will continue to be a critical issue warranting additional management attention and efforts. We will adjust the number of deployed personnel according to the warfighter's ability to sustain the size of our presence; priority of work being performed; and actual workload demands.



## AUDIT



*DoD IG audit team looking at Air Force real property in Darulaman, Afghanistan.*

The DoD IG completed 13 GWOT-related projects since October 1, 2007, and has 36 ongoing GWOT-related projects as of March 31, 2008. The projects address issues related to acquisition and contracting, funds management, readiness, logistics, equipping the warfighter, and management of contractor common access cards. The magnitude of DoD IG ongoing projects is about \$129.7 billion related to DoD GWOT efforts. As of March 31, 2008, the DoD IG had 15 auditors assigned to the Qatar, Iraq, and Afghanistan field offices. The DoD IG had approximately 240 audit personnel supporting ongoing GWOT projects in areas such as contracting, funds management, and accountability of resources.

In November 2007, we realigned internal core mission assets to support Southwest Asia audit field operations by establishing an expeditionary audit division comprised of about 30 people. This expeditionary group is complemented by other U.S. based audit teams. During the reporting period, we have 240 personnel conducting audits related to GWOT. In April 2008, we plan on having 25 people deployed in support of OIF/OEF with an additional 30 “expeditionary team members” who will deploy for 120 days to work on specific audit projects.

## COMPLETED GWOT AUDITS

The 13 completed GWOT-related projects have resulted in findings involving critical issues in readiness, logistics, contract surveillance, and funds management. A brief overview of each audit follows:



**Procurement, Distribution, and Use of Body Armor in DoD:** The Army and Marine Corps issued contracts and Federal Supply Schedule orders valued at more than \$5.2 billion for body armor components. The Federal Acquisition Regulation requires contracting organizations to maintain adequate contract documentation to provide a complete acquisition history. Specific information concerning testing and approval of first articles was not included in 13 of 28 Army contracts and orders reviewed, and contracting files were not maintained in 11 of 28 Army contracts to show why procurement decisions were made. As a result, DoD has no assurance based on documentation maintained that first articles produced under 13 of the 28 contracts and orders reviewed met the required standards, or that 11 of the 28 contracts were awarded based on informed procurement decisions. In response to the report, the Program Executive Office Soldier stated that although not in the scope of our audit, the Army also conducts lot acceptance testing and post issue surveillance testing and that Army has no evidence of deaths that can be attributed to defective body armor. The DoD IG plans to start an audit in late FY 08/early FY 09 to evaluate the durability and sustainability of body armor.

**Defense Hotline Allegations Concerning the Biometric Identification System for Access Omnibus Contract:** The DoD IG did not substantiate allegations regarding the award of the Biometric Identification System for Access omnibus contract under the Army Strategic Services Sourcing contract vehicle. The purpose of the Biometric Identification System for Access is to provide biometric base access control that can operate in a hostile environment. The allegations included contractor insider relations with program management, developing requirements, having access to information not available to all vendors; the contractor that was awarded the project had a price larger than Army's cost estimate; and the contracting officer failed to comply with FAR requirements. DoD IG determined that all bidding contractors were given a fair opportunity to compete, the cost estimate posted on the Army Command's Web site was not to be used as a basis for anything, the contractor did not have access to acquisition sensitive data, and the Army Command's legal department determined that Federal Acquisition Regulation does not prohibit a contractor from bidding on a subsequent effort for technology they have designed or developed.

**Potable and Nonpotable Water Treatment in Iraq:** The DoD IG identified deficiencies in water operations at three contractor-operated facilities and two military-operated facilities, and in the oversight of those operations. Contractors provided bottled drinking water and bulk water to U.S. forces. Military water purification units provided bulk water only. From March 2004 through February 2006, the quality of water provided by contractors, through treatment or distribution at three of the sites DoD IG auditors visited, was not maintained in accordance with field water sanitary standards as specified in the Department of Army guidance. Although required, KBR did not maintain the quality of the water it distributed to point-of-use storage containers at Camp Ar Ramadi, Camp Q-West, and Camp Victory. Additionally, at Camp Q-West, KBR improperly provided chlorinated wastewater from its Reverse Osmosis Water Purification Unit to personal hygiene facilities. During the time that auditors reviewed water operations, from January 2004 through December 2006, the military processes for providing potable and nonpotable water did not always meet field water sanitary control and surveillance requirements as required by Army guidance. Specifically, operators of the military water production sites we visited were not performing all required quality control tests nor did they maintain appropriate production, storage, and distribution records. Because of corrective actions taken, contractor processes for providing potable and nonpotable water were adequate as of November 2006 when internal quality control procedures and DoD oversight were in place to provide quality assurances for the processes of water production, production site storage, distribution, and storage at point-of-use facilities. However, military water purification units at LSA Anaconda and Camp Ali did not perform required quality control tests and did not maintain appropriate records of water produced, stored, and issued during the period reviewed. Therefore, water suppliers exposed U.S. forces to unmonitored and potentially unsafe water. Although there was no way to determine whether water provided by the contractors and military water purification units caused disease, contractors and military units responsible for water



operations must always ensure that water provided to the forces meets all established standards and is safe to use. **Supplemental Funds Used for Medical Support for GWOT:** The Military Department Surgeons General did not consistently report obligations of GWOT supplemental funds by mission as required by the TRICARE Management Activity. The missions are Military Health System categories used by the TRICARE Management Agency to request, justify, and execute GWOT supplemental funds. Without accurate and consistent reporting of GWOT supplemental fund obligations, DoD has no assurance that the Military Health System used funds for the missions for which they were requested. Additionally, DoD cannot ensure that the amounts reported in the FY 2006 Defense Health Program Cost of War report are accurate and complete. The auditors identified a material internal control weakness in the recording and reporting of GWOT supplemental fund obligations for the Military Health System.

**Contractor Support to the Joint Improvised Explosive Device Defeat Organization in Afghanistan:** (Classified Report)

**DoD Support to the NATO International Security Assistance Force:** (FOUO Report)

**The Army's Procurement and Conditional Acceptance of Medium Tactical Vehicles:** The Army was appropriately using supplemental funds that Congress provided to the Family of Medium Tactical Vehicles program office in support of the GWOT. However, the FMTV program office was not adequately protecting the Government's interest because it conditionally accepted FMTVs. Further, the FMTV contractor, Stewart and Stevenson Tactical Vehicle Systems, Limited Partnership, was not meeting contract requirements for acceptance of vehicles at first Government inspection. As was the case more than 11 years ago, the procuring contracting officer for the FMTV, after consulting with the Project Manager Tactical Vehicles, authorized the administrative contracting officer to conditionally accept incomplete vehicles and paid the contractor up to 100 percent of the contract price for some of the vehicles. The conditional acceptance of vehicles resulted in the Army prematurely paying the FMTV contractor more than \$3.8 million for vehicles. The conditional acceptance of vehicles also unnecessarily increased the Army cost risk. (This is a repeat finding that was discussed in DoD Inspector General Report No. 96-005, "Quick-Reaction Audit Report on Conditional Acceptance of Medium Tactical Vehicles," October 12, 1995.) The FMTV contractor submitted vehicles for Government acceptance that did not meet first inspection acceptance requirements in the contract. Specifically, Government acceptance of FMTV lots at first inspection decreased from 86 percent in January 2004 to 21 percent in January 2007. As a result, the Defense Contract Management Agency incurred additional reinspection costs to verify that vehicles resubmitted for inspection met contract specifications. The DoD IG identified material control weaknesses in the process used by the procuring contracting officer to conditionally accept incomplete vehicles and pay the contractor up to 100 percent of the contract price for some of the vehicles.

**Training for U.S. Ground Forces at Army Maneuver Combat Training Centers:** The Army's Maneuver Combat Training Centers are providing military positions as part of an overall restructuring process and to meet the training requirements of a more modular force. However, training for ground forces could be negatively impacted by this restructuring if observer/controller positions are not staffed near full-strength in FY 2009. Specifically, the full benefit of combat training may be degraded and the amount of critical feedback provided by the Observer/Controllers during training may be reduced.

**Request for and Use of Emergency Supplemental Funds for the Rapid Fielding Initiative:** The Program Executive Office Soldier requested and used emergency supplemental operation and maintenance funds in FY 2006 and similarly requested and planned to use supplemental funds in FY 2007. As a result, the Program Executive Office Soldier used about \$221 million in emergency supplemental funds during FY 2006 to provide Rapid Fielding Initiative items to



about 125,000 soldiers who had not deployed and were not scheduled to deploy in support of contingency operations. Additionally, the Program Executive Office Soldier records as of October 2006 showed that it planned during the first part of 2007 to provide Rapid Fielding Initiative items to about 100,000 soldiers who were not scheduled to deploy at a cost of about \$177 million. The cost of Rapid Fielding Initiative items for FY 2006 and for FY 2007 was about \$398 million in emergency supplemental funds that could have been put to better use. The managers' internal controls that the DoD IG reviewed were not effective in that we identified a material weakness in the Army's process for requesting and using emergency supplemental funds.

**Air Force Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation:** As a result of our review, we concluded that the Air Force needs to improve its management and financial controls over the use of GWOT supplemental and bridge funding provided for procurement and research, development, test, and evaluation. Specifically, because the Air Force comptrollers and budget officers did not always include an emergency operations code for supplemental and bridge funds in their accounting classifications, the Air Force financial community did not have the means to ensure that funds placed on contracts were used for the efforts stipulated by Congress. As a result, the Air Force did not have accounting controls to accurately report to Congress its progress in obligating those funds. Based on the DoD IG audit, the Assistant Secretary of the Air Force (Financial Management and Comptroller) issued a memorandum, "GWOT Cost of War Reporting," April 3, 2007. The memorandum requires each major command that receives supplemental funding to report monthly on GWOT obligations and expenditures at the line-item level of detail. The memorandum also reiterates the requirement for Air Force comptrollers and budget officers to properly code GWOT funding documentation with emergency operations codes in accounting classifications. The auditors identified a material internal control weakness regarding inconsistent emergency operations coding of GWOT supplemental and bridge funds. Specifically, this report addresses a systemic financial internal control weakness with regard to the Air Force's process for tracking, controlling, and reporting on the use of supplemental funds provided for GWOT.

**Management of the Iraq Security Forces Fund in Southwest Asia—Phase III:** The Multi-National Security Transition Command-Iraq was not able to demonstrate proper accountability for and management of the Iraq Security Forces Fund and could not always demonstrate that the delivery of services, equipment, and construction was properly made to the Iraq Security Forces. As a result, the Multi-National Security Transition Command-Iraq was unable to provide reasonable assurance that Iraq Security Forces Fund achieved the intended results, that resources were used in a manner consistent with the mission, and that the resources were protected from waste and mismanagement. In addition, several transactions resulted in \$1.8 million of funds that could be put to better use. Those transactions were not identified for de-obligation by the required Multi-National Security Transition Command-Iraq tri-annual reviews. As a result of our audit, command identified over \$800 million in funds to be deobligated.

**The Inspection Process of the Army Reset Program for Equipment for Units Returning from Operation Iraqi Freedom:** The Army's technical inspection process for the reset of unit equipment returning from Operation Iraqi Freedom was generally effective. However, inconsistencies occurred among redeploying units in the conduct of technical inspections, the granting of exemptions from automatic reset induction, and the reporting of reset equipment. This happened because guidance was contradictory on when and where units should perform technical inspections, nonexistent on exempting equipment from automatic reset induction, and insufficient on uniform reporting requirements for equipment undergoing the reset process. As a result, approximately 35 units returning from Operation Iraqi Freedom in the coming years will not use a standard method for initiating repair or replacement. Items needing reset may be delayed in entering the national-level reset pool. Exempting equipment reduces availability and creates difficulties in the redistribution of equipment to higher priority units. Additionally, reset status reporting may not provide decision makers with complete and consistent information.

**Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund – Phase I:** Congress appropriated \$4.7 billion for ASFF in the three Public Laws (109-13, 109-234, 109-289). In this first phase of our audit, we examined how the Office of Management and Budget, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and the Office of the Assistant Secretary of the Army for Financial Management and Comptroller distributed \$4.7 billion of budget authority for ASFF.

## ONGOING AUDITS

DoD IG audit oversight is focused in several fundamental areas—accountability, financial management, contract surveillance, and training and equipment of personnel. The 36 ongoing GWOT-related projects address critical readiness issues that directly impact the warfighter, such as munitions accountability, the procurement of mine resistant ambush protected vehicles, combat search and rescue helicopters, management of recovery and reset programs, and issuance and administration of contractor common access cards. The DoD IG is also focused on the oversight of funds and evaluation of internal controls relating to cash disbursement for the Army, Navy, and Air Force general funds, as well as the execution of supplemental funds to equip and train the Iraq and Afghanistan security forces.

The ongoing projects include audits initiated at the request of Congress or management, such as concerns with hiring practices of the Coalition Provisional Authority in Iraq and the Marine Corps implementation of the urgent universal need statement process for the Mine Resistant Ambush Protected vehicles. In addition, the DoD IG works with the Military Service audit agencies to leverage audit efforts and to ensure that projects are coordinated to avoid duplication and minimize impact to command operations. A brief overview of each audit is listed as follows:

AUDIT TITLE	AUDIT DESCRIPTION
Marine Corps Implementation of the Urgent Universal Need Statement Process for Mine Resistant Ambush Protected Vehicles	The audit was requested by the Assistant Commandant of the Marine Corps in response to allegations of mismanagement regarding the identification and fulfillment of a requirement for Mine Resistant Ambush Protected vehicles. The DoD IG is reviewing whether the Marine Corps decision making process responded appropriately and timely to Urgent Universal Need Statements submitted by field commanders for Mine Resistant Ambush Protected vehicles.
War Reserve Materiel Contract	The DoD IG is reviewing whether Air Force contracting officials managed and administered the DynCorp International War Reserve Materiel contract in accordance with federal and DoD contracting policies.
Internal Controls Over Army, General Fund, Cash and Other Monetary Assets, Held in Southwest Asia	The DoD IG is reviewing whether internal controls for Army, General Fund, Cash and Other Monetary Assets held in Southwest Asia are effectively designed and operating to adequately safeguard, account, document, and report cash and other monetary assets.
Price Reasonableness for Contracts at U.S. Special Operations Command	The objective is to determine whether pricing of contracts at the U.S. Special Operations Command complied with Federal Acquisition Regulation requirements for determining price reasonableness.

AUDIT TITLE	AUDIT DESCRIPTION
Air Force Combat Search and Rescue Helicopter	The DoD IG is determining whether changes to Combat Search and Rescue Helicopter Key Performance Parameters were made in accordance with applicable DoD and Air Force acquisition guidelines. Specifically, the DoD IG will determine whether key performance parameter changes were properly designated and appropriately vetted through the Joint Requirements Oversight Council. In addition, we will determine whether key performance parameter changes will affect Air Force special operations capabilities in the GWOT.
Controls Over the Contractor Common Access Card Life Cycle in Southwest Asia	The overall objective is to determine whether controls over Common Access Cards provided to contractors are in place and work as intended. Specifically, the DoD IG will determine whether DoD officials: verify the continued need for contractors to possess Common Access Cards; revoke or recover them from contractors in accordance with DoD policies and procedures; and, ensure their proper use by contractors.
Follow-Up Review on Equipment Status of Forces Deployed in Support of Operation Iraqi Freedom	The overall objective of this joint follow-up review is to determine whether forces deployed to Iraq, in support of Operation Iraqi Freedom, have the necessary equipment to accomplish their missions, in accordance with mission requirements. The review primarily focuses on both ground and air combat units, but will include the adequacy of pre-position equipment and the sustainability of combat support units. This review is being conducted jointly with the Multi-National Force – Iraq Inspector General’s Office and possible representatives from the Multi-National Corps - Iraq or Division Inspector General Offices.
Controls Over the Reporting of Transportation Costs in Support of the GWOT	The objective is to evaluate the effectiveness of controls over the reporting of transportation costs related to GWOT.
Defense Emergency Response Fund for the GWOT	The DoD IG is reviewing whether the Defense Emergency Response Fund is used as intended, and whether the use of the funds complies with the Office of Management and Budget guidance. The DoD IG will also determine whether DoD has the ability to track the use of the Defense Emergency Response Fund.
Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund – Phase I and II	In the first two phases of a three-phase review of the nearly \$4.7 billion appropriated to the Afghanistan Security Forces Fund in Public Laws 109-13, 109-234, and 109-289, the DoD IG is reviewing the distribution of funds from the Office of Management and Budget through the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Assistant Secretary of the Army (Financial Management and Comptroller) to the Defense Security Cooperation Agency. In Phase II, the DoD IG is evaluating whether obligations recorded for the Afghanistan Security Forces Fund were made in accordance with legislative intent and applicable appropriations law. The report on the Phase I was issued November 5, 2008.



*DoD IG and MNF-I IG personnel on joint follow-up project.*

AUDIT TITLE	AUDIT DESCRIPTION
Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund - Phase III	The DoD IG is conducting the third phase of a multiphase audit in response to Public Law 109-234, which directed the Inspector General to provide oversight of the Afghanistan Security Forces Fund. The objective is to determine whether organizations in Southwest Asia that the U.S. Central Command assigned with the responsibility for managing the Afghanistan Security Forces Fund properly accounted for the goods and services purchased for the Afghanistan Security Forces using the Afghanistan Security Forces Fund and whether the goods and services were properly delivered to the Afghanistan Security Forces.
Medical Equipment Used to Support Operations in Southwest Asia	The overall objective is to evaluate the internal controls over medical equipment used to support operations in Southwest Asia. Specifically, the DoD IG will determine whether controls are in place for acquiring mission-essential medical equipment and whether the recording and reporting of medical equipment are accurate and complete.
Expeditionary Fire Support System and Internally Transportable Vehicle Programs	The objective is to determine whether contract competition and program administration for the United States Marine Corps Expeditionary Fire Support System and Internally Transportable Vehicle are in accordance with the Federal Acquisition Regulation and supporting DoD guidance.
Procurement and Use of Nontactical Vehicles at Bagram Air Field, Afghanistan	The overall objective is to determine the effectiveness of the process for procuring and leasing nontactical vehicles at Bagram Air Field, Afghanistan. The DoD IG will also review the cost of operating and maintaining nontactical vehicles and determine whether the amount of use complies with DoD guidance. The audit supports Operation Enduring Freedom and will be limited to nontactical vehicles procured and leased by the Defense Contract Management Agency through the Logistics Civil Augmentation Program III contract and the Joint Contracting Command-Iraq/Afghanistan.
Security Over Radio Frequency Identification	The overall objective is to determine whether DoD implemented security controls to protect radio frequency identification information. Specifically, the DoD IG will assess the implementation and effectiveness of those security controls over the information.
Small Arms Ammunition Fund Management in Support of the GWOT	The overall objective is to determine whether the Military Departments properly managed small arms ammunition funds in support of the GWOT. Specifically, we will determine whether financial management officials fully supported and properly incurred obligations and expenditures. The DoD IG will also determine whether funds for small arms ammunition were accurately recorded in financial systems for reporting to the Office of the Secretary of Defense.
Contracts for Supplies Requiring Use of Radio Frequency Identification	The overall objective is to determine whether DoD Components are complying with policies on radio frequency identification. Specifically, we will determine whether DoD Components have prepared and implemented plans to use radio frequency identification. Additionally, we will assess whether DoD contracts issued since January 1, 2005, include requirements for using passive and active radio frequency identification tags and whether contractors are complying with those requirements.

AUDIT TITLE	AUDIT DESCRIPTION
Payments for Transportation Using PowerTrack®	The objective is to determine whether DoD established adequate control procedures over transportation payments made using PowerTrack® and payments made to U.S. Bank for PowerTrack® services.
Internal Controls and Data Reliability of the Deployable Disbursing System	The DoD IG is reviewing whether controls over transactions processed through the Deployable Disbursing System are adequate to ensure the reliability of the data processed, to include financial information processed by disbursing stations supporting GWOT.
Contingency Construction Contracting Procedures Implemented by the Joint Contracting Command-Iraq/Afghanistan	The DoD IG is reviewing the efficiency of contingency construction contracting procedures implemented in the Afghanistan area of operations. Specifically, the DoD IG will review the effectiveness of practices related to contract solicitation, award, quality assurance, oversight, and final acceptance of construction projects.
Summary of Issues Impacting Operations Iraqi Freedom and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 Through FY 2007	The DoD IG is summarizing contract, funds management, and other accountability issues identified in audit reports and testimony that discuss mission-critical support to Operation Iraqi Freedom and Operation Enduring Freedom.
Defense Hotline Allegations Concerning Contracts Issued by U.S. Army TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division	The DoD IG initiated the audit in response to Defense Hotline allegations concerning contracts issued by U.S. Army TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division. The DoD IG will evaluate whether contract award and administrative procedures complied with federal and DoD policy.
Controls Over the Contractor Common Access Card Life Cycle	The DoD IG is reviewing whether controls over Common Access Cards provided to contractors are in place and work as intended. Specifically, the DoD IG will evaluate whether DoD officials issue Common Access Cards to contractors, verify the continued need for contractors to possess Common Access Cards, and revoke or recover Common Access Cards from contractors in accordance with DoD policies and procedures.
End-Use Monitoring of Defense Articles and Services Transferred to Foreign Customers	The DoD IG is reviewing the Golden Sentry Program, which monitors how foreign governments use U.S. Defense articles and services, to evaluate whether the program records and controls transfers of sensitive arms effectively.



AUDIT TITLE	AUDIT DESCRIPTION
Procurement and Delivery of Joint Service Armor Protected Vehicles	The DoD IG is reviewing whether the Mine Resistant Ambush Protected vehicle program office is effectively procuring armored vehicles in accordance with the Federal Acquisition Regulation and DoD requirements. Specifically, the DoD IG is reviewing Mine Resistant Ambush Protected program administration to evaluate whether the program office is taking appropriate actions to accelerate vehicle delivery to users. In addition, the DoD IG is evaluating the Services' requirements for Mine Resistant Ambush Protected and High Mobility Multipurpose Wheeled Vehicles.
Operations and Maintenance Funds Used for GWOT Military Construction Contracts	The DoD IG is reviewing whether DoD Components followed requirements for using Operation and Maintenance funds for GWOT military construction. Specifically, the DoD IG is evaluating whether DoD followed proper procedures for administering, executing, and reporting the use of Operation and Maintenance funds on GWOT military construction contracts.
Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Sales Trust Fund	The DoD IG is evaluating whether funds appropriated for the security, reconstruction, and assistance of Afghanistan and Iraq and processed through the Foreign Military Sales Trust Fund are properly managed. Specifically, the DoD IG is reviewing whether the transfer of appropriated funds from the Army's accounts into the Foreign Military Sales Trust Fund was properly authorized, accounted for, and used for the intended purpose. The DoD IG is also reviewing whether Foreign Military Financing funds granted to Afghanistan and Iraq are properly accounted for and used for their intended purpose. In addition, the DoD IG is verifying whether the appropriated funds are properly reported in DoD financial reports.
Marine Corps' Management of the Recovery and Reset Programs	The DoD IG is evaluating the effectiveness of the Marine Corps' Recovery and Reset Programs for selected equipment. Specifically, the DoD IG is reviewing how the Marine Corps met its equipment requirements through the Reset and Recovery Programs, whether it effectively repaired or replaced selected equipment, and whether the Marine Corps used funds for their intended purpose.
Internal Controls Over Air Force General Funds, Cash and Other Monetary Assets	The DoD IG is evaluating whether internal controls for Air Force General Funds, Cash, and Other Monetary Assets are effectively designed and operating to adequately safeguard, account for, and report Cash and Other Monetary Assets.
Internal Controls Over Navy General Funds, Cash and Other Monetary Assets Held Outside the Continental United States	The DoD IG is evaluating whether internal controls for Navy General Fund, Cash, and Other Monetary Assets held outside of the continental United States are effectively designed and operating to adequately safeguard, record, account, and report Cash and Other Monetary Assets.
Export Controls Over Excess Defense Articles	The objective is to assess the adequacy of controls over the transfer of excess Defense articles to foreign persons. Specifically, we will determine whether transferred property was adequately demilitarized and controlled in accordance with the requirements of the Foreign Assistance Act of 1961 (Public Law 87-195), as amended, and the Arms Export Control Act of 1976 (Public Law 90-269), as amended.

AUDIT TITLE	AUDIT DESCRIPTION
DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom	The overall objective is to determine whether U.S. ground forces supporting Operation Iraqi Freedom are receiving training necessary to meet operational requirements. Specifically, we will determine whether requirements reflect the training necessary in the area of operation and verify whether the ground forces are receiving the required training. In addition, we are evaluating whether the training is meeting the needs of ground forces supporting Operation Iraqi Freedom. The DoD IG plans to issue three reports concerning these topics. The first of these reports which addresses the Observer/Controller positions at Army's Maneuver Combat Training Centers has already been issued.
Hiring Practices of the Coalition Provisional Authority in Iraq	The DoD IG is conducting the audit in response to a congressional request. The DoD IG is evaluating the hiring practices that DoD used to staff personnel to the provisional authorities supporting the Iraqi government from April 2003 to June 2004. Specifically, the DoD IG is reviewing the process DoD used to assign personnel to the Office of Reconstruction and Humanitarian Assistance and the Coalition Provisional Authority in Iraq.
DoD Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation	The DoD IG is evaluating the adequacy of DoD financial controls over use of GWOT supplemental funding provided for procurement and research, development, test, and evaluation. The DoD IG is also evaluating whether congressionally approved funds were placed on contracts and used for purposes stipulated in the GWOT supplemental funding. The DoD IG issued the report "Air Force Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation." The DoD IG will issue additional reports addressing DoD Cost of War reporting and a consolidated report addressing the Army, Navy, Marine Corps and Defense agencies financial controls over GWOT procurement and research, development, test, and evaluation supplemental funding.
Conditional Acceptance and Production of Army Medium Tactical Vehicles in Support of the GWOT	The DoD IG is evaluating whether the Army is adequately protecting the Government's interest when it includes conditional acceptance provisions in production contracts for the Family of Medium Tactical Vehicle Program. The DoD IG issued the report, "The Army's Procurement and Conditional Acceptance of Medium Tactical Vehicles.
Internal Controls Over Out-Of-Country Payments	The DoD IG is evaluating whether internal controls over out-of-country payments supporting GWOT provide reasonable assurance that payments are properly supported and recorded.



*DoD IG auditor next to an Apache helicopter in SWA.*

## INVESTIGATIONS



*DCIS special agents at the Mid-Atlantic Field Office.*

DCIS, the criminal investigative arm of the DoD IG, has been investigating waste, fraud, abuse and corruption pertaining to Iraq and Afghanistan since the start of the war. DCIS has four special agents in theater – two special agents are currently assigned to Iraq and two special agents are assigned to Kuwait. An additional special agent has been temporarily deployed to Iraq to support a special cell investigating issues relating to weapons accountability. Two additional special agents will soon be deployed to Afghanistan.

### INTERNATIONAL CONTRACT CORRUPTION TASK FORCE AND THE JOINT OPERATIONS CENTER

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Pursuant to the Inspector General Act of 1978, DCIS has broad criminal investigative jurisdiction regarding DoD programs and operations; however, effectively countering fraud in Iraq requires the cooperative efforts of other DoD investigative agencies and federal law enforcement partners. DCIS plays a significant and pivotal role in both the National Procurement Fraud Task Force and the International Contract Corruption Task Force. The ICCTF, an offshoot of the NPFTE, was formed to specifically target fraud and corruption involving Southwest Asia. The primary goal of the ICCTF is to combine the resources of multiple investigative agencies and to partner with the Department of Justice to effectively and efficiently investigate and prosecute cases of contract fraud and public corruption related to U.S. Government spending in Iraq, Kuwait, and Afghanistan.

The participating agencies in the ICCTF are the DCIS; the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit; the Inspector General, U.S. Department of State; the Inspector General, U.S. Agency for International Development; the Federal Bureau of Investigation; and the Special Inspector General for Iraq Reconstruction. The ICCTF created a Joint Operations Center in furtherance of achieving maximum interagency cooperation. The JOC, located in Washington, D.C., serves as the nerve center for the collection and sharing of intelligence regarding corruption and fraud relating to funding for the GWOT. The JOC coordinates intelligence-gathering, deconflicts case work and deployments, disseminates intelligence, and provides analytic and logistical support for the ICCTF agencies to enhance criminal prosecutions and crime prevention. Case information and criminal intelligence are shared without reservation, and accomplishments are reported jointly. The agency heads meet regularly to collectively provide policy, direction, and oversight.

### PROTECTING AMERICA'S WARFIGHTERS

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DCIS protects America's warfighters by vigorously investigating alleged procurement fraud, corruption, and other breaches of public trust that impact critical DoD programs. Our investigations focus on matters such as bribery, theft, procurement fraud, illegal receipt of gratuities, bid-rigging, defective and substituted products, and conflicts of



interest. DCIS' presence in the region has identified corrupt business practices, loss of U.S. funds through contract fraud, and theft of critical military equipment destined for Iraqi security forces.

Investigations conducted in Southwest Asia are cooperative efforts. As of the end of this reporting period, a total of 71 DCIS special agents (CONUS and OCONUS) are conducting 109 investigations involving U.S. Government spending in Iraq, Kuwait, and Afghanistan. A majority of these investigations are being investigated in conjunction with other law enforcement partner agencies. DCIS' primary partner in countering DoD-related fraud in Southwest Asia is the Major Procurement Fraud Unit, Army CID. Of these 109 investigations, 93 investigations are being conducted by special agents in Germany and the United States. Sixteen investigations are currently being conducted by agents deployed throughout Southwest Asia. DCIS attempts to transfer investigations developed in Southwest Asia to an appropriate CONUS venue as soon as practical to ensure we maximize the use of our in-theater investigative resources and to facilitate prosecution efforts. Since March 2007, DCIS has transferred 11 investigations from SWA to CONUS.

Two of these transferred cases that received assistance from the JOC involve a government contractor hired to translate Arabic and English languages in Iraq. The contractor and his spouse were indicted for the theft of \$595,000 from the U.S. Army. The contractor gained information and access to a U.S. Army contractor's business email account and used the information to submit a phony invoice to the U.S. Army. A second investigation that received JOC support involved a U.S. Army captain, who served as a field ordering officer and a contracting officer in Baghdad, Iraq. The captain was arrested for accepting a \$50,000 bribe to steer military contracts in Iraq. The captain oversaw the administration of service and supply contracts awarded by the U.S. Army.

As of the end of this reporting period, closed and ongoing investigations in Southwest Asia have resulted in 18 federal criminal indictments and 26 federal criminal investigations. Three hearings have been conducted under Article 32 of the Uniform Code of Military Justice. In total, 25 persons have been convicted of felony crimes, resulting in a total of approximately 34 years of confinement and 35 years of probation; 9 individuals and 3 companies were debarred from contracting with the U.S. Government; 12 companies and 13 persons were suspended from contracting; and 2 contractors signed settlement agreements with the U.S. Government. A total of \$11.1 million was paid to the U.S. in restitution; \$365,725 was levied in fines and penalties; \$1.76 million was forfeited; and \$2.2 million was seized.

## DFAS-ROME, NY PROJECT

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In addition to investigating allegations of fraud, waste, and abuse, DCIS launched a proactive project that will analyze over \$10 billion in payment vouchers related to U.S. Army purchases in Iraq. The vouchers are currently stored at the Defense Finance and Accounting Service, Rome, NY. The project is being coordinated with DFS, the DoD IG's Audit component, the Defense Contract Audit Agency, the U.S. Army Audit Agency, and the FBI. The project will attempt to identify fraudulent activity related to the war effort in Iraq and Afghanistan through utilization of data mining techniques. While the initiative is in its infancy, several questionable transactions have been identified and referred for further investigation. In addition to these analytical efforts to develop cases, the investigative team assigned to the project is also supporting ongoing investigations involving fraud and corruption in Iraq.



## JOINT TERRORISM TASK FORCES

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DCIS continues to actively support Joint Terrorism Task Forces throughout the country. DCIS currently provides staff to support approximately 42 JTTFs on a full-time or part-time basis. A full-time DCIS representative is also assigned to the National Joint Terrorism Task Force located at the National Counterterrorism Center. Creation of JTTFs was based upon the premise that success against terrorism is best achieved through a collaborative effort amongst federal, state and local agencies. In order to more effectively combat terrorism, cooperation must extend beyond the mere exchange of information. JTTFs were formed to maximize interagency cooperation and coordination by creating cohesive units capable of addressing both international and domestic terrorism.

DCIS agents participated in an investigation that resulted in the arrests and convictions of the “Fort Dix Six” for plotting to attack Fort Dix, New Jersey and other Department of Defense installations.

DCIS agents assigned to JTTFs also participated in an investigation that resulted in the arrest of two men who were part of a domestic terrorist cell. The individuals pled guilty to federal terrorism charges, admitting that they conspired to attack United States military operations, “infidels,” and Israeli and Jewish facilities in the Los Angeles area. The two men formed the terror group while in a California state prison, and recruited others into the plot.

Creation of JTTFs involves a costly investment of personnel and equipment; however, this initiative realizes qualitative benefits in the form of improvements to interagency coordination and cooperation, sharing of intelligence and in obtaining arrests and convictions in counterterrorism investigations. DCIS will continue to support JTTFs in an effort to reduce the threat of terrorist acts against Department of Defense interests.

### **Hoax Pipe Bomb Investigation**

DCIS, the FBI, and other law enforcement agencies, are currently seeking information regarding the placement of four hoax pipe bomb devices at United States Military Recruiting Centers in Oregon. On March 24, 2007, a hoax bomb device was discovered at a United States Marine Corps Recruiting Center in Salem, Oregon. On May 10, 2007, a hoax bomb device was located at an Armed Forces Recruiting Center in Portland, Oregon. On August 11, 2007, a hoax bomb device was found at an Armed Forces Recruiting Center in Astoria, Oregon. On November 18, 2007, a hoax bomb device was located at a United States Army Recruiting Center in Salem, Oregon.

Most of the devices had the phrase “Die Weisse Rose” printed on them, which is German for “The White Rose.” Historically, “Die Weisse Rose” was the name of a small group of anti-Hitler activists who protested against hate during World War II. DCIS is committed to working with its law enforcement partners to bring individuals responsible for activities which threaten DoD resources to justice.

### **Material Support of Terrorism Investigation**

Hassan Abu-Jihaad, a former signalman with the U.S. Navy, was indicted in the District of Connecticut on two counts of providing material support of terrorism and disclosing previously classified information relating to the national defense. In March, 2008, Abu-Jihaad was found guilty of transmitting classified information to suspected terrorists. The classified information detailed the dates during which the battle group to which the USS Benfold was assigned would pass through the Straits of Hormuz, and the battle group’s vulnerabilities.



## POLICY AND OVERSIGHT

The DoD IG's Office of Policy and Oversight has supported efforts to develop and promote the establishment of effective oversight and security organizations in Afghanistan and Iraq. Some of those projects have been conducted jointly with the Department of State and the Department of Justice and have provided critical assessments and detailed recommendations aimed at helping the fledgling democracies in those countries to counter crime, corruption, human rights abuses, and other threats to include terrorism. A brief overview of each project follows:

**Reach Back Support to Inspectors General of the Iraqi Security Forces:** With the re-deployment of the two full-time DoD IG advisors to the Multi-National Security Transition Command-Iraq Transition Teams in Baghdad, the Inspections and Evaluations Directorate maintained a reach back cell to support the ISF Inspectors General. A second project will examine options that can be used to develop a viable, sustainable, effective IG system in emerging nations. Moreover, the report will recommend concepts, strategies, options, and practical applications that can be used in other "Stability, Security, Transition, and Reconstruction" operations where establishing a federal IG system may be appropriate in nation building missions. The reach back cell is completing a report, "Assessment of the DoD Support to the Iraqi Security Forces IG System" (Project Number D2006-DIPOE3-0038.001), which will chronicle the progress in developing the inspectors general functions for the Ministries of Defense and Interior and the Iraqi Joint Headquarters and will recommend process improvements.

**Interagency DoD/DOS Assessment of Section 1206 of the National Defense Authorization Act, "Global Train and Equip Program":** The Departments of Defense and State IGs announced this interagency "Section 1206" project on March 14, 2008. The Director of the Joint Staff and the Principal Deputy Under Secretary of Defense for Policy requested this assessment to review program management and to identify opportunities for program and process improvements. Section 1206 of the National Defense Authorization Act for FY 2006 authorizes funds to provide training, equipment, and supplies to foreign militaries to bolster their capacity to combat terrorism or to participate with the U.S. military in joint operations. Congress has authorized additional funding for FYs 2007 and 2008. Section 1206 supports the National Security Presidential Directive 44, "Management of Interagency Efforts Concerning Reconstruction and Stabilization," and DoD Directive 3000.05, "Support for Stability, Security, Transition and Reconstruction Operations," November 28, 2005. So far, the U.S. Government has partnered with 44 Section 1206 nations.

**DoD/VA Interagency Evaluation of the Care Transition Process:** The Under Secretary of Defense for Personnel and Readiness requested the evaluation. The purpose of the evaluation is to review laws, policies, processes, and procedures used to provide access to health care and other benefits to severely ill and injured military personnel returning from Operations Enduring Freedom and Iraqi Freedom. The team is coordinating with the DoD/VA "Wounded, Ill, and Injured Senior Oversight Committee Overarching Integrated Product Team," to compare, cross-map, and deconflict their recommendations against those prepared by other "Wounded Warrior" studies and review groups.

**Review of the Investigative Documentation Associated with the Death of Army Corporal Stephen W. Castner in Iraq:** On January 4, 2008, the DoD IG completed this review. The U.S. Representative of Wisconsin F. James Sensenbrenner brought this issue to the DoD IG on behalf of the parents of Corporal Castner. The review examined concerns over the accuracy of the original investigation report. Corporal Castner died when the vehicle in which he was riding as a gunner was hit by a "hand-wired" improvised explosive device during a convoy operation near Tallil, Iraq. Based on the review of the Army Regulation 15-6 investigation report and related documents and the results of DoD Investigators' interviews, the DoD IG concluded that the report was sufficient and factually described the incident. Therefore, the DoD IG recommended that the case remain closed.



## INTELLIGENCE

The DoD IG's Office of the Deputy Inspector General for Intelligence has ongoing and planned reports of high-profile issues related to the GWOT. A brief overview of each report follows:

### ONGOING REPORTS

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**U.S. Government's Relationship with the Iraqi National Congress:** The objective is to respond to direction from the House Appropriations Committee through the Office of the National Counterintelligence Executive to review the U.S. Government's relationship with the Iraqi National Congress. On June 12, 2006, the DoD IG published a report on Phase One of the project. The report on Phase Two is expected to be published during the 3rd Quarter of FY 2008.

**Review of Intelligence Resources at the Joint Intelligence Task Force Combating Terrorism and Special Operations Command:** The objective is to examine intelligence missions and corresponding resources at both the Joint Intelligence Task Force Combating Terrorism and Special Operations Command to determine the sufficiency of those resources to accomplish their intelligence missions.

**Evaluation of Department of Defense Intelligence, Surveillance, and Reconnaissance Activities in Support of U.S. Pacific Command for the Conduct of Operation Enduring Freedom – Philippines:** The objective is to evaluate the process and procedures for the requirement, synchronization, and allocation of ISR resources to U.S. PACOM-Philippines under the command and control of the DoD and national systems requested through the DoD collection management and global force management process.

**Audit of the Management of Signals Intelligence Counterterrorism Analysts:** The objective is to evaluate the management of signals intelligence counterterrorism analysts. Specifically, the audit will review the hiring/recruitment process, training programs, and work assignments of counterterrorism analysts. The review will include an assessment of the impact additional resources have had on the effectiveness of the National Security Agency counterterrorism mission since September 2001.

### PLANNED REPORTS

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**Evaluation of Department of Defense Overt Human Intelligence Training in Support of Operation Enduring Freedom:** The objective is to evaluate the effectiveness of overt Human Intelligence training, with specific emphasis on operations supporting OEF. The evaluation will validate the training processes, instructor qualifications, costs and benefits and the quality of training. We will also compare and contrast DoD contractor-provided instruction versus DoD Government-provided instruction.

**Evaluation of Department of Defense Outsourcing of Intelligence Support to Operation Enduring Freedom and Operation Iraqi Freedom:** The overall objective of this evaluation is to determine the effectiveness and efficiency of contractor support to military intelligence. Furthermore, the report will assess the suitability of outsourcing inherently government intelligence functions.

# SERVICES OVERSIGHT

A look at the Services audit and investigative efforts in  
the Global War on Terror



## **U.S. ARMY**

Army Audit Agency

Army Criminal Investigation Command

## **U.S. NAVY AND MARINE CORPS**

Naval Audit Service

Naval Criminal Investigative Service

## **U.S. AIR FORCE**

Air Force Audit Agency

Air Force Office of Special Investigations

# ARMY

## ARMY AUDIT AGENCY



*The Principal Deputy Auditor General with AAA auditors in Kuwait.*

The Army Audit Agency maintains a significant presence in the Central Command area of responsibility assisting Army commanders.

AAA has had 10 to 30 auditors deployed in Iraq, Kuwait and Afghanistan since May 2005.

Overall, AAA has deployed more than 100 auditors since 2002. In addition, many of AAA's stateside reports are directly focused on GWOT issues.

AAA audits in theater have focused primarily on logistics and contracting issues. AAA has issued 28 reports addressing various services provided under the \$22 billion LOGCAP contract. AAA has also issued 40 other reports that have addressed other logistics issues, military pay, and fund management. Currently, AAA is doing audits in theater of contracting operations at the contracting offices in Kuwait, Iraq and Afghanistan, retrograde operations, container management and accountability of contractors on the battlefield. AAA's audit work in theater stems from requests from the Secretary of the Army, the Commander, Multi-National Force—Iraq, the U.S. Army Criminal Investigation Command, Commanding General, Third U.S. Army and U.S. Army Forces Central Command and the Commander, Joint Contracting Command—Iraq/Afghanistan.

### COMPLETED AUDITS

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**Army Operational Plans for Contractor Support on the Battlefield:** This AAA audit was the first in a series of audits concerning contractors on the battlefield issues and focused on systems support contracts. AAA found that the Army was beginning to address contractor planning and contractor integration issues in the guidance and planning documents for using contractors on the battlefield. However, further improvement was needed to ensure that contractor integration issues and the known contractor staffing requirements were adequately incorporated into planning documents to ensure contract support was fully integrated into the Army force structure. Additionally, only 36 percent of the contracts reviewed incorporated the DFARS clause 252.225-7040 (Contractor Personnel Authorized to Accompany U.S. Armed Forces Deployed Outside the United States). The lack of adequate planning increases the Army's risk of discontinuation of essential services during mission operations as well as uncertainty over Government versus contractor roles and responsibilities.

**Support Contract for Operation Enduring Freedom-Philippines:** AAA, at the request of the U.S. Army Pacific Commander, evaluated how effectively the logistics needs of the Joint Special Operations Task Force-Philippines were being met by the logistics contract. The AAA concluded that the services acquired under the contract weren't reasonable or cost-effective solutions for satisfying mission requirements. The costs were inflated by contract layering, unsupported costs and charges, and inefficient methods of furnishing required property. AAA estimated that the Army could reduce contract costs by between \$28-59 million—depending on which actions it takes—over the next 5 years and should be able to recoup about \$1.1 million in contract overcharges. In addition, the management structure for overseeing the contractor operations and administering the contract wasn't adequate. The absence of an adequate management structure resulted in ineffective administration and higher costs.



*The Army Auditor General and the Deputy Auditor General for Acquisition and Logistics visit deployed AAA auditors in Kuwait.*

**Army's Operational Needs Statement Process:** AAA evaluated how effectively the Army's ONS process approved urgent warfighter needs and allowed for rapid allocation of resources and fielding of solutions. The Operational Needs Statement process became an important asset in the Army's efforts to support the warfighter as operational commanders' use of the Operational Needs Statement process increased significantly since GWOT began. The audit found that the Army was effectively using the Operational Needs Statement process to support the urgent operational needs of the warfighter. However, the volume of requests and the speed of change strained the ONS process, and the audit identified areas to improve process effectiveness. The Army lacked adequate guidance prescribing the policies and procedures governing the Operational Needs Statement process. Also, the process used to manage Operational Needs Statement requests was inconsistent between different Requirements Staff Officers. The Army developed the Equipment Common Operating Picture to streamline the Operational Needs Statement process; however, the database needed various improvements to make the process more efficient.

**Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom:** AAA completed several audits addressing a number of services performed under this contract.

- **Class III (Bulk and Retail) Fuel Operations in the Iraq Area of Operations:** This audit of Class III (Bulk and Retail) fuel operations in the Iraq area of operations concentrated specifically on the management of fuel operations. We found 3rd Corps Support Command provided sufficient fuel support to units to execute mission requirements. However, the methodology for determining fuel stock levels was inefficient and often led to excess fuel inventory. The audit also identified fuel accountability issues at all the fuel sites due to poor inventory practices.
- **Supply Activities (H-Sites):** This audit of the supply activities at the H-Sites concentrated specifically on the development of contractor support requirements and the staffing and equipping of supply activities. AAA found that the military units requiring contractor support didn't provide adequate input to the Contracting Office to allow it to negotiate reasonable contractor workforces. AAA also found contractor-operated equipment wasn't effectively managed. AAA made seven recommendations that should lead to improvements in identifying contractor support requirements and better use of underused Material Handling Equipment.

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- **Contract Administration and Internal Controls Over Contracted Dining Facility Operations:** This audit of contract administration and internal controls over contracted dining facility operations in the Iraq area of operations concentrated on whether the administration and other controls over contracted dining facility operations were in place and operating as intended. AAA found soldiers were routinely provided nutritious, high-quality food and service comparable to commercial restaurants in the United States; however, the process for administering dining facility operations needed improvement. Contract administration by administrative contracting officers assigned to the Defense Contract Management Agency was inhibited due to a lack of training and continuity of personnel. Additionally, the contractor didn't implement Standing Operating Procedures, perform proper headcounts; follow scheduled meal plans, and practice appropriate controls over warehouse operations. These weaknesses could result in excessive waste and cost.
  - **Contractor Acquired Property:** This audit of contractor-acquired property in the Iraq and Kuwait areas of operations concentrated specifically on the contractor's management of rough terrain container handlers. AAA found that LOGCAP officials and Multi-National Force-Iraq had made improvements related to overseeing the theater property book, reducing LOGCAP procurement costs, and distributing excess property from closing sites. However, improvements were still needed for the review of performance metrics and reporting requirements.

**Asset Visibility in Support of Operation Iraqi Freedom and Operations Enduring Freedom—Summary Report:**

This audit of property accountability was to determine whether Active Component and Army Reserve units were inputting source data into Property Book and Unit Supply Enhanced. AAA found property records showed discrepancies existed in Property Book and Unit Supply Enhanced primarily because responsible personnel didn't follow established procedures and best practices to process certain equipment transactions. Personnel lacked sufficient training and experience to properly process needed equipment. Since property records weren't accurately established, Army decision-makers didn't have complete and actionable asset visibility information to make equipment distribution decisions. This report contained no recommendations. The recommendations were made in our site reports.

**Follow-Up Audit of Internal Controls Over Cargo Container Payments:** This audit of the effectiveness of management of shipping containers in Southwest Asia, followed-up on three recommendations in Audit Report A-2005-0177-ALS, "Internal Controls Over Cargo Container Payments, Military Surface Deployment and Distribution Command," May 12, 2005. The AAA's initial report addressed continuity of operations and needed improvements to internal controls over the review and verification of detention fee claims and invoices for cargo containers. AAA recommended to the Commander, Military Surface Deployment and Distribution Command to: strengthen standing operating procedures by including integrated processes, procedures and detailed instructions to handle large volume container invoicing during future contingency operations; establish procedures for independently verifying discharge and container pickup dates shown on detention bills; and as personnel requirements for contingency operations. The follow-up audit showed that the Surface Deployment and Distribution Command made a variety of improvements to strengthen controls over the review and verification of detention bills. However, Surface Deployment and Distribution Command were still in the process of implementing the initial recommendations. As a result, we requested revised target dates for implementing recommendations.

**Management of Shipping Containers in Southwest Asia –Iraq:** This audit addresses whether the visibility and accountability over shipping containers was maintained to, within, and from Iraq. The audit found that from December 2006 to April 2007 the Army reduced Iraq's monthly detention costs by about \$243,000. However, the Army lost visibility of 23,437 containers valued at approximately \$61.8 million. These discrepancies occurred because: container management training specific to a contingency environment wasn't developed into doctrine and planning, command

did not sufficiently disseminate and emphasize local guidance, and the Container Control Authority did not establish processes and responsibilities between the centralized receiving and shipping points, movement control activities and the installation Mayor Cell for the movement of containers in, out and through installations. Containers are critical assets and if they aren't managed properly the result could be increased detention fees, slower deployments and decreased unit readiness.

## ONGOING AUDITS

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U.S. Army Audit Agency has several on-going GWOT audits in support of Operations Iraqi and Enduring Freedom. These requested audits pertain to Logistic Operations, Logistics Civil Augmentation Program, and Contracting Services.

**Management of Shipping Containers in Southwest Asia:** This multi-location, multi-phase audit reviewed container management operations at the macro and micro levels. Audits were performed to determine whether Surface Deployment and Distribution Command and U.S. Central Command implemented previous Army Audit Agency recommendations to improve container management, and whether the Army had sufficient visibility over shipping containers in CONUS and Southwest Asia. The audit found the Surface Deployment and Distribution Command and CENTCOM continued to make improvements in oversight over the payment of detention fees and container management overall, but the Surface Deployment and Distribution Command needed to publish standing operation procedures. In addition, CENTCOM needed to take further actions to: identify and program its storage and other related facilities requirements, align theater container management responsibilities to a position of authority throughout CENTCOM, appoint a theater container manager, and evaluate the potential risks of plans to reduce container management staff. The audit also disclosed visibility over the shipping containers that were impaired due to shortfalls in training, command emphasis and the sheer volume of containers needed to satisfy storage, office space and other requirements. These weaknesses could impair the Army's ability to transport critical goods and materiel in support of Operations Iraqi and Enduring Freedom.

**Retrograde Operations in Southwest Asia:** This is a multi-phased, multi-site audit at the request of the Deputy Chief of Staff, G-4. The objectives of the audit were to determine whether the Army effectively and efficiently managed retrograde and redistribution operations in Iraq, Kuwait and Sierra Army Depot, and whether the Army had adequate accountability and visibility over the retrograded and redistributed assets. The audit found that the Army had processes in place to retrograde equipment and materiel from the battle space. However, inefficiencies (such as weak government oversight, inadequately trained and managed personnel, and the lack of command supply discipline) hindered operations and led to the unintentional build up of excess supplies, unaccounted for newly fielded



equipment, and delays in the return of critical assets in support of reset and redistribution. As a result of the auditors' efforts, the Inspector General and Criminal Investigation Command initiated four separate investigations into incidents of potential fraud, waste and misuse. Overall, AAA recommended that the Office of the Deputy Chief of Staff, G-4, institutionalize retrograde operations for future contingencies. Additionally, the auditors made numerous recommendations to theater commanders that will improve retrograde and redistribution operations in Southwest Asia. AAA plans to continue on with our retrograde audits looking at Class V ammunition and the Army's exit strategy for high volume equipment and supply retrograde operations are adequately planned and executable.

**Management and Use of Contractor Acquired Property Under the Logistics Civil Augmentation Program Contract – Power Generators:** This audit of contractor-acquired property in the Iraq area of operations concentrated specifically on the contractor’s management and use of power generators. AAA found the contractor didn’t adequately determine requirements for the generators and didn’t keep proper documentation on the maintenance of the equipment. Additionally, contract management needs better oversight. These weaknesses could impact the contractors’ ability to adequately support the Army’s mission in the battle space and properly control costs.

**Army Contracting Command, Southwest Asia–Kuwait:** This multi-phased audit, which was requested by the U.S. Army Criminal Investigation Command and the Commanding General, Third U.S. Army and U.S. Army Forces Central Command, is to determine whether the Army Contracting Agency’s contracting office in Kuwait is operating effectively and in accordance with established laws and regulations and the requirements determination process was adequate and deliverables were received and used as intended, for selected contracts. AAA reviewed two contracts for services valued at over \$2 billion and is continuing work on the Defense Base Act Insurance requirements. The auditors’ review found that the contracting office wasn’t operating effectively and in accordance with established laws and regulations. Adequate internal controls weren’t in place to make sure contract requirements were properly planned and awarded, and that awarded contracts were properly administered or in compliance with the Defense

Base Act insurance requirements. In addition, oversight of the contracting operations was hampered because automated records used to monitor and manage contracting operations weren’t fully complete and accurate. These internal control weaknesses created an environment where contracting actions were highly susceptible to fraud, waste, and abuse and increased costs to the Army.



*AAA auditors receive an award from the Commander of the 408th Contracting Support Bridgade.*

**Contracting Operations at the Joint Contracting Command – Iraq/ Afghanistan – Regional Readiness Commands – Baghdad, Victory, and Balad:**

This multi-phased, multi-site audit is based, in part, on the results a U.S. Army Criminal Investigative Command request of contract operations at Army Contracting Command-Southwest Asia-Kuwait, Camp Arifjan, Kuwait. AAA reviewed JCC-I/A Regional Readiness

Command located in the International Zone (Baghdad) and Camp Victory, and recently began work at Balad, Iraq. The focus of the audit was to determine whether goods and services acquired under the contracts awarded out of the Regional Readiness Command Baghdad, Victory and Balad were properly

justified, awarded and administered in accordance with established laws and regulations. The audit results, thus far, have found a lack of guidance and controls over requirement determination, missing contract files, inadequate contract documentation and contract errors. The auditor’s have also found inappropriate funding, weak contract award processes and insufficient contract surveillance. AAA believes these discrepancies occurred because regulatory guidance wasn’t adhered to on determination of requirements and on the proper funding and methods of procuring commercial information and technology items; and JCC I/A didn’t ensure Regional Readiness Commands maintained sufficient experienced and qualified contract officers to align with the workload. As a result, the Government didn’t receive services in accordance to contract specifications and didn’t obtain the best prices on the large



*AAA auditor meets with General Petraeus.*

consolidated information and technology purchases. Furthermore, due to missing and incomplete contract files the Army is hindered in its ability to defend against reviews, investigations, and litigation and/or congressional inquiries. These weaknesses, if uncorrected, may lead to fraud, waste, and misuse.

**Property Management-Area Support Group-Kuwait:** This audit involves work in Kuwait. The objective of the audit is to determine whether assets, both those provided by the Government and those acquired by the contractor, were adequately managed and accounted for under the Combat Support Services Contract-Kuwait (base operations) contract.

**U.S. Army Corps of Engineers Gulf Region Contracting Functions:** This audit involves work in Iraq. The objectives are to determine whether contract requirements were correctly identified and resulted in acquisitions that met the needs of the Army; deliverables were monitored to ensure products and services were provided in accordance with terms of the contracts; contract closeouts practices for terminated contracts were adequate and in the best interest of the Army; and contract award fees practices were adequate.



*DoD IG and AAA auditors  
in Afghanistan.*

## U.S. ARMY CRIMINAL INVESTIGATION COMMAND

The U.S. Army Criminal Investigation Command provides continuous worldwide criminal investigative support to all U.S. Army elements, conducts protective services operations for senior members of the Department of Defense and Department of the Army, provides forensic laboratory support to all DoD, maintains Army criminal records and conducts logistic security operations in support of Army Operations and the GWOT.

USACIDC continues to serve as the executive agency for the Criminal Investigative Task Force, a joint mission with the Air Force Office of Special Investigations and Naval Criminal Investigative Service. CITF special agents investigate non-U.S. citizen detainees held at Guantanamo Bay, Cuba, who are suspected of illegal activities. CITF supports the Central Criminal Court in Iraq through their investigations and prosecutions.

USACIDC currently has more than 140 soldier and civilian special agents in Iraq, Afghanistan and Kuwait investigating felony crime, protecting high risk personnel, as well as providing criminal intelligence and forensic support to the Joint Improvised Explosive Device Detection Task Force.



*USACIDC special agent in overwatch position.*

In response to the Combatant Commander's need for a timely, accurate, and reliable battlefield forensic capability that will ensure threat analysis and identification linkage, USACIDC is preparing to deploy a Forensic Exploitation Battalion to Iraq. The CID Battalion will consist of 53 personnel, who will be responsible for conducting criminal intelligence /police intelligence fusion operations, command and control of theater forensic capabilities, and management of the Law Enforcement Program in support of the Commander, Multi-National Corps – Iraq targeting efforts. The GWOT has produced both legal and operational needs for forensic support across the spectrum of combatant operations, and validated the importance of forensics in military decision-making and operations at all levels of warfare; from near-real time actionable intelligence for tactical commanders to products relevant to combatant commanders, Services, DoD and national level intelligence activities. The CID Battalion will process battlefield forensics in support of the rapid exploitation of sites, items, and information to significantly aid U.S. and Coalition Forces' intelligence operations, resulting in the identification and elimination of enemy threats through disruption, targeting or detention,

and subsequent prosecution. The employment of forensics will deter and defeat both conventional and asymmetric forces from gaining battlefield advantages and provide proof of specific adversary operations that can withstand legal scrutiny.



*USACIDC special agent in Tarmiyah, Iraq.*

The U.S. Army Criminal Investigation Laboratory was a major contributor to the development of the Defense Forensics Enterprise System. The DFES comprises and synchronizes all of DoD's forensic capabilities across all levels of war and in all operational environments. It links these capabilities to stateside forensic, biometric, law enforcement, medical, and intelligence systems and databases within and in support of the Army, U.S. Governmental agencies, coalition forces, allies and host-nations in order to attain maximum efficiency and effectiveness. In particular, USACIL played a significant role in developing rapidly deployable forensic capabilities anywhere in the world to collect, process, and forensically analyze evidence collected on the battlefield to aid in the identification of enemy

combatants, terrorists and criminal elements, and their capabilities and operations in order to enable decisive action. Warfighters have learned forensics can be an invaluable force multiplier on the battlefield in support of intelligence operations and future criminal proceedings of war crimes.

Special agents also continue to combat fraud and corruption related to GWOT funding as a founding member of the International Contract Corruption Task Force, working in conjunction with member agencies including DCIS, Department of State, FBI, Special Inspector General for Iraqi Reconstruction, and the U.S. Agency for International Development, under the Department of Justice International Contract Corruption Initiative. Forward investigative offices in Afghanistan, Kuwait and Iraq are manned on a rotational basis by civilian Major Procurement Fraud Unit USACIDC special agents and support personnel. Investigative activities are primarily focused on contingency fund contractual fraud involving GWOT and in support to the various military operations under Operation Enduring Freedom and Operation Iraqi Freedom. Since October 1, 2007, the MPFU has initiated thirty-five Reports of Investigation with \$492,820 in total recoveries and an additional \$1,951,518 identified as cost avoidance.

In October 2007, USACIDC and Army Internal Review established a joint task force after it was discovered large numbers of U.S. Army Reserve soldiers activated in support of GWOT operations worldwide were fraudulently receiving entitlements while in a temporary change of station or temporary duty status. USACIDC special agents work alongside Army auditors investigating over 2,500 potential subjects. To date, 63 investigations have been initiated, resulting in the identification of 68 subjects and an estimated cumulative loss to the U.S. Government of more than \$4,600,000. Thus far, \$1,199,000 in fines and recoveries have been documented. The potential loss to the U.S. Government is over \$16,600,000. USACIDC and Army Internal Review are working with the Office of the Assistant Secretary of the Army for Financial Management and Comptroller to effect major financial management changes in the activation of reserve soldiers in support of contingency operations.

## U.S. NAVY AND MARINE CORPS

### NAVAL AUDIT SERVICE

NAVAUDSVC supports the Department of the Navy GWOT goals by auditing selected policies, procedures, and activities to assure they achieve the stated objectives and maximize efficiencies. The Naval Inspector General publishes a DON Risk Assessment annually. NAVAUDSVC includes in its audit plan topics based on the risks and areas of vulnerability identified in the risk assessment with respect to GWOT. NAVAUDSVC has audited Intelligence-Related Contracting and Classified Financial reporting. NAVAUDSVC is continuing a series of audits on anti-terrorism and force protection. NAVAUDSVC is auditing Classified Contracts, Communications Security Equipment and Program Management.

**Navy Individual Augmentee Physical Requirements for GWOT:** NAVAUDSVC's analysis of Office of the Chief of Naval Operations Instruction 6110.1H, "Navy Physical Readiness Program," showed that the Navy's Physical Readiness Program instruction is fully compliant with the military service responsibilities, physical fitness procedures, and body fat procedures described in DoD Instruction 1308.3, "DoD Physical Fitness and Body Fat Programs Procedures."

However, NAVAUDSVC found that the Navy can do more to ensure that its individual augmentee sailors are as physically prepared as possible for the nontraditional demands of the GWOT mission.

Specifically, the Navy does not provide physical fitness training specifically tailored to prospective individual augmentee assignments; and the Navy was sending individual augmentee sailors to serve in nontraditional capacities on the ground in the Central Command area of responsibility without evaluating them to ensure they were physically prepared for the rigors of the GWOT mission.



*Navy sailors exercising to meet physical requirements.*

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

The Naval Criminal Investigative Service, primarily through its Combating Terrorism Directorate, supported efforts aimed at detecting, deterring and disrupting terrorism against Department of Defense and Department of the Navy personnel and assets worldwide. The CbT Directorate brings to bear a wide array of offensive and defensive capabilities to the mission of combating terrorism. Offensively (counterterrorism), NCIS conducts investigations and operations aimed at interdicting terrorist activities. Defensively (antiterrorism), NCIS supports key DON leaders with protective services and performs vulnerability assessments of military installations and related facilities to include ports, airfields and exercise areas to which naval expeditionary forces deploy. NCIS special agents, analysts and support personnel, including those assigned to the NCIS Contingency Response Field Office, deployed around the globe to support counterterrorism efforts. The following highlights NCIS deployments and related activities in support of GWOT.

Special agents and an analyst deployed to support the Multi-National Forces Strategic Counterintelligence Directorate – Iraq and MNF Strategic Counterintelligence Directorate – Afghanistan to fulfill operational and strategic counterintelligence requirements and provide counterintelligence support to the unified and special commands. Included among those deployed were counterintelligence trained special agents, a polygraph examiner and cyber forensics experts. During this reporting period, NCIS special agents filled the billet of SCID-I Director and Deputy Director and the SCID-A Operations Chief.



*NCIS special agent in SWA.*



*NCIS special agents in Iraq.*

Squadrons, Counterinsurgency Operations with the Theater Internment Facility, Camp Bucca and Task Force 134, Balad Air Base, Iraq. Polygraph examiners deployed to Iraq and Afghanistan in support of Special Operation Forces and the Operation Iraqi vetting team in Baghdad.

Deployed NCIS agents were extremely active providing criminal investigative and counterintelligence support to deployed forces in both Iraq and Afghanistan. Special agents deployed to the NCIS Resident Agency, Iraq provided criminal investigative support to the Marine Expeditionary Forces – Iraq. Special agents and analysts also deployed in support of the United States Marine Corps Joint Prosecution and Exploitation Center – Iraq, to conduct criminal investigations and analysis of evidence on foreign suspects for prosecution by the Central Criminal Court of Iraq. Special counterintelligence officers served on the Marine Expeditionary Forces staff and as the Chief of Interrogation Operations on the Multi-National Forces staff – Iraq. Additional special agents provided counterintelligence to the Naval Expeditionary Combatant Command Riverine

NCIS also deployed special agents in support of military operations in the Horn of Africa, Guantanamo Bay, Cuba and aboard Naval vessels all over the world. Special agents served as personal Security Advisors to the Commander,

Joint Task Force, Horn of Africa and supervised security teams that ensured the safety of the Commander while traveling throughout the Horn of Africa. An additional cadre of special agents deployed to Djibouti providing force protection to the Commander JTF-HOA as well as force protection and criminal investigative support for the commanding officer of Camp Lemonier. Special agents deployed to Guantanamo Bay conducted interviews of detainees and prepared investigative reports for trial concerning their involvement in war crimes within the U.S. Central Command area of responsibility. Special agents deployed afloat on the USS Enterprise, USS Harry S. Truman, USS Nassau, USS Kearsarge, USS Tarawa, USS Kitty Hawk, USS Blue Ridge, USS Chester Nimitz, USS Abraham Lincoln and USS Peleliu where they provided both criminal investigative and counterintelligence support.

NCIS conducted numerous protective service operations for high ranking dignitaries traveling in high threat areas. The NCIS Directorate of Intelligence provided 212 threat assessments directly to U.S. Navy and USMC forces deployed assets to assist in force protection planning. The Cyber Division had initiated proactive operations in Iraq and Afghanistan to recover and review media including the extraction of data from captured cell phones to provide timely and actionable intelligence. The Forensic Consultant Unit provided forensic expertise in death investigations related to deployed Navy and Marine Commands in Iraq, Afghanistan and the Horn of Africa. They had supported prosecutions in five seats of government homicide trials with reconstructions from Operation Iraqi Freedom. Additionally, they provided forensic support and reconstructed crime scenes in three custodial deaths at Guantanamo Bay.



*NCIS special agent in SWA.*

## U.S. AIR FORCE

### AIR FORCE AUDIT AGENCY

During the 6-month period ending March 31, 2008, the Air Force Audit Agency completed four audits directly related to GWOT. AFAA also has four ongoing and planned GWOT-related audits conducted in the United States Central Command Air Forces overseas area of responsibility and an additional nine ongoing and planned GWOT-related audits, not conducted in the area of responsibility.

**Rotation Status:** The AFAA utilizes about 10 percent of available auditors per year on GWOT-related audits in the United States Central Command Air Forces overseas area of responsibility. The audit work is accomplished in the AOR using 24 person temporary teams to perform mobile 7-8 week audits (twice a year).

### COMPLETED GWOT AUDITS IN THE AOR

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**Central Command Air Forces Deployed Locations Cryptographic and Secured Communication Equipment:** As of December 2006, United States Central Command Air Forces COMSEC equipment accounts included more than 4,100 cryptographic and secure communication equipment items valued at \$18.8 million. The review

showed AFCENT AOR personnel properly controlled but did not accurately account for cryptographic and secure communication equipment in the AFCENT AOR. Except for Al Udeid Air Base and Kandahar Air Field, AOR personnel properly stored and secured COMSEC equipment. Further, personnel at all six locations reviewed properly restricted access to COMSEC equipment to authorized personnel and used the equipment within authorized facilities. However, unit commanders did not always appoint Secure Voice Responsible Officers to manage COMSEC training, and these officers did not always train users on proper COMSEC equipment storage. The weaknesses identified were not systemic across the six locations reviewed. Additionally, the review of 3,455 equipment items revealed equipment custodians either did not include on accountability records or could not locate 892 (26 percent) items valued at over \$4.7 million. Effective accountability allows COMSEC equipment managers to readily assess whether all required assets are on hand to accomplish the mission. In contrast, because AOR COMSEC personnel did not have effective accountability, AOR units maintained 120 excess COMSEC assets at Al Udeid and Manas Air Bases totaling almost \$559,000.

**Pre-Positioned Mobility Bags:** Based on the Air Force vision to improve agile combat support, AFCENT, with Deputy Chief of Staff for Logistics, Installations and Mission Support approval, pre-positioned mobility bags and chemical warfare defense equipment at expeditionary theater distribution centers during Fiscal Years 2005 and 2006. The distribution centers store approximately 40,000 mobility bags valued at \$40 million. AFCENT Logistics Directorate officials estimated the Air Force would save approximately \$51 million annually in transportation costs by eliminating mobility bags from personal equipment deployed with Airmen. AFAA determined that although pre-positioning mobility bags in the AFCENT AOR provided transportation cost avoidance, logistics personnel could achieve over \$44 million in additional benefits by reducing the number of home station mobility bags. Additionally, AFCENT personnel maintained excesses and shortages or could not locate 67 percent of built-up mobility bags reviewed. Further, AFCENT personnel did not effectively maintain shelf-life data for 105 of 200 mobility bags and issued over 1,400 mobility bags with expired shelf-life items to deployed personnel. Finally, Air Force personnel did not accurately account for 29 percent of the mobility bags transferred to the AFCENT distribution centers. Accurate mobility bag inventory data and effective inventory management provides Air Staff personnel required visibility and accountability over assets needed to properly equip deploying personnel.

**Patient Movement Items:** Since the beginning of Operations Enduring and Iraqi Freedom, the Air Force has aeromedically evacuated over 39,000 patients. Contributing to the Air Force Aeromedical Evacuation mission is the Patient Movement Item system. Aeromedical Evacuation personnel primarily use this system to support in-transit



patients. Although the PMI system is used by all the Services, the Air Force is responsible for program management, including accounting and tracking of PMI equipment. The Air Force Surgeon General delegated program responsibility to the Air Mobility Command Surgeon General. In Fiscal Year 2007, the Air Mobility Command Surgeon General managed over 15,000 patient equipment assets and expended approximately \$3.7 million for PMI equipment purchases. AFAA determined that medical officials did not properly maintain required amounts and authorized types of PMI equipment at the locations reviewed. In total,

*Airmen medically evacuate a patient.*



medical officials maintained PMI excesses and shortages at 18 locations visited and used 17 unauthorized items at 5 locations visited. With a shortage of 879 equipment items, medical officials were not meeting potential contingency needs. Additionally, unauthorized equipment may not function as intended or could create hazards due to aircraft incompatibility, adding unnecessary risk to patients, aircrew, and the mission. Further, while medical personnel adequately accounted for PMI equipment in Defense Medical Logistics Standard Support, medical personnel did not accurately track the locations of 354 items and maintenance personnel did not properly track maintenance recertification dates for another 494 items. Inaccurate PMI tracking data could impede management's visibility over equipment availability and maintenance requirements, ultimately degrading evacuation capabilities.

**Predator Engine Requirements:** The Predator is a medium-altitude, long-endurance unmanned aerial vehicle with the capability to directly attack critical, perishable targets. The Air Force uses the Predator, powered by a turbo-charged Rotax 914 engine, for reconnaissance and target acquisition in support of the Joint Forces Commander. As of 27 August 2007, the Air Force inventory contained 108 installed and 44 uninstalled Rotax 914 engines valued at nearly \$10 million. The audit disclosed Air Force personnel did not properly manage Predator spare engine requirements. Although logistics personnel properly planned and accurately computed Predator spare engine requirements in the early years of the program, they did not reduce spare engine requirements as the engine matured and reliability improved. As a result, the Air Force maintained 12 excess Predator spare engines valued at nearly \$800,000.

## ONGOING AND PLANNED GWOT AUDITS IN THE AOR

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**Central Command Air Forces Deployed Locations Aerial Port Operation:** This ongoing audit, requested by United States Central Command Air Forces officials, will determine whether Air Force personnel efficiently and effectively manage aerial ports. Specifically, AFAA will determine whether Air Force personnel efficiently utilize aircraft, effectively manage cargo processes and passenger movement, and effectively manage cargo and passenger travel reimbursements.

**Central Command Air Force Deployed Locations Munitions Management:** This ongoing audit will determine whether United States Central Command Air Forces personnel accurately account for and properly handle, store, and control munitions; effectively manage shelf-life components for munitions; and accurately determine munitions requirements.

**Central Command Air Forces Deployed Locations War Reserve Materiel Management:** This ongoing audit was requested by the United States Central Command Air Forces Commander. AFAA will determine whether personnel effectively account for, control, and service war readiness materiel, and accurately compute war readiness materiel requirements.

**Post-Deployment Health Reassessments:** This planned audit was requested by Air Force Inspection Agency to determine whether officials complete required mental and physical health screenings for all returning Airmen. Specifically, AFAA will assess if medical personnel complete all post-deployment health assessments and identify Air Force members at risk.

## ONGOING AND PLANNED GWOT AUDITS OUTSIDE THE AOR

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**Protective Mask Program:** This ongoing audit was requested by the Air Force Civil Engineer Support Agency Commander. AFAA will determine whether the Air Force effectively managed the protective gas mask program. Specifically, AFAA will determine whether Air Force personnel had appropriate quantities of gas masks, and effectively maintained and properly accounted for Mask Canister Unit-Personnel Type Gas Masks.

**Air Force Drinking Water Program:** This ongoing audit will determine whether the Air Force properly managed the drinking water program. AFAA will determine whether installations effectively and efficiently managed water system infrastructure projects and resources, adequately protected drinking water, properly verified purchased water costs, and accurately calculated water reimbursements.

**Air National Guard Emergency Response:** This ongoing audit will assess whether Air National Guard officials properly managed selected aspects of emergency medical response programs. Specifically, AFAA will determine whether Air National Guard officials effectively prepared teams to transport medical emergency equipment, supplies, and personnel to disaster sites; sufficiently trained personnel to perform emergency medical duties; adequately developed and implemented patient tracking systems; and effectively maintained medical equipment and supplies.

**Weapons of Mass Destruction Emergency Response Program:** AFAA will determine the effectiveness of management actions in response to AFAA Report of Audit F2004-0008-FD3000, Weapons of Mass Destruction Emergency Response Equipment, September 7, 2004. AFAA will determine whether the Air Force effectively implemented a weapons of mass destruction emergency response program. Specifically, AFAA will evaluate whether Air Force officials established requirements for weapons of mass destruction response assets, equipped emergency responders with necessary assets for personnel protections and mission accomplishment, accounted for emergency response assets, and trained installation emergency responders to effectively respond to a weapons of mass destruction incident.

**Continuity of Operations:** AFAA will evaluate whether Air Force officials developed an effective Continuity of Operations program. Specifically, AFAA will determine whether officials established continuity of operations plans, identified mission-essential functions, addressed necessary planning elements to ensure continuity of operations, and exercised continuity of operations plans.

**Vulnerability Assessment:** AFAA will evaluate the effectiveness of the Air Force vulnerability assessment program. Specifically, AFAA will assess whether vulnerability assessments were properly performed, reliable information was identified and tracked, funding requirements were identified properly, and vulnerabilities were mitigated.

**Medical War Reserve Materiel Asset Management:** This audit, in the research phase, was requested by the Air Force Surgeon General to determine whether Air Force officials effectively manage medical war reserve materiel. Specifically, AFAA will evaluate whether officials accurately establish requirements, properly maintain war reserve materiel equipment and supplies, and correctly report war reserve materiel status.

**Selected Aspects of Deployment Management:** This planned audit was requested by the Director of Logistics Readiness. During the audit planning phase, AFAA will determine whether the subject is appropriate for audit in the near future and, if so, to formulate audit objectives. AFAA will discuss and examine deployment processing policy, guidance, and standardization for both military and civilian deployments; and Installation Deployment Officer roles, responsibilities, training, and tools.

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS



*AFOSI special agent in Southwest Asia.*

AFOSI is a combat-ready military organization that provides the Air Force a wartime capability to conduct, in hostile and uncertain environments, counter-threat operations to find, fix, track, and neutralize enemy threats. It is the Air Force's focal point for working with the U.S. and foreign nation law enforcement and security services to provide timely and accurate threat information in all environments. AFOSI conducts Outside the Wire/Counterintelligence Force Protection Source Operations and provides real time actionable information in the form of target packages to Direct Action Units. Its GWOT mission includes tactical collections, analysis, production and dissemination of actionable threat information affecting USAF airfields, personnel, and resources. AFOSI is the USAF's eyes and ears providing intelligence to DoD and Coalition Forces.

AFOSI conducted military source operations to cultivate local sources that provided information that mitigated threats from enemy forces. Below are the results of those efforts.

Threats Identified - Total: 1,904 (Individuals linked to insurgent groups, terrorist groups, or intelligence services, who represent a threat to USAF installations/resources)

Target Packages – Total: 88 (Targeting information provided to Direct Action authorities (Army, SOF, Coalition forces, Host Nation Police/Army/SOF, etc) for exploitation.

Captured/Neutralized – Total: 289 (Individuals identified in Target Packages who were captured/neutralized by Direct Action units)

Weapons Caches – Approximately eight tons of weapons and explosives to include rifles, improvised explosive device components, anti-aircraft guns, rocket propelled grenades, rockets, mortars, and man portable air defense systems have been recovered.

Other Threats (Threats detected but not linked to a specific Military Source Operation)

Threats Identified - Total: 235

Captured/Neutralized – Total: 13

AFOSI operations in Iraq and Afghanistan utilized source information by working with coalition forces and Direct Action Units to affect the capture/killing of 26 Al Qaeda and 159 Taliban personnel. Additionally, developed source information was used in capturing/killing approximately 104 other insurgents and fighters of various other affiliations. The backgrounds of personnel captured or killed included job titles such as, death squad leaders, kidnappers, snipers, IED makers/emplacers/suppliers and financiers, indirect-fire shooters and/or spotters, and assassination cell leaders. Of the above 289 captured/killed, 67 were identified as leadership personnel and of those, 19 were officially classified as High Value Individuals.

AFOSI agents, leveraging a well-placed AFOSI human source, uncovered a plot to attack a U.S. Army Commander while out on patrol in a HMMWV convoy. Agents recovered incontrovertible evidence of the planned attack, to include a voice recording of the planning itself. Agents acted quickly to prevent the convoy movement and crafted a target package which resulted in the capture of the insurgent leader behind the planned attack.

In a multifaceted counter-threat operation, agents developed a human source network targeted at locating an insurgent who had built and emplaced an IED which killed a USAF Explosive Ordnance Disposal member. In an exhaustive effort, agents tracked down the insurgent and working with a direct action unit, the insurgent was captured.



*AFOSI special agent in Iraq.*

Agents from Kandahar Airfield, Afghanistan, collected intelligence and in collaboration with the Cryptological Support Team identified 5 former linguists planning to conduct a Vehicle-Borne Improvised Explosive Device attack and a suicide bomb attack on two coalition force bases. Agents working with coalition partners arranged for, and affected the capture of all 5 insurgents precluding the attacks and gathered crucial evidence key to their detainment.

Capitalizing on a robust human source network, agents levied sources for information on a suspected movement of Taliban forces. Agents quickly identified the location and intended target of a group of approximately 150-200 Taliban forces. Next, they coordinated this vital and time sensitive information with Coalition Forces air and ground assets enabling engagement of the enemy before the Taliban could form an attack on their intended target. This engagement resulted in 65 Taliban KIA and disbursement of the remaining Taliban forces.

In a counter threat operation, AFOSI agents exploited source information to identify the storage location of 10 pre-positioned rockets and neutralized an attack on a U.S. Forces installation during the visit of a high-level Distinguished Visitor. The agents worked with a maneuver element and Explosive Ordnance Disposal personnel to seize the rockets and capture the cell members planning the attack.

In another instance with agents blending their criminal and counterintelligence skill sets, an AFOSI unit developed source information that uncovered the location of a large cache of weapons and explosives. While accompanying a maneuver element and performing site exploitation on the weapons cache, agents recovered a fingerprint from an IED. They then entered that information into a Coalition Forces biometric database and obtained additional identification data. Months later, while executing a target package, two individuals were detained and one was positively identified as the bomb maker of the earlier found IED. His fingerprint match as well as explosives recovered provided the probable cause for the bomb maker's detention and subsequent prosecution.

At the direction of the Deputy Secretary of Defense , DC3 developed and is executing the Defense Industrial Base Collaborative Information Sharing Environment which began pilot operations at DC3 on February 1. The mission of DCISE is to be a focal point and clearinghouse for referrals of intrusion events on DIB unclassified corporate networks. The Concept of Operations describes a collaborative operational information sharing environment among multiple partners to produce threat information products for industry partners with reciprocal responsibilities to provide notice of anomalies and sharing of relevant media.

# CHAPTER 2: DOD IG OVERSIGHT



# Audit Oversight

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A look at the audits conducted by the  
Department of Defense Inspector General

The Office of the Deputy Inspector General for Auditing conducts audits on all facets of DoD Operations. The work results in recommendations reducing costs, eliminating fraud, waste, and abuse of authority, improving performance, strengthening internal controls, and achieving compliance with laws, regulations, and policies. Audit topics are determined by law, requests from the Secretary of Defense and other DoD leadership, Hotline allegations, congressional requests, and internal analyses of risk in DoD programs.

For the first six months of FY 2008, ODIG-AUD issued 73 reports addressing the Department's operations and efforts associated with GWOT, acquisition and contracting for goods and services, financial management, health care, information security and privacy, and logistics. These reports included 301 recommendations of which management accepted or proposed acceptable alternatives to 278 (92 percent). The ODIG-AUD also identified \$697 million of funds that could be put to better use.





DoD IG significant accomplishments in Audit are listed under the following categories:

- › ACQUISITION PROCESSES AND CONTRACT MANAGEMENT
- › FINANCIAL MANAGEMENT
- › HEALTH CARE
- › INFORMATION SECURITY AND PRIVACY
- › LOGISTICS



## ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

The DoD acquisition and contracting community continues to face the stress of managing the increasing Defense budget with a smaller and less capable workforce. The increased need for contracting in an expeditionary environment with an emphasis on urgency only adds to the stress and strain on the workforce. Spending for goods and services in Fiscal Year 2007 exceeded \$315 billion. This level of spending is more than double the level of spending from FY 2001. The difference in the DoD budget from FY 2001 and FY 2008 is just as dramatic. The DoD budget for FY 2008 including supplemental and bridge funding is almost \$700 billion. The budget for FY 2001 was only \$335 billion (an increase of more than 108 percent). In addition, spending for services of \$160 billion in FY 2007 required additional sur-

veillance and management by the acquisition workforce.

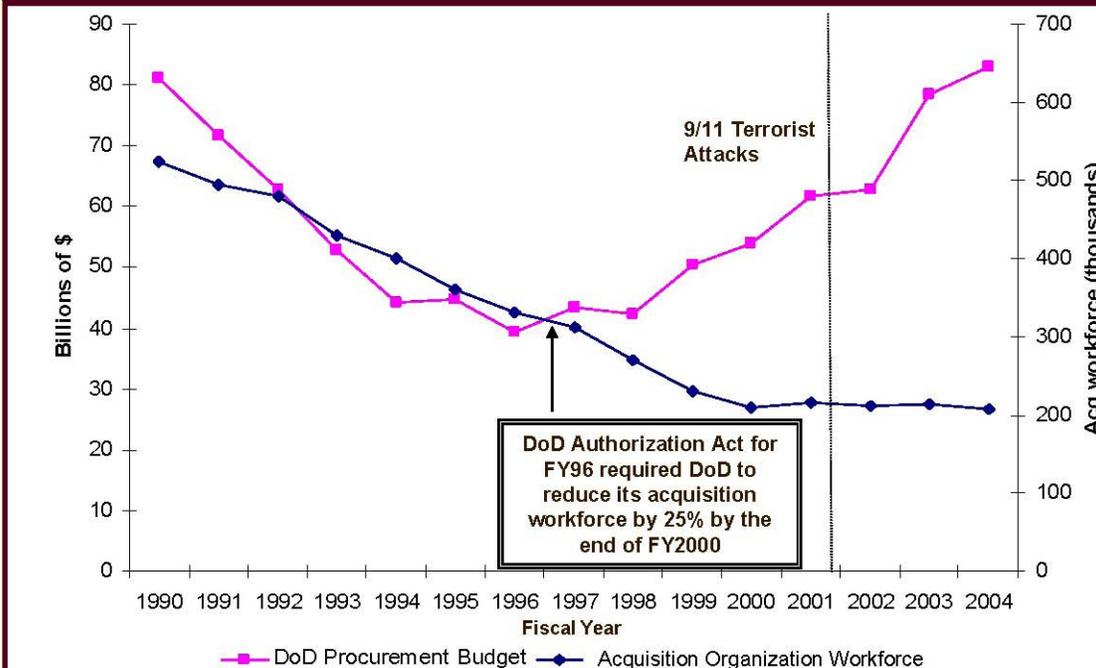
A recent study commissioned to evaluate Army expeditionary contracting in light of several high profile fraud cases found similar results. The report of the “Commission on Army Acquisition and Program Management in Expeditionary Operations,” October 31, 2007, found that urgent reform was needed. The study concluded that “after the great struggle with the Soviet Union” it was assumed that DoD budgets would decrease, urgency would decrease and hence a drawdown in the acquisition community could be made. The Army took significant acquisition cuts and deliberately did not fill other shortfalls. However, as the spending trend reversed, staffing levels did not keep pace. Chart 1 on the next page from

that study depicts the DoD acquisition workforce and budget trends from 1990 through 2004.

Other organizations such as the Defense Contract Management Agency which is responsible for much of the administration and surveillance of DoD contracts also experienced staff reductions. The trend for DCMA personnel is shown to the right in Chart 2.

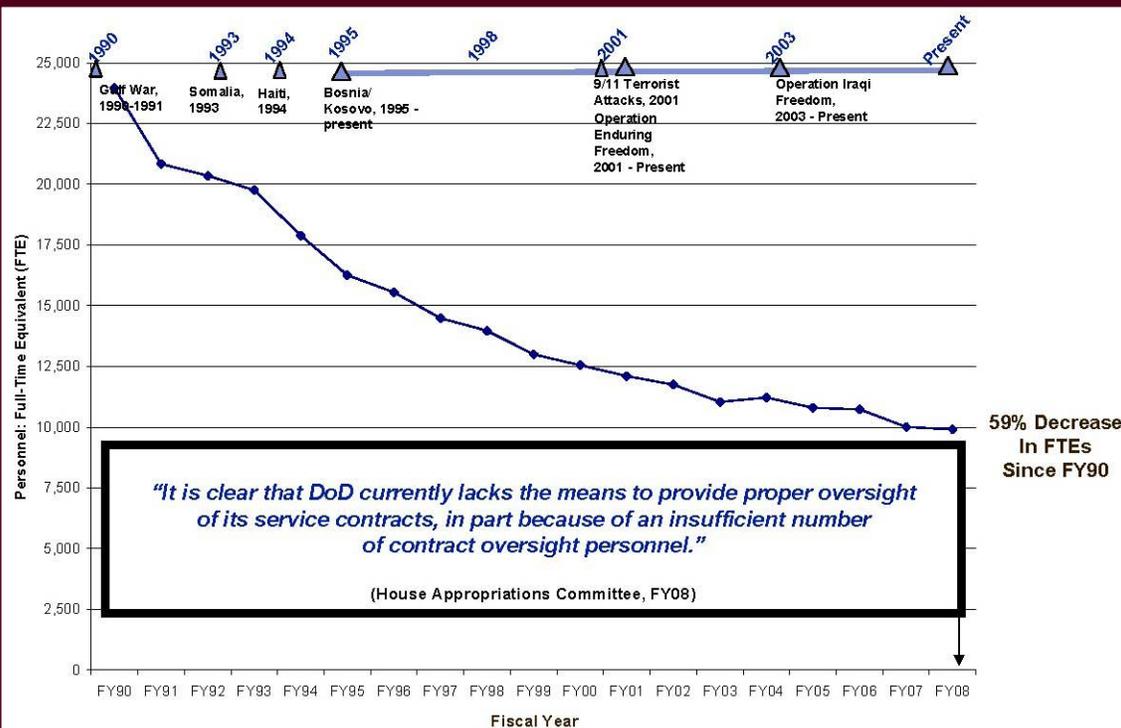
As a result of DoD acquisition shortfalls in staffing, significant amounts of contracting were performed through other agencies. ODIG-AUD’s work continues to find problems when DoD personnel use other agencies. For example, in our audits of FY 2006 purchases made through the National Institutes of Health, the U.S. Department of Veterans Affairs, the Department of Treasury and the Department of Interior, DoD and these other agencies did not comply with the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement. Specifically, for direct acquisitions, DoD contracting officials did not provide fair opportunity to be considered to all eligible contractors, in many cases, and also did not document the basis of the award. As a result, competition was limited and DoD did not have assurance it received the best value. Additionally, on orders that were assisted acquisitions, agency contracting officials did not prepare required contract documentation for most of the orders.

## CHART 1: DOD PROCUREMENT BUDGET AND ACQUISITION ORGANIZATION WORKFORCE



Source of workforce data: DoD IG Report D-2000-088, Feb 29, 2000 & DoD IG Report D-2006-073, April 17, 2006.  
 Source of Budget data: Annual Defense Reports, available at [http://www.dod.mil/execsec/adr\\_intro.html](http://www.dod.mil/execsec/adr_intro.html).

## CHART 2: TREND FOR DEFENSE CONTRACT MANAGEMENT AGENCY PERSONNEL



“Commission on Army Acquisition and Program Management in Expeditionary Operations”, October 31, 2007

Changes to the acquisition process as a result of the Federal Acquisition Streamlining Act and the Clinger-Cohen Act also continued to inhibit contracting officers' abilities to use truth in negotiation protections especially in regard to items considered to be commercial acquisitions. Changes in the Clinger-Cohen Act allowed items to be classified as commercial if they were "of a type" were merely offered to the public, or would be available to meet Government needs in the future. The Act eliminated the need to establish that a commercial market actually existed. One of the primary benefits of buying commercial items is having prices established by market interactions.

While this area continues to be a challenge, DoD IG had one noteworthy success in pricing of commercial spare parts. Over the past 10 years the DoD IG has worked closely with the Defense Logistics Agency and other DoD Components to achieve fair pricing of noncompetitive commercial spare parts. In September 2006, we reported that guidance on commercial item determinations and commercial item exceptions to cost or pricing data in the United States Code, Federal Acquisition Regulation, and other DoD guidance had become muddled and disordered. In response to the report the Director, Defense Procurement and Acquisition Policy issued guidance to improve the application of cost and pricing techniques, especially on sole-source commercial items. Also in response to our September 2006 report that included subsequent follow-up efforts, the Air

Force decided to renegotiate prices on an \$860 million strategic sourcing commercial contract for noncompetitive spare parts used on Defense weapons systems. The Air Force negotiating team had relied primarily on price analysis of previous DoD prices to determine price reasonableness. In October 2007 using cost analysis and support from DCMA and DCAA, the Air Force was able to renegotiate prices for the first batch of 27 high-risk items from \$20.8 million to \$10.8 million or a savings of 51.9 percent. Then, in February 2008, the Air Force renegotiated prices for an additional 86 parts at a savings of 31.5 percent or just over \$4 million. DoD IG auditors calculate that these renegotiation efforts by the Air Force negotiating team will save DoD more than \$20 million over the next six years.

The shaft assembly for the F-16 aircraft shown below is one example of the items renegotiated by the Air Force.

DoD IG audit work in the past 6 months has identified problems that are caused by staffing shortfalls



*The shaft assembly for the F-16 aircraft is one example of the items renegotiated by the Air Force.*

or inexperienced or overworked acquisition staff unable to handle the increasingly more complex procurements. Several themes of problems can be seen in our audit coverage during this period. These problems include limitations on competition or lack of fair opportunity to be considered for award, lack of controls over programs and funding, unjustified sole source awards, inadequate price reasonableness determinations and inadequate contract surveillance. In fact, six different audit reports identified problems with contract surveillance or quality assurance.

Four audits identified problems with unjustified sole source or limited competition awards. On the audit of Task Orders on the Air Force Network-Centric Solutions Contract, auditors reviewed task orders on the multiple-award, indefinite-delivery, indefinite contracts for products, services and total solutions. The contracts had a \$9 billion ceiling value with a base contract period of 3 years and two 1-year options. The audit determined that the Network-Centric Solutions Program Management Office did not have adequate controls over the decentralized ordering process. As a result, the DoD IG projected that 34 percent of orders did not give all contractors a chance to be considered for award and 57 percent of orders were not properly competed. The DoD IG also projected that 84 percent of orders were not adequately monitored and that DoD wasted approximately \$607,000 on fees to the General Services Administration instead of using DoD contracting offices.

Lack of adequate controls over acquisition programs and compliance with the DoD 5000 series of guidance continues to challenge the Department as many programs exceed cost and schedule estimates. For example, on the acquisition of the Surface-Launched Advanced Medium Range Air-to-Air Missile, our audit identified that the Army could have more cost effectively prepared the program for the low-rate initial production decision. Technical difficulties and funding shortfalls caused contract costs to increase. Capability requirements for the program were not sufficiently defined, the program office did not use the systems engineering plan that they were developing to support its systems engineering management approach, and the Defense Contract Management Agency, and the Project Manager, Cruise Missile Defense Systems did not establish complete details on surveillance requirements.

We also found problems with the procurement of the Defense Security Assistance Management System Training Module. The DSAMS Program Management Office continued to develop cost estimates for the Training Module that were not valid, delayed implementation of the module six times in the last 9 years and did not conduct required risk management reviews. As a result, costs are escalating to an unknown amount, the date of full operational capability is unknown and other security cooperative

initiatives have been postponed due to resource constraints.



*A medium tactical vehicle.*

As mentioned previously, shortages in quality assurance and surveillance staffing is a major challenge to the Department. The increasing level of contracting along with urgencies of the war efforts and support for national disaster recover efforts has spread thin the available corps of quality assurance and surveillance staff. As a result, DoD IG auditors have found a pattern of problems in this area. On the audit of U.S. Army Corps of Engineers Administration of Emergency Temporary Roofing Repair Contracts, auditors found that the Corps relied on Corps staff and other volunteers to perform the quality assurance function for the temporary roofing mission. As a result, the Corps may not have been timely in inspecting damaged and repaired roofs. The Corps may have also been subject to over billings from contractors. Another high profile quality assurance issue was found on the audit of the Army's Procurement and Con-

ditional Acceptance of Medium Tactical Vehicles. The picture to the left shows a cargo variant version of the medium tactical vehicle.

In this case, we identified a repeat finding wherein the same problem was found 11 years ago and is still occurring today. The procuring contracting officer authorized the conditional acceptance of incomplete vehicles and yet still paid the contractor up to 100 percent of the contract price. The conditional acceptance resulted in the premature payments to the contractor of more than \$3.8 million. In addition, the contractor submitted vehicles that did not meet first inspection acceptance requirements. Government acceptance of vehicle lots at first inspection decreased from 86 percent in January 2004 to 21 percent in January 2007. If Defense budgets stay at current levels and acquisitions corps staffing levels is not appropriately adjusted, undoubtedly the problems that we have identified will continue to occur.

## FINANCIAL MANAGEMENT

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*DoD IG auditors reviewing financial statements.*

Because of the size and complexity of the DoD financial statements, the Department continues to face financial management challenges. These challenges make it difficult for the Department to provide reliable, timely, and useful financial and managerial data to support operating, budgeting, and policy decisions. Much has been done over the last few years to address these challenges, but the Department needs to continue to be vigilant in its efforts to provide accurate and usable financial information to its managers for decision making purposes.

The DoD IG is working closely with the Department to address long-standing financial management challenges and supports the DoD goal of achieving a favorable audit opinion for the DoD Agency-Wide financial statements and the major DoD components. The Under Secretary of Defense (Comptroller)/Chief Financial Officer issued the DoD Financial Improvement and Audit Readiness Plan as part of an initiative to improve financial management within the Department. The DoD IG supports the objective of the plan, which is to provide ongoing, cross-functional collaboration with DoD components to yield standardized accounting and financial management processes, business rules, and data that will provide a more effective environment to better support the warfighting mission. The DoD IG also supports the Department's ongoing efforts to target achievable, incremental change and to initiate the adjustments necessary for continual, sustainable improvement in financial management.

The DoD IG completed audits of financial statements, financial systems, and financial-related information during this reporting period. The results of that work are discussed in the sections below.

### FINANCIAL STATEMENT AUDITS

The DoD IG issued disclaimer opinion reports, and related reports on internal control and compliance with laws and regulations, in the FY 2007 DoD agency-wide financial statements and 7 other component financial statements whose audits are required by the Office of Management and Budget. In addition, the DoD IG issued an unqualified opinion on the FY 2007 Military Retirement Fund financial statements and a qualified opinion on the FY 2007 Medicare-Eligible Retiree Health Care Fund financial statements. Specifically, in November 2007, DoD IG auditors concurred with the Deloitte & Touche qualified opinion on the Fiscal Year 2007 DoD Medicare-Eligible Retiree Health Care Fund Financial Statements. Deloitte & Touche opined that, except for amounts related to the Fund's direct care costs and the impact of a September 30, 2004, backlog of unprocessed purchased care transactions, the financial statements and accompanying notes present fairly, in all material respects, the Fund's financial position, net cost, changes in net position, and budgetary resources as of September 30, 2007 and 2006. Deloitte & Touche also opined that, other than the effects of the matters identified above, the statements were presented in conformity with accounting principles generally accepted in the United States of America.

### FINANCIAL SYSTEMS AUDITS

Financial System Audits provide invaluable information with regard to the validity of financial statement information. The DoD IG issued reports on 3 DoD systems. In performing the audits, DoD IG auditors tested the design



and operating effectiveness of the controls in operation. The controls in place to ensure compliance with DoD information assurance policies appeared to be suitably designed, but tests of the design and operating effectiveness indicated inconsistencies in the adherence to DoD policies. One example is the Army's ineffective planning and use of an inappropriate contracting method for the acquisition of General Fund Enterprise System integration services. The lack of planning places the program at high risk for incurring schedule delays, exceeding planned costs, and not meeting program objectives. The DoD IG recommended improvements that will allow the Army to completely and accurately define the General Fund Enterprise System program requirements and, as a result, help prevent additional schedule delays, exceeding planned costs, and reduce the risk of not meeting program objectives. In addition, DoD IG auditors recommended that the Army completely define requirements and produce a realistic economic analysis before deciding to continue, modify, or discontinue the General Fund Enterprise System program. This will allow the Army to put to better use the \$532.5 million budgeted for General Fund Enterprise System contracts.

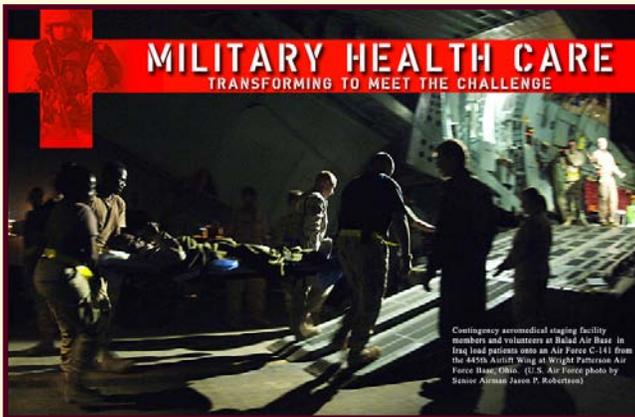
## FINANCIAL-RELATED AUDITS

In addition to the financial statement and financial systems reports, the DoD IG conducted several finance-related audits. These audits focus on providing insight and valuable recommendations to managers as they focus on audit readiness. Areas that were covered during the reporting period included interim payments, transit subsidies and the preponderance of use policy. The following concerns were reported:

- A judgmental sample of \$33.16 billion of contract financing interim payments showed that DoD did not report \$10.41 billion of the payments correctly as Property, Plant, and Equipment Construction Work-in-Process. Also, DoD did not present any of the \$33.16 billion of contract financing interim payments in the Other Assets on the balance sheet as it claimed in the footnotes to the financial statements. As a result, DoD understated its Property, Plant, and Equipment Construction Work-in-Process by about \$10.41 billion and overstated its expenses by a corresponding amount. There is also a likelihood that expenses will be understated in the period in which the final asset is delivered. In addition, DoD and the Military Departments materially misrepresented the Other Assets Balance Sheet account and we identified a material internal control weakness in the reporting of contract financing interim payments.
- Internal controls over the DoD Transit Subsidy Program within the National Capital Region were inadequate. Specifically, internal control activities were deficient in: the transit subsidy enrollment application process; enrollment status changes and withdrawal of transit subsidy participants; management of the enrollment database used to determine eligibility for distribution and benefits; and audit trails to validate subsidy benefit amounts and enrollment database entries. The results indicate a high risk that DoD employees will not file forms to indicate status changes or to withdraw from the program, will commit fraud to receive benefits more than once in the same distribution period, and will obtain and hold both transit subsidy benefits and subsidized parking benefits at the same time. As a result of this audit, 10 DoD employees were referred to DCIS for fraud investigation.
- The DoD preponderance-of-use policy and Army practices for reporting real property assets did not comply with accounting principles generally accepted in the United States. As a result, the Army did not prepare its financial statements in accordance with those principles and misstated the acquisition cost of real property assets on the FY2006 Army General Fund and Army Working Capital Fund Financial Statements by at least \$424.3 million. To report real property assets accurately, DoD needs to implement a costing methodology that complies with federal financial accounting standards.

## HEALTH CARE

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The Military Health System must provide quality health care for approximately 9.2 million eligible beneficiaries within fiscal constraints while facing growth pressures, legislative imperatives, increasing benefits, and inflation that make cost control difficult in both the public and private sectors. The DoD challenge is magnified because of its mission to provide health support for the full range of military operations. Part of the challenge in delivering health care is combating fraud.

A major challenge to the Department is sufficient oversight of the growing cost of health care for its beneficiaries. The increased frequency and duration of military deployment further stresses

the MHS in both Active and Reserve components. The DoD budget for health care costs is about \$42 billion in FY 2008, including \$23.5 billion in the Defense Health Program appropriation, \$7.1 billion in the Military Departments' military personnel appropriations, \$0.5 billion for military construction, and \$11.2 billion for the contributions to the DoD Medicare Eligible Retiree Health Care Fund to cover future costs of health care for Medicare eligible retirees, retiree family members and survivors. In addition, the Department obligated almost \$1.6 billion of supplemental funds for medical support and health services in support of the GWOT in FY 2007.

The Department is scheduled to transition to the next generation of TRICARE contracts during fiscal year 2008. The Department's challenge is how to oversee the growing cost of health care while sustaining the health of its beneficiaries as it transitions to the next generation of TRICARE contracts. Maintaining medical readiness continues to be a challenge. Readiness of the medical staff and units includes ensuring that medical staff can perform at all echelons of operation and the units have the right mix of skills, equipment sets, logistics support, and evacuation and support capabilities. The challenge of keeping reservists medically ready to deploy continues due to the frequency and duration of Reserve deployments. In addition, transitioning the wounded, ill, or injured Service members to post-deployment care will continue to grow as a challenge while the GWOT continues. Information assurance relating to sensitive medical information is a challenge for the public and private sectors of the health care community. Expanding automation efforts, including the transition from paper to electronic patient records, increases the exposure of sensitive patient information to inadvertent or intentional compromise. Maintaining information operations that ensure the protection and privacy of data will continue to grow as a challenge. Implementing recommendations resulting from the 2005 Base Realignment and Closure process will also continue to be a challenge for the near future. In addition to improving the readiness and cost effectiveness of the MHS, the realignment process will provide opportunities for greater joint activity among the military departments.

DoD IG audit resources continued to focus on cost and GWOT issues-see Chapter 1. The DoD IG completed audits of the "Controls Over the TRICARE Overseas Program and the Supplemental Funds Used for Medical Support for the GWOT." The DoD IG also began an audit of controls over medical equipment used to support operations in Southwest Asia. See Chapter 1 for more details.

The DoD IG completed an audit of the "Controls Over the TRICARE Overseas Program," which focused on the accuracy of TRICARE overseas claims payments made to providers outside of the United States. Government



contractors responsible for processing TRICARE overseas health care claims made \$14.6 million in duplicate payments and overpayments during FY 2004 and FY 2005 to providers outside the United States and to TRICARE beneficiaries. By strengthening internal controls, establishing sound contract surveillance plans, and improving recoupment procedures, TRICARE Management Activity could put about \$29.7 million of Defense Health Program funds to better use during the execution of the FYs 2008 through 2013 Future Years Defense Plan.

TRICARE Management Activity has price caps on claims payments for health care in the Philippines and Puerto Rico and plans to revise the Philippines price caps and implement price caps in Panama. By proceeding with the price cap initiatives in the Philippines and Panama and establishing price caps in other countries, TRICARE Management Activity could put at least \$96 million of Defense Health Program funds to better use during the execution of FYs 2008 through 2013 Future Years Defense Plan.

The DoD IG completed an audit of the use of GWOT supplemental funds and reported that the military department surgeons general did not consistently report obligations of supplemental funds as required by the TRICARE Management Activity. Without accurate and consistent reporting of GWOT supplemental fund obligations, DoD has no assurance that the Military Health System used funds for the purposes for which they were requested. The DoD IG also reported that DoD could not ensure that the amounts reported in the “FY 2006 Defense Health Program Cost of War” report were accurate or complete.

## INFORMATION SECURITY AND PRIVACY

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The Department continues to be severely challenged by the need to provide a robust information security and privacy program for its data, systems, operations, and initiatives. This is particularly so for that portion of its data, systems, operations, and initiatives in the hands of the Defense Industrial Base and other non-DoD mission partners. The twin imperatives of security and information sharing collide daily and little progress has been made toward resolution of conflicting requirements. The DoD has not adopted National Institute of Standards and Technology standards or guidelines established in Special Publications. Although DoD established a cooperative relationship working with the National Institute of Standards and Technology and the Director of National Intelligence to establish a common set of information security controls, risk management framework, and security certification and accreditation processes that can meet the need of federal agencies managing and operating both national security and non-national security systems, progress has been limited.

The DoD does not yet have a comprehensive, enterprise-wide inventory of information systems, to include war fighting mission area systems and those containing DoD information operated by contractors. For example, for Fiscal Year 2007, DoD reported a total of 78 contractor systems in the two DoD Federal Information Security Management Act data repositories. Such a low number of contractor systems that may contain DoD information is highly improbable given that over 46,000 contractors with contracts greater than \$25,000 are listed in the DoD data base maintained by the DoD General Counsel Standards of Conduct Office, and nearly 40,000 contractors with DoD contract awards in excess of \$50,000 are listed in the Defense Contract Action Data System (DD 350 data base). Lack of progress in meeting these challenges severely hampers the ability of the DoD to protect operational information for the warfighter and privacy data for all employees, as well as perform basic fiduciary responsibilities and oversight for DoD information technology expenditures. The DoD IG determined that the information in the DoD Information Technology Portfolio Repository on contingency planning is not reliable on the basis of sample results. The DoD IG projected that, of 436 mission-critical information systems requiring information assurance certification and accreditation, 264 systems (61



percent) lacked a contingency plan or their owners could not provide evidence of a plan, 358 systems (82 percent) had contingency plans that had not been tested or for which their owners could not provide evidence of testing, 410 systems (94 percent) had incorrect testing information reported in the DoD Information Technology Portfolio Repository, and 37 systems (8 percent) had incorrect contingency plan information reported. As a result, DoD mission-critical systems may not be able to sustain warfighter operations during a disruptive or catastrophic event. Further, DoD provided erroneous information to Congress and the Office of Management and Budget on whether DoD had contingency planning procedures in place and periodically tested the procedures necessary to recover the systems from an unforeseen, and possibly devastating, event.

The Joint Strike Fighter Program will bring the most advanced aviation and weapons technologies into the next generation of strike fighter aircraft. With multiple foreign countries participating in development of the advanced fighter program, the potential unauthorized release of classified information is of particular concern. The DoD IG found that DoD had controls in place to validate the legitimacy of requests for exporting classified Joint Strike Fighter technology in our review. However, DoD did not always employ sufficient security controls that could assist in evaluating potential unauthorized access to classified U.S. technology. Additional oversight, accountability, and control would help DoD reduce the risk that unauthorized access to classified U.S. technologies may occur.

The DoD IG has numerous projects on-going which may assist management in identifying and addressing weaknesses in the DoD information security and privacy program. To address issues pertaining to personal identity verification, to include physical access to DoD installations and facilities, and logical access to DoD information systems and networks, the DoD IG is reviewing DoD implementation of HSPD-12, the Presidential directive of 2004 regarding these matters. In addition, the Common Access Card (CAC) program is being reviewed as it pertains to contractors in general, and personnel in South West Asia in particular. The DoD IG also has ongoing work pertaining to encryption of data at rest in DoD mobile computing devices, reporting of DoD contractor systems containing DoD information, security controls for radio frequency identification programs and numerous system security reviews associated with financial statement assertions.

## LOGISTICS

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Transformation of logistics capabilities poses a significant challenge to the Department. The Department's transformed logistics capabilities must support future joint forces that are fully integrated, expeditionary, networked, decentralized, adaptable, capable of decision superiority, and increasingly lethal. Additionally, transformed logistics capabilities must support future joint force operations that are continuous and distributed across the full range of military operations. Supply chain management is a challenge for the Department. The Government Accountability Office identified supply chain management as a high-risk area because of weaknesses uncovered in key aspects, such as distribution, inventory management, and asset visibility. They stated that since 2005, DoD has taken some positive steps toward addressing challenges related to the supply chain management high-risk area. For example, in collaboration with the Office of Management and Budget, DoD developed a plan to address some of the systemic weaknesses in supply chain management. The plan encompasses 10 initiatives, such as war reserve materiel improvements and the expanded use of radio frequency identification, requirements forecasting, asset visibility, and materiel distribution. The plan provides a framework for addressing systemic weaknesses and focusing long-term efforts to improve supply support to the warfighter. While DoD has made some progress implementing these initiatives, and DoD leadership has demonstrated a commitment to resolving supply chain management problems, successful resolution of these long-standing problems will take several years of continued efforts, and the Department faces challenges and risks in successful implementation of proposed changes.

# Defense Hotline

A Tool in the War Against Fraud, Waste, and Abuse

The Office of Inspector General Department of Defense is heavily engaged in combating fraud, waste and abuse. In FY 2007, DoD IG audits achieved \$697 million in savings and identified \$1.5 billion in funds that could be put to better use. Investigative activities identified 413 suspects who were indicted. Additionally, 307 suspects were convicted of crimes. All in all, \$926 million was returned to the U.S. Government in investigative fines, restitution, and recoveries. The DoD IG has a variety of tools available to its auditors, investigators, and inspectors that contribute to these successes; however, one in particular deserves special mention....the Defense Hotline.

The Defense Hotline is a simple and convenient way to report fraud, waste, or abuse. Individuals who believe they have evidence of fraud, waste, and abuse can provide that information to the Hotline. Individuals can contact the Hotline by phone, fax, email, the internet, or by mail.

## WHY IS THE HOTLINE IMPORTANT?

Most major corporations in America, state and city governments, and virtually all of the federal cabinet departments use some type of hotline program to assist in minimizing the impact of fraud, waste, and mismanagement in their organizations.

Hotlines can be a very effective deterrent. Someone who maybe planning to do something that is improper or illegal will be less likely to commit the act knowing that if someone sees them, their action can be reported to the Hotline. Hotlines are also inexpensive ways for department and agencies to become aware of issues affecting their programs and operations. Government simply does not have all the resources it needs to have enough full time fraud examiners to monitor all of the potential high risk areas for fraud and mismanagement. Hotlines can help achieve a higher level of awareness for a fraction of the cost to the American people.

Hotlines are an important resource in times of emergencies. For example, on the afternoon of September 11, 2001, while the area around the DoD IG building was still filled with smoke and soot from American Airlines flight 77 hitting the Pentagon, the DoD IG was contacted by Department of Justice officials who had two requests. The first request was to activate the DoD Hotline on a twenty four hour, seven day per week basis until further notice. The second request was to provide trained hotline investigators to the National Hotline Task Force that was being assembled just outside of downtown Atlanta, Georgia. The purpose of the task force was to participate in and help acquaint the host of Federal agencies who would be manning another 24/7 hotline operated to identify potential future targets following the day's events. The staff of the Defense Hotline responded immediately to these two requests. The Hotline was up and operational by 3:00 p.m. on September 11, 2001, and remained operational until relieved of this duty during January 2002.



## BACKGROUND OF HOTLINE

The Defense Hotline was born out of the Inspector General Act of 1978, which in Section 7(a) of the Act authorized the newly created Inspectors General to “receive and investigate complaints or information from an employee of the establishment concerning the existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.” It then goes on to outline the importance of protecting the employee’s identity.

Within the DoD, the Hotline was authorized by the Secretary of Defense in April 1979 as national level program having policy and oversight responsibility over all other hotlines having the mission to identify and eliminate fraud, waste, and mismanagement in the DoD. Between 1979 and about 1982 the hotline program was operated by IG staff detailed to such duties on a six-month rotational assignment. Because of its success in the early-mid 1980s, the hotline was then given a permanent status within the DoD IG, with staff ranging from 14-20 investigators. Although it’s original mission was somewhat narrow in scope (fraud, waste, and mismanagement), today’s “expanded” hotline mission includes these core responsibilities, plus some contemporary issues, such as threats to homeland security; allegations of human trafficking; and force protection issues. Over the years, both the number and the complexity of Hotline grew; this produced a requirement for an expansion of staff. In the 1980’s the Defense Hotline had 10 members on staff, which doubled to 20 by 1995. Currently, a staff of 14 works on the Hotline. And just this past year, in an effort to increase the ability of our military, civilians, and contractors in the Southwest Asia region to report allegations of fraud, waste, and abuse, we established a special toll-free Defense Hotline number for the exclusive use of personnel stationed in the region.

## TREND ANALYSIS

The DoD IG is using data gathered on hotline cases to see if there are any specific trends developing or emerging issues in the Department. That information can be used to determine where exactly more of the DoD IG’s oversight resources need to be focused.

The Hotline has noticed an encouraging trend over the past twelve to eighteen months of an increase in individuals reporting unethical contracting shortcuts. Allegations include manufacturers not adhering to contract-required quality control procedures and processes, which often result in an inferior product for an aircraft or weapons system. The public’s awareness of the importance of these required steps has contributed to unauthorized shortcuts being reported in increased instances.

Another unmistakable trend involves the increased reporting of any actions or non-actions taken by the senior leadership. The DoD IG has an investigative office known as Investigation of Senior Officials. During the past ten plus years inquiries and referrals of senior official misconduct to our uniformed counterparts in the Army, Navy, and Air Force have increased significantly. It is important to have accountability and transparency of senior leadership.

## ADVANTAGES OF DOD HOTLINE

One of the greatest advantages of the hotline is the ability for people to report potential incidents in an anonymous manner. This allows the person to feel safe from any potential harm by reporting something that is detrimental to either them or the department as a whole. This minimizes potential retribution for the call, and makes it all the more

likely that issues needing to be addressed, are transferred from the caller to DoD IG in a timely manner, providing the best opportunity to remedy the issue. Another great advantage is the ease with which hotlines can be advertised. The Defense Hotline number is widely distributed on posters, flyers, and websites enabling the information to be readily available to those who need it. This ensures our military, civilians, and contractors know where to turn when an issue of waste, fraud or abuse arises.

## DEFENSE HOTLINE ACHIEVEMENTS

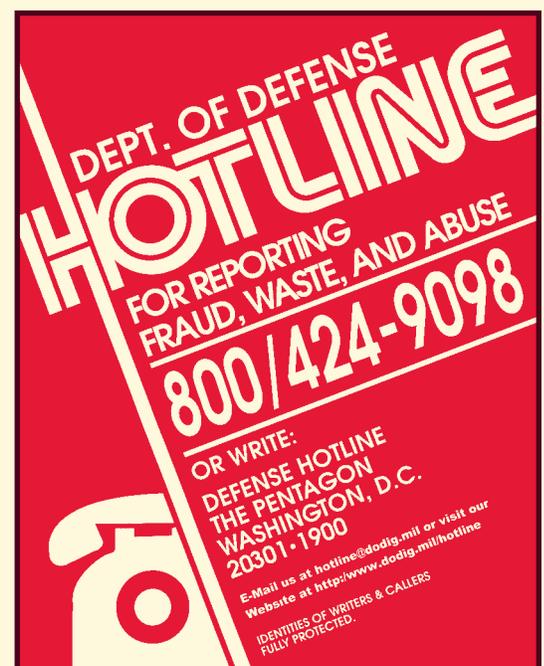
The Defense Hotline has a role in a number of interesting and significant accomplishments. One example in particular involves family members trying to take advantage of benefits. A source alleged an individual married her grandfather for the purpose of collecting his military survivor benefit program payments. An investigation revealed the marriage was entered solely to obtain the benefits and further uncovered that the mother conspired with her daughter to affect the fraudulent marriage. As a result of the marriage the mother and daughter received over \$230,000 in benefits they were not entitled. The daughter was indicted and sentenced to 36 months probation and restitution in the amount of \$230,000. The mother was convicted on both charges and sentenced to 27 months confinement in a federal penitentiary, 36 months probation and joint restitution of \$230,000.

Another example is a complaint alleging that contractor employees were allowed to take government vehicles to their homes nightly. It was further alleged the individuals were involved in accidents in those vehicles which the government paid for. The contractor purchased the vehicles under the contract as part of an incentive program. As a result of the investigation the contractor reimbursed the government \$180,000 for the cost of the original vehicles, associated licensing, taxes, fees, fuel purchases, and invoices to the government for the accidents.

As a final example, an anonymous source reported Navy Seabees sold government-owned tools and parts on eBay. During the investigation federal search warrants were executed. Several sailors were identified as co-subjects resulting in five confessions and the recovery of some government-owned tools. Further investigation disclosed additional sailors involved in forgery of open purchase requests and purchasing items for personal gain. Estimated loss to the government totaled over \$178,000. A total of seven Navy petty officers were either court martialled or accepted non-judicial punishment. Punishments included imprisonment, fines, reduction in grades and several bad conduct discharges.

## CONCLUSION

Today, we live in a world that is at war with the forces of terrorism. The resources that are needed to fight this war are many; the places we need to go are far from home. The millions of men and women serving our government, whether it is in our armed forces, in our agencies, or in government contracted companies- each deserve the utmost effort by the oversight community to ensure resources are used effectively and efficiently. Hotlines provide numerous advantages in the battle against waste, fraud and abuse. Hotlines, with their deterrent value, cost effectiveness, and record of achievement, have played an essential role in this battle.



# Investigative Oversight

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A look at the investigations conducted by the  
Department of Defense Inspector General

The Defense Criminal Investigative Service is the criminal investigative arm of the Inspector General of the Department of Defense. DCIS protects America's warfighters by investigating terrorism, shielding our defense technology against those who seek to steal it or use it against the United States or its allies; investigating companies that use substituted or substandard parts in weapons systems and equipment utilized by the military; preventing cyber crimes and computer intrusion; and investigating cases of fraud, bribery, and corruption.

DCIS devotes investigative resources to terrorism, procurement fraud, computer crimes, illegal technology transfers and public corruption. DCIS special agents have full law enforcement authority; make arrests, carry concealed weapons, execute search warrants, serve subpoenas and testify in legal proceedings.





DoD IG significant accomplishments in Investigations are listed under the following categories:

- › ILLEGAL TRANSFER OF TECHNOLOGY, SYSTEMS, AND EQUIPMENT
- › CYBERCRIME AND COMPUTER INTRUSION
- › CORRUPTION AND FRAUD
- › DEFECTIVE, SUBSTITUTED, AND SUBSTANDARD PRODUCTS
- › OTHER



## TECHNOLOGY PROTECTION

Technology protection investigations are one of DCIS' highest priorities. The majority of DCIS' technology protection investigations involve the illegal theft or transfer of U.S. technologies and munitions to proscribed nations, terrorist organizations, and criminal enterprises.

The illegal trafficking of critical military technology and weapons of mass destruction threatens America's homeland and warfighters deployed around the globe. DCIS has investigated cases involving the illegal export of missile technology, military night vision components, fighter jet components, and helicopter technical data. During the past 12 months, DCIS has been involved in approximately 223 technology protection investigations.

Success in conducting technology transfer and WMD interdiction investigations requires seamless coordi-

nation on the part of numerous agencies. In conducting these investigations, DCIS partners closely with federal law enforcement agencies, to include Immigration and Customs Enforcement, the Federal Bureau of Investigation, the Naval Criminal Investigative Service, the Air Force Office of Special Investigations, U.S. Army military intelligence components, the U.S. Army Criminal Investigation Command, and the U.S. Department of Commerce Office of Export Enforcement.

Recognizing that interagency cooperation could be improved, the Department of Justice recently launched an export enforcement initiative designed to harness the various export control and counter-proliferation assets available to the law enforcement and the Intelligence Community in order to better detect, investigate, and prosecute illicit attempts to acquire sensitive technology.

To set this concept in motion, the DoJ announced the National Counter-Proliferation Initiative in October 2007, "to combat the growing national security threat posed by the illegal exports of restricted U.S. military and dual-use technology to foreign nations and terrorist organizations." This initiative is supported by DCIS, the Department of Homeland Security and the Department of State. All participating agencies agreed to increase efforts to investigate and prosecute export control violations. To this end, U.S. Attorney's offices around the country agreed to form Counter-Proliferation Task Forces designed to enhance interagency cooperation.

Consistent with the spirit of DOJ's new initiative, DCIS teamed up with DoJ and spearheaded the formation of the Technology Protection Enforcement Working Group. The TPEG is composed of Technology Protection decision makers from various partner agencies.

The first TPEG meeting was held in November 2007, and has developed into an invaluable network for sharing critical information among the participating agencies. The collaboration and integration of the TPEG members has already reduced information barriers and allowed greater access to the collective investigative data each agency brings to the table. Pooling resources and working closely with partner agencies has been crucial both in sharing information and in fostering multi-agency cooperation through all phases of these investigations.

Proactive efforts such as the TPEG and increased attention to illegal exports of U.S. technology have recently received executive level support.

On January 22, 2008, the President signed several new export control national security policy directives. Among them are provisions for the formation of a headquarters-level interagency enforcement group to coordinate efforts.

DCIS actively participates in a variety of other technology protection working groups and meets on a regular basis with representatives from the intelligence community, allowing DCIS to share technology protection information developed during the course of DCIS investigations and receive relevant data about other agencies' investigations. Criminal intelligence, gleaned from DCIS and partner agencies' investigative efforts, has been included in analytical products developed by the Intelligence Community for presentation to key national security policy makers.

### “Cradle to Grave” Protection of DoD Critical Technology

It is important for DoD to maintain an edge in the development of new technologies that sustain battlefield superiority and protect the warfighter. In order to accomplish this, it is crucial to prevent the compromise of any military critical technology throughout its lifecycle.

DoD provides cradle to grave protection of critical technologies through focused, specialized investigative techniques designed to help protect and safeguard critical weapons systems and programs from the point they enter the acquisition system through de-militarization or reuse. To make best use of limited investigative resources, DoD focuses on the most crucial components of critical Defense technologies—often called

Critical Program Information. DoD Directive 5200.39 defines CPI as: “...technologies or systems, that, if compromised, would degrade combat effectiveness, shorten the expected combat-effective life of the system, or significantly alter program direction. This includes classified military information or unclassified controlled information about such programs, technologies, or systems.”

CPI may include but is not limited to any of the following:

- Various computer programs, software, or hardware
- Design goals, successes, etc.
- Vulnerabilities / countermeasures
- New technology / technological breakthroughs
- Unique application / capabilities
- Manufacturing techniques - equipment, tools
- Company proprietary data
- Intellectual property data
- Formulas, algorithms, etc.

DoDD 5200.39 requires Defense acquisition program managers to identify the CPI of each of their systems. Once CPI is identified, the DoD focuses protection on those critical systems. This is done by providing information on threats and appropriate countermeasures to those developing and using these technologies. Even after an item has reached the end of its lifecycle and is no longer of use to the DoD, it must go through a demilitarization process. This process is designed to identify those items that must be degraded or destroyed before release from Government custody. DCIS prioritizes investigations involving sensitive items that were not appropriately de-militarized before being released to the public. Investigations range from complex under-

cover operations to intercepting the sale of particularly sensitive items via internet auction sites.

### Interagency Cooperation

While the entire DoD plays a role in protecting vital Defense technology from falling into the wrong hands, several Defense agencies maintain pivotal roles: the Defense Technology Security Administration, the Defense Security Service, the Defense Threat Reduction Agency, and the DoD Counterintelligence Field Activity.

The Defense Threat Reduction Agency is a DoD combat support agency headquartered in Fort Belvoir, Virginia. DTRA employs 2,000 men and women, both military and civilian at more than 14 locations around the world. DTRA works to counter weapons of mass destruction, including chemical, biological, nuclear, radiological or high-explosive.

The Defense Technology Security Administration administers the development and implementation of DoD technology security policies on international transfers of defense-related goods, services and technologies. It ensures that critical U.S. military technological advantages are preserved; transfers that could prove detrimental to U.S. security interests are controlled and limited; proliferation of weapons of mass destruction and their means of delivery is prevented; diversion of Defense-related goods to terrorists is prevented; military interoperability with foreign allies and friends is supported; and the health of the U.S. Defense industrial base is assured.



The Defense Security Service supports national security and the warfighter, secures the nation's technological base, and oversees the protection of U.S. and foreign classified information in the hands of industry. DSS accomplishes this by certifying industrial facilities for the processing of classified information, accrediting information systems, facilitating the personnel security clearance process, delivering security education and training, and providing information technology services that support the industrial and personnel security missions of DoD and its partner agencies.

The Counterintelligence Field Activity develops and manages Defense Department counterintelligence programs that protect the Department by supporting the detection and neutralization of foreign espionage. CIFA contributes to the security of

DoD personnel, resources, critical information and infrastructure. CIFA programs further safeguard key U.S. interests and fundamental economic security by shielding Defense technology and strategic science from foreign influence, theft and manipulation.

Immigration and Customs Enforcement and the Office of Export Enforcement have been particularly valuable partners in countering illegal export of sensitive DoD technologies and equipment. DCIS, ICE and OEE use traditional criminal investigative methodologies and authorities to investigate violations of the Arms Export Control Act (22 USC 2778), International Trafficking in Arms Regulations (22 CFR 120-130), and the Export Administration Act (50 USC 2401-2420 EAR, 15 C.F.R. 370 et seq). ICE has primary jurisdiction for enforcing the Arms Export Control Act (AECA) 22 USC 2778, and

the International Emergency Economic Powers Act (50 USE 1701), covering the Presidential powers that focus on economic and trade sanctions. ICE also enforces the Trading with the Enemy Act (50 USC 5). Both ICE and DOC enforce the Export Administration Act (EAA) which covers dual-use technology.

Potential Adversaries have a myriad of capabilities to obtain critical military technologies and continue to successfully employ them. Given our continued reliance on technology and its importance to our national and economic security, a new approach is called for to achieve interdiction success. It is through the collaborative process being forged with key agencies such as ICE and OEE that progress will be made in further identifying, disrupting, and deterring the proliferation of critical military technology transfer and WMD.

## CASE STUDIES:

### Attempted Export of Aircraft Components

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Two men from Ogden, Utah, were each charged with three violations of the Arms Export Control Act for attempting to illegally export components to foreign buyers for F-14 and F-4 fighter aircraft without possessing a necessary license. They were indicted on these charges on October 4, 2007. Currently, the only country outside the U.S. that uses these aircraft is Iran. This investigation began when both ICE and DCIS found F-14 parts listed for sale on an Internet Web site run by one of the men. ICE agents bought cable assemblies and other materials from him. The suspect and those working with him tried to disguise the items they were selling and send them out of the country, but the materials were intercepted by ICE agents before they left the United States.

### Illegal Acquisition and Export of Missile Components

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On November 5, 2002, the United States Customs Service learned that a man, doing business as P.E. Trading Limited, Brooklyn, N.Y., was attempting to illegally acquire and export Hawk missile components; to include klystron oscillators, which are an integral part of the Hawk's illuminator unit. Investigation revealed the ultimate destination of the oscillators would likely be Iran, which is prohibited by U.S. export laws from receiving such devices. The investigation also revealed that P.E. Trading had contacted a Connecticut supplier of surplus/refurbished U.S. military electronics and so-

lited quotes for 10 QK410B klystron oscillators. It was determined that these components were being shipped to a Gardena, CA, supplier who in turn sold them to World Electronics, located in Glenrock, NJ. Over the course of several years, the owner of World Electronics made numerous shipments of U.S. Munitions List Items, such as F-14 aircraft parts and Hawk missile systems, to Germany and other countries without obtaining required licenses in violation of the Arms Export Control Act (22 USC 2778). On November 30, 2007, the owner of World Electronics and his company were sentenced for their involvement in a conspiracy to violate export laws. The owner was sentenced to two-years probation, and ordered pay a \$20,000 fine. The company was ordered to pay a \$20,000 fine.

### Theft of Rocket Launchers/Laser Aiming Device

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On March 8, 2005, the Federal Bureau of Investigation, Joint Terrorism Task Force, Fort Worth, Texas, reported that a man had posted a picture of himself with an M190 practice rocket launcher and practice rockets in a non-military setting. M190 and their practice rockets are not commercially available, but only available to the U.S. military services and some foreign militaries. During 2003, the Food and Drug Administration, Office of Criminal Investigations conducted an undercover purchase of a Vital 100 military laser aiming device from the man. The FDA OCI investigation determined the laser aiming device was one of three procured by the DoD, but stolen before reaching their final destination. During a subsequent interview, the man acknowl-

edged he purchased the laser aimer from one of the persons he previously identified to DCIS as dealing in stolen military property.

On February 11, 2008, the man was sentenced in the Northern District of Texas, Fort Worth Division, pursuant to a September 26, 2007 guilty plea to one count of false statements (18 USC 1001) and one count of possession of stolen Government property (18 USC 641). The man was sentenced to 21 months confinement for each count, to be served concurrently; a special assessment of \$200; and three years of supervised release following his incarceration. Additionally, the man was ordered to serve his federal sentence consecutive with a seven year confinement sentence he is already serving for a state felony drug conviction related to this investigation.

### Purchase of Aircraft Parts on Internet Auction Site

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On February 14, 2006, two brothers of Iranian descent entered guilty pleas before a Federal Court in the Southern District of California to violating the Arms Export Control Act, 22 USC 2278(c). The cooperation of the men led to the indictment and arrest of another subject in Thailand on November 13, 2006. The men purchased Munitions List military aircraft parts on eBay and illegally shipped F-4, F-5 and F-14 aircraft parts to the Islamic Republic of Iran. The illegal shipments were intercepted by ICE. On November 26, 2007 both were sentenced to one year incarceration and 3 years of supervised probation upon release.

## CYBER CRIME AND COMPUTER INTRUSION

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During this reporting period, DCIS computer crimes agents provided computer forensics support to more than 85 DCIS investigations. Cases worked during this period include the following examples.

A case was initiated when the Defense Finance and Accounting Service notified DCIS that DoD employees' pay account information maintained in an on-line Internet-accessible database known as myPay was accessed without employees' knowledge or consent. Employees' pay was diverted electronically and deposited into other individuals' financial accounts. Following a review of DFAS computer network records and logs, Department of Homeland Security records, and various financial institution records, it was determined that a foreign national and his accomplice accessed the accounts. The foreign national installed spyware on hotel computers and stole login information. He then used the login information and passwords to access the users' account data and financial information. On August 31, 2007, the individual was arrested in Miami, Florida, upon arriving from Colombia. On November 15, 2007, he was indicted on charges of Access Device Fraud, Identity Theft, and Aggravated Identity Theft. He subsequently pled guilty on January 8, 2008.



## CORRUPTION AND FRAUD

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The DoD loses millions of dollars annually because of financial crime, public corruption, and major thefts. DCIS investigative efforts target abuses in the procurement process, such as the substitution of inferior products, overcharges, bribes, kickbacks, and cost mischarging. Additionally, DCIS partners with acquisition and financial agencies to proactively identify areas of vulnerability. Examples of DCIS efforts to combat financial threats include the following examples.

An officer of a DoD contractor was convicted of wire fraud in U.S. District Court, Middle District of Florida. He was sentenced to 24 months confinement, 36 months supervised release, and was ordered to pay \$202,510. The officer fraudulently provided substandard parts, surplus parts, and overhauled parts to DoD. Many of these parts were classified as Critical Application Items, which are considered essential to military weapon system performance or operation. The individual electronically filed false certifications indicating that the parts were new and met standards specified in contracts.

A DoD contractor agreed to an administrative settlement and paid the U.S. Government \$4.3 million for fraudulently mischarging the U.S. Government when calculating proposed costs on Government negotiated firm-fixed price contracts. The contractor applied a fraudulent rate to proposed direct costs, including material costs, for all negotiated contracts awarded from November 1995 through February 2002.

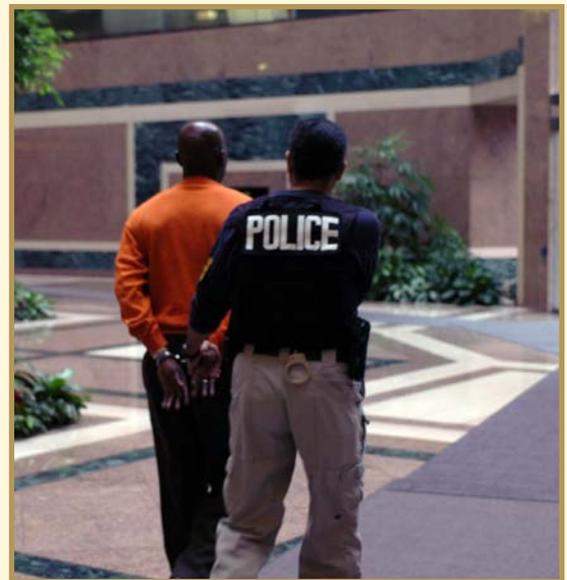
A major Defense contractor agreed to pay the U.S. Government \$237,680 in a civil settlement to resolve charges of submitting false claims. The contractor was placed on 60 months probation and fined \$4,000. The contractor submitted false certified disposal documentation to the Defense Reutilization and Marketing Service which related

to the disposal of an estimated 3.7 million pounds of unused Super Topical Bleach. The company's president was also sentenced in conjunction with a previous conviction for submitting false claims to DRMS. He received 60 months confinement and was ordered to pay a fine of \$1,000 and restitution of \$237,680.

A joint investigation with the U.S. Army Criminal Investigation Command, Arlington, Texas, was initiated after a U.S. Army officer allegedly mailed approximately \$120,000 in U.S. currency and approximately 3,000 Iraqi Dinar to his home in Killeen, Texas. Further investigation implicated a U.S. Army major in receiving bribes from contractors in Iraq. The Army major was sentenced October, 19, 2007, in the Western District of Texas, Austin, Texas, and ordered to serve 10 years confinement, 3 years on probation, pay a \$5000 fine and a \$300 assessment, and forfeit \$1 million, for bribery, conspiracy, and money laundering in connection with schemes involving fraudulent contracts he awarded while deployed to Iraq.

A U.S. Army major, his wife, and his sister were indicted on bribery, money laundering, obstruction charges, and conspiracy to defraud the U.S. Government arising out of the major's service as an Army contracting officer in Kuwait. The major was deployed to Camp Arifjan, Kuwait, serving as a contracting officer responsible for soliciting and reviewing bids for DoD contracts in support of operations in the Middle East, including Operation Iraqi Freedom. The major allegedly guaranteed that a contractor would receive a contract in return for the payment of money. The major and others allegedly accepted \$9.6 million in bribe payments on his behalf through bid-rigging schemes.

On February, 20, 2008, Brent Wilkes, president of ADCS, Inc., a DoD contractor, was sentenced to 12 years confinement, 3 years probation, fined \$500,000, assessed a fee of \$1,300, and ordered to forfeit \$636,116 as a result of his involvement in a bribery and corruption scheme. Wilkes was convicted of bribing former U.S. Congressman Randall "Duke" Cunningham in return for congressional appropriation earmarks by Congressman Cunningham and others to assist Wilkes in obtaining millions of dollars in DoD contracts.



*DCIS special agent making an arrest.*

A DoD contractor pled guilty in U.S. District Court in the Eastern District of Virginia for submitting false claims relating to water purification services provided to the U.S. Army. The company contracted with the Army to provide training, maintenance and refurbishment of Reverse Osmosis Water Purification Units used to make non-potable water drinkable. The ROWPUs were deployed to overseas locations, to include Iraq. The corporation was sentenced to 5 years probation, fined \$700,000, and ordered to pay \$421,523.33 restitution and a \$400 special assessment to the U.S. Government.

## DEFECTIVE, SUBSTITUTED, AND SUBSTANDARD PRODUCTS

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*Transporting a military aircraft.*

Through the investigative efforts of DCIS special agents, abuses in the procurement process, such as the substitution of inferior products, are exposed. Below are examples of DCIS work in this arena.

Two DoD subcontractors signed civil settlements with the Department of Justice, Civil Division, Commercial Litigation Branch, regarding alleged nonconforming Zylon fabric used by American manufactures to produce body armor. The subcontractors paid the U.S. Government \$15,425,000 to settle the disputed claims.

Two employees and the owner of an FAA-certified aircraft engine repair company were convicted in U.S. District Court in the Western District of Oklahoma for using unapproved parts in DoD aircraft. The employees

overhauled aircraft engines by using inadequate parts and workmanship. The engines were sold to customers throughout the United States, to include the DoD. The subjects were sentenced to a total of 137 months confinement and 84 months probation, ordered to pay \$1,064,256 in restitution and a \$400 assessment, and will forfeit \$352,480.

A DoD contractor pled guilty and was convicted in U.S. District Court in the Eastern District of Virginia for conspiring to commit wire fraud and aggravated identity theft in a scheme to steal in excess of \$4 million from the Defense Supply Center Columbus through contracts to supply critical and non-critical material to DSCC under multiple contracts. All products provided did not conform to contract specifications. The contractor was sentenced to 94 months imprisonment, restitution to DoD of \$3,696,235, and three years' supervised probation.

The owners of a company debarred by DoD were convicted of wire fraud in U.S. District Court in the Middle District of Florida for providing nonconforming electronic parts to the Defense Supply Center Columbus, all of which failed inspection. The owners created eight fake companies to bid for DSCC contracts online. Many of the replacement parts provided by the owners have critical applications in sensitive military equipment. The two owners were each confined for 18 months, placed on 36 months supervised probation, and ordered to jointly pay \$1,564,159 in restitution. Counterfeit Network Hardware Initiative

DCIS, the U.S. Department of Justice, ICE, the FBI, and other law enforcement partners are involved in a nationwide initiative focusing on illegal trafficking of counterfeit network hardware. The initiative targets the illegal importation and sale of counterfeit network hardware; in particular network routers, switches, network cards and modules. By intercepting the counterfeit hardware, and dismantling illegal supply chains in the U.S., the operation will attempt to protect DoD, Government agencies, and private sector entities from the risk of network infrastructure failures associated with these counterfeits.

## OTHER

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### Hurricane Katrina/Rita



*DCIS special agents in New Orleans.*

As of March 6, 2008, DCIS had received 34 criminal allegations related to fraud in relief efforts for Hurricanes Katrina and Rita. DCIS agents have initiated 15 investigations concerning bribery, kickbacks, false claims, and possible product substitution. During the reporting period, the U.S. Army Corps of Engineers negotiated an administrative settlement to recover \$560,000 from a Blue Roof contractor. To date, a total of four convictions have been adjudicated.

DCIS attends monthly meetings at the Hurricane Katrina Fraud Task Force Command Center to brief other task force members on investigative efforts. DCIS also serves as the liaison between law enforcement and the U.S. Army Corps of Engineers and continues to assist the HKFTF by reviewing incoming complaints at the command center.

### DCIS Asset Forfeiture Program

Since admission into the Department of Justice Asset Forfeiture Fund, in May 2007, DCIS was responsible for \$15,642,246.50 in court-ordered forfeiture and an additional \$6,229,938.35 in seizures pending forfeiture. Seizures and forfeitures of vehicles, gold, real property, trading accounts, and cash represent fraud and corruption proceeds disclosed as a result of DCIS criminal and financial investigations, often conducted in parallel.

Within the reporting period, \$259,612.28 has been seized in conjunction with GWOT-related investigation and is pending forfeiture. Also during the reporting period, a \$636,116.50 criminal forfeiture judgment was entered in the Southern District of California against a DoD contractor who bribed Congressman Randall “Duke” Cunningham. The DoD contractor was convicted February 20, 2008, of Honest Service Wire Fraud, 18 USC 1343; Aiding and Abetting, 18 USC 1346; Bribery of a Public Official, 18 USC 201 (b)(1)(A); Money Laundering, 18 USC 1956(a)(1)(B)(i), and Criminal Forfeiture, 18 USC 982. Lastly, a \$1 million judgment of criminal forfeiture was entered in the Western District of Texas against a major in the U.S. Army for bribery conspiracy and money laundering in connection for fraudulently awarding contracts while deployed to Iraq.

The intent of the DCIS Asset Forfeiture program is to deter and detect criminal activity, punish offenders, and dismantle criminal organizations that target the acquisition, technology, and logistical systems within the Department of Defense. The DCIS Asset Forfeiture program has enhanced cooperation among our military, foreign, federal, state, and local law enforcement partners and agencies through equitable sharing of assets recovered.

# Policy and Oversight

A look at the inspections conducted by the  
Department of Defense Inspector General

**Evaluation of the Voting Assistance Program:** On March 31, 2008, Inspections and Evaluations Directorate released this annual statutory report. In accordance with the provisions of section 1566, title 10, U.S. Code, the DoD IG consolidated the VAP reports of the Services' Inspectors General and summarized the results of their respective evaluations. Our analysis concluded that there are opportunities to improve dissemination of informative voting materials and program metrics.

**Evaluation of the Prompt Payment Act Project:** On December 16, 2007, the Inspections and Evaluations Directorate announced this project to review DoD's management of the Prompt Payment Act provisions and evaluate the process used to disburse interest on late payments to contractors. The guidance in the 1999 Office of Management and Budget CFR 1351 stipulates exceptions to the Prompt Payment Act for military contingencies, emergency responses, and responses to a hazardous substance release. For example, these exceptions apply to Operations Enduring and Iraqi Freedom and to catastrophic events like Katrina and the tsunami. We are evaluating the management of, and compliance with, these PPA exceptions, program policies, continuity and standardization, and the validity of interest payments.

**Assessment of Contracting with Blind Vendors and Employers of Persons Who are Blind or Have Other Severe Disabilities:** Section 856 of the National Defense Authorization Act for FY 2007 directed the Departments of Defense and Education Inspectors General to review management procedures under the Randolph-Sheppard Act (sections 107-107f, title 20, United States Code) and the Javits-Wagner-O'Day Act (sections 46-48c, title 41, USC). Together, these acts legislate priorities and preferences for blind vendors and employers of blind and severely disabled persons to provide food services for military cafeterias and dining facilities.

**Evaluation of the DoD Safety Program:** Accidents cost the Military Services the lives of 700 service members per year and an estimated \$21 billion in direct and indirect costs. As described in previous Semiannual Reports, the Inspections and Evaluations team has been engaged in a long-term effort to assist the Secretary of Defense in improving the DoD safety program. In addition to the interim recommendations presented to Defense Safety and Oversight Council, the evaluation will provide additional suggestions to improve the DoD safety culture, policies, leadership structure, and resource allocations.

**Accident Reporting Related to Military and Civilian Injuries:** The Assistant Deputy Under Secretary of Defense for Environment, Safety, and Occupational Health requested this project on August 20, 2007. The objective of the project is to evaluate the DoD reporting process involving civilian and military injuries caused by reportable accidents. The ESOH community is concerned that there may be a significant number of injury mishaps documented in medical records, without reporting the underlying mishap to the respective safety centers. To help program managers and decision makers, the project team is evaluating compliance with reporting requirements, identifying root causes for under-reporting and determining impediments to data transfer between medical and safety systems.

# CHAPTER 3: SERVICES OVERSIGHT



## U.S. ARMY



### ARMY AUDIT AGENCY

To accomplish our mission, Army Audit Agency relies on a work force of highly trained professional auditors, many with advanced degrees and professional certifications. Army Audit's staff consists of approximately 600 employees and is organized into 17 functional audit teams that provide audit support to all aspects of Army operations. AAA's goal is to be highly sought after and an integral part of the Army by providing timely and valued services that improve the Army by doing the right audits at the right time and achieving desired results.

To ensure its audits are relevant to the needs of the Army, AAA aligns its audits with the Army's Strategic Objectives. AAA's work for the first half of FY08 covered a broad range of Army initiatives. The majority of AAA's published work focused on the following initiatives: Equipping our Soldiers, Care for Soldiers and Army Families, Adjusting the Global Footprint to Create Flagships of Readiness and Building a Campaign Quality Modular Force with Joint Expeditionary Capabilities.

During the first half of FY08, AAA published 82 reports, made over 267 recommendations, and identified more than \$402 million of potential monetary benefits.

**Proper Use of Non-DoD Contracts:** At the request of the Deputy Assistant Secretary of the Army (Policy and Procurement), AAA assessed the Army's implementation of policy for proper use of non-DoD contracts. AAA found requiring activities had partially implemented the Army policy when procuring supplies and services using non-DoD contracts. This occurred because activities weren't aware of the Department of the Army policy or didn't understand how certification requirements applied to exercising option years and incremental funding situations. The AAA made recommendations in the final report to reissue non-DoD policy under Secretary of the Army signature to get greater visibility and emphasis across the Army, improve management controls over gathering and checking the reasonableness of reported acquisitions, and submit a recommended change to the Federal Acquisition Regulation to address congressional concerns with interagency contracting.

**Army Contracting Operations – White Sands Missile Range:** At the request of the U.S. Army Contracting Agency, AAA assessed White Sands Missile Range's contracting operations and associated controls. AAA found that the White Sands contracting office inappropriately operated a reimbursable order program for Department of the Army, non- Department of the Army, and non-DoD entities. The reimbursable order program inappropriately generated about \$2.1 million in service fees and Government Payment Card rebates in excess of the actual cost to provide contracting services. The AAA issued a time-sensitive report that described several potential Antideficiency Act violations and identified the need for the Department of the Army to recover about \$3.8 million from White Sands' contracting operations.

**Science and Technology (Multiple Reports):** AAA reviewed the Army's process to transition Science and Technology to the acquisition community and the oversight of its Science and Technology programs. The Army Science and Technology community had made a concerted effort to institute the policies and best practices for transitioning technology. Science and Technology program managers were preparing transition agreements with potential users of the technology under development in Army Technology Objective–Demonstration programs.

Transition agreements that focus on user needs are an important component of good transition planning. However, some technology programs encountered problems after the transition that could have been avoided through earlier and more effective transition agreements. The Army needed to strengthen its guidance in several areas that should lead to more effective transition agreements and further improve the success rate with transitioning technology. Also, the Army needed to establish a means to better measure and report on the overall Army Technology Objective–Demonstration program’s effectiveness and efficiency so that senior leaders can gauge whether Science and Technology investments are effective in meeting the needs of the warfighter. Taking full advantage of Science and Technology is a critical aspect of transformation and the transition of proven technologies should enhance the capabilities of the current force in an effort to win the GWOT.

**Accelerated Commercial Off-the-Shelf Acquisitions:**

AAA audited the Army’s processes for evaluating and sustaining commercial-off-the-shelf materiel. The Army’s evaluation process was generally effective. However, the process didn’t receive input from Life Cycle Management Commands, and category definitions weren’t clearly defined. Also, the Army didn’t have effective processes to sustain accelerated commercial-off-the-shelf acquisitions. Detailed guidance existed for managing program of record or type classified items under the Army’s existing deliberate acquisition system, but there were no specific procedures for the sustainment of accelerated commercial-off-the-shelf acquisitions. Also, the Army sometimes didn’t use official non-standard line item numbers to track accelerated commercial-off-the-shelf acquisitions in theater.

**Program Management to Restore and Enhance the Southern Louisiana Hurricane Protection System:**

AAA evaluated the organization and processes that the U.S. Army Corps of Engineers used for managing about \$6.5 billion of projects to restore and enhance the hurricane protection system for southern Louisiana. The Corps was responsible for enhancing the system to the 100-year flood protection level necessary to achieve certification by the National Flood Insurance Program. To manage the efforts, the Mississippi Valley Division established three

organizations: Task Force Hope, the Hurricane Protection Office, and the Protection and Restoration Office. AAA evaluated each of these organizations and concluded that organizational staffing, processes, and procedures weren’t adequate to ensure that projects were managed properly, completed on schedule, and executed in a cost-effective manner.



*AAA auditors (along with U.S. Army Corps of Engineers’ personnel) assessing the damage at the 17th Street Canal in New Orleans.*

**Use of Role-Players at Joint Multinational Readiness Center:**

The Joint Multinational Readiness Center located in Germany, used contracted role-players to replicate the deployed operating environment for training and pre-deployment exercises. AAA audited the adequacy of the Center’s standards for using role-players, and the processes to determine quantitative requirements and monitor contractor performance. AAA reported the Center did not require using the language of the training unit’s deployment area of responsibility until March 2007 because Army guidance did not establish standards for using role-players. AAA recommended updating guidance to include specific standards for using role-players. Also, upon changing to Arabic-speaking role players, the Center required all role-players to speak Arabic, even though many only had limited interaction with Soldiers. The Center could reduce costs if it required foreign language skills only for groups that frequently interact with soldiers, specialized role-players (who portray authority figures) and interpreters. The Center had effective processes to quantify requirements by adequately estimating the number of specialized role-players it needed, and replicating cities



and towns in the training unit's deployment area of responsibility. However, the Center did not effectively monitor contractor performance. Specifically, procedures for documenting performance problems, tracking and validating role-player attendance, and certifying invoices weren't effective. AAA estimated the Army overpaid the contractor for role-players the contractor did not provide. Based on the recommendations, the Army took action to reduce role-player costs and recouped the overpayment.

#### **Administration of Guard Services Contracts in Europe:**

Force protection requirements have increased significantly after the terrorist attacks of September 11, 2001 and the onset of the GWOT. The escalation is more apparent at installations in Europe where the force protection levels are normally higher than in the continental United States. As part of GWOT, Congress granted temporary authority for the Army to use contract security guards at military installations. The Army's contract guard costs in Europe total about \$200 million annually. AAA audited the administration of guard service contracts in Europe. AAA reported that Army in Europe activities needed to improve their procedures to ensure compliance with contract requirements, monitor contract resources, and validate contractor billing. The recommendations will help increase the Army's assurance that guard services contractors meet contract terms and conditions, properly fulfill guard duties and accurately bill for services rendered.

#### **Followup Audit of Contract Management of Equipment Transition Sites at the U.S. Army Reserve Command:**

The Reserve Command took actions to implement the two recommendations in Audit Report A-2006-0043-ALI, "Contract Management of Equipment Transition Sites: U.S. Army Reserve Command Fort McPherson, Georgia," its actions fixed the problems, and it has realized more than \$1 million in funds put to better use. In response to the recommendations, the Reserve Command:

- Produces a monthly report from Standard Army Retail Supply System with pertinent data the contractor submits every month to monitor contractor workload, starting in January 2007.

- Will compare workload to costs after collecting a year's worth of data to determine the impacts of recent Army initiatives before making any decisions on possible contract modifications.
- Closed all 10 Standard Army Retail Supply System Equipment Transition Sites, established four Standard Army Retail Supply System Retrograde Sites, and reduced contractor personnel from 44 to 16 starting in March 2006.

As a direct result of closing the System Equipment Transition Sites and reducing contractor personnel, the Reserve Command saved about \$1.1 million in the fourth option year of a task order and should expect to realize another \$6.6 million over the next 5 years of the task order.

## **ARMY CRIMINAL INVESTIGATION COMMAND**

The USACIDC is headquartered at Fort Belvoir, Virginia. The USACIDC supports the Army through its deployment in both peace and war of highly trained soldier and civilian government special agents and support personnel who perform a variety of law enforcement related services. These services include investigating crime, collecting and analyzing criminal intelligence and the maintenance of Army criminal records. Examples of investigations include the following.

USACIDC investigated an Army civilian employed at the Carlisle Barracks Pharmacy for theft of non-controlled medications. The civilian was videotaped placing medications in his pants pocket and disposing the bottles in trash containers. An Army Audit Agency review determined \$1.5 million of non-controlled medications, under the control of the civilian employee, were unaccounted for. The civilian was removed from employment and the U.S. Attorney's Office has accepted the case for prosecution.

A joint investigation between USACIDC, AFOSI, DCIS, National Aeronautics and Space Administration, Inspector General and Small Business Administration resulted in the prosecution of a Small Business Innovation

Research contractor for providing false and misleading data, fabrication of research projects, billing of time and materials used on commercial contracts to Government costs and false labor charges in excess of \$2 million on Army and Air Force contracts. The court ordered judgment of \$5,015,365 inclusive of treble damages for the DoD contracts.



*USACIDC and MPFU agents at a crime scene.*

A joint investigation between USACIDC, AFOSI, DCIS, General Services Administration Inspector General and the U.S. Agency for International Development, initiated as a result of a Qui Tam, disclosed a U.S. contractor sold defective bullet proof vests to 20 major and 31 subordinate federal agencies under a General Services Administration contract valued at \$118 million. A subsidiary company entered into a \$15 million civil settlement with the Department of Justice for violation of the False Claims Act. A second subsidiary company entered into a \$425,000 settlement. The DoJ Civil Division filed claim against the prime contractor for settlement of recoveries from \$274,227,017 to \$301,809,842.

A joint investigation, initiated under the DoD Voluntary Disclosure Program, between USACIDC, DCIS and the Internal Revenue Service disclosed a former contractor employee conspired with the owner of a subcontract company to provide substandard and non-existent equipment through false invoicing on a Government contract. The former contractor employee was convicted in U.S. District Court and sentenced to 41 months confinement and 3 years probation and ordered to pay \$1,142,030 in restitution. The subcontractor was indicted on eight counts of mail fraud. Sentencing is pending.

A USACIDC investigation disclosed a Korean Realty Company employee made 52 lease contracts with various landlords for DoD personnel attempting to locate off-post housing and subsequently made false inflated contracts that she submitted to the military housing office for reimbursement. Military personnel subsequently paid the realtor the inflated cost while she paid the lesser amount on the original contract to the landlord, keeping the difference for profit. The realtor was barred from all U.S. Forces Korea facilities and all business with her company was terminated. The annual loss to the U.S. Government was \$587,483.

A USACIDC joint investigation with DCIS disclosed a roofing contractor filed two duplicate claims through the U.S. Army Corps of Engineers for plastic roofing installed on private residences damaged by hurricanes Francis and Jean. The investigation determined that these claims were duplicates previously identified by the USACOE under Right of Entry for damage estimates, and as such the claims were denied equating to a cost avoidance of \$1,779,702.

A USACIDC joint investigation with DCIS disclosed a former U.S. contractor employee obtained a fraudulent Contractor Identification Card with which he used to gain access and sign for weapons and U.S. Government property from U.S. Military retrograde yards in Kuwait and Iraq. The former contractor employee sold \$15,000 worth of Government owned equipment, including four, .50 caliber machine guns, to a private security contractor. He also gave the contractor three Armored Personnel Carriers he obtained from the retrograde yards. The matter is being coordinated with the U.S. Attorney's Office for potential prosecution.

A USACIDC joint investigation with DCIS disclosed a contractor, awarded a multi-year sole-source contract to provide reverse osmosis water purification training, maintenance and logistics support to the U.S. Army Coastal Water Purification Training Center submitted false claims and paid bribes to the contracting officer's representative. The contractor devised a scheme with the COR and his spouse to defraud the government through the submittal of 36 false direct labor cost invoices for training. In addition, the Company President paid the

COR in excess of \$416,000 in bribes. The COR, his spouse, sister-in-law and the company president were indicted by grand jury on 105 counts of conspiracy, bribery and money laundering. The company was placed on five years probation and ordered to pay \$421,532 restitution.

The USACIDC's Computer Crime Investigative Unit continued to support the Army through its "Virtual Community Policing" approach to fighting cyber crime. One noteworthy example is CCIU's partnership with the Army Chief Information Officer to conduct proactive vulnerability assessments of the Army's computer networks (collectively referred to as LandWarNet). This proactive crime prevention effort identifies and remediates vulnerabilities before cyber criminals or other adversaries can gain unauthorized access to and damage Army systems, steal or alter sensitive information, or disrupt network operations. During Fiscal Year 2007, CCIU's vulnerability assessment program resulted in more than \$118 million in cost avoidance to the Army. Even more significant is the fact that soldiers supporting the GWOT, especially those engaged in combat, could count on the uninterrupted availability of the Army's LandWarNet and the confidentiality and integrity of critical information. An expansion on the existing U.S. Army Criminal Investigation Laboratory facility was launched about

18 months ago to house the Combined DNA Index System. The \$4.2 million, 8,200 square foot addition is substantially complete and expected to be occupied and fully operational during April 2008. The CODIS mission provides investigative leads to field agents by performing DNA analysis on samples collected from military offenders and searching those profiles against DNA profiles developed from crime scene evidence. DNA profiles are entered into both the military and national DNA databases and are also searched against crime scene profiles from civilian laboratories.

## U.S. NAVY AND MARINE CORPS



## NAVAL AUDIT SERVICE

The mission of the Naval Audit Service is to provide independent and objective audit services to assist Naval leadership in assessing risk to improve efficiency, accountability, and program effectiveness. Working collaboratively with senior Department of the Navy officials, NAVAUDSVC develops an annual audit plan that addresses critical areas that officials feel merit additional oversight due to their risk, sensitivity, or potential monetary benefits. In the past 6 months, NAVAUDSVC audits have addressed such important, and at times high-profile, DON issues as the transportation of Marine Corps small arms, safeguarding of the protected personal information of DON employees, physical readiness of Navy individual augmentees serving in the GWOT, contractor performance in the building of the Littoral



*USACIDC special agent documents a crime scene with measuring tape.*



Combat Ship, and the validity of multi-million dollar military construction projects. NAVAUDSVC assisted reports for the Naval Criminal Investigative Service have identified potential fraud and will be used as evidence in court cases. In addition, at the request of the Secretary of the Navy, NAVAUDSVC has begun a series of audits on overseas acquisition and have audit teams working onsite in Djibouti and Bahrain. NAVAUDSVC will continue to work with senior DON officials to provide them with an expert and impartial assessment of critical DON issues, risks, and opportunities.

## Joint Warfighting and Readiness

**Interim Report—Marine Corps Small Arms:** The NAVAUDSVC found that as of March 7, 2007, 813 in-transit shipments containing a total of 8,323 small arms were reported as delinquent. These included assault rifles, machine guns, and pistols. There had been no follow-up at any level on these shipments. In addition, Missing, Lost, Stolen, or Recovered reports had not been filed for any of these delinquent shipments, as required. The insufficient control over in-transit shipments was a result of general inattention to required procedures at all levels in the shipping process and of insufficient management oversight to ensure that the process was functioning as intended. Also, another contributing factor was the substantial increase in the number and volume of weapons shipments required to support the GWOT. As a result, small arms shipments were vulnerable to loss or theft, and the Marine Corps had no assurance that it had accountability for all of its small arms.

## Human Capital

**Military and Civilian Suitability Screening:** NAVAUDSVC found that the Human Resource Service Centers, Europe and Pacific, were using selectee and/or dependent medical information to rescind, withdraw, and/or modify civilian selectee overseas job offers. Because Navy civilian personnel management guidance allowed suitability screening that was unrelated to merit, overseas employment decisions may have violated merit system principles, anti-discrimination laws, and/or DoD guidance. These types of violations could place DON

at risk of receiving Equal Opportunity Employment complaints, grievances, Merit System Protection Board appeals, civil actions, and/or class complaints. Also, the NAVAUDSVC found that there was no process in place to ensure that screening to determine suitability of Navy and Marine Corps military, civilians, and family members for overseas assignment was effective.

**Selected Reservist Annual Training and Active Duty for Training:** NAVAUDSVC determined improvements were needed to comply with the statutory limit and DoD regulations on the amount of annual training and active duty for training received. In addition, NAVAUDSVC found that improvements were needed in tracking and recording the type of annual training and active duty for training received. These conditions occurred because Commander, Navy Reserve Forces Command existing policies and procedures extended additional day limits beyond the requirement established by the higher level criteria. In addition, for training beyond the 12- to 14-day entitlement, there were no Commander, Navy Reserve Forces Command criteria or procedures established to prioritize training, consider corporate Reserve requirement, identify and address Navy-wide shortfalls, or ensure as many reservists as possible received the appropriate amount of needed training. These conditions resulted in the Commander, Navy Reserve Forces Command allocating more than \$9 million for more than 30-45 days of training for reservists in FY 2004-2005.

**Auditor General Advisory Report -Corporate Governance of Department of the Navy Fisher Houses:** The audit showed that making changes to the Department of the Navy Fisher House Board of Directors membership and structure, the program management organization, and the Fisher House charter, should improve the Department of the Navy Fisher House programs' efficiency and effectiveness.

## Information Security and Privacy

**Management of Privacy Act Information at the Navy Recruiting Command:** The Navy Recruiting Command has begun implementing several Protected Personal Information management changes. However,



opportunities remain for increasing administrative controls to bring the Privacy Act Program in full compliance with DON guidance. When administrative and management controls are not properly executed over Protected Personal Information, the risk of identity theft increases. NAVAUDSVC made several recommendations to the Navy Recruiting Command to identify, compile, and maintain a current list of Systems of Records; designate System Managers, specify their responsibilities, and provide training on Protected Personal Information. NAVAUDSVC also recommended the Navy Recruiting Command notify the proper privacy officials and agencies, as well as affected individuals, when known or suspected Protected Personal Information losses occur. Finally, the Naval Audit Service recommended the Navy Recruiting Command ensure adequate controls are in place so that the collection, use, storage, and disposal of Protected Personal Information are done in accordance with federal and DoD guidelines.

**Information Security Within the Marine Corps:** The information security controls within the Marine Corps contained significant opportunities for improvement. Information security controls were incomplete. NAVAUDSVC found comprehensive information system security plans had not been implemented; account termination controls within the Marine Corps activities audited needed improvement; information security documentation was sometimes not available; and service continuity controls had not been developed. In addition, information security training policies and procedures were incomplete at the 10 Marine Corps activities visited. The DoD information security professional certification requirements are not being met. These conditions represent noncompliance with statutory and regulatory requirements for information security. Ineffective information security controls create an environment that increases the risk for loss or misuse of Government resources, unauthorized access, and modification of system data, disruption of system operations, and disclosure of sensitive information.

## Acquisition Processes & Contract Management

**Interim Report-Earned Value Management for the Littoral Combat Ship “Freedom” Contract N200024-03-C-2311:** This interim report focused on the earned value management implementation of the subcontractor, and the Government oversight of earned value management implementation and application. NAVAUDSVC found earned value management was not effectively implemented and overseen on the Littoral Combat Ship “Freedom” contract option for detailed design and construction. NAVAUDSVC considered the lack of oversight and monitoring of the contractor’s earned value management a significant breakdown in internal controls. NAVAUDSVC recommended a comprehensive Estimate at Completion, a bottom-up schedule review, approval of an Over-Target Baseline, and an Integrated Baseline Review of the Over-Target Baseline. Also, the contractor should be required to develop and provide to Program Executive Office Ships a plan of actions and milestones to address all earned value management compliance and program application issues. The contractor’s plan of actions and milestones should be reviewed, approved, and monitored to ensure compliance and effectiveness of corrective actions. A validation review should provide assurance that the earned value management is fully compliant. NAVAUDSVC also recommended a joint surveillance program to ensure continuous compliance with earned value management guidelines prescribed by DoD policy.

**Management of Special Tooling and Special Test Equipment at Naval Sea Systems Command:** NAVAUDSVC found that, with few exceptions, the Naval Sea Systems Command Special Tooling/ Special Test Equipment could be fully accounted for. However, the Naval Sea Systems Command’s Special Tooling/ Special Test Equipment inventory management reporting process did not provide timely reporting or complete visibility of its portion of Navy Special Tooling/ Special Test Equipment. Timely and reliable information should be obtained, maintained, and used for decision making. Rather than relying on an available inventory information system, the Naval Seas Systems Command used a data call process that was inefficient, and data call results



were incomplete. The Naval Sea Systems Command's inability to provide timely reporting and complete visibility for its portion of Navy-owned Special Tooling/ Special Test Equipment could result in less-than-fully informed program decisions, such as those regarding acquisition of the same or similar Special Tooling/ Special Test Equipment items in the inventory and unnecessary hidden costs to Naval Sea Systems Command programs.

**Contract Administration at Fleet and Industrial Supply Centers Norfolk and Supported Activities:**

NAVAUDSVC found that Fleet and Industrial Supply Center Norfolk and the requiring activities did not always comply with policies for establishing management controls over contract certification procedures. Contracting officers and specialists did not place a high enough priority on ensuring that: COR's were appointed to monitor contractors' performance; Contract Administration Plans were developed outlining responsibilities for contract administration; and Quality Assurance Surveillance Plans were developed and used to provide required surveillance over contractor's performance. As a result, the requiring activities may have accepted substandard performance by contractors and paid for services not in accordance with contract requirements. NAVAUDSVC recognized that Fleet and Industrial Supply Center Norfolk had taken some measures, through current contract provisions, to ensure that the Federal Acquisition Regulation and Naval Supply Systems Command procurement policy requirements for contract oversight and surveillance were effectively implemented.

**Contract Administration Over the Service Contracts at Naval Air Station Pensacola, Florida:**

NAVAUDSVC identified inadequate contract oversight and administration, and inappropriate vendor payment processes. Additionally, the contractor was not penalized for non-performance and for delivering substandard services over a 4-year period. Based upon the audit of incomplete records, a contracting officer's representative recommended recovering at least \$602,000 for FY 2003, \$56,000 for FY 2004, \$331,000 for FY 2005, \$200,000 for FY 2006, and \$137,000 for FY 2007. As a result of the audit recommendation to recoup funds for late, inadequate performance and nonperformance, recoveries to date total \$597,000. Because the \$597,000 cited by

Naval Facilities Engineering Command Southeast was a reduction in the amount of funds the Government was required to pay the contractor in FY 2007, NAVAUDSVC claimed this amount as funds potentially available for other use. NAVFAC-SE should also report to NAVAUDSVC in the follow-up status report on this recommendation, the specific amount of any additional credits received from the contractor above the \$597,000 claimed in the report, recovered as a result of completing their review. Potential fraud conditions have been referred to the Naval Criminal Investigative Service and Acquisition Integrity Office.

## Infrastructure and Environment

**Selected Department of the Navy Military Construction Projects Proposed for FY 2009:**

All 29 military construction projects audited represented valid needs for the Department of the Navy. Thirteen projects were properly scoped and 16 projects were not accurately scoped. Fourteen of the 16 military construction projects were over-scoped by approximately \$13.166 million. Eight of the 16 military construction projects appeared to be under-scoped by about \$7.638 million. One project, estimated to cost \$6.7 million, was initially determined to be over-scoped by approximately \$0.10 million; however, it was removed from the FY 2009 military construction program.

**Selected Base Closure and Realignment Department of the Navy Military Construction Projects Proposed for FY 2009:**

Of the 10 projects audited, one project was valid and properly scoped, one project was not needed and eight projects included unneeded, invalid, or overstated construction requirements. Specifically, one project estimated to cost \$5.3 million should be cancelled since the building that is currently performing the function the proposed project calls for is in "good to very good" condition, per a July 25, 2007 Marine Corps study report, and has sufficient space to accommodate potential increase in personnel. Eight projects included invalid or overstated construction requirements worth \$30 million. The projects were over-scoped because the planners used incomplete or inaccurate supporting data. Three of the eight projects did not include all the valid construction requirements or understated the construction requirements by \$4.4 million.

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

NCIS is the primary law enforcement and counterintelligence arm of the Department of the Navy. It works closely with other local, state and federal agencies on serious crimes including terrorism, espionage, and computer intrusion among others. NCIS has three strategic priorities; they are preventing terrorism, protecting secrets and preventing crime. The following are examples of NCIS investigations.



*NCIS special agents in Iraq.*

A USMC noncommissioned officer was convicted of negligent homicide and false official statement for killing an Iraqi guard as the two were standing post at the Civil Military Operations Center in Fallujah, Iraq. The NCO originally claimed self-defense and staged a crime scene to support his cover story. During a subsequent interrogation, the NCO admitted he fabricated the story and stabbed the Iraqi guard. The NCO served 294 days of pre-trial confinement, was reduced in rank to E-1 and received a bad conduct discharge.

As the result of a homicide investigation in Iraq eight Marines were convicted of crimes ranging from murder, assault, kidnapping larceny and conspiracy. During a patrol in Northern Hamdania, Iraq, a U.S. Marine patrol shot and killed an Iraqi male. The Marines initially reported that the Iraqi male had an AK-47 and a shovel in his possession and upon engagement returned fire against

the Marines. During questioning, six of the Marines confessed that their squad had abducted and murdered the Iraqi male. Several Marines also admitted to stealing the shovel and AK-47 from a residence and staging these items at the crime scene to make it appear as though the Iraqi male had fired the weapon. Sentencing of the eight Marines ranged from 418 days to 15 years confinement, reduction in grade to E-1, total forfeiture of pay and allowances and dishonorable discharge.

During a trial by General Courts Martial, two Marine majors were convicted of bribery, fraud against the United States, conspiracy, conduct unbecoming an officer and several other violations. The third Marine major received non-judicial punishment for dereliction of duty, conduct unbecoming an officer and adultery. The investigation disclosed the officers received bribes and kickbacks from a Thai national vendor in return for inside bid information and for schemes that allowed the vendor to receive payment for items never delivered. Contracts were awarded during various military exercises in Thailand over the past 10 years. An NCIS source estimated that more than \$1 million in bribes and kickbacks had been paid to various U.S. military officials. The investigation disclosed that one Marine major received in excess of \$100,000 in cash and gifts. As a result, one major was sentenced to four years confinement, given a \$25,000 fine and dismissal from the Marine Corps; a second major was sentenced to six months confinement and dismissal from the Marine Corps; the third major forfeited \$3,060 in pay and allowances and received a reprimand. The contractor received a debarment notice and her U.S. visa was revoked.

The owner and purchasing supervisor of a U.S. company entered guilty pleas in U.S. District Court for conspiracy, mail fraud and counterfeit trademark violations for fraudulently securing \$788,875 in U.S. Government contracts. A joint NCIS/DCIS investigation disclosed the subjects provided suspected discrepant and/or counterfeit computer parts to the U.S. Navy. Both were sentenced to 2 years probation and 200 hours community service. The owner was also required to make \$46,995 restitution and the purchasing supervisor \$4,352 restitution.



*NCIS special agent conducting training.*

The NCIS Law Enforcement Information Exchange Program has expanded during this reporting period to include the effective sharing of law enforcement information among more than 400 local, county, state and federal law enforcement agencies in seven geographic regions around the U.S. NCIS leveraged the development of this program to gather and exploit millions of law enforcement records to directly support NCIS criminal, counterintelligence and counterterrorism investigations and related activities. NCIS is developing two additional LInX regions in North Carolina and southern California to support USMC and USN assets and facilities in those respective regions. Additionally, NCIS is leading the development of a DoD LInX, to initiate sharing of criminal investigative information between NCIS, AFOSI, USACID and DCIS. This effort is expected to identify increased efficiencies among the Defense criminal investigative organizations, and greatly facilitate DoD criminal investigative efforts related to joint basing, joint military operations, and the DCIO's move to Quantico under Base Realignment and Closure in 2010. NCIS has a strategy to ensure LInX serves as the cornerstone of information sharing for the Maritime Domain Awareness initiatives. The LInX Program has been credited by scores of municipal, state and federal law enforcement agencies as the catalyst that has led to the successful resolution of hundreds of criminal incidents. NCIS has realized significant investigative efficiencies through

implementing LInX and the resultant increased law enforcement liaison. They have also tied the development of LInX to the DON MDA program, and the integration of law enforcement data with intelligence data to provide more effective security to our port and maritime areas. Internationally, NCIS has initiated efforts with the Royal Canadian Mounted Police in Canada; the Metropolitan Police in the United Kingdom; and the Australian Federal Police to increase our information sharing partnerships and strategies in support of MDA.



## AIR FORCE AUDIT AGENCY

The Air Force Audit Agency provides all levels of Air Force management with independent, objective, and quality audit services.

This is done through multiple activities including, reviewing and promoting the economy, effectiveness, and efficiency of operations, evaluating programs and activities, assisting management in achieving intended results, assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting.



The AFAA is a decentralized audit organization with auditors located at 57 installations around the world. The Auditor General and AFAA headquarters are located in the National Capital Region. AFAA line operations are managed through three line directorates.

- The Financial and Systems Audits Directorate, headquartered at March AFB, California, directs audits in financial management, financial support, information systems development, communications systems, and system security.
- The Support and Personnel Audits Directorate, headquartered at Brooks City-Base Texas, directs audits of operational support, personnel, training, engineering support, support services, environmental issues, intelligence operations, and health care.
- The Acquisition and Logistics Audits Directorate, headquartered at Wright-Patterson AFB Ohio, directs audits related to procurement, maintenance, supply, transportation, and weapon systems acquisition.

During the reporting period, the AFAA issued 34 Air Force-level and 437 installation-level audit reports. These 471 reports identified \$659.8 million of potential monetary benefits and provided more than 1,932 recommendations for improving Air Force operations. The AFAA also applied 71 percent of their audit resources to the DoD Management Challenge Areas of Joint Warfighting and Readiness, Financial Management, and Acquisition Processes/Contract Management. For example, the AFAA supported several critical DoD-wide initiatives including pre-assessment financial validation controls, the GWOT, United States Air Forces Central area of responsibility, and Homeland Security. During the 6-month period, the AFAA issued 15 pre-assessment validation controls reports and 52 GWOT, USAFCENT AOR, and Homeland Security reports.

## Joint War Fighting And Readiness

**Electronic Technical Orders:** AFAA determined that although personnel identified equipment requirements, program implementation and identification of digitization

requirements needed improvement. Specifically, Air Force personnel did not efficiently implement electronic technical orders. In particular, technical order managers did not develop strategic fielding plans, program goals, or the performance metrics necessary to effectively accomplish and maintain the digitization and electronic distribution of Air Force technical orders. As a result, the Air Force did not have visibility to manage and evaluate the progress of technical order digitization and electronic distribution. Also, personnel did not effectively distribute and catalog digitized technical orders. Specifically, managers did not make all digitized information available to users, accurately record electronic technical order catalog information, appropriately identify electronic technical orders, or provide digital links for electronic technical orders. As a result, Air Force personnel did not have access to digitized technical data and continued to order paper copies. Further, Air Force personnel did not write and view digitized technical orders in standardized, interoperable formats. Instead, managers used multiple languages and viewers for digitized technical orders. As a result, the Air Force risked decreased functionality and interoperability, configuration control, and technical order standardization. Lastly, personnel did not accurately determine technical order digital requirements. For example, technical order digital plans included obsolete and duplicate technical orders and excluded technical orders that needed to be digitized. As a result, Air Force personnel overstated funding requirements by nearly \$9.7 million over the 6-year Future Years Defense Program. Additionally, personnel did not include an additional 1,218 technical orders that required digitization.

**File Maintained Applications:** The Secondary Item Requirements System (D200A) computes spare part requirements needed to maintain end item (for example, aircraft; equipment) readiness. The system relies on past and future program activity data such as regularly scheduled depot maintenance and engine overhaul to accurately compute requirements. When program activity data does not accurately represent depot maintenance schedules or other anticipated future activity, logistics personnel can temporarily replace system program data manually (hereafter referred to as file maintained). When data are file maintained, logistics personnel input



a program element code to override system data and replace them with the manually determined data. The program element code identifies the program to be changed along with the revised program data, and will continue to override system data until personnel remove the code. As of September 30, 2006, the requirements computation system identified 21,884 items with file maintained program element codes and computed buy and repair requirements totaling \$416 million. Air Force personnel did not effectively manage file maintained program element codes. Specifically, 81 (64 percent) of 127 items reviewed had validity, support, or data accuracy deficiencies resulting in overstated requirements of \$48 million and understated requirements of \$8 million. Reducing the overstated requirements would allow the Air Force to put \$48 million to better use.

**C-130 Aircraft Depot Engine (T56) Repair Requirements:** The C-130 Hercules is an intratheater airlift aircraft powered by four T56 turboprop engines. The Air National Guard and Air Force Reserve Command send C-130 engines to the Oklahoma City Air Logistics Center depot when failures occur that require special skills or equipment not normally possessed at operating locations. Oklahoma City Air Logistics Center Engine Inventory Managers, along with Command Engine Managers, calculate depot engine repair requirements using projected flying hours, anticipated failure rates, and available spare engines. For FY 2007 through FY 2013, the Air National Guard and Air Force Reserve Command managers programmed 760 T56 depot engine repairs, costing approximately \$616 million. Air Force personnel did not properly manage T56 depot-level engine repair requirements. Although engine managers generally computed repair requirements properly, they did not adequately support negotiated repair requirements, reduce requirements when flying hours declined, or accurately compute funding for repairs. As a result, engine personnel overestimated requirements by 307 repairs valued at approximately \$254 million.

**Air Force Status of Resources and Training System:** The Status of Resources and Training System is an internal management tool used by the Chairman of the Joint Chiefs of Staff, Services, unified commands, and

combat support agencies to determine force readiness throughout DoD. Within DoD, the Status of Resources and Training System is the central registry of all United States Armed Forces and certain foreign organizations. The registry includes all units that have the potential to support, by deployment or otherwise, a Chairman of the Joint Chiefs of Staff or combatant command-directed operation plan, operation plan in concept format, single integrated operational plan, or contingency operation. The Air Force uses Status of Resources and Training System status information to assess readiness, determine budgetary allocation and management action impacts on unit level readiness, answer congressional inquiries, analyze readiness trends, and support readiness decisions. This audit revealed that Status of Resources and Training System data were not complete and accurate. Specifically, at the 12 locations reviewed, 29 of 312 combat units either did not register or report readiness in the Status of Resources and Training System. As a result, the Chairman of the Joint Chiefs of Staff, Services, unified commands, and combat support agencies did not have a complete readiness picture of Air Force capabilities. Furthermore, unit commanders and Status of Resources and Training System monitors at 27 of 34 units reviewed did not accurately report unit readiness status. Specifically, for 35 reports reviewed, Status of Resources and Training System inaccuracies exceeded 50 percent in each of the individual readiness elements: personnel, training, and equipment. Accurate data is essential in reporting resource readiness to the Chairman of the Joint Chiefs of Staff, Air Force Chief of Staff, unified commands, and combat support agencies.

**Selected Aspects of Unit Type Code Management:** The Air Force uses the unit type code availability database to identify war fighting capability available to combatant commanders. Capability is defined using a unit type code and includes the personnel and/or equipment required to perform specific missions. The Air Force uses the database, accessed through the Deliberate and Crisis Action Planning and Execution Segments, as the system of record for unit type codes. Further, Deliberate and Crisis Action Planning and Execution Segments link the availability database into the Joint Planning and Execution System used by combatant commanders to

request forces. The availability database must include all personnel authorizations. The audit, requested by the Air Force Personnel Center Commander and the Director of Operations Plans and Joint Matters, as Air and Space Expeditionary Force Steering Group co-chairs, showed Air Force officials did not accurately identify war fighting capability to combatant commanders. Specifically, Air Force planners incorrectly postured 11,667 (28 percent) of 41,128 authorizations reviewed. Inaccurately postured authorizations resulted in the Air Force misstating available capability to combatant commanders.

## Information Security and Privacy

**Information Transport System Management:** The Information Transport System is the Combat Information Transport System program for upgrading the broadband, fiber-optic digital information transport network at each installation and selected geographically separated units. The Information Transport System provides warfighters the means to exchange critical command and control information at near-instantaneous speed. As of September 1, 2006, the Air Force fielded the Information Transport System at 57 active duty and Reserve installations with an additional 21 installations on contract. The Information Transport System lifecycle cost is projected to be \$2.2 billion. The review showed major command and installation network control center personnel did not economically contract for Information Transport System equipment maintenance. As a result, the Air Force spent more than \$6.3 million to replace equipment and for maintenance contracts on equipment covered by an existing Air Force-wide contract or still under warranty. Further, network control center personnel did not accurately account for Information Transport System equipment. Consequently, the Air Force did not have visibility over \$2 million of Information Transport System equipment on hand, resulting in losses that could lead to unauthorized purchases. Lastly, network control center personnel did not support or accurately account for operational spares. Therefore, installations may not have the optimal number of spares needed to ensure mission continuity. Proper accountability also helps ensure spares are available when needed.

## Acquisition Processes & Contract Management

**Management and Oversight of the Acquisition of Services Process:** Due to increases in expenditures for DoD services, the National Defense Authorization Act for FY 2002 required that the Secretary of Defense establish and implement a management structure for the procurement of services. In response to these requirements, the Air Force implemented the Management and Oversight of the Acquisition of Services Process in June 2003. The process established a management structure and a series of specific requirements to increase visibility and management oversight of services acquisitions. During FY 2006, the Air Force executed contract actions totaling \$21.2 billion on 17,048 services contracts. Air Force personnel did not effectively implement and administer the process. Specifically, acquisition and contracting personnel did not fully comply with management and oversight process review and reporting requirements for 43 of 78 (\$7.6 billion of \$16.7 billion) services acquisitions examined. As a result, responsible procurement officials significantly limited their ability to improve services acquisition oversight and achieve efficiencies on contracts valued at \$7.6 billion.



*AFAA personnel conducting an audit.*

**Procurement of Contract Field Team Services:** A contract field team is a group of contractor maintenance personnel who accomplish depot-level modification, maintenance, and repair work on-site at operational Government locations worldwide. In 1997, four



indefinite-delivery indefinite quantity basic contract field team contracts, with a cumulative value of \$4.2 billion over a 10 year performance period were awarded. As of October 2006, more than \$7 billion had been obligated against the contracts and the revised cumulative value was \$7.65 billion. This audit, requested by the Air Force Program Executive Officer for Combat and Mission Support, disclosed Air Force contracting personnel did not afford qualified contractors fair opportunity to compete for contract field team workload. As a result, the Air Force may not have achieved the best value by paying an additional \$16.5 to \$22 million for contract field team services. Further, Air Force contracting personnel competed contract field team workload based on inaccurate and improper task order pricing practices. Air Force contracting officers also did not sufficiently evaluate or document their rationale for selecting time and material type arrangements for contract field team task order awards. Consequently, the Air Force obligated more than \$164 million to procure repetitive contract field team support services using more risky and administratively burdensome time and material contracting arrangements when lower risk and more advantageous firm-fixed-price type contracts may have been more appropriate and cost-effective. Finally, the contract field team program office personnel did not perform adequate quality assurance oversight and reporting for contract field team contracts. Therefore, contract field team program office personnel did not have sufficient visibility over program executions to ensure contract field team contractors were performing satisfactorily and contractor payments were appropriate and justified.

**KC-135E Engine Strut Remanufacture/Install Program:**

The KC-135 Stratotanker, produced from 1954 to 1965, constitutes approximately 80 percent of all U.S. aerial refueling capability. The two basic versions of the KC-135 aircraft, the KC-135E and the KC-135R models are both based on the original KC 135A aircraft. The KC-135 System Program Office determined that strut degradation eroded the design safety margin signifying the struts were nearing the end of their service life. In response, depot officials implemented an extended interim repair strategy that prolonged strut service life about 5 years. In 2004, as extended interim repair-modified aircraft approached

the 5-year service life milestone, depot officials awarded a \$21.3 million contract to The Boeing Company for 12 prototype engine struts, followed in 2005 by a \$45.3 million contract for 72 remanufactured engine struts. This audit was performed because a whistleblower alleged that depot officials awarded a fraudulent contract for KC-135E engine struts and expended funds on retiring aircraft in violation of public law and Chief of Staff direction. The audit found no evidence of contract improprieties or violation of public law. The plan to retire the KC-135E model aircraft, concurrent with contractual actions to acquire engine struts, likely resulted in the appearance of improprieties. However, congressional direction to delay KC 135E retirement plans required continued Air Force support of the aircraft. Further, depot officials responded appropriately to the engine strut corrosion problem, developed a reasonable business case supporting the acquisition of replacement struts, and properly planned and executed the program based on existing conditions. However, as circumstances have changed, continuing the program may not be appropriate. Budget constraints and competing requirements resulted in reprogramming of depot funds allocated for strut installations. Also, the Air Force recently attained Congressional approval for a tanker replacement strategy (the KC-X Program) to modernize the fleet. Therefore, all KC-135E engine struts currently under contract may not be needed. The auditors made one recommendation to the Deputy Chief of Staff, Logistics, Installations and Mission Support, to develop an overall corporate strategy and issue interim guidance to Air Mobility Command and HQ Air Force Materiel Command officials with respect to current and future KC-135E sustainment decisions.

**Housing Requirements and Market Analysis:** DoD guidance requires the Armed Services to determine Government housing requirements based on a rigorous analysis of housing needs including the availability, suitability, and affordability of local housing. The Air Force uses the Housing Requirements Market Analysis to assess local housing availability, and the report is the first step in planning Government housing requirements. In FY 2006, Air Force civil engineers and contracted analysts performed housing requirements market analyses at 38 locations and identified more than 32,000 Government



housing requirements, valued at approximately \$6.1 billion. This audit disclosed, at four of five locations reviewed, housing and manpower officials miscalculated authorizations by 8,555 personnel (overstated 4,685 and understated 3,870 authorizations). The miscalculated authorizations resulted in overstated housing requirements and could cost the Air Force more than \$26.9 million for excess housing. Furthermore, housing personnel at the five installations reviewed did not provide analysts timely data call information. In addition, analysts did not use the Military Personnel Data System data dictionary and housing referral data, and unnecessarily used targeted economic relief data to complete housing requirements market analyses. Lastly, housing personnel did not retain data required to validate housing requirements market analyses accuracy. Although housing officials identified unsuitable housing at three of five installations reviewed, analysts did not properly classify up to 4,143 homes as unsuitable. Inaccurately evaluating unsuitable housing understates the housing requirement and can result in insufficient housing for military families.

#### **Financial Management of the 844th Communications Group Information Technology Services Contract:**

The Air Force contracted with Lockheed Martin Integrated Systems, Inc. to provide information technology services for HQ Air Force and other Air Force organizations in the National Capital Region, as well as for the National Military Command Center in the Pentagon. As of January 2007, Lockheed Martin managed more than 41,000 information system assets valued at \$42 million. A direct conversion competition under Office of Management and Budget Circular No. A-76 for information technology services transferred responsibilities to the 844th Communications Group at Andrews Air Force Base, Maryland, to provide Air Force oversight for the Lockheed Martin contract and act as the Executive Agent for National Military Command Center command, control, communications, and computer systems. As a result, the 844th Communications Group personnel must report direct conversion cost savings to Congress. This audit, requested by the Administrative Assistant, Secretary of the Air Force, disclosed contracting and financial management personnel did not effectively manage contract actions, review obligations, monitor

disbursements, or reconcile financial data. Deobligating funds no longer required could provide approximately \$1.2 million for other valid requirements. Further, Air Force Quality Assurance Personnel did not effectively monitor inventory practices performed by contractor personnel. As a result, information technology assets valued at approximately \$20 million were not properly accounted for, and therefore were vulnerable to theft or abuse. Lastly, Air Force personnel did not accurately report direct conversion competition cost savings to Congress after in-house operations converted to contract. As a consequence, Air Force officials understated information technology contract costs and overstated savings by \$31.2 million in the Commercial Activities Management Information System.

#### **Financial Management**

##### **Nonappropriated Fund Transformation System Implementation (Phase 1), Air Force Services Financial Management System Controls:**

Air Force Services Financial Management System Non-appropriated Fund-Transformation is phase one of a four-phase, multi-year Enterprise Resource Plan established to improve financial management capabilities. The Air Force Services Financial Management System is programmed to replace existing non-appropriated fund legacy accounting and payroll systems Air Force-wide by May 2009, and was deployed to 13 locations in January 2007. Requested by the Air Force Services Agency Commander, this audit determined program personnel effectively implemented 4 of the 10 system controls; however, 6 control areas need strengthening. As a result of control weaknesses, Air Force Services Financial Management System program personnel made critical system changes subsequent to the system's deployment resulting in a 5 month deployment moratorium. Further, the Air Force Services Agency is vulnerable to permanent loss of financial information; payroll delays; significant business interruptions; unauthorized access to sensitive information; resource misappropriation; and fraud, waste, and abuse. Additionally, program management office personnel did not perform required accounting conformance functionality testing or incorporate the U. S. Standard General Ledger at the transaction level. As a result,



the system's financial data could not be relied upon for financial reporting purposes, and the Air Force Services Financial Management System will remain non-compliant with Federal Financial Management Improvement Act regulatory mandates.

**Air Education and Training Command Pilot Training Flying Hours:** Air Education and Training Command officials manage all undergraduate pilot training and share graduate pilot training responsibility with Air Combat Command, Air Mobility Command, and Air Force Special Operations Command. In FY 2006, Air Education and Training Command personnel programmed more than 530,000 flying hours at a cost of over \$1 billion. The audit disclosed Air Education and Training Command officials could improve the pilot training flying hour program by maintaining evidence supporting flying hour requirement computations and redistributing unneeded flying hours. Specifically, except for the F-22 program, Air Education and Training Command Resources and Requirements personnel accurately allocated flying hours to meet pilot training requirements. However, none of the programmers had evidence to support four key variables used to compute flying hour requirements. Properly supported flying hour requirements are essential to justify Air Education and Training Command's \$1 billion annual flying training investment. Also, during FY 2006, Flying Training Wing personnel did not properly execute over 13,000 student flying hours. Annually redistributing more than 10,000 excess flying hours for the six locations reviewed will provide the Air Force more than \$184 million over the 6-year Future Years Defense Program for other flying training requirements.

**K.I. Sawyer Cooperative Agreement:** K.I. Sawyer Air Force Base was selected for closure under the 1993 Base Realignment and Closure Act, and officially closed in September 1995. In August 1995, the Air Force Real Property Agency, then the Air Force Base Conversion Agency, entered into a K.I. Sawyer Cooperative Agreement with the Michigan Jobs Commission to provide installation maintenance and repair during the closure and conversion period. In mid-1997, the agreement transferred to Marquette County officials. From FY 1996 through FY 2004, when the cooperative agreements concluded, the K.I. Sawyer installation

caretakers incurred maintenance and repair expenses of approximately \$21.7 million. This audit, requested by the Air Force Real Property Agency, determined Air Force officials did not always effectively manage the K.I. Sawyer Cooperative Agreement to provide a fair and reasonable closeout. While K.I. Sawyer caretakers provided fully supported financial reports and payment requests, Air Force Real Property Agency site managers did not require installation caretakers obtain prior approval for payment requests exceeding the negotiated amounts in the cooperative agreement. Additionally, Air Force Real Property Agency site managers inaccurately calculated and allowed excess payments when expenditures exceeded the negotiated amounts. Obtaining reimbursement for \$1.29 million of unauthorized payments will provide the Air Force additional funds for other funding priorities.

## Health Care

**Civilian Drug Testing Program:** The Air Force Civilian Drug Testing program began in 1986 when President Reagan signed Executive Order 12564 establishing the goal of a drug-free federal workplace. About 28,000 Air Force civilians are in designated drug testing positions. The audit disclosed Air Force officials did not correctly identify and test civilian employees as required. Specifically, civilian personnel officials did not include more than 14,000 personnel in the drug testing program, to include individuals assigned to sensitive and critical safety positions at the 15 locations reviewed. Further, Air Force medical officials did not conduct the required number of tests, improperly excluded and deferred individuals selected for drug testing, and did not retest individuals who tested positive or non-negative for drug use. These conditions compromised the Air Force civilian drug testing program. Drug testing is a deterrent to substance abuse; without an effective drug testing program, the Air Force unnecessarily increases its risk for loss of life, injury to personnel, or damage to Government property. In addition, substance abusers working with sensitive and classified information become potential targets for coercion or blackmail which adversely impacts national security.

**Environmental Cleanup at Closed Installations:** The Air Force closed 32 major installations during the first four Base Realignment and Closure rounds in 1988, 1991,



1993, and 1995. As part of these closures, DoD required the Air Force to develop remediation plans to reverse any environmental contamination at the closing installations. Remediation or cleanup must be accomplished in accordance with applicable statutes, regulations, and authorities, including Superfund Amendments and Reauthorization Act, Resource Conservation and Recovery Act, and Comprehensive Environmental Response, Compensation and Liability Act. The Air Force effectively and efficiently accomplished environmental cleanup at closed installations, but opportunities existed to convey additional property and further reduce costs without compromising cleanup program goals. Air Force Real Property Agency cleanup actions generally provided for timely transfer of closed bases to the private sector, but the Air Force Real Property Agency did not aggressively convey leased property. Of the 51,240 acres reviewed at 13 locations, Air Force Real Property Agency conveyed 36,363 acres (71 percent); however, the Air Force Real Property Agency did not aggressively convey 10,538 leased acres. Additionally, personnel accomplished generally cost-effective cleanup actions, but could have reduced contamination sampling and testing at an additional 746 wells meeting maximum contaminant levels and 610 wells providing unnecessary data, thus saving the Air Force more than \$5.8 million over the 6-year Future Years Defense Program.

**Medical Encounter Coding:** In August 2003, the Assistant Secretary of Defense (Health Affairs) directed each Military Service to implement specific actions and coding standards to improve medical record coding at military treatment facilities. Medical record coding transforms health care providers' verbal descriptions for diseases, injuries, and treatment into numeric or alphanumeric designations. Medical officials use the coded data to track administered care, record workload data, anticipate patient demand, and manage business activities and operations. In FY 2006, Air Force medical personnel coded more than 7.6 million outpatient encounters and delivered medical service to more than 2.6 million eligible beneficiaries. The Assistant Deputy (Health Policy), Office of the Assistant Secretary of the Air Force for Force Management Integration, requested this audit to evaluate whether the Air Force Surgeon General took

effective actions to increase coding accuracy within each medical treatment facility. The audit determined medical coding effectiveness required significant improvement in all areas reviewed. Specifically, medical providers did not accurately code outpatient encounters. All nine military treatment facilities reviewed had coding error rates of 50 percent or higher and medical providers inaccurately coded at least 69,000 encounters in a 3 month period. Additionally, providers did not completely code at least 29,000 outpatient encounters in FY 2006 with an estimated medical service value of \$2.2 million, or code 69 percent of sampled encounters within specified DoD time frames. Lastly, medical providers did not include all American Medical Association and DoD coding requirements.

**Dental Care Optimization:** In 2004, the Assistant Secretary of Defense (Health Affairs) directed each military service to develop cost-efficient processes to deliver quality and timely health care in an optimized manner. As part of this tasking, DoD provided the Air Force Surgeon General funding to resource and implement the Dental Care Optimization Initiative. This was an effort to adopt more private sector business practices by developing multi-chair dentistry techniques, increasing provider to support staff ratios, and implementing better business concepts such as expanded training. The initiative was intended to maximize provider capacity as well as improve military member deployment readiness. During 2004-2006, the Air Force Surgeon General implemented the Dental Care Optimization Initiative at 29 of 78 dental clinics, with Air Force-wide implementation projected by FY 2011. Also during this period, the Surgeon General tasked the remaining clinics to implement dental care optimization concepts. Requested by the Air Force Surgeon General to determine the effectiveness of the Dental Care optimization initiatives, the audit showed that, while dental clinics experienced positive results, the Dental Care Optimization initiative did not fully meet its intended outcome. Specifically, the review of the five intended results at eight fully resourced dental care optimization clinics identified these clinics achieved one and partially achieved four of the anticipated results. Further, analysis at five non-dental care optimization clinics found dental clinics that solely implemented optimization concepts

(no additional equipment and personnel) attained similar positive results by simply implementing concepts such as expanded training, optimized scheduling, and organizational techniques. Consequently, discontinuing full optimization implementation at the remaining clinics will allow DoD to put to better use approximately \$5.6 million.

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

AFOSI, founded on August 1, 1948, is headquartered at Andrews Air Force Base in Maryland and provides professional investigative service to commanders of all Air Force activities. AFOSI identifies, investigates and neutralizes criminal, terrorist, and espionage threats to Air Force and Department of Defense personnel and resources.

During January 1994, a USAF technical sergeant mysteriously departed his duty station without leave shortly before his eight-month pregnant wife was found dead in the Golden Gate National Recreation Area, Santa Rosa, California. The cause of death was determined to be from blunt trauma to her head. Having been declared a fugitive, the TSgt was apprehended during November 2006, after a massive manhunt by the Royal Thai Police in Northern Thailand. During February 2008, U.S. Marshals escorted the TSgt from Thailand and turned him over to AFOSI. During an interview, the TSgt confessed to killing his wife, and is currently in pre-trial confinement awaiting court martial.

A USAF staff sergeant was investigated for theft of Government property and murder for hire. The SSgt sold night vision goggles, aviation helmets and other military bench stock equipment through EBay to a buyer from New Zealand. He had also planned to sell handheld Global Positioning Satellite receivers. AFOSI and Immigration and Customs Enforcement agents executed a search warrant on the SSgt's residence and found stolen government property. The SSgt was irate and planned to have someone kill the person he believed reported him to law enforcement authorities. The SSgt subsequently

completed a deal with an ICE undercover agent (posing as a hit-man) to kill the purported informant for \$2,000. The SSgt paid \$500 down payment to the ICE undercover agent before he was arrested. During December 2007, the SSgt was sentenced in U.S. District Court to 19 years confinement, \$125,000 restitution and \$2,100 in court fees.

An intrusion investigation disclosed a malicious hacking tool (virus) infected a computer on an Executive Aircraft located at Andrews AFB, Maryland. Computer forensic analysis determined malicious logic was transferred from an e-mail attachment while the computer was installed to the Internet for software upgrades. Special agents identified, isolated and neutralized the potential threat and programmatic safeguards were implemented to mitigate future problems.

A contractor submitted false claims for payment by adding markup costs to cost reimbursable items on a base supply contract. The performance work statement required the contractor to charge the Government for the actual cost of the parts. Instead, the contractor added a markup cost on the majority of invoices. The contractor acknowledged the markup but believed he was entitled to the additional charges. An adjudication resulted in \$500,000 reimbursement to the Government for the overcharges.



*An AFOSI special agent rests after assisting in the rescue of 10 passengers from a C-46 Sea Knight helicopter that crash-landed.*



# DEFENSE OVERSIGHT COMMUNITY

Providing Oversight for the Department...



and making a difference!

# CHAPTER 4: DOD IG OUTREACH



## DEFENSE HOTLINE

The Defense Hotline continues its primary mission of providing a reliable means for DoD civilian and contractor employees, military service members, and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security and leaks of classified information to the Department of Defense. The Defense Hotline offers both confidentiality and protection against reprisal.

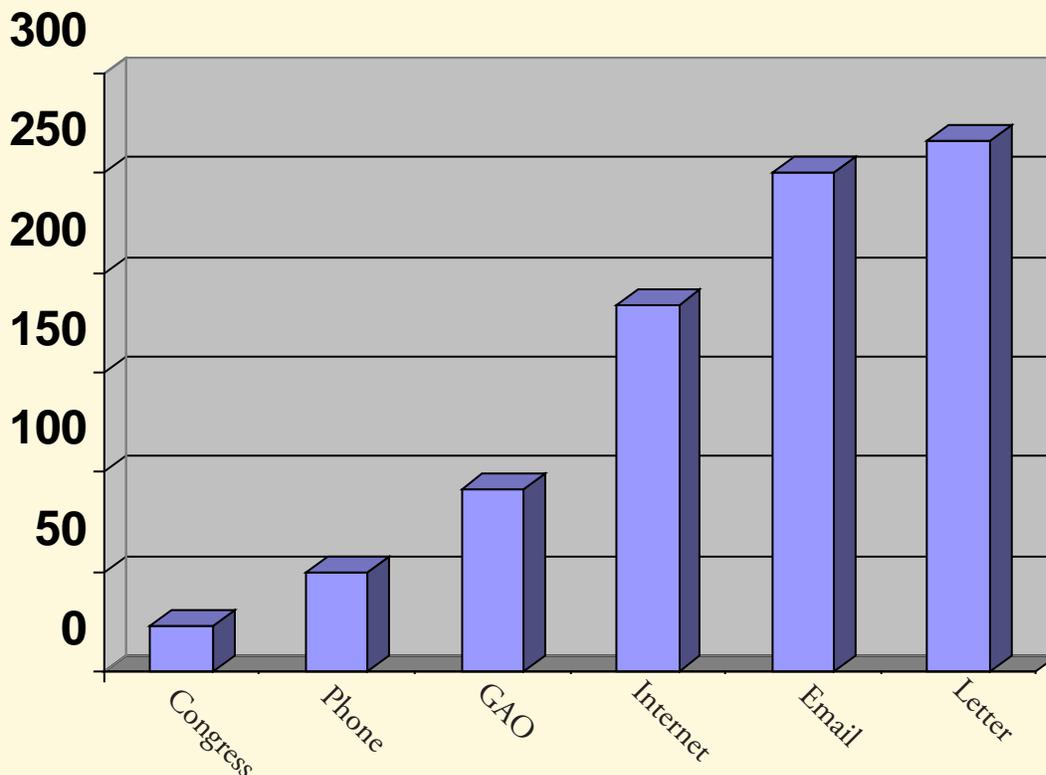
The Defense Hotline receives allegations from around the world via e-mail, Internet, U.S. mail, fax, and telephone.

OCTOBER 1, 2007 - MARCH 31, 2008

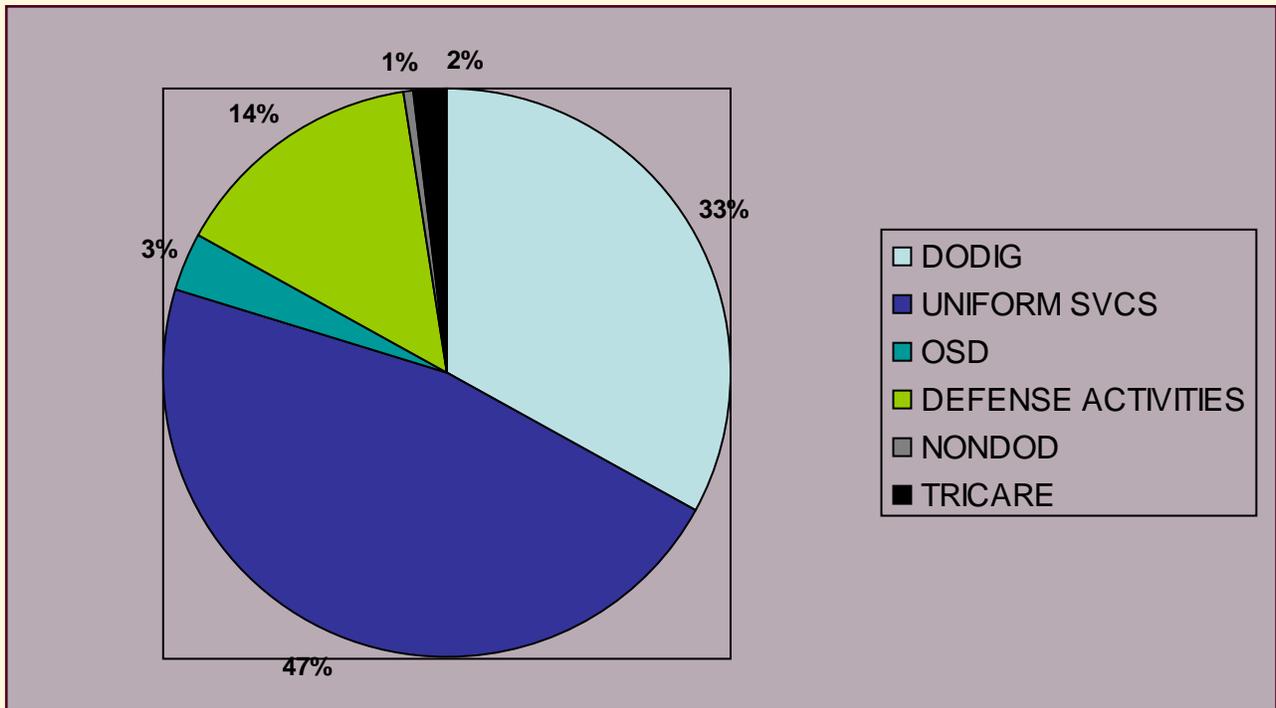
Contacts	6576
Cases Opened	864
Cases Closed	995
Dollar Recoveries	\$920,897

### DISTRIBUTION OF HOTLINE CONTACTS BY SOURCE

#### DISTRIBUTION OF HOTLINE CONTACTS BY SOURCE

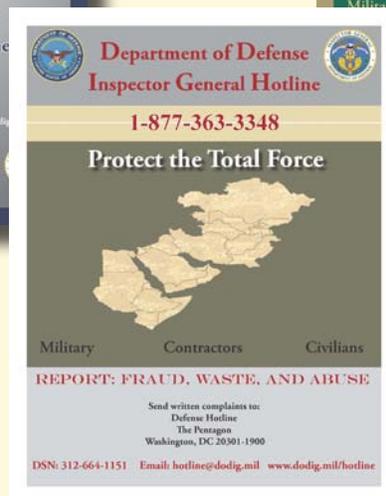
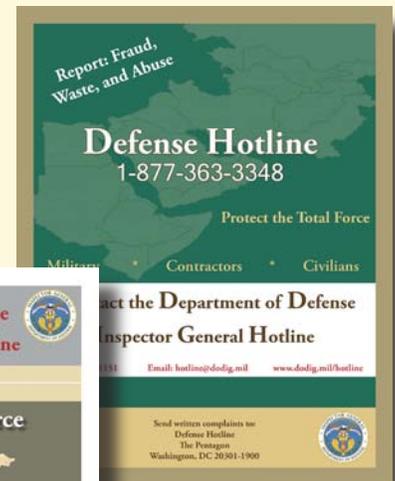
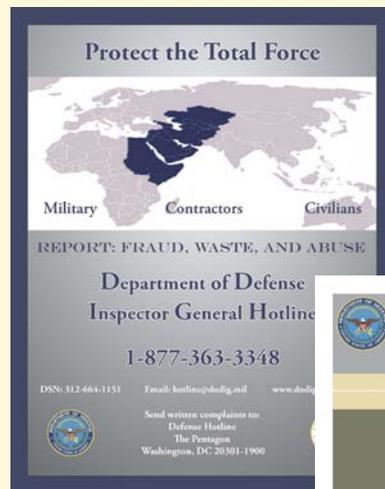


## DISTRIBUTION OF HOTLINE REFERRALS



## DISTRIBUTION OF HOTLINE CASES BY CATEGORY FOR FY 2007

- Internal Misconduct (152)
- Reprisal (107)
- Contract Administration (108)
- Finance and Accounting (105)
- Government Property (49)
- Programs/Projects (68)
- Personnel Actions (22)
- Procurement (27)
- Security (24)
- Medical (21)
- Other (7)
- Non-appropriated Fund (3)
- Military Support Services (1)





## SIGNIFICANT HOTLINE CASES

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### **Moving Company Overcharges the Government by ‘Bumping Weight’**

A confidential source reported a scheme to defraud the Navy by a moving and storage company by “bumping up weight” of furniture being moved. The process of bumping weight is accomplished by the driver/mover obtaining a false empty weight on the truck that is then certified by a scale operator. The investigation substantiated the allegations and the company entered into a civil settlement with the U.S. Attorney’s office to pay the Navy \$375,000.

### **Contractor found Guilty of Bid-Rigging**

A Defense contractor was found guilty of submitting a phony bid from another contractor asserting evidence of increased costs associated with a change notice to an AF contract. The contractor also admitted to submitting forged criminal history release forms for employees granted access to a sensitive construction site. The contractor has been debarred from Government contracting and from receiving, directly or indirectly, the benefits of federal assistance programs until Feb 2010.

### **Personal Information Found Posted on the Internet**

A confidential source reported that military personnel names and personal information were posted on a publicly accessible Internet Web site. The investigation confirmed the allegations and found that following Hurricane Katrina a supervisor requested assistance from several agencies to identify and map the location of service personnel impacted by Katrina. A database file was generated by the personnel office and forwarded to a university for high resolution geo-mapping. Once the contractor was made aware of the disclosure they immediately removed the data file and also contacted Google, who in turn removed the data from their cache.

### **Misuse of Official Position**

The Hotline substantiated allegations that a federal police officer misused their official position for private gain in violation of the Standards of Ethical Conduct, both by misrepresenting himself and the scope of his authority as a police officer. The officer used his title as a federal police officer to identify himself when addressing members of the public regarding private community initiatives and programs (security) to obtain additional referrals for a business he co-owned. The officer was suspended and removed from federal service.

### **Unauthorized Basic Allowance for Housing**

An anonymous complainant reported a service member was receiving unauthorized Basic Allowance for Housing. The member admitted to receiving more than \$45,000 in unauthorized housing allowance for which he received an Article 15 that resulted in reduction in rank, forfeiture of 2 months pay and extra duty days. The member will repay the Government all monies fraudulently received.

### **False Claims for Military Benefits**

A source alleged an individual married her grandfather for the purpose of collecting his military survivor benefit program benefits. Investigation revealed the marriage was entered into solely to obtain SBP benefits and further uncovered the adoptive mother conspired with her daughter to effect the fraudulent marriage. Both were indicted for violating 18 USC 286 and an additional charge for lying to a federal agent. The daughter was sentenced to 36 months probation and restitution of \$230,000. The mother was sentenced to 27 months confinement in a federal penitentiary, 36 months probation and joint restitution of \$230,000.

## Travel and Per Diem Fraud

An Army major was found guilty of providing false information concerning his living arrangements and expenses. The member fraudulently collected Basic Allowance for Housing, Family Support payment and TDY entitlements. For this he was sentenced to 45 days confinement, dismissed from the military and ordered to pay a fine of \$20,000.

## Hotline Assists Widow with Military Benefits

The widow (suffering from severe dementia) of a retired Air Force colonel (deceased in 1999) had not properly filed a claim that reported the death of her husband to DFAS and had never drawn any of her Survivor Benefit Program entitlements. After numerous attempts with DFAS to resolve the issue, the court appointed conservator for the widow filed a complaint with the Defense Hotline that alleged DFAS employees appeared to be slow rolling the payment of back pay and the monthly SBP amount. The Hotline requested DFAS inquire into the situation. They reported they were in receipt of said claim, however, it was in the "queue" to be processed at a later date. As a result of the Hotline inquiry, DFAS Cleveland prioritized this claim and immediately authorized payment of \$14,103, paid on February 20, 2008 with a follow-up payment of \$134,264 to be paid by DFAS Denver at an undetermined date. The widow will also receive \$1,996 per month.

# DoD IG WEB SITE

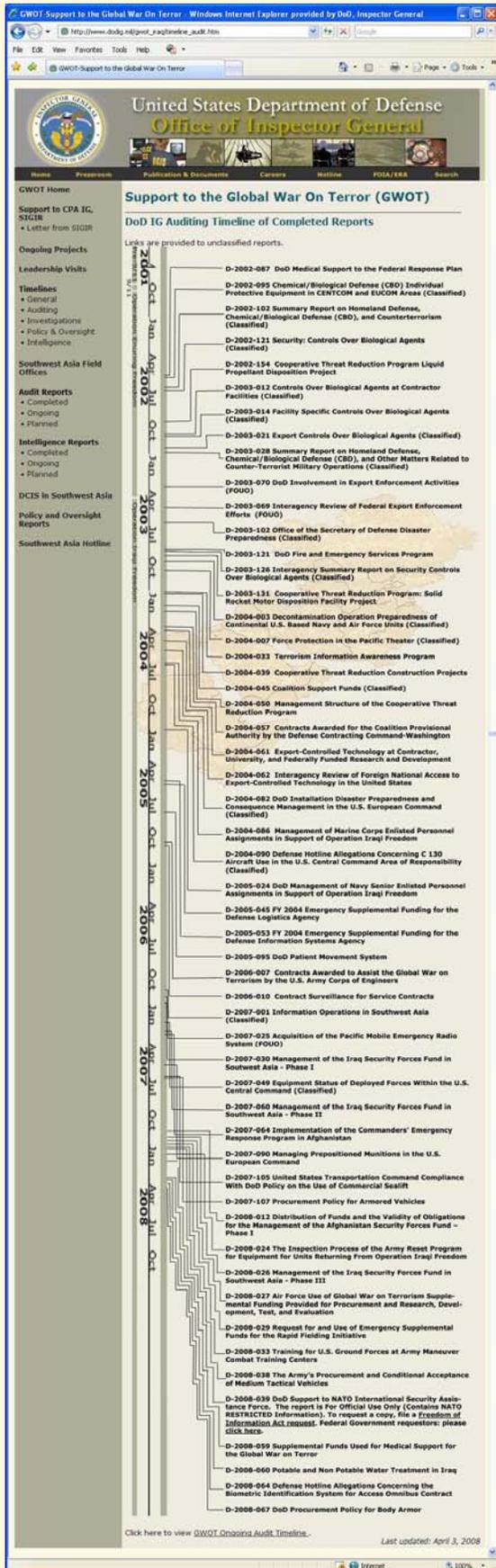


The DoD IG Web site provides information to the public, Congress and Department of Defense about the agency's mission, accomplishments and ongoing efforts in areas such as the GWOT, efforts to combat fraud, waste and abuse, and related audits, reviews and investigations.

In keeping with its goal of "transparent accountability," the DoD IG Web site also features an extensive Freedom of Information Act section, where requests can be made on-line, and pressroom section containing links to all report sections, as well as a special section titled "Frequently Requested Documents" where members of Congress, their staffs, reporters and the general public can access high-interest documents as soon as they are posted.

## STATISTICS

- During this six-month reporting period, 248, 771 unique visitors logged onto the DoD IG public Web site (1,359 visitors per day) for a total of 511,845 visits.
- In addition to the United States, visits were made by viewers from 176 other countries.



In addition to providing links, the left column of the front page also serves as a quick overview of the agency and its sub-elements to include: The most recent Semiannual Report to the Congress; “About Us” – the DoD IG Organization; The Global War on Terror; Auditing; Investigations; Policy & Oversight; Intelligence; and the Office of Communications and Congressional Liaison.

Prominently displayed on a black bar at the top are:

- The Pressroom, featuring links to all component report pages as well as “Frequently Requested Reports and Documents.”
- Publications and Documents, featuring drop-down menus providing access to unclassified reports, the DoD IG Strategic Plan, Instructions and Congressional testimony.
- Careers, featuring employment opportunities, the Defense Career Intern Program, federal health benefits and retirement, as well as other employment-related information.
- The DoD Hotline, where anyone, civilian or military, may report fraud, waste, and abuse in addition to any other ethical or potentially criminal violations.
- FOIA/ERR, where Freedom of Information requests may be submitted online and documents that have been the subject of multiple requests under FOIA may be found in the Electronic Reading Room. The FOIA/ERR Web page also contains a FOIA Handbook, a glossary of FOIA and Privacy Act terms, and a “Guide to FOIA Exemptions.”
- Search Engine, which allows users to locate documents in the Web site by typing in keywords.

The main portion front of the DoD IG Web site features news about recent events such as the work of DoD IG auditors in Afghanistan, the successful resolution of investigations by DCIS special agents, and testimony by senior DoD IG officials on Capitol Hill.

To answer the multitude of inquiries the DoD IG has received about its work in Afghanistan, Iraq and other parts of Southwest Asia, a special Web section has been established to address the agency’s role in “The Global War on Terror.” The GWOT site contains a list of completed, ongoing and planned audits and reviews as well as timelines that provide a graphic representation of completed and ongoing audits and reviews.

*The image to the left shows the DoD IG auditing timeline of completed reports webpage.*



DoD IG field offices in Afghanistan, Iraq, Kuwait and Qatar are highlighted in another section, while a new page was recently added highlighting the work currently being done by the Munitions Accountability Team.

The image above shows the DoD IG field offices in support of the Global War on Terror webpage. The image to the right show the Defense Criminal Investigative Service webpage.

Another section of the GWOT section titled "Ongoing Projects" features a quick reference chart showing the work now being done by the Auditing, Policy & Oversight, and Intelligence components. This allows Web site visitors a combined picture of the projects being done by those three components.

The Defense Criminal Investigative Service is featured in a separate GWOT section and features case summaries to describe its work, such as a joint investigation with Immigration and Customs Enforcement in 2004 that thwarted an attempt by Iranian agents to obtain 3,000 sets of night vision goggles. The page also features a link to a statistical summary of ongoing DCIS cases in SWA, along with the category and the other participating agencies.



## PCIE AND ECIE ACTIVITIES



The President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency were established by Executive Order 12805 to address integrity, economy, and effectiveness issues that transcend individual Government agencies, and increase the professionalism and effectiveness of IG personnel throughout the Government. Presidentially appointed Inspectors General are members of the PCIE and the DoD IG is an active participant in the PCIE, serving as a member of the PCIE Audit Committee, the PCIE/ECIE IG Act Implementation Committee, and the PCIE Executive Council; and as chair of the PCIE Information Technology Committee. Furthermore, the Deputy IG for Auditing is currently serving as the chair of the Federal Audit Executive Council, a subgroup of the PCIE and ECIE, and the Assistant IG for Defense Financial Auditing Service serves as the PCIE Ex-Officio representative to the Chief Financial Officers Council.



### PCIE INFORMATION TECHNOLOGY COMMITTEE

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To address the many concerns shared by the IG community regarding information technology, the PCIE IT Committee was established in 2007 to address the many concerns shared by the IG community regarding information technology. Its mission is to facilitate effective information technology audits, evaluations, and investigations by Inspectors General, and to provide a vehicle for the expression of the IG community's perspective on Government-wide IT operations. The

DoD IG was appointed to be the first chair of this new committee that meets quarterly, with two meetings taking place during this reporting period, in October 2007 and January 2008. Key presentations and agenda items at these meetings included the role of the Inspector General Community in the implementation of the President's National Strategy for Information Sharing; information sharing and security; the recent survey conducted regarding the need for a digital forensics laboratory for the IG community; and updates from the two sub-committees of the PCIE IT Committee -- Audit and Inspections, and Investigations. The Web site for the committee is at [www.dodig.mil/pcie-it](http://www.dodig.mil/pcie-it).



## DCIE ACTIVITIES

The Defense Council on Integrity and Efficiency is patterned after the President’s Council on Integrity and Efficiency. The DCIE is chaired by the DoD IG and meets on a quarterly basis to discuss issues of common interest, share information and best practices, and build closer working relationships among members of the oversight community within the Department. Key presentations and topics of discussion during these meetings included munitions accountability in Southwest Asia, fraud investigations in Southwest Asia, joint basing, information assurance, and joint IG training.

### DCIE INSPECTIONS AND EVALUATIONS ROUNDTABLE

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The Defense Council on Integrity and Efficiency Inspections and Evaluations Roundtable provides a forum for communication, coordination and collaboration among Department of Defense Inspectors General Inspections and Evaluations organizations -- Services, Joint Staff, COCOMs, National Guard Bureau, and Defense agencies. The roundtable meets quarterly and is chaired by the Assistant IG for Inspections and Evaluations. The agenda for the two sessions for this period included briefings and discussions on the following activities:

- Development of doctrine, standards, and training for Combatant Command IGs
- Impact of joint basing on installation IGs
- Activities of the Southwest Asia Joint Planning Group
- Munitions accountability in Southwest Asia
- Overview of DoD/DoS Interagency Section 1206 project—help train and equip partner nations to counter terrorism and support U.S. military operations

## SPEECHES AND CONFERENCES

### FORENSIC AUDITING FORUM

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On January 25, 2008 Ms. Mary L. Ugone, Department of Defense Deputy Inspector General for Auditing delivered the keynote address at the Forensic Auditing Forum sponsored by the Department of Justice National Procurement Fraud Task Force and the General Services Administration Inspector General. The topic of Ms. Ugone’s presentation was “Predicting Fraudulent Activities” and her remarks focused on how the Federal Audit Executive Council could work with the Task Force to “minimize the occurrence of and maximize the disclosure of fraudulent activities using predictive analytical methodologies.”

## FISCAL LAW COURSE

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From January 15 to 18, 2008, the DoD IG and the Judge Advocate General, U.S. Army, partnered to provide training on “Fiscal Law” to the DoD (and federal) community in Howell Auditorium, at Fort Belvoir, Virginia. The DoD IG and the Judge Advocate General, U.S. Army collaboration contributed to the improvement of DoD’s financial- and business-related operations in that the topics addressed have sharpened the awareness of the oversight and protection of the appropriated, obligated, and future years dollars from potential waste and misuse. The heightened awareness will result in improved acquisition outcomes and more effective oversight of contracting actions. Attendees included members of the DoD IG as well as members of other federal inspectors general offices within DoD and the Military Services, the Judge Advocate General School, and several Army commands. General Kicklighter spoke at the conclusion of a course sponsored by the DoD IG Office of the Deputy Inspector General for Auditing.



## E-GOV 2007 SECURITY CONFERENCE

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On November 8, 2007, Department of Defense Principal Deputy Inspector General Mr. Thomas F. Gimble, gave a presentation at the E-Gov 2007 Security Conference on “Addressing Persistent Security Weaknesses: IG Perspectives.” Mr. Gimble was on a panel moderated by Mr. Gaston Gianni along with Ms. Rebecca Leng, Department of Transportation and Ms. Kathy Saylor, Department of the Interior. Mr. Gimble spoke about Department of Defense information technology security challenges, focusing on the Federal Information Security Management Act and Defense Criminal Investigative Service investigations into high-tech crimes, including computer intrusions, unauthorized access, and data theft. Mr. Gimble also highlighted DoD Inspector General initiatives to foster information sharing in the oversight community, including the President’s Council on Integrity and Efficiency and the Federal Audit Executive Council IT committees.

# DoD IG AWARDS

## DOD IG ANNUAL AWARDS CEREMONY

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On March 18, 2008, the Department of Defense Inspector General held its 19th Annual Honorary Awards Ceremony at the Crystal Gateway Marriott in Arlington, Virginia.

Among the award recipients were Ms. Tina W. Jonas, Under Secretary of Defense (Comptroller) and Chief Financial Officer of the Department of Defense, and Mr. Shay Assad, Director of Defense Procurement, Acquisition Policy and Strategic Sourcing.

Both were presented with the Joseph H. Sherick award by DoD Inspector General Claude M. Kicklighter. The Sherick Award is the highest honor bestowed on non-DoD IG employees. It is granted annually to an individual who distinguished himself/herself by exceptional service or contributions of the broadest scope to the DoD IG. Inspector General Kicklighter also presented awards to employees from the various DoD IG components in recognition of their roles in audits, investigations, inspections and supporting activities during the past year. Those efforts resulted in hundreds of millions of dollars being returned to the U.S. Government, with millions more being put to better use.



*Inspector General Kicklighter presents the Joseph H. Sherick Award to Ms. Tina Jonas and Mr. Shay Assad above. To the right DoD IG component unique awards are presented.*



## DOD IG AWARDS CEREMONY CONT.

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## DCIS AND ICE SPECIAL AGENTS RECEIVE AWARDS

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On December 18, 2007, two special agents from the Defense Criminal Investigative Service and U.S. Immigration and Customs Enforcement were recognized by the Office of the United States Attorney for the Central District of California for their roles in an investigation into an attempt to illegally export restricted military equipment to Iran.

U.S. Attorney Thomas P. O'Brien presented awards to DCIS Special Agent Natalie Duerksen and an ICE special agent for their roles in an investigation resulting in the arrest and conviction of Reza Tabib for violating the International Emergency Economic Powers Act, which prohibits the export to Iran of certain items of U.S. origin, such as F-14 "Tomcat" fighter maintenance parts. In addition, as part of a companion case, Special Agents Duerksen and Barnett were responsible for the civil seizure of four complete F-14 fighters in California that were not properly "demilitarized" before they were transferred to private parties. Military regulations mandate that parts such as ejector seats must be removed from an aircraft before it is turned over to a private party.

# CHAPTER 5: DOD IG COMPONENTS





## SPECIAL ANNOUNCEMENT

### NEW OFFICE FOR STRATEGIC PLANS AND OPERATIONS FOR GWOT

Our support to the Department of Defense involves a complex operational environment that includes changing requirements and the need for rapid and focused responses to challenging issues. As a result, we are establishing an Office for Strategic Plans and Operations to augment the GWOT work being currently conducted by the DoD IG components. The new component will focus on the Global War on Terror and other high-value, high-visibility assessment missions as assigned. This office performs quick-assessment missions on critical, time-sensitive national security issues identified by the Secretary of Defense, Deputy Secretary of Defense, Chairman of the Joint Chiefs of Staff, and other members of the senior DoD leadership, as well as members of Congress. SP&O teams focus on issues of critical importance to management and in a relatively short time provide answers to questions regarding a specific issue such as “What is the status?” and “What is going on right now?”

## AUDITING

The Office of the Deputy Inspector General for Auditing conducts audits on 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 policies. Audit topics are determined by law, requests from the Secretary of Defense and other DoD leadership, Hotline allegations, congressional requests, and internal analyses of risk in DoD programs.

### DOD AUDIT COMMUNITY

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The Defense Contract Audit Agency provided financial advice to contracting officers in 13,807 audits during the period. The contract audits resulted in more than \$8.4 billion in questioned costs and funds that could be put to better use. Appendix D contains the details of the audits performed. Contracting officers disallowed \$227.8 million (56 percent) of the \$406.6 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 56 percent represents a decrease from the disallowance rate of 69 percent for the prior reporting period. The number of overage audits increased by 11 percent to 1,183 with a total of \$2.8 billion. Additional details of the amounts disallowed are found in Appendix E.

### AUDIT SIGNIFICANT OPEN RECOMMENDATIONS

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Managers accepted or proposed acceptable alternatives for 92 percent of the 301 DoD IG audit recommendations rendered in the first 6 months of FY 2008. Many recommendations require complex and time consuming actions, but managers are expected to make reasonable efforts to comply with agreed upon implementation schedules. Although most of the 1019 open actions on DoD IG audit reports being monitored in the follow-up system are on track for timely implementation, there were 196 reports more than 12 months old, dating back as far as 1994, for which management has not completed actions to implement the recommended improvements.



## SIGNIFICANT OPEN RECOMMENDATIONS YET TO BE IMPLEMENTED FOLLOW:

- Recommendations from multiple reports to make numerous revisions to the DoD Financial Management Regulations; clarify accounting policy and guidance, improve accounting processes, internal controls over financial reporting, and related financial systems have resulted in initiatives that are underway to correct financial systems deficiencies, and enable the Department to provide accurate, timely, and reliable financial statements. Also, a recent assessment of an issue regarding abnormal balances in accounting records, which was reported in a prior audit report, found that the FY 2007 trial balance data for the Army General Fund includes significant unresolved abnormal balances in the proprietary and budgetary accounts. DFAS Indianapolis uses these accounts as part of the compilation of the Army General Fund financial statements. The correction of this condition is dependent upon implementation of the Defense Departmental Reporting System – Budgetary (part of the Business Enterprise Information Services) which has a September 30, 2008 implementation date.
- Recommendations from multiple reports in the high-risk area of personnel security. Some of the most significant of these include: development of a prioritization process for investigations, establishment of minimum training and experience requirements and a certification program for personnel granting security clearances; issuance of policy on the access by all contractors, including foreign nationals, to unclassified but sensitive DoD IT systems, establishment of policy on access reciprocity and a single, integrated database for Special Access Programs; implementation of steps to match the size of the investigative and adjudicative workforces to the clearance workload, development of DoD-wide backlog definitions and measures, monitoring the backlog using the DoD-wide measures; and improvement of the projections of clearance requirements for industrial personnel. Progress on the unprecedented transformation of the personnel security program is slow but steady. Implementation of multiple report recommendations is pending the issuance of revised DoD Regulation 5200.2-R.
- Recommendations made in 2004 to define network centric warfare and its associated concepts; formalize roles, responsibilities, and processes for the overall development, coordination, and oversight of DoD network centric warfare efforts; and develop a strategic plan to guide network centric warfare efforts and monitor progress. DoD guidance has been updated to reflect relevant definitions that have been developed. Coordination of the revisions to the applicable DoD Directive and Instruction is ongoing. Publication of the strategic plan is in process. Final coordination is scheduled to be complete by the end of FY 2008.
- Recommendations made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures. DoD revised its applicable guidance in October 2006. The Services are now in process of updating their corresponding guidance.
- Recommendations from several reports to address issues regarding information systems security including completion of the information security certification and accreditation process for various DoD systems, and development of an adequate plan of action with milestones to resolve critical security weaknesses. These actions need to be completed to address requirements of the Federal Information Security Management Act and related OMB guidance. Although some actions have been initiated, they are not adequate to correct the identified deficiencies, nor have they been adequately incorporated in the revision to the applicable instruction. Discussions are ongoing to establish a standard “information system” definition across DoD for information technology reporting and other related issues.
- Recommendations from several reports to clarify and improve DoD policy guidance and procedures covering the roles and responsibilities of contracting personnel; requirements for obtaining cost or pricing data, conducting price



analysis, determining price reasonableness, fulfilling competition requirements, use of multiple-award contracts, monitoring contractor performance, and maintaining past performance data on contractors. Corrective actions are underway to improve DoD contracting procedures related to source selection, interagency acquisitions, contract surveillance and reporting, and sole-source procurements of spare parts.

- Recommendations from several reports to address issues regarding improvement in oversight responsibilities and management controls relating to the purchase card program. These include: ensuring all cardholders and approving officials receive the required initial and refresher purchase card training; effectively managing the span of control over purchase card accounts; conducting oversight reviews of approving official accounts to verify compliance with DoD purchase card guidance; ensuring proper retention of documents for all accounts; and adequately enforcing existing controls throughout the purchase card process. The Services are now in process of updating their guidance to conform to corresponding DoD policy.

## INVESTIGATIONS

The Office of the Deputy Inspector General for Investigations (ODIG-INV) comprises the criminal and the administrative investigative components of the DoD IG. The Defense Criminal Investigative Service (DCIS) is the criminal investigative component of the DoD IG. The non-criminal investigative units include the Directorate for Investigations of Senior Officials (ISO), the Directorate for Military Reprisal Investigations (MRI), and the Directorate

### DEFENSE CRIMINAL INVESTIGATIVE SERVICE

for Civilian Reprisal Investigations (CRI).

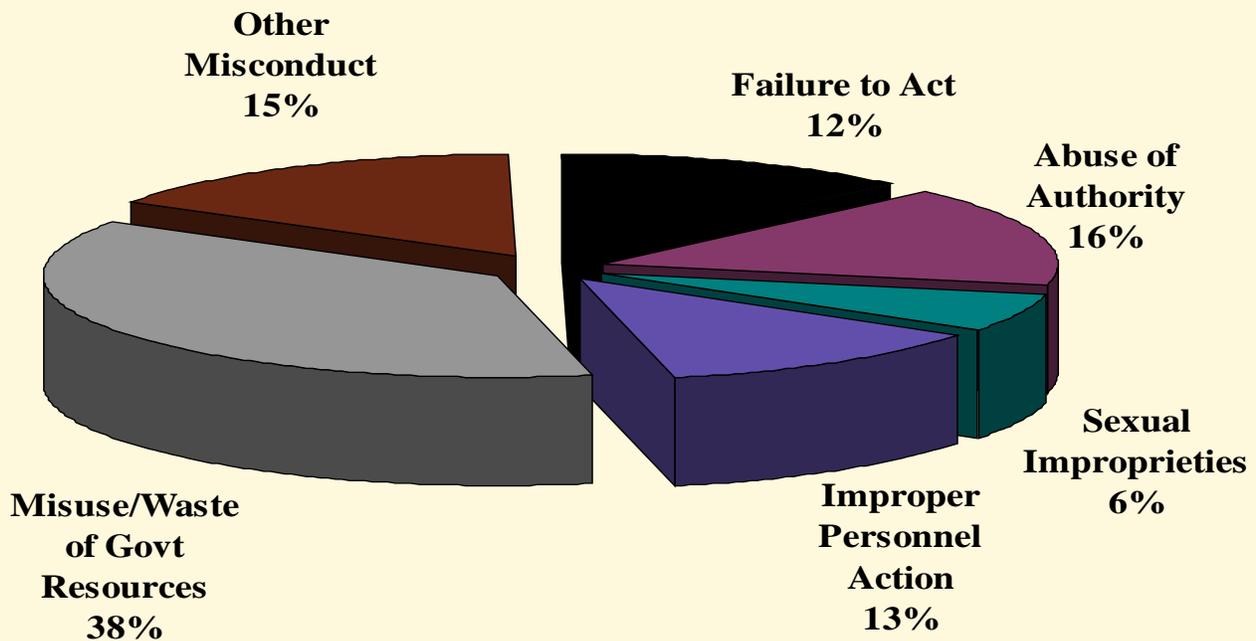
DCIS is tasked with the mission to protect America's warfighters by conducting investigations in support of crucial national defense priorities. DCIS conducts investigations of suspected major criminal violations focusing mainly on terrorism, product substitution/defective parts, cyber crimes/computer intrusion, illegal technology transfer, and other crimes involving public integrity including bribery, corruption, and major theft. DCIS also promotes training and awareness in all elements of the DoD regarding the impact of fraud on resources and programs by providing fraud awareness presentations.

### INVESTIGATIONS OF SENIOR OFFICIALS

The Directorate for Investigations of Senior Officials conducts investigations into allegations against senior military and civilian officials and performs oversight of senior official investigations conducted by the Military Departments.

Figures 1 and 2 to the right show results of activity on senior official cases during the first 6 months of FY 2008. On April 1, 2008, there were 207 ongoing investigations into senior official misconduct throughout the Department, representing a slight decrease from September 30, 2007, when we reported 213 open investigations. Over the past 6 months, the Department closed 181 senior official cases, of which 20 (11 percent) contained substantiated allegations.

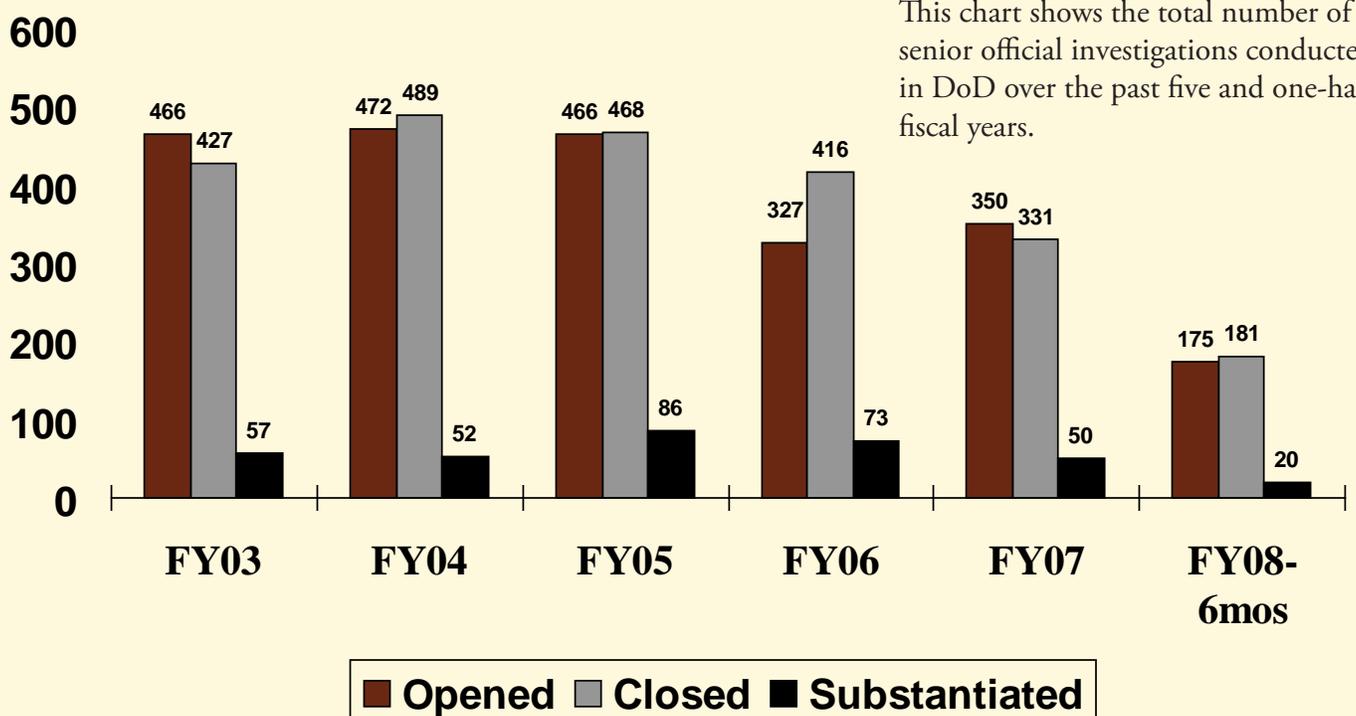
**FIGURE 1: NATURE OF SUBSTANTIATED ALLEGATIONS AGAINST SENIOR OFFICIALS DURING 1ST HALF FY 08**



181 Cases Closed

20 Substantiated

**FIGURE 2: DOD TOTAL SENIOR OFFICIAL CASES FY 2003 - FIRST HALF OF FY 2008**





## MILITARY REPRISAL INVESTIGATIONS

The DoD IG Directorate for Military Reprisal Investigations conducts investigations and performs oversight of investigations conducted by the Military Department and Defense Agency IGs. Those investigations pertain to:

- Allegations that unfavorable actions were taken against members of the Armed Forces, non-appropriated fund employees, and Defense contractor employees in reprisal for making protected communications.
- Allegations that members of the Armed Forces were referred for mental health evaluations without being afforded the procedural rights prescribed in the DoD Directive and Instruction.

### WHISTLEBLOWER REPRISAL ACTIVITY

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During the reporting period, MRI and the Military Department IGs received 288 complaints of whistleblower reprisal. We closed 231 reprisal cases during this period. Of the 231 cases, 181 were closed after preliminary analysis determined further investigation was not warranted and 50 cases were closed after investigation. Of the 50 cases investigated, 9 contained one or more substantiated allegations of whistleblower reprisal (18 percent).

MRI and the Military Departments IGs currently have 410 open cases involving allegations of whistleblower reprisal.

### EXAMPLES OF SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

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A Navy commander alleged he was relieved from his position, issued a non-punitive letter of instruction, received an unfavorable fitness report, and denied an end-of-tour award in reprisal for reporting his commander's attempts to misuse Government funds. A Navy investigation substantiated all reprisal allegations. No corrective action was taken due to the retirement of the responsible official.

An Army sergeant first class alleged he was issued a letter of reprimand, relieved of his position, and reassigned to a position not commensurate with his rank in reprisal for contacting a Member of Congress. An Army investigation substantiated the allegations. The responsible official, an Army major, was issued a letter of counseling.

An Air National Guard master sergeant alleged she was threatened with relief from her position in reprisal for reporting alleged sexual misconduct to the chain of command. An Air Force investigation substantiated the allegation. Corrective action is pending.

An Air Force captain alleged he was issued letters of counseling in reprisal for reporting a hostile work environment that included discrimination due to his age and nationality. An Air Force investigation substantiated that the captain received one letter of counseling in reprisal for his protected communications. Corrective action is pending.



## REFERRALS FOR MENTAL HEALTH EVALUATIONS

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MRI closed 27 cases involving allegations of improper referrals for mental health evaluation during the reporting period. In 6 (22 percent) of those cases, we substantiated that command officials and/or mental health care providers failed to follow the procedural requirements for referring Service members for mental health evaluations under DoD Directive 6490.1, “Mental Health Evaluations of Members of the Armed Forces.” We did not substantiate that any of the mental health referrals were taken in reprisal for Service members’ protected communications.

### CIVILIAN REPRISAL INVESTIGATIONS

The mission of the Civilian Reprisal Investigations Directorate is to conduct and oversee allegations of whistleblower reprisal made by DoD civilian employees. CRI also provides support to DoD component Inspectors General regarding civilian reprisal cases, ensures DoD IG compliance with the Office of Special Counsel’s Section 2302(c) whistleblower certification program, and conducts outreach to stakeholders of the DoD whistleblower protection program. During the reporting period, CRI provided advice on 10 complaints that did not warrant full investigation, closed one

### POLICY AND OVERSIGHT

investigation, and had eight cases open at the end of the period.

The Office of Deputy Inspector General for Policy and Oversight provides oversight and policy for Audit, Investigative, Defense Hotline activities within the DoD; conducts inspections and evaluations of DoD programs; provides technical advice and support, including quantitative methods, and systems and computer engineering, to DoD IG projects; conducts data mining; monitors corrective actions taken in response to IG and GAO reports; and serves as the DoD central liaison with the GAO on reports and reviews regarding DoD programs and activities.

## AUDIT POLICY AND OVERSIGHT

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The Office of the Deputy Inspector General for Policy and Oversight provides policy direction and oversight for audits performed by more than 6,500 DoD auditors in 24 DoD audit organizations, ensures appropriate use of non-federal auditors and their compliance with auditing standards, and determines whether contracting officials complied with statutory and regulatory requirements when resolving contract audit reports. During the reporting period, APO completed 7 reviews. One report described best practices for DoD audit and financial advisory committees; two reviews were on Hotline complaints for which we did not substantiate the allegations; and one project did not substantiate a management concern with auditor independence. The best practices report is a useful tool that provides a framework for recruiting and developing effective and efficient audit and financial advisory committees for use within DoD. Significant aspects of the best practices report include a Foreword that emphasizes the purpose of the review effort and what the IG hoped to achieve with it, 10 call out boxes that highlight important information throughout the document for emphasis, and samples of relevant documents such as sample charters that could be easily altered for individual agency use should DoD organizations decide to establish an audit committee. Additionally, we performed 3 quality control reviews of Single Audits of nonprofit organizations, with one audit organization having to redo



significant portions of the audit.

APO staff also participated on 6 DoD and Government-wide working groups that address significant issues impacting DoD audit and accountability professionals; provided comments on draft financial accounting manual revisions and revisions to an internal audit manual to ensure that policy guidance for all DoD auditors and accountants focus on accountability and transparency; coordinated the IG review of 29 revisions to the procurement regulations, commenting on 2 to ensure the revisions did not adversely impact DoD; commented on 2 Defense Finance and Accounting Service statements of work for contract audit services so that contracted audit work will comply with required auditing standards; held the peer review working group conference to discuss the FYs 2008 and 2009 schedules and relevant issues; and hosted two conferences for DoD components during which IG expectations, emerging issues, and the role of DoD contract audit followup monitors were discussed.

## DATA MINING DIRECTORATE

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The DoD IG Data Mining Directorate continues its primary mission of expanding and enhancing the use of Data Mining with computer assisted auditing techniques as analysis tools to combat fraud, waste and abuse in Department of Defense oversight programs. During this reporting period, the DoD IG Data Mining Directorate supported four ongoing investigations and provided continuing support to five announced audits.

## INSPECTIONS AND EVALUATIONS

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The Office of the Assistant Inspector General for Inspections and Evaluations conducts objective and independent customer-focused management and program inspections addressing areas of interest to Congress and the DoD, and provides timely findings and recommendations leading to positive change in programs.

## INVESTIGATIVE POLICY AND OVERSIGHT

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The Office of the Assistant Inspector General for Investigative Policy and Oversight provides policy direction for and evaluates the performance of, the DoD Criminal Investigative Organizations (that is the Defense Criminal Investigative Service, the Army Criminal Investigation Command, the Naval Criminal Investigative Service and the Air Force Office of Special Investigations) and non-criminal investigative offices of the DoD.

The Policy and Programs Directorate is responsible for producing Department-wide policy concerning investigations and law enforcement, and commenting on all DoD policy affecting the investigative and law enforcement communities; conducting limited oversight evaluations of DoD investigative organizations or individual investigations; and administering the DoD Fraud Voluntary Disclosure Program and the DoD IG Subpoena Program.

The Policy and Programs Directorate is actively participating in working groups and committees to develop policy and enhance information sharing to capitalize on advances in forensic and cyberspace capabilities. These capabilities will be applied in support of law enforcement and the Global War on Terror.



The VDP provides a formal mechanism by which DoD contractors can report potential civil or criminal fraud matters discovered within their own operations, taking advantage of incentives provided in the False Claims Act and federal sentencing guidelines for disclosure and full cooperation with Government authorities. The DoD, in coordination with the Department of Justice and the Military Departments, shares the responsibility of resolving fraud matters and determining which criminal, civil and administrative remedies are appropriate. During this reporting period, DoD contractors made three new disclosures; two are being evaluated and one was denied. In addition, one case was settled resulting in a \$215,000 recovery.

The VDP manager is also active in two National Procurement Fraud Task Force committees, the Private Sector Outreach Committee and the Training Committee. The National Procurement Fraud Task Force is a Department of Justice initiative to improve the overall response to procurement fraud.

The IG Subpoena Program reviews, validates and processes administrative subpoenas in support of DCIO investigations. During this period, 133 subpoenas were issued with an average 13.8 day process time from request to delivery. As part of its outreach plan, this program conducted seven subpoena training classes for DCIOs.

As the war in Iraq and Afghanistan continues, IPO dedicates an increasing number of staff hours to congressional and family concerns about deaths, especially suicides and a variety of unintentional death scenarios involving both combatants and noncombatants. In order to evaluate the standards for death investigations, crime scene management, forensic evidence processing and interview strategies, IPO increased and successfully recruited candidates with relevant forensic, academic and practical experience.

## REPORT FOLLOWUP AND GAO LIAISON DIRECTORATE

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The Report Followup and GAO Liaison Directorate monitors the progress of agreed-upon corrective actions being taken by DoD managers in response to OIG and GAO report recommendations. The Directorate obtains and evaluates documentation of progress and completion of corrective actions, and maintains a complete record of actions taken. During this 6-month period, final corrective action was completed on 82 reports and 507 recommendations, with \$128.5 million in savings documented on OIG recommended actions. Also, the Directorate oversees the mediation process to facilitate resolution of disputes relating to DoD IG recommendations to achieve agreement on those recommendations. During this 6-month period, we facilitated the successful resolution of 12 reports with 40 disputed recommendations referred for mediation, and assisted in obtaining responsive management comments to recommendations in 6 reports.

The Directorate provided an extensive reply to a request from the House Committee on Oversight and Government Reform for information regarding over 1,000 recommendations made by the DoD IG from January 1, 2001, to the present that have not been implemented by agency officials.

The Directorate serves as the DoD central liaison with GAO on matters concerning GAO reviews and reports regarding DoD programs and activities. This involves designating the OSD primary action office, coordinating GAO reviews to facilitate appropriate DoD actions including; monitoring and facilitating the preparation of DoD responses to GAO reports to ensure the responses are appropriately coordinated before release. The Directorate distributes information regarding planned GAO activities to DoD auditing and other oversight organizations to facilitate the identification of unnecessary overlap or duplication. During this 6-month period, the Directorate coordinated 116 GAO reviews and processed 204 GAO draft and final reports.

## QUANTITATIVE METHODS DIRECTORATE

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The Quantitative Methods Directorate ensures that quantitative methods, analyses, and results used in DoD IG products are defensible. The Directorate accomplishes this by providing expert statistical/quantitative support and advice to DoD IG projects, and by assessing the quantitative aspects of DoD IG products prior to their release. Quantitatively defensible products employ a methodology that is technically sound and appropriate for the objectives of the project; incorporate analyses that are performed correctly and are consistent with the methodology, and appropriately present the results.

## TECHNICAL ASSESSMENT DIRECTORATE

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The Technical Assessment Directorate provides technical advice to the DoD and conducts assessments to improve the economy, efficiency, and effectiveness of Defense programs, operations, and oversight. The directorate focuses on acquisition, program management, engineering, and information technology issues. During the reporting period, the Directorate provided technical expertise and assessments that have expanded the audit coverage of systems engineering and information assurance. As a result, Defense programs for systems engineering and information security are improved in audited systems.



## INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence audits, evaluates, monitors, and reviews the programs, policies, procedures, and functions of the Intelligence Community, including personnel security, Special Access Programs, and Nuclear Surety issues within the DoD. The ODIG-INTEL oversees the intelligence-related activities within the DoD Components, primarily at the DoD, Service, and Combatant Command levels, ensuring that intelligence and intelligence-related resources are properly, effectively, and efficiently managed. The ODIG-INTEL also conducts oversight of Service and Defense agency reviews of security and counterintelligence within all DoD test and laboratory facilities. The Office of Deputy Inspector General for Intelligence is a center of excellence dedicated to enhancing the capabilities of the DoD intelligence activities through an informed and authoritative oversight program.

The DoD IG, the IGs of the Department of the Air Force, Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and National Security Agency/ Central Security Service, the Army Audit Agency, the Naval Audit Service, the Air Force Audit Agency, the Naval Criminal Investigative Service, and the Defense Contract Audit Agency completed 112 intelligence-related and other classified and sensitive reports. The reports are categorized into the 65 Inspector General component areas shown in Figure 3. A listing and highlights of the 112 reports can be found in the Classified Annex to this report and a summary of the each report is included in the Classified Annex.

The Intelligence Community Inspectors and Auditors General continued to coordinate and share information to improve the effectiveness and efficiency of oversight of DoD intelligence activities. Within DoD, the Joint Intelligence Oversight Coordination Group comprises senior representatives from the Office of the Secretary of Defense, the inspectors general of the Defense intelligence agencies, and military department audit, evaluation, and inspection organizations. The objectives of the Group are to improve the effectiveness and efficiency of DoD oversight of intelligence activities by identifying areas needing more emphasis and deconflicting oversight programs. The reports are categorized in Figure 3. A listing and highlights of the 112 reports can be found in the Classified Annex to this report and a summary of each report is included in the Compendium of Department of Defense Intelligence-Related Inspector General and Audit Agency Reports.

**FIGURE 3: INTELLIGENCE RELATED REPORTS**

DoD Management Challenge Area	DoD IG	Defense Agencies	Military Departments	Total
Joint Warfighting and Readiness	0	30	1	31
Human Capital	0	26	0	26
Information Security and Privacy	0	3	1	4
Acquisition Processes and Contract Management	1	3	0	4
Financial Management	3	16	3	22
Other	1	20	4	25
<b>Total</b>	<b>5</b>	<b>98</b>	<b>9</b>	<b>112</b>



## OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON

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. OCCL also includes the Freedom of Information Act Requester Service Center/Privacy Act Office, the DoD IG Web team, digital media support, and the Defense Hotline.

From October 1, 2007 through March 31, 2008, OCCL opened 117 congressional cases. New inquiries involved issues such as allegations of sexual assault in theater, allegations regarding the New Orleans flood control pumps, and a request regarding the procurement of C-17 aircraft.

The FOIA/PA Office reviews requests from the public for documents held by the DoD IG to ensure information is released consistent with the requirements of the Freedom of Information and Privacy Acts. The FOIA/PA Office received 303 requests for information and completed responses to 306 requests during the fiscal year.

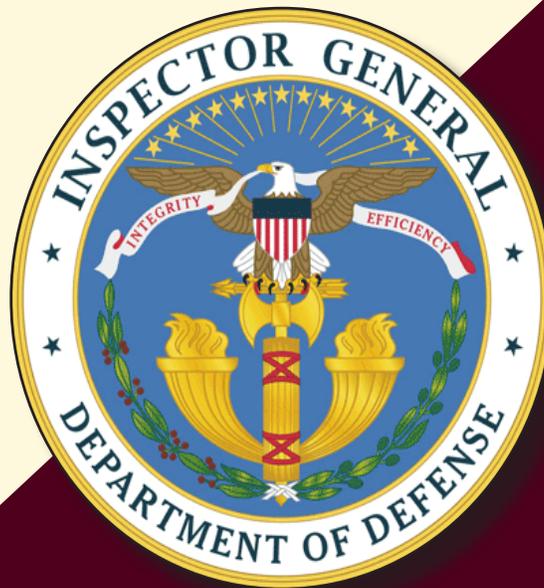
The DoD IG also responded to more than 180 media inquiries during this period.

In addition, the OCCL provides staff support and serves as the liaison for the DoD IG to the President's Council on Integrity and Efficiency and the Defense Council on Integrity and Efficiency. Inspector General Kicklighter is the chairman of the PCIE Information Technology Committee. OCCL also supports the DoD IG participation in the PCIE by publishing the Journal of Public Inquiry.

OCCL organizes and supports meetings of the DCIE, which are chaired by the DoD IG, and held quarterly. DCIE meetings are used as a forum to discuss issues related to oversight within DoD.

OCCL also acts as the lead agent for strategic planning for the DoD IG, managing the development and periodic review and update of the DoD IG Strategic Plan to ensure that it addresses the current and emerging strategic landscape impacting the Department and the DoD IG. During the last reporting period this plan has been significantly updated to better align with key strategic initiatives, such as the President's Management Agenda, Government Accountability Office high risk areas, and Secretary of Defense priorities.

# APPENDICES



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- Appendix A - Reports issued by Central DoD Internal Audit Organizations
  - Appendix B - DoD IG Audit Reports Issued Containing Quantifiable Potential Monetary Benefits
  - Appendix C - Followup Activities
  - Appendix D - Contract Audit Reports Issued
  - Appendix E - Status of Action on Significant Post-Award Contract Audits
  - Appendix F - Status of DoD IG Reports More Than 12 Months Old with Final Action Pending
  - Appendix G - Defense Criminal Investigative Organization Statistics
  - Appendix H - Acronyms
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## APPENDIX A

### REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

Copies of reports may be obtained from the appropriate issuing office by calling:

DoD IG  
(703) 604-8937  
<http://www.dodig.mil>

Army Audit Agency  
(703) 693-5679  
<http://www.hqda.army.mil/aaaweb>

Naval Audit Service  
(202) 433-5525  
<http://www.hq.navy.mil/NavalAudit>

Air Force Audit Agency  
(703) 696-7904  
<http://www.afaaf.hq.af.mil>

### SUMMARY OF NUMBER OF REPORTS BY MANAGEMENT CHALLENGE AREA OCTOBER 1, 2007 - MARCH 31, 2008

	DoD IG	Military Depts.	Total
Joint Warfighting and Readiness	9	65	74
Information Security and Privacy	3	8	11
Acquisition Processes/Contract Management	15	26	41
Financial Management	43	18	61
Health Care	2	11	13
Other	1	16	17
Total	73	144	217

For information on intelligence-related reports, including those issued by other Defense agencies, refer to the classified annex to this report.

\* Partially fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(a)(6) (See Appendix B)

## JOINT WARFIGHTING AND READINESS

### DoD IG

D-2008-024 Audit of the Inspection Process of the Army Reset Program for Equipment for Units Returning from Operation Iraqi Freedom (01/18/08)

D-2008-026 Management of the Iraq Security Forces Fund in Southwest Asia -- Phase III (11/30/07)

D-2008-029 Request for and Use of Emergency Supplemental Funds for the Rapid Fielding Initiative (12/05/07)

D-2008-033 Training for U.S. Ground Forces at Army Maneuver Combat Training Centers (12/28/07)

D-2008-039 DoD Support to NATO International Security Assistance Force (FOR OFFICIAL USE ONLY) (01/04/08)

D-2008-056 Report on Contractor Support to the Joint Improvised Explosive Device Defeat Organization in Afghanistan (03/07/08)

D-2008-060 Audit of Potable and Nonpotable Water in Iraq (03/07/08)

D-2008-070 Audit of the Management of Noncombatant Evacuation Operations within the U.S. Pacific Command (CLASSIFIED) (03/21/08)

D-2008-071 Audit of the Management of Noncombatant Evacuation Operations in Japan (CLASSIFIED) (03/28/08)

### ARMY AUDIT AGENCY

A-2008-0004-FFP Support Contract for Operation Enduring Freedom-Philippines, U.S. Army, Pacific (FOR OFFICIAL USE ONLY) (10/17/2007)

A-2008-0006-FFE Followup Audit of Remediation at Aberdeen Proving Ground (10/22/2007)

A-2008-0007-FFE Range Munitions Data (10/30/2007)

A-2008-0008-ALR Logistics Management Systems—Depots, U.S. Army Corpus Christi Army Depot (10/19/2007)

A-2008-0010-ALL Followup Audit of Internal Controls Over Cargo Container Payments, Military Surface Deployment and Distribution Command (11/02/2007)

A-2008-0014-ALA Army's Operational Needs Statement Process, Office of the Deputy Chief of Staff, G-3/5/7 (11/13/2007)

A-2008-0021-FFS Army Operational Plans for Contractor Support on the Battlefield (11/28/2007)

A-2008-0022-FFP Training Ammunition, U.S. Army, Pacific (FOR OFFICIAL USE ONLY) (11/30/2007)

A-2008-0023-ALO Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Red River Army Depot (12/05/2007)

A-2008-0024-ALO Base Realignment and Closure 2005 Construction Requirements, U.S. Army Reserve Northwest Regional Readiness Sustainment Command, Fort McCoy (12/20/2007)

A-2008-0031-ALE Attestation Examination of Suggestion Number EUHD-07002M-R, SINCGARS Radio Mount for M915 (12/03/2007)

A-2008-0032-ALM Followup Audit of Sustainment Systems Technical Support (12/11/2007)

A-2008-0034-FFF Followup Audit of U.S. Army Reserve Readiness Reporting (12/20/2007)

A-2008-0035-ALM Depot-Level Maintenance Workload Reporting—FY 06, Office of the Deputy Chief of Staff, G-4 (01/07/2008)

A-2008-0038-ALO Base  
Realignment and Closure 2005  
Construction Requirements,  
Army Reserve Southeast Regional  
Readiness Sustainment Command,  
Fort Jackson (01/09/2008)

A-2008-0039-ALO Base  
Realignment and Closure 2005  
Construction Requirements,  
Division Headquarters and  
Sustainment Brigade Headquarters,  
Fort Riley (01/14/2008)

A-2008-0040-FFH Reserve  
Component Medical Readiness  
Reporting, Army National Guard  
(01/16/2008)

A-2008-0041-ALL Asset Visibility in  
Support of Operation Iraqi Freedom  
and Operation Enduring Freedom—  
Summary Report, Active Army and  
Army Reserve Returning and Left  
Behind Equipment (01/30/2008)

A-2008-0043-ALE U.S. Army,  
Europe and Seventh Army  
Restructuring Plans (01/31/2008)

A-2008-0044-FFS Housing for  
Mobilized Soldiers, Indiana Army  
National Guard (FOR OFFICIAL  
USE ONLY) (01/25/2008)

A-2008-0045-FFP Followup  
Audit of Operational Project PEH  
(Bridging), Eighth U.S. Army, Korea  
(01/30/2008)

A-2008-0046-ALR Logistics  
Management Systems—Depots,  
Anniston Army Depot (02/01/2008)

A-2008-0047-ALR Logistics  
Management Systems—Depots,  
Rock Island Arsenal (02/01/2008)

A-2008-0053-FFS Mobility  
Infrastructure Requirements  
(FOR OFFICIAL USE ONLY)  
(02/06/2008)

A-2008-0054-ALI Base Realignment  
and Closure 2005 Construction  
Requirements, Armed Forces Reserve  
Center, Vancouver, Washington  
(02/04/2008)

A-2008-0055-ALI Base Realignment  
and Closure 2005 Construction  
Requirements, Armed Forces Reserve  
Center, Fort Chaffee (02/04/2008)

A-2008-0058-ALM Benefits of  
Public-Private Partnerships, Deputy  
Chief of Staff, G-4 (02/07/2008)

A-2008-0060-ALO Base  
Realignment and Closure 2005  
Construction Requirements, Armed  
Forces Reserve Center, Paducah,  
Kentucky (02/08/2008)

A-2008-0062-FFH Reserve  
Component Medical Readiness  
Reporting, U.S. Army Reserve  
Medical Command (02/26/2008)

A-2008-0063-ALI Base Realignment  
and Closure 2005 Construction  
Requirements, U.S. Army Reserve  
Center, Fort Hunter Liggett  
(02/12/2008)

A-2008-0064-ALI Base Realignment  
and Closure 2005 Construction  
Requirements, Brigade Combat  
Team, Fort Carson (02/13/2008)

A-2008-0065-ALE Use of Role-  
Players at the Joint Multinational  
Readiness Center, U.S. Army,  
Europe and Seventh Army  
(FOR OFFICIAL USE ONLY)  
(02/26/2008)

A-2008-0066-ALI Base  
Realignment and Closure 2005  
Construction Requirements,  
Division Headquarters, Fort Carson  
(02/13/2008)

A-2008-0074-ALM Reset Metrics—  
Procurement (02/27/2008)

A-2008-0075-ALL Contractor-  
Acquired Property, Audit of Logistics  
Civil Augmentation Program  
Operations in Support of Operation  
Iraqi Freedom (03/12/2008)

A-2008-0077-ALL Contract  
Administration Over Contracted  
Dining Facility Operations, Audit  
of Logistics Civil Augmentation  
Program Operations in Support  
of Operation Iraqi Freedom  
(03/20/2008)

A-2008-0078-ALO Base  
Realignment and Closure 2005  
Construction Requirements,  
Infantry Brigade Combat Team  
Complex, Fort Knox (03/03/2008)

A-2008-0080-ALE Military  
Construction Requirements in  
Europe, U.S. Army Garrison,  
Ansbach (03/10/2008)

A-2008-0081-FFD Followup Audit  
of Security of Civil Works Water  
Resources Infrastructure, U.S. Army  
Corps of Engineers (03/19/2008)

A-2008-0082-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Camp Bullis (03/11/2008)

A-2008-0083-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Yakima Training Center (FOR OFFICIAL USE ONLY) (03/11/2008)

A-2008-0084-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Fort Lewis (03/11/2008)

A-2008-0085-ALL Class III (Bulk and Retail) Fuel Operations in the Iraq Area of Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (03/18/2008)

A-2008-0088-ALI Base Realignment and Closure 2005 Construction Requirements, Dental Clinic, Fort Bliss (FOR OFFICIAL USE ONLY) (03/18/2008)

A-2008-0089-ALI Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center Addition, Kearney, Nebraska (03/18/2008)

A-2008-0090-ALL Supply Activities (H Sites), Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (03/20/2008)

A-2008-0091-ALL Internal Controls Over Contracted Dining Facility Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (03/31/2008)

A-2008-0094-ALE Roles and Responsibilities for Force Protection in Europe (FOR OFFICIAL USE ONLY) (03/21/2008)

A-2008-0095-ALO Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Cedar Rapids, Iowa (03/20/2008)

### NAVAL AUDIT SERVICE

N2008-0008 Interim Report – Marine Corps Small Arms (11/23/07)

N2008-0009 Selected Reservist Annual Training and Active Duty for Training (11/29/07)

N2008-0026 Navy Individual Augmentee Physical Requirements for the Global War on Terrorism (03/05/08)

### AIR FORCE AUDIT AGENCY

F-2008-0001-FB4000 Readiness Training for Deployable Communications (FOR OFFICIAL USE ONLY) (1/10/2008)

F-2008-0001-FC2000 Uninstalled Engines and Trailers (10/5/2007)

F-2008-0002-FC2000 Electronic Technical Orders (10/17/2007)

F-2008-0003-FC2000 C-130 Aircraft Depot Engine (T56) Repair Requirements (11/16/2007)

F-2008-0004-FC2000 Exchange or Sale of Non-Excess Personal Property for the Organic Depot Maintenance Activity Group (11/16/2007)

F-2008-0005-FC2000 Predator Engine Requirements (1/10/2008)

F-2008-0006-FC2000 Follow-up Audit, Commodity Quality Deficiency Management (2/19/2008)

F-2008-0001-FC4000 File Maintained Applications (11/6/2007)

F-2008-0002-FC4000 Base-Level Condemnations (2/25/2008)

F-2008-0002-FD3000 Air Force Status of Resources and Training System (1/10/2008)

F-2008-0003-FD3000 Pre-Positioned Mobility Bags (2/19/2008)

F-2008-0004-FD3000 Selected Aspects of Unit Type Code Management (2/20/2008)

F-2008-0001-FD4000 Upgrade Training Program (10/5/2007)

## INFORMATION SECURITY & PRIVACY

### DoD IG

D-2008-006 Report on the Automated Time Attendance and Production System's Compliance with the Defense Business Transformation System Certification Criteria (10/24/07)

D-2008-031 Standard Accounting and Reporting System Compliance with Defense Business Transformation System Certification Criteria (12/10/07)

D-2008-047 Contingency Planning for DoD Mission Critical Information Systems (02/05/08)

### NAVAL AUDIT SERVICE

N2008-0022 Management of Privacy Act Information at the Navy Recruiting Command (02/14/08)

N2008-0023 Information Security within the Marine Corps (02/20/08)

N2008-0028 Capabilities, Technical Specifications, and Costs for Selected Navy Internet Portals (03/21/08)

### AIR FORCE AUDIT AGENCY

F-2008-0002-FB2000 Web Content Migration to the Global Combat Support Systems - Air Force Framework (2/22/2008)

F-2008-0003-FB2000 Enterprise Information Technology Data Repository Effectiveness as Portfolio Management Tool (2/25/2008)

F-2008-0002-FB4000 Information Transport System Management (1/31/2008)

F-2008-0003-FB4000 Air Force Portal Access and Rights Management (FOR OFFICIAL USE ONLY) (2/22/2008)

F-2008-0001-FD3000 Central Command Air Forces Deployed Locations Cryptographic and Secured Communication Equipment (11/1/2007)

## ACQUISITION PROCESSES/ CONTRACT MANAGEMENT

### DoD IG

D-2008-007 Task Orders on the Air Force Network-Centric Solutions Contract (10/24/07)

D-2008-022 FY 2006 DoD Purchases Made Through the National Institutes of Health (11/15/07)

D-2008-030 Management of the Defense Security Assistance Management System Training Module (12/06/07)

D-2008-032 Acquisition of the Surface-Launched Advanced Medium-Range Air-to-Air Missile (12/06/07)

D-2008-036 FY 2006 DoD Purchases Made Through the U.S. Department of Veterans Affairs (12/20/07)

D-2008-037 U.S. Army Corps of Engineers Administration of Emergency Temporary Roofing Repair Contracts (12/20/07)

D-2008-038 The Army's Procurement and Conditional Acceptance for Medium Tactical Vehicles (12/21/07)

D-2008-048 Procuring Noncompetitive Spare Parts Through an Exclusive Distributor (FOR OFFICIAL USE ONLY) (02/06/08)

D-2008-050 Report on FY 2006 DoD Purchases Made Through the Department of Treasury (02/11/08)

D-2008-051 Surface Deployment and Distribution Command Hawaii/Guam Shipping Agreement (02/19/08)

D-2008-057 Contractor Past Performance Information (02/29/08)

D-2008-062 Purchase Card Controls at Headquarters, DoD Dependents Schools-Europe (03/10/08)

D-2008-064 Defense Hotline Allegations Concerning the Biometric Identification Systems for Access Omnibus Contract (03/18/08)

D-2008-066 FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior (03/19/08)

D-2008-067 Procurement Policy for Body Armor (03/24/08)

## ARMY AUDIT AGENCY

A-2008-0001-FFS Contractor Support at Mobilization Stations, Fort McCoy (10/10/2007)

A-2008-0002-ALC Proper Use of Non-DOD Contracts, Office of the Assistant Secretary of Army (Acquisition, Logistics & Technology) and Office of Assistant Secretary of the Army (Financial Management & Comptroller) (10/11/2007)

A-2008-0003-ALC Contract Operations, White Sands Missile Range (11/08/2007)

A-2008-0016-FFH External Contract Services, Army and Air Force Exchange Service (FOR OFFICIAL USE ONLY) (11/02/2007)

A-2008-0017-ALE Administration for Guard Services Contracts in Europe (FOR OFFICIAL USE ONLY) (11/08/2007)

A-2008-0019-ALA Accelerated Commercial Off-the-Shelf Acquisitions, U.S. Army Materiel Command, Fort Belvoir (11/28/2007)

A-2008-0020-ALL Assessment of Contracting Operations in Kuwait (FOR OFFICIAL USE ONLY) (11/20/2007)

A-2008-0025-ALC Competitive Acquisitions of Army Tactical Radios (12/13/2007)

A-2008-0026-ALA Science and Technology, U.S. Army Aviation and Missile Research, Development and Engineering Center (12/13/2007)

A-2008-0027-ALA Science and Technology, U.S. Army Armament Research, Development and Engineering Center (12/18/2007)

A-2008-0028-ALA Science and Technology, U.S. Army Communications-Electronics Research, Development and Engineering Center (12/20/2007)

A-2008-0029-ALA Science and Technology, U.S. Army Corps of Engineers, Engineer Research and Development Center (12/19/2007)

A-2008-0067-ALE Use of Public Vouchers in Europe (02/14/2008)

A-2008-0079-FFI Information Technology Purchasing Practices, Fort Sill (03/20/2008)

A-2008-0097-ALL Agreed-Upon Procedures Attestation of the Methodology and Approach the Army Internal Task Force on Contracting Used to Assess Contracts U.S. Army Contracting Command, Southwest Asia - Kuwait Contracting Office Awarded Between FY 03 and FY 06 (FOR OFFICIAL USE ONLY) (03/31/2008)

A-2008-0100-FFH Attestation Examination of External Contract Services and Followup, Army and Air Force Exchange Service (03/26/2008)

## NAVAL AUDIT SERVICE

N2008-0012 Contract Administration Over the Service Contracts at Naval Facilities Engineering Command Southwest (12/06/07)

N2008-0016 Contract Administration Over the Service Contracts at Naval Air Station Pensacola, FL (01/07/08)

N2008-0019 Management of Special Tooling and Special Test Equipment at Naval Sea Systems Command (01/24/08)

N2008-0021 Contract Administration at Fleet and Industrial Supply Centers Norfolk and Supported Activities (02/05/08)

## AIR FORCE AUDIT AGENCY

F-2008-0001-FB1000 Financial Management of the 844th Communications Group Information Technology Services Contract (3/10/2008)

F-2008-0001-FC1000 Management and Oversight of the Acquisition of Services Process (10/1/2007)

F-2008-0002-FC1000 Procurement of Contract Field Team Services (11/13/2007)

F-2008-0003-FC1000 Government Fuel Card (Fleet Card) Program (1/7/2008)

F-2008-0001-FC3000 KC-135E Engine Strut Remanufacture/Install Program (1/7/2008)

F-2008-0003-FD1000 Housing Requirements and Market Analysis (2/11/2008)

## FINANCIAL MANAGEMENT

### DoD IG

D-2008-001 Government Purchase Card Controls at DoD Schools in Korea (10/11/07)

D-2008-002 DoD Salary Offset Program (10/09/07)

D-2008-003 Auditability Assessment of the Defense Intelligence Agency Fund Balance with Treasury and Appropriations Received (10/16/07)

D-2008-004 Government Purchase Card Controls at DoD Schools in Guam (10/24/07)

D-2008-005 National Security Agency Accounts Payable (CLASSIFIED) (10/23/07)

D-2008-008 Defense Finance and Accounting Service Columbus Processes for Consolidating and Compiling Other Defense Organizations Financial Data (10/30/07)

D-2008-010 Audit of the Principal Air Force General Fund Financial Statements for Fiscal Year 2007 (11/08/07)

D-2008-011 Audit of the Principal Air Force Working Capital Fund Financial Statements for Fiscal Year 2007 (11/08/07)

D-2008-012 Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund – Phase I (11/01/07)

D-2008-013 Government Purchase Card Controls at DoD Schools in Japan (11/07/07)

D-2008-014 Independent Auditor's Report on the Department of the Navy General Fund FY 2007 Financial Statements (11/08/07)

D-2008-015 Audit of the Department of the Navy Working Capital Fund Financial Statements for the Fiscal Years Ending September 30, 2007 and 2006 (11/08/07)

D-2008-016 Independent Auditor's Report on the FY 2007 United States Marine Corps General Fund Financial Statements (11/08/07)

D-2008-017 Independent Auditor's Report on the FY 2007 Department of the Navy Working Capital Fund-Marine Corps Financial Statements (11/08/07)

D-2008-018 Endorsement of the Unqualified Opinion on the FY 2007 Military Retirement Fund Financial Statements (12/13/07)

D-2008-019 Retirement Fund Financial Statements (11/08/07)

D-2008-020 Independent Auditor's Report on the FY 2007 Army Working Capital Fund (11/09/07)

D-2008-021 Independent Auditor's Report on the Army General Fund FY 2007 Basic Financial Statements (11/09/07)

D-2008-023 Independent Auditor's Report on the Department of Defense FY 2007 Financial Statements (11/12/07)

D-2008-025 Internal Controls over the Department of Defense Transit Subsidy Program within the National Capital Region (11/23/07)

D-2008-027 Air Force Use of Global War on Terrorism Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation (11/21/07)

D-2008-028 Independent Auditor's Report on the Department of Defense FY 2007 Special-Purpose Financial Statements (11/17/07)

D-2008-034 Financial Management at the Defense Security Service (01/03/08)

D-2008-035 Endorsement of the Qualified Opinions on the FY 2007 and 2006 (Restated) DoD Medicare-Eligible Retiree Health Care Fund Financial Statements (12/14/07)

D-2008-040 Defense Retiree and Annuitant Pay System (01/04/08)

D-2008-041 Internal Controls Over the Management of the General Fund Enterprise Business System (01/14/08)

D-2008-042 Reporting of Contract Financing Interim Payments on the DoD Financial Statements (01/18/08)

D-2008-043 Identification and Reporting of Improper Payments - Refunds from DoD Contractors (01/28/08)

D-2008-044 Adequacy of Procedures for Reconciling Fund Balance with Treasury at the National Geospatial-Intelligence Agency (01/31/08)

D-2008-046 Defense Finance and Accounting Service Compliance with the Debt Collection and Improvement Act of 1996 for the Department of the Navy (02/04/08)

D-2008-049 Internals Controls Over Army Selective Reenlistment Bonuses (02/11/08)

D-2008-052 Disbursing Operations Directorate at Defense Finance and Accounting Service Indianapolis Operations (02/19/08)

D-2008-053 Defense Finance and Accounting Service Kansas City Federal Managers' Financial Integrity Act, Federal Financial Management Improvement Act, and Federal Information Security Management Act Reporting for FY 2005 (02/19/08)

D-2008-054 Independent Auditor's Report on the DoD FY 2007 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities Report (02/21/08)

D-2008-055 Internal Controls over FY 2007 Army Adjusting Journal Vouchers Report (02/22/08)

D-2008-061 Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program (03/07/08)

D-2008-063 Vendor Pay Disbursement Cycle, Air Force General Fund (03/12/08)

D-2008-065 Endorsement of the Management Letter on Internal Controls over Financial Reporting for the FY 2007 DoD Medicare-Eligible Retiree Health Care Fund Financial Statements (FOR OFFICIAL USE ONLY) (03/18/08)

D-2008-068 Endorsement of the Deloitte and Touche LLP Management Letter on the FY 2007 Military Retirement Fund Financial Statements Opinion Audit Report (FOR OFFICIAL USE ONLY) (03/21/08)

D-2008-069 Controls Over Army Working Capital Fund Inventory Stored by Organizations Other Than Defense Logistics Agency (03/25/08)

D-2008-072 Controls Over Army Real Property Financial Reporting (03/28/08)

D-2008-073 Cost, Oversight, and Impact of Congressional Earmarks (03/31/08)

D-2008-076 Independent Auditor's Report on the Fiscal Year 2007 and 2006 U.S. Army Corps of Engineers, Civil Works, Financial Statements (03/31/2008)

## ARMY AUDIT AGENCY

A-2008-0011-ALO Notification of Noncompliance With Memorandum of Agreement, Bayonne Local Redevelopment Authority's 2004, 2005, and 2006 Yearend Financial Statements for the No-Cost Economic Development Conveyance (10/31/2007)

A-2008-0015-FFM Independent Auditor's Report for FY 07 American Red Cross Financial Statements (10/31/2007)

A-2008-0030-FFM Followup Audit of the Kuwait Defense Cooperation Agreement (FOR OFFICIAL USE ONLY) (12/06/2007)

A-2008-0037-FFM Military Personnel, Army FY 05 Subsistence Charges (02/12/2008)

A-2008-0068-ALO Attestation Examination of the Financial Statements for the Periods Ended June 30, 2004, 2005, and 2006 for the Depot Redevelopment Corporation of Memphis and Shelby County for No-Cost Economic Development Conveyance (02/14/2008)

A-2008-0069-ALO Attestation Examination of the Financial Statements for the Periods Ended September 30, 2003, 2004, 2005, and 2006 for the Anniston-Calhoun County Fort McClellan Joint Powers Authority No-Cost Economic Development Conveyance (02/14/2008)

A-2008-0087-FFH Nonappropriated Fund Fixed Asset Valuations, Sierra Army Depot (03/17/2008)

A-2008-0099-ALO Revenues and Expenses for the 2006 Army Birthday Ball (03/25/2008)

## NAVAL AUDIT SERVICE

N2008-0001 Verification of Financial Information (CLASSIFIED) (10/05/07)

N2008-0004 Controls Over Shipbuilding and Conversion, Navy Funds Hurricane Relief Efforts (10/29/07)

N2008-0018 Verification of the Department of the Navy's Fiscal Year 2006 Reporting of Depot Maintenance Workload Distribution Between Public and Private Sectors (01/24/08)

N2008-0020 Independent Attestation – Agreed-Upon Engagement of Marine Corps Personal Property Financial Statement Information (01/30/08)

N2008-0025 Followup of Department of the Navy Government Commercial Purchase Card Program Audits (03/05/08)

## AIR FORCE AUDIT AGENCY

F-2008-0001-FB2000 Nonappropriated Fund Transformation System Implementation (Phase 1), Air Force Services Financial Management System Controls (10/31/2007)

F-2008-0002-FC3000 Air Force Major Range and Test Facility Base Customer Rate and Institutional Cost Management (1/31/2008)

F-2008-0002-FD1000 Follow-up Audit, Energy Management Program (12/26/2007)

F-2008-0004-FD1000 K.I. Sawyer Cooperative Agreement (2/11/2008)

F-2008-0002-FD4000 Air Education and Training Command Pilot Training Flying Hours (12/26/2007)

## HEALTH CARE

### DOD IG

D-2008-045 Controls Over the TRICARE Overseas Healthcare Program (02/07/08)

D-2008-059 Supplemental Funds Used for Medical Support for the Global War on Terrorism (03/06/08)

## ARMY AUDIT AGENCY

A-2008-0009-FFH Attestation Examination of Army Suggestion Number NWCN05004M Under the Army Suggestion Program (10/30/2007)

A-2008-0018-FFH Reconciliation of Noncontrolled Drugs, Dunham U.S. Army Health Clinic (FOR OFFICIAL USE ONLY) (11/27/2007)

A-2008-0059-FFH Medical Services Account, Brooke Army Medical Center, Fort Sam Houston (FOR OFFICIAL USE ONLY) (02/07/2008)

A-2008-0070-ALL Attestation of the Independent Agreed-Upon Procedures to Eliminate Respondent Personal Data in Medical Surveys Conducted in Iraq and Afghanistan (02/26/2008)

## NAVAL AUDIT SERVICE

N2008-0011 Department of the Navy Management of Pharmaceuticals Ordering and Returns Processes (12/04/07)

N2008-0013 Auditor General Advisory Report – Corporate Governance of Department of the Navy Fisher Houses (12/07/07)

## AIR FORCE AUDIT AGENCY

F-2008-0001-FD1000 Environmental Cleanup at Closed Installations (11/13/2007)

F-2008-0001-FD2000 Patient Movement Items (10/12/2007)

F-2008-0002-FD2000 Civilian Drug Testing Program (10/31/2007)

F-2008-0003-FD2000 Medical Encounter Coding (1/7/2008)

F-2008-0004-FD2000 Dental Care Optimization (1/8/2008)

## OTHER

## DOD IG

D-2008-058 Security Controls Over Joint Strike Fighter Classified Technology (FOR OFFICIAL USE ONLY) (03/06/08)

## ARMY AUDIT AGENCY

A-2008-0012-ALO Operations at Yardley and Hall Dining Facilities, Fort Huachuca (FOR OFFICIAL USE ONLY) (10/25/2007)

A-2008-0033-FFD Program Management to Restore and Enhance the Southern Louisiana Hurricane Protection System, U.S. Army Corps of Engineers, Mississippi Valley Division (12/17/2007)

A-2008-0042-FFE Followup Audit of Sponsor Contributions, Central and South Florida Projects, U.S. Army Corps of Engineers, Jacksonville District (01/17/2008)

A-2008-0048-FFE Followup Audit of Permit Process for Central and South Florida, U.S. Army Corps of Engineers, Jacksonville District (02/06/2008)

A-2008-0061-FFE Disposal of Coastal Dredged Material, U.S. Army Corps of Engineers (02/13/2008)

## NAVAL AUDIT SERVICE

N2008-0002 Selected Department of the Navy Military Construction Projects Proposed for Fiscal Year 2009 (10/17/07)

N2008-0003 Management of Long-Term Federal Employees' Compensation Act Cases (10/17/07)

N2008-0005 Military and Civilian Suitability Screening (11/13/07)

N2008-0006 Budgeting and Execution of Selected Navy Environmental Projects (11/14/07)

N2008-0007 Fiscal Year 2005 Implementation of the Federal Managers' Financial Integrity Act at Selected Naval Activities (11/23/07)

N2008-0010 Defense Hotline Allegation of Juice Quality and Pricing in the U.S. Navy (12/03/07)

N2008-0014 Selected Base Closure and Realignment Department of the Navy Military Construction Projects Proposed for Fiscal Year 2009 (12/19/07)

N2008-0015 Interim Report– Earned Value Management for the Littoral Combat Ship “Freedom” Contract N00024-03-C-2311 (01/07/08)

N2008-0017 Internal Controls Over Time and Attendance at the Naval District Washington Public Safety Law Enforcement/Security Program (01/23/08)

N2008-0024 Followup Audit on “Safeguarding Department of the Navy Protected Health Information in Medical Automated Information Systems” (02/29/08)

N2008-0027 North Atlantic Treaty Organization Seasparrow Financial Accounts (03/18/08)

## APPENDIX B

### DOD IG AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs <sup>1</sup>	Funds Put to Better Use
D-2008-007 Task Orders on the Air Force Network-Centric Solutions Contract (10/25/2007)	N/A	\$ 8,000,000
D-2008-026 Management of the Iraq Security Forces Funds in Southwest Asia – Phase III (11/30/2007)	N/A	\$1,800,000
D-2008-041 Management of the General Fund Enterprise Business System (1/14/2008)	N/A	\$532,500,000
D-2008-045 Controls Over the TRICARE Overseas Healthcare Program (2/07/2008)	N/A	\$125,700,000
D-2008-048 Procuring Noncompetitive Spare Parts Through an Exclusive Distributor (2/06/2008)	N/A	\$17,800,000
D-2008-050 Report on FY 2006 DoD Purchases Made Through the Department of Treasury (2/11/2008)	N/A	\$3,900,000
D-2008-061 Controls Over Funds Used by the Air Force and National Guard Bureau for the National Drug Control Program (3/07/2008)	N/A	\$7,100,507
<b>Totals</b>	<b>N/A</b>	<b>\$696,800,507</b>

<sup>1</sup> There were no DoD IG audit reports during the period involving disallowed costs.

\*Partially fulfills the requirement of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(a)(6) (See Appendix A).

## APPENDIX C

DECISION STATUS OF DOD IG ISSUED AUDIT REPORTS AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (\$ in thousands)		
Status	Number	Funds Put To Better Use <sup>1</sup>
A. For which no management decision had been made by the beginning of the reporting period.	38	\$38,331
B. Which were issued during the reporting period.	74	\$689,780
Subtotals (A+B)	112	\$728,111
C. For which a management decision was made during the reporting period.	68	\$68,031
(i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management.		\$68,031 <sup>2</sup>
D. For which no management decision has been made by the end of the reporting period.	44	\$660,080
Reports for which no management decision was made within 6 months of issue (as of March 31, 2008).	11 <sup>3</sup>	\$0

1. There were no DoD IG audit reports issued during the period involving 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 OIG Report Nos. D-2005-099, "Status of Selected DoD Policies on Information Technology Governance"; D-2006-072, "Internal Controls Related to Department of Defense Real Property"; D-2006-107, "Defense Departmental Reporting System and Related Financial Statement Compilation Process Controls Placed in Operation and Tests of Operating Effectiveness for the Period October 1, 2004, through March 31, 2005"; D-2006-112, "Selected Controls over the Military Personnel, Army Appropriation"; D-2007-003, "Internal Controls over the Army General Fund, Note 3, "Fund Balance With Treasury," Disclosures"; D 2007-065, "Controls Over the Prevalidation of DoD Commercial Payments"; D-2007-099, "Privacy Program and Privacy Impact Assessment"; D-2007-124, "Purchases Made Using the U.S. Joint Forces Command Limited Acquisition Authority"; D-2007-128, "Hotline Allegations Concerning the Defense Threat Reduction Agency Advisory and Assistance Services Contract Report"; D-2007-6004, "Defense Contract Management Agency Virginia's Action on Incurred Cost Audits"; and D-2007-6009, "Actions on Reportable Contract Audit Reports by the Defense Contract Management Agency Northrop El Segundo Office," had no management decision as of March 31, 2008, 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 3, Section 5(a)(8)(9) & (10).

**STATUS OF ACTION ON CENTRAL INTERNAL AUDITS**  
 Period ending March 31, 2008  
 (\$ in thousands)

Status	Number	Funds Put to Better Use <sup>1</sup>
<b>DoD IG</b>		
Action in Progress - Beginning of Period	258	\$2,100
Action Initiated - During Period	68	68,031
Action Completed - During Period	73	128,514
Action in Progress - End of Period	243	2,100 <sup>2</sup>
<b>Military Departments</b>		
Action in Progress - Beginning of Period	593	2,135,253
Action Initiated - During Period	137	531,526
Action Completed - During Period	165	471,615
Action in Progress - End of Period	565	2,215,082

<sup>1</sup> DoD IG audit reports opened for followup during the period involved “questioned costs” of \$1 million.

<sup>2</sup> On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$1,398 million, 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 3, Section 5(b)(2) & (3).

## APPENDIX D

### CONTRACT AUDIT REPORTS ISSUED<sup>1</sup> (\$ IN MILLIONS) OCTOBER 1, 2007 THROUGH MARCH 31, 2008

TYPE OF AUDIT <sup>2</sup>	REPORTS ISSUED	EXAMINED	QUESTIONED COSTS <sup>3</sup>	FUNDS PUT TO BETTER USE
Incurring Costs, Ops Audits, Special Audits	8,689	\$73,161.5	\$556.5	\$40.4 <sup>4</sup>
Forward Pricing Proposals	4,049	\$189,125.7	---	\$ 7,887.6 <sup>5</sup>
Cost Accounting Standards	928	\$53.9	\$1.8	---
Defective Pricing	141	(Note 6)	\$11.7	---
<b>Totals</b>	<b>13,807</b>	<b>\$262,341.1</b>	<b>\$570.0</b>	<b>\$7,928.0</b>

#### NOTES

1. This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended March 31, 2008. This 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.
2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as: Incurring 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).
3. Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.
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.
5. Represents potential cost reductions that may be realized during contract negotiations.
6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

## APPENDIX E

### STATUS OF ACTION ON SIGNIFICANT POST-AWARD CONTRACT AUDITS<sup>1</sup> PERIOD ENDING MARCH 31, 2008 (\$ IN MILLIONS)

	Number of Reports	Costs Questioned	Disallowed Costs <sup>6</sup>
<b>Open Reports:</b>			
<b>Within Guidelines<sup>2</sup></b>	388	\$ 531.0	N/A <sup>7</sup>
<b>Overage, greater than 6     months<sup>3</sup></b>	745	\$ 1,673.9	N/A
<b>Overage, greater than 12     months<sup>4</sup></b>	438	\$ 1,109.3	N/A
<b>In Litigation<sup>5</sup></b>	114	\$ 1,566.6	N/A
<b>Total Open Reports</b>	1,685	\$ 4,870.8	N/A
<b>Closed Reports</b>	362	\$ 406.6	\$227.8 (56.0%)
<b>All Reports</b>	2,047	\$ 5,277.4	N/A

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 the Army, Navy, Air Force, Defense Contract Management Agency, Defense Intelligence Agency, Defense Logistics Agency, National Geospatial-Intelligence Agency, National Security Agency and TRICARE Management Activity. Contract audit follow-up is reported in accordance with DoD Directive 7640.2, "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 Directive 7640.2 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 Directive 7640.2 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 114 reports in litigation, 18 are under criminal investigation.

## APPENDIX F

### STATUS OF DOD IG REPORTS MORE THAN 12 MONTHS OLD WITH FINAL ACTION PENDING (AS OF MARCH 31, 2008)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
94-062, Financial Status of Air Force Expired Year Appropriations, 3/18/1994	Changes to policy guidance to include refunds receivable arising from matters in litigation.	Coordination issues within DoD continue to be addressed.	USD(C)
96-156, Implementation of the DoD Plan to Match Disbursement to Obligations Prior to Payment, 6/11/1996	Implement system changes to correct weaknesses in the automated prevalidation process.	Correction of this material weakness involves a long-term effort.	DFAS
97-134, Disposal of Munitions List Items in the Possession of Defense Contractors, 4/22/1997	Change regulations to advance the identification of munitions list items to the early stages of the acquisition process.	Action had to be turned over to a support contractor for implementation.	USD(AT&L), DLA
98-049, DoD Sensitive Support Focal Point System (U), 1/20/1998	Report is classified.	Extensive time required to revise guidance.	USD(I)
98-052, Defense Logistics Agency Past Due Federal Accounts Receivable, 1/22/1998	Issue accounting and billing policy for requisitions under the Shelter for the Homeless Program. Chapter 5 of DoD FMR Volume 11B is being revised to implement the guidance.	Publication of the DoD FMR revision has been delayed pending the resolution of significant policy issues.	USD(C)
98-063, Defense Logistics Agency Product Quality Deficiency Program, 2/5/1998	Revisions to DLA Instruction 4155.24, "Quality Assurance Program for DLA Inventory Control Points."	A decision was made to combine the draft directive and instruction back into a single regulation format.	DLA
98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/1998	Standardize Special Access Program (SAP) eligibility implementing criteria and develop a centralized SAP database.	Competing management priorities and extensive time to revise DoD publications. Lack of management responsiveness.	USD(I), Army, Navy, AF



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
98-116, Accounting for Defense Logistics Agency Supply Management Receivables, 4/20/1998	Revise procedures for handling accounts receivable. Implement standard general ledger in accounting systems.	Competing management priorities.	DFAS
98-124, Department of Defense Adjudication Program, 4/27/1998	Implement peer review program and establish continuing education standards and a program for the professional certification for adjudicators.	Competing management priorities, funding restraints and extended time needed to coordinate and issue DoD policy. Developing new testing procedures for certification program. Lack of management responsiveness.	USD(I)
99-159, Interservice Availability of Multiservice Used Items, 5/14/1999	Revise Joint Service Regulation to require consistent item management wherever economical and safe. Services provide training on disposal authority for multi-service used items and requirements related to excess assets quantities.	Delays have been experienced in coordinating and issuing policy.	Army
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Establish timeframes to expedite investigative priorities.	Corrective action delayed by the transfer of the personnel security investigative function from DSS to OPM. Awaiting funding for new electronic capability and issuance of policy guidance. Lack of management responsiveness.	USD(I), DSS
D-2000-134, Tracking Security Clearance Requests, 5/30/2000	The current database will be modified to retain all pertinent historical information (including dates/times for every occurrence -- e.g., deletions, case type, changes, cancellations, duplicates, conversions, reinstatements, etc.)	Extensive time/resources needed to modify an automated system. Impacted by transformation of the personnel security program. Lack of management responsiveness.	DSS

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2000-177, Revaluation of Inventory for the FY 1999 Department of the Navy Working Capital Fund Financial Statements, 8/18/2000	USD(C) evaluating policy and systems changes to implement and support a latest acquisition cost valuation method and a direct cost historical valuation method. These would be long-term solutions for improving the financial presentation of net inventory.	Delays in coordinating and issuing policy.	USD(C)
D-2001-018, Management and Oversight of the DoD Weather Program, 12/14/2000	Army assumed responsibility to update Joint Instruction AR 115-10/ AFI 15-157, to require coordination of meteorological, oceanographic, and space weather requirements across all Military Departments to promote interoperability and avoid duplication.	Coordination and staffing issues continue.	Army
D-2001-037, Collection and Reporting of Patient Safety Data Within the Military Health System, 1/29/2001	Develop, test and deploy Patient Safety Reporting Program.	Testing demonstrated selected system was not ready for initial deployment. Additional time required to obtain operational capabilities.	ASD(HA)
D-2001-065, DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service, 2/28/2001	Identify and process additional adjudicative resources for Defense Industrial Security Clearance Office (DISCO). Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators.	Extensive time required to update DoD guidance. Lack of management responsiveness.	DSS, USD(I)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2001-081, Financial Reporting at the Washington Headquarters Services, 3/15/2001	Modify the Washington Headquarters Services Allotment Accounting System to correctly post prior period adjustments. Also, develop query interfaces for each general ledger account that can be used to research detailed transactions supporting account balances.	Extensive time required for system changes.	WHS
D-2001-099, Use of Contract Authority for Distribution Depots by the Defense Logistics Agency, 4/16/2001	Modify the Financial Management Regulation, Volume 11B, to include procedures that require that all use of contract authority is adequately posted and liquidated in the DoD working capital fund accounting records at the activity group level.	Extensive time required for changes to financial policies.	USD(C)
D-2001-124, U.S. Special Operations Command Use of Alternative or Compensatory Control Measures (U), 5/18/2001	Report is classified.	Extensive time required for coordination and publication of DoD document. Awaiting copy of finalized documents. Lack of management responsiveness.	JS
D-2001-135, Prevalidation of Intergovernmental Transactions, 6/6/2001	Develop cost-effective automated methods to expand prevalidation.	Correction of this material weakness involves a long-term effort.	USD(AT&L)
D-2001-141, Allegations to the Defense Hotline on the Defense Security Assistance Management System, 6/19/2001	Amend DoD 5200.2-R to address security investigation requirements for foreign national contractor employees.	Delays continue in preparation and coordination of DoD guidance.	USD(I)
D-2001-148, Automated Transportation Payments, 6/22/2001	Issue policy to address information assurance requirements for commercial automated processes.	Rewriting of the chapters for formal coordination and approval has delayed issuing and implementing policy.	ASD(NII), USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2001-153, Pentagon Reservation Maintenance Revolving Fund, 7/2/2001	Develop processes to identify the appropriate construction costs to be used in transferring completed projects from the construction in progress account to the real property accounts.	Implementation has been delayed by higher management priorities.	WHS
D-2001-158, Compilation of the FY 2000 Army General Fund Financial Statements at the Defense Finance and Accounting Service Indianapolis (Sustaining Forces), 7/13/2001	Management will establish an action plan to meet revised requirements for reconciling suspense accounts.	Implementation has been delayed by higher management priorities.	DFAS
D-2001-163, Accounting Entries Made in Compiling the FY 2000 Financial Statements of the Working Capital Funds of the Air Force and Other Defense Organizations, 7/26/2001	Revise FMR, Volume 11B, Chapter 5 to reflect changes to inventory valuation and reporting; and revise DoD FMR, Volume 4, Chapter 3 to require the recoding of accounts receivable for credits due when DoD working capital fund supply activities return inventory items that do not conform to the purchase agreement or contract.	Publication of the DoD FMR revisions has been delayed due to significant policy issues.	USD(C)
D-2001-170, U.S. Transportation Command's Reporting of Property, Plant, and Equipment Assets on the FY 2000 DoD Agency-wide Financial Statements, 8/3/2001	Develop system changes to differentiate among US-TRANSCOM, Air Mobility Command (AMC), and Defense Courier Service (DCS) assets. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Implementation has been delayed by higher management priorities.	TRANSCOM

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-004, Import Processing of DoD Cargo Arriving in the Republic of Korea, 10/4/2001	Revise USFK Regulation 55-72 to update requirements and implement a cost-efficient system for the automated processing of customs forms using an electronic data interchange.	USTRANCOM awarded a single world-wide contract for a single customs process automation system. Awaiting system implementation.	USFK
D-2002-008, Controls Over the Computerized Accounts Payable System (CAPS) at Defense Finance and Accounting Service Kansas City (DFAS-KC), 10/19/2002	Improve guidance on criteria for proper and accurate receipt and invoice documentation; improve organizational structures to provide better internal controls.	Delays in coordinating and issuing policy.	USD(C)
D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/2001	Establish a plan, controls, assessment requirements and training related to the Defense Blood Standard System (DBSS) upgrade. Also, establish procedures to ensure effective deployment of those DBSS upgrades.	Long-term corrective action on schedule.	Army, AF, ASD(HA)
D-2002-024, Navy Fleet Hospital Requirements (U), 12/12/2001	Report is classified.	Corrective actions are delayed by changing requirements.	Navy, PACOM
D-2002-056, Controls Over Vendor Payments Made for the Army and Defense Agencies Using the Computerized Accounting Payable System (CAPS), 3/6/2002	Revise the Financial Management Regulation to incorporate the requirements of 5 CFR 1315.	Delays in coordinating and issuing policy.	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-073, Financial Management Ending Balance Adjustments to General Ledger Data for the Army General Fund, 3/27/2002	Use transactional data from a centralized database to populate general ledger accounts in the Defense Departmental Reporting System (DDRS) Budgetary and continue efforts to analyze and correct causes for current adjustments; Use transactional data to generate a general ledger data file for DDRS Budgetary.	Slow system development process.	DFAS
D-2002-075, Controls Over the DoD Purchase Card Program, 3/29/2002	Strengthen controls to modify contract with banks to prevent accounts from being reopened after notification to close, and provide reports on oversight reviews.	Corrective action requires long-term development of risk-assessment tools.	USD(AT&L)
D-2002-076, Funding Invoices to Expedite the Closure of Contracts Before Transitioning to A New DoD Payment System, 3/29/2002	Revise Financial Management Regulation, Chapter 10, Appendix B, number 7, "Accounting Requirements for Expired and Closed Accounts," to require that the DoD activity to which a program has transferred be responsible for providing current-year funding.	Delays in coordinating and issuing policy.	USD(C)
D-2002-091, Accountability and Control of Materiel at the Corpus Christi Army Depot, 5/21/2002	Comply with guidance for storage of maintenance materiel and the preparation and submission of management reports for review; perform annual physical inventory and quarterly reviews of materiel.	Lack of management responsiveness.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2002-117, Review of FY 2001 Financial Statement for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Competing management priorities.	DIA
D-2002-122, Environmental Community Involvement Program at Test and Training Ranges, 6/28/2002	Develop a more detailed DoD instruction on Sustainable Ranges Outreach. Continue work on implementation of the new Directive and development of the new instruction.	Extensive time required to develop and coordinate the new DoD Instruction.	USD(P&R)
D-2002-140, Measurement of Water Usage by DoD Components Serviced by the DC Water and Sewer Service, 8/20/2002	Establish and implement procedures to verify that the DCWASA routinely inspects and reports results of inspections for DoD-owned water meters; develop and implement effective controls and procedures to verify that the DCWASA accurately reads water meters; establish and implement a maintenance program.	Delays were caused by installation and program compatibility issues, other technical difficulties, and contract terminations.	Army, Navy, AF, WHS
D-2002-153, Reprocessed Medical Single-Use Devices in DoD, 9/30/2002	Services issue SUD guidance (based on recently reissued ASD (HA) guidance) on the reuse of single-use devices (SUD).	Significant time required to develop Service-level guidance.	Army
D-2003-001, DoD Integrated Natural Resource Management Plans, 10/1/2002	Develop integrated natural resource management plans for military installations and coordinate the plans with the other Federal and State agencies involved in the process.	The remaining Army plan is on hold pending the resolution of an internal disagreement within the U.S. Fish and Wildlife Service.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-018, Validity of Registration in the Central Contractor Registration (CCR) Database, 10/30/2002	Establish procedures to withhold payments to contractors and vendors until they are properly registered with a valid Tax Identification Number in the CCR database.	Action is being taken by management to implement a manual, rather than an automated, solution.	DFAS
D-2003-021, Export Controls Over Biological Agents (U), 11/12/2002	Report is confidential.	Extensive time required to coordinate and issue policy guidance.	USD(P)
D-2003-030, Financial Reporting of Deferred Maintenance Information on Air Force Weapons Systems for FY 2002, 11/27/2002	Revise DoD FMR to allow the Air Force to present all material categories of deferred maintenance as major asset classes in accordance with Federal accounting requirements.	Publication of the DoD FMR revisions has been delayed due to significant policy changes resulting from OMB A-136 revisions.	USD(C)
D-2003-034, Adjustments to the Intergovernmental Payments Account, 12/10/2002	Revise the Financial Management Regulation to specify the documentation required to support adjustments from account F3885, 'Undistributed Intergovernmental Payments,' to closed appropriations.	Delays in coordinating and issuing policy.	USD(C)
D-2003-056, Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions, 3/21/2003	AT&L is working with OMB to address any overhead ambiguities in OMB Circular A-76, proposing additional guidance to clarify costing policies, and providing definitions for direct and indirect costs as well as a revised definition for overhead.	Corrective actions are on schedule.	USD(AT&L)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-067, Recoveries of Prior Year Obligations, 3/21/2003	Revise the Financial Management Regulation to be consistent with recovery reporting guidance issued by the OMB and the Department of the Treasury. Program DFAS accounting systems to properly capture, record, and report recoveries of prior year obligations.	Extensive time required for changes to financial policies.	USD(C), DFAS
D-2003-071, Acquisition of Marine Corps Aircraft Simulators (U), 4/2/2003	Report is classified.	Guidance is in second staffing. ECD is Dec 31, 2007.	MC
D-2003-072, DoD Compliance with the Uniformed and Overseas Citizens Absentee Voting Act, 3/31/2003	AF is updating guidance to be consistent with DoD level guidance.	Publication of AF Instruction was delayed to include pending revision of DoD guidance.	AF
D-2003-073, Reliability of the FY 2002 National Imagery and Mapping Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/2/2003	Report is classified.	Corrective actions are on schedule.	NGA
D-2003-074, Reliability of the FY 2002 Defense Intelligence Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/7/2003	Report is classified.	Competing management priorities.	DIA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-095, Accounting for Reimbursable Work Orders at Defense Finance and Accounting Service Charleston, 6/4/2003	Develop business practices for Navy fund administrators to properly account for reimbursable work orders. Develop a methodology and provide guidance to prevent Navy fund administrators from over obligating at the segment level. Establish edit checks that align with the business practices of the Navy.	Long-term process to develop and implement improved business practices, methodologies, and guidance.	DFAS, Navy
D-2003-105, Management of Developmental and Operational Test Waivers for Defense System, 6/20/2003	Report is FOUO.	Lack of management responsiveness.	USD(AT&L)
D-2003-106, Administration of Performance-Based Payments Made to Defense Contractors, 6/25/2003	The Director, Defense Procurement and Acquisition Policy, will conduct an assessment of the benefits of expanded performance-based payments implementation. It will address contracting officer compliance with FAR Part 32.10, and whether any changes are needed to those policies, the Performance-Based Payments User's Guide, or training resources.	Corrective actions are on schedule. Normal time required to update the FAR and DFARS.	USD(AT&L)
D-2003-110, Information Technology Management: Defense Civilian Personnel Data System Functionality and User Satisfaction, 7/27/2003	System enhancements to correct deficiencies are in process.	Extended time needed to develop system enhancements.	USD(P&R)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-115, Allegations Concerning the Administration of Contracts for Electronic Flight Instruments, 6/30/2003	Air Force will prepare an acquisition strategy addressing logistics support for the 550-series Electronic Flight Instruments (EFI) that address sustainment and spare parts. DCMA (at Lockheed Martin, Fort Worth, TX) will perform a Contractor Purchasing System Review (CPSR).	Lack of management responsiveness.	AF, DCMA
D-2003-122, Financial Management: Closing the Army's 1985 M1a1 Tank Contract (Contract DAAE07-85-C-A043), 8/13/2003	Issue guidance for unreconcilable contracts; update the DoD FMR to specifically address the requirement to maintain vouchers and supporting documentation to facilitate complete contract reconciliations.	Guidance delayed due to re-writing and coordination issues, and competing priorities.	USD(C)
D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/2003	As directed by USD(AT&L), Army develop and prioritize a plan for the disposal of buried chemical warfare materiel. Upon receipt of the Army plan, USD(AT&L) determine which DoD component should be assigned to implement the plan.	Lack of management responsiveness.	USD(AT&L), Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2003-133, Report on Controls Over DoD Closed Appropriations, 9/15/2003	Emphasize the importance of controls over the use of closed appropriations and monitor compliance with applicable laws and regulations. DFAS establish specific standard procedures to ensure that accounting personnel approve only legal and proper adjustments to closed appropriations, validate the canceled balances and report any potential Antideficiency Act violations.	Extensive time required for changes to financial policies.	USD(C), DFAS
D-2003-134, System Security of the Army Corps of Engineers Financial Management System, 9/15/2003	Report is FOUO.	Lack of management responsiveness.	Army
D-2004-002, Acquisition: Selected Purchase Card Transactions at Washington Headquarters Services and Civilian Personnel Management Service, 10/16/2003	Review conducted and new standard operating procedures developed and implemented. Administrative instructions are being rewritten.	Normal time to write, coordinate, approve, and implement guidance.	WHS
04-INTEL-02, DoD Security Clearance Adjudication and Appeals Process (U), 12/12/2003	Disparities between the contractor and military/civilian personnel adjudicative process will be eliminated with the pending revision to the DoD Regulation 5200.2-R.	Extensive time required to update DoD Regulations. Lack of management responsiveness.	USD(I)
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	JS, AF, Navy, USMC, PACOM are in process of updating their guidance based on DoD guidance published on 10/30/06. Army delay attributed to lack of management responsiveness.	Army, AF, PACOM, MC

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
04-INTEL-07, Audit of the Physical Security of Nuclear Weapons (U), 5/3/2004	Report is classified.	Long term corrective actions on schedule. Estimated completion date of January 2008.	ATSD(NCB)
D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/2003	Update Army Regulations 70-1 and 71-9 to require combat developers to identify interoperability and supportability requirements in requirements documents and update the requirements throughout the life of the systems, as necessary, in accordance with DoD Directive 4630.5 and to require program managers to obtain the Joint Staff J6 certifications for interoperability in accordance with Chairman of the Joint Chiefs of Staff Instruction 6212.01B.	Coordination on issuance of numerous related guidance.	Army
D-2004-012, Sole-Source Spare Parts Procured From an Exclusive Distributor, 10/16/2003	Report is FOUO.	Corrective actions are on schedule; actions are complete on all but 1 of the report's 8 recommendations.	Army
D-2004-020, Allegations Concerning Improperities in Awarding National Guard Contracts, 11/18/2003	Implement a formal acquisition policy that integrates the existing roles of various Army National Guard and Federal communication and IT groups. Develop a process with measurable IT standards and defined business processes. Coordinate the requirements for help desk support to eliminate duplicate contract costs.	Delay in obtaining legal approval.	NGB

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-034, Environ- ment: Defense Hotline Allegations Regarding the Environmental Compli- ance Assessment Process at U.S. Army Corps of En- gineers, Portland District, 12/4/2003	Clarify requirements for internal assessments.	The Corps of Engineers guidance update was on hold pending the revision of a higher level Army regulation that went into effect on 9/28/07.	Army
D-2004-039, Coop- erative Threat Reduction Construction Projects, 12/18/2003	Negotiate a transparency agreement that will al- low US verification of the quantity and quality of the material stored in the fissile material storage facility.	Significant time is required for negotiations with sov- ereign nations.	USD(P)
D-2004-041, The Security of the Army Corps of En- gineers Enterprise Infra- structure Services Wide- Area Network, 12/26/2003	Report is FOUO.	Lack of management re- sponsiveness.	Army
D-2004-047, Implementa- tion of the DoD Manage- ment Control Program for Army Category II and III Programs, 1/23/2004	Program Managers will be able to store acquisi- tion documents in Virtual Insight (VIS) so the Mile- stone Decision Authority can review document sta- tus from development to document approval. Army Regulations will be updat- ed to reflect new reporting procedures.	Extensive time required to update DoD Instruction 5000.2.	Army
D-2004-050, Management Structure of the Coop- erative Threat Reduction Program, 2/5/2004	Revise DoD guidance to clarify the roles of respon- sible offices for the Coop- erative Threat Reduction Program.	Extensive time required to coordinate and issue guid- ance.	DAM



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-053, Defense Threat Reduction Agency Relocation Costs, 2/19/2004	Develop detailed guidance on what should be considered when determining whether the relocation cost cap in section 8020 of the FY 2004 Appropriation Act has been, or will be, exceeded.	Extensive time required to coordinate and issue guidance.	WHS
D-2004-055, DoD Source Approval Process for Service & Sales, Inc., a Small Business Manufacturer, 2/25/2004	Develop guidance for the reevaluation of critical application item sources.	Lack of management responsiveness.	DLA
D-2004-059, Financial Management: Assets Depreciation Reported on the U.S. Army Corps of Engineers FY 2002 Financial Statements, 3/16/2004	Determine the appropriate useful life for all USACE-owned assets. Request a waiver from the DoD FMR based on USACE-unique mission requirements.	Long-term corrective action on schedule.	Army
D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/2004	Expand DoD guidance to encompass all export-controlled technology and enumerate the roles and duties of responsible personnel. Ensure incorporation of appropriate export compliance clauses into solicitations and contracts.	Extensive time required to coordinate and issue policy guidance.	USD(P), USD(AT&L)
D-2004-063, Financial Management: Controls Over U.S. Army Corps of Engineers (USACE) Buildings and Other Structures, 3/26/2004	Improve the financial accountability for buildings and other structures owned by USACE.	Implementation has been delayed by higher management priorities.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-065, DoD Implementation of the Voting Assistance Program, 3/31/2004	Revise Voting Assistance Program guidance to reflect recent changes to DoD guidance. Improve monitoring of voting assistance program and training of service members and spouses.	Publication of AF Instruction was delayed to include pending revision of DoD guidance.	AF
D-2004-074, Reliability of the Automated Cost Estimating Integrated Tools Software Model, 4/23/2004	The Army and the Air Force agreed to jointly verify, validate, and accredit the next major release of software.	Long-term corrective action on schedule. The Test Plan continues to be refined as new features are introduced and existing features are improved.	Army, AF
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Competing management priorities.	DIA
D-2004-080, Environmental Liabilities Required to be Reported on Annual Financial Statements, 5/5/2004	Implement guidance to improve the development, recording, and reporting of environmental liabilities. Establish a quality control program to assess environmental liability processes and controls. Issue guidance requiring that future environmental liability electronic cost estimating system efforts comply with Defense Environmental Restoration Program Management Guidance.	The update to DoD guidance has been delayed due to several issues unrelated to Environmental Liabilities.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-087, Health Care: DoD Management of Pharmaceutical Inventory and Processing of Returned Pharmaceuticals, 6/17/2004	ASD (HA), in coordination with the Military Surgeons General, develop standard policies and procedures for pharmaceutical inventory management at the Military Treatment Facilities (MTFs) and also require MTFs to use a pharmaceutical returns company.	Extended time needed for update of publications and contract award.	Army, AF
D-2004-091, Management of Network Centric Warfare Within the Department of Defense, 6/22/2004	Report is FOUO.	Policy revisions to begin next fiscal year.	ASD(NII)
D-2004-094, Acquisition: Direct Care Medical Services Contracts, 6/24/2004	Develop a process for future payments of FICA tax for individual set-aside contracts. Establish a pilot program for the acquisition of direct care medical services.	Normal time needed for implementation.	USD(C), ASD(HA)
D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/2004	Report is classified.	Corrective actions are on schedule.	NSA
D-2004-104, Purchase Card Use and Contracting Actions at the U.S. Army Corps of Engineers, Louisville District, 7/27/2004	Recommended actions are designed to provide guidance and strengthen controls over use of the Government Purchase Card at the Louisville District and at USACE Headquarters levels.	Extensive time needed to revise guidance.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2004-118, Army General Fund Controls Over Abnormal Balances for Field Accounting Activities, 9/28/2004	Update the DoD FMR to require the disclosure of unresolved abnormal balances for all proprietary and budgetary general ledger accounts in the footnotes to the financial statements. Identify abnormal conditions impacting both budgetary and proprietary account balances; notify accounting activities of abnormal proprietary balances and require explanations of corrective actions; and resolve abnormal balances in the budgetary accounts.	Long-term corrective action on schedule.	USD(C), DFAS
05-INTEL-13, Incident Reporting and Forensic Capabilities (U), 5/27/2005	Report is classified.	Normal time needed for implementation.	ASD(NII)
05-INTEL-19, Nuclear Command and Control (U), 6/30/2005	Report is Classified	Long-term corrective actions on schedule.	ATSD(NCB)
D-2005-020, Defense Logistics Agency Processing of Special Program Requirements, 11/17/2004	DLA is identifying cost savings realized for the Special Program Requirements (SPR) Support Program.	Normal time needed to determine the full scope of realized monetary benefits.	DLA
D-2005-022, Financial Management: Contract Classified as Unreconcilable by the Defense Finance and Accounting Service, 12/2/2005	The contract has been logged and assigned to a contractor supporting the Commercial Pay Services Contract Reconciliation office for reconciliation. Based on the reconciliation, recovery actions will be initiated for any identified overpayments made to the contractor.	Closeout work continues.	DFAS



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-024, Management of Navy Senior Enlisted Personnel Assignments in Support of Operation Iraqi Freedom, 12/15/2004	Update Navy manpower and personnel guidance to clearly define acceptable senior enlisted manning levels by establishing a minimum senior enlisted manning level as the baseline for identifying senior enlisted manning deficiencies that would require immediate action.	Deployment of Total Force Authorization and Requirements System (TFARS) delayed while awaiting acceptance from 15 of 52 receiving commands and implementation of revised and additional requirements.	Navy
D-2005-026, Financial Management: Reliability of U.S. Army Corps of Engineers, Civil Works, Fund Balance With Treasury and Unexpended Appropriations, 12/28/2004	USACE is implementing system changes to improve the reliability or recording and reporting Fund Balance With Treasury and Unexpended Appropriations accounts.	Implementation has been delayed by higher management priorities.	Army
D-2005-028, DoD Workforce Employed to Conduct Public Private Competitions Under the DoD Competitive Sourcing Program, 2/1/2005	Establish minimum training standards for competition officials and DoD functional and technical experts assigned to work on public-private competitions, and advise the DoD component competitive sourcing officials concerning defining and documenting minimum education and/or experience requirements.	Corrective actions are on schedule.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-033, Acquisition: Implementation of Interoperability and Information Assurance Policies for Acquisition of Navy Systems, 2/2/2005	Prepare and staff a DoD Directive that specifies the types of systems and system information capability requirements to be included in the inventory for Global Information Grid assets; and the responsibilities of DoD Components in populating and maintaining the inventory for Global Information Grid assets.	Held in abeyance, pending resolution of mediation on a subsequent report.	ASD(NII)
D-2005-035, Existence of U.S. Army Corps of Engineers Buildings and Other Structures, 2/15/2005	USACE-wide implementation of corrective actions regarding Buildings and Other Structures is being performed.	Implementation has been delayed by higher management priorities.	Army
D-2005-045, FY 2004 Emergency Supplemental Funding for the Defense Logistics Agency, 5/9/2005	DLA establish and distribute standard operating procedures for calculating and reporting incremental cost information.	Normal time needed for implementation.	DLA
D-2005-046, Financial Management: Independent Examination of the Rights to U.S. Army Corps of Engineers Buildings and Other Structures, 3/25/2005	Correct the identified errors and perform a review of other leased and transferred structures for similar types of rights errors; review and update policies and procedures to prevent future errors; and provide and document training to consistently implement the new policies and procedures.	Long-term corrective action on schedule.	Army
D-2005-051, Independent Examination of the Land Assets at the U.S. Army Corps of Engineers, Civil Works, 4/6/2005	USACE will establish an oversight process that provides periodic reviews by Civil Works headquarters of land asset transactions at the activity level.	Corrective actions are on schedule.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-054, Audit of the DoD Information Technology Security Certification and Accreditation Process, 4/28/2005	Report is FOUO.	Report had been in mediation and has been recently resolved.	ASD(NII)
D-2005-056, Reliability of the FY 2004 Financial Statements for the National Geospatial-Intelligence Agency (U), 4/29/2005	Report is classified.	Corrective actions are on schedule.	NGA
D-2005-069, Audit of the General and Application Controls of the Defense Civilian Pay System, 5/13/2005	Report is FOUO.	Corrective actions are on schedule.	DFAS
D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/2005	Report is classified.	Corrective actions are on schedule.	NSA
D-2005-078, Audit of the Extended Range Guided Munitions Program, 6/15/2005	Ensure that ERGM program provides for appropriate validation, testing, and funding of requirements.	Extended time needed to revise and coordinate major system acquisition documentation.	Navy
D-2005-093, Information Technology Management: Technical Report on the Standard Finance System, 8/17/2005	Report is FOUO.	Corrective actions are on schedule.	DFAS, DISA, Army
D-2005-094, Proposed DoD Information Assurance Certification and Accreditation Process, 7/21/2005	Report is FOUO.	Report had been in mediation and has been recently resolved.	ASD(NII)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2005-096, DoD Purchases Made Through the General Services Administration, 7/29/2005	DoD is establishing new policies and revising the DoD FMR to improve intergovernmental transactions, the use of Military Departmental Purchase Requests (MIPR), and assisted acquisitions.	Corrective actions are being implemented.	USD(AT&L), USD(C)
D-2005-097, Auditability Assessment of the Financial Statements for the Defense Intelligence Agency (U), 8/18/2005	Report is classified.	Competing management priorities.	DIA
D-2005-103, Development and Management of the Army Game Project, 8/24/2005	Develop new controls and fully implement existing controls to ensure that all resources are safeguarded; and revise Navy guidance on accountability over pilferable property to be consistent with the DoD guidance.	Corrective actions are on schedule.	Navy
D-2005-108, Review of the U.S. Army Corps of Engineers, Civil Works Balance Sheet Reporting and Financial Statement Compilation, 9/16/2005	The USACE is establishing a comprehensive correction action program to ensure that the instructions provided in the information papers are fully and consistently executed at all USACE activities.	Lack of management attention in fully implementing corrective action.	Army
D-2006-003, Security Controls Over Selected Military Health System Corporate Database, 10/7/2005	Action is being taken by the ASD (HA), USD (I), and the Military Departments to improve protection of sensitive information.	Normal time needed for implementation.	Army, Navy, AF, USD(I), ASD(HA)
D-2006-004, Acquisition of the Objective Individual Combat Weapon, 10/7/2005	Report is FOUO.	Extensive time needed to coordinate and issue policy.	USD(AT&L)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-007, Contracts Awarded to Assist the Global War on Terrorism by the U.S. Army Corps of Engineers, 10/14/2005	The DCAA will conduct an audit of costs of task orders awarded under Contract No. DACA78 03 D0002. Three of four recommendations in the report are complete.	Normal time for DCAA to plan and conduct an review.	Army
D-2006-009, Independent Examination of Valuation and Completeness of U.S. Army Corps of Engineers, Buildings and Other Structures, 9/28/2005	The U.S. Army Corps of Engineers is updating policy and procedures, assessing system changes to the Corps of Engineers Financial Management System, and working to correct data accuracy deficiencies through new regional assessment teams.	Corrective actions are on schedule.	Army
D-2006-010, Contract Surveillance for Service Contracts, 10/28/2005	The AT&L will issue guidance defining roles and responsibilities of contract administration personnel regarding the monitoring of contractor performance. The Army will develop management controls to ensure contract surveillance is adequately performed and documented. Eleven of fifteen recommendations in the report are complete.	Normal time to develop and implement new guidance and procedures.	USD(AT&L), Army
D-2006-011, Report on the Foreign Military Sales Trust Fund Cash Management, 11/7/2005	Improve internal controls of the FMS cash management program. Establish adequate audit trails to enable managers or auditors to verify disbursements.	Corrective actions are on schedule.	DFAS
D-2006-026, Air Force Operational Mobility Resources in the Pacific Theater (U), 11/17/2005	Report is classified.	Corrective actions are on schedule.	AF

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-039, Internal Controls Over the Compilation of the Air Force, General Fund, Fund Balance With Treasury for FY 2004, 12/22/2005	The USD(C) will update the FMR and DFAS will rescind an old instruction and update and formalize other SOPs to improve internal controls over the compilation of the Air Force, General Fund, Fund Balance with Treasury.	Report had been in mediation and has been recently resolved.	USD(C), DFAS
D-2006-041, Operational Mobility: Gap-Crossing Resources for the Korean Theater, 12/26/2005	Report is Classified.	Report has been recently resolved.	Army, USFK, MC
D-2006-027, Contract Award and Administration of Coupling Half Quick Disconnect, 11/23/2005	Increase production rates to expedite the replacement of older protective masks and identify a nontoxic sealant alternative to replace the hexavalent chromium sealant on the coupling half quick disconnect in future procurements.	Corrective actions are on schedule.	USD(AT&L)
D-2006-028, DoD Reporting System for the Competitive Sourcing Program, 11/22/2005	Revise DoD guidance to improve accounting of transition costs, tracking and reporting competition costs, validating and reviewing records, capturing contractors' past performance information, and tracking and monitoring the performance of MEOs.	Normal time to review, revise and implement new guidance.	USD(AT&L)
D-2006-030, Report on Diagnostic Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Corrective actions are on schedule.	DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-031, Report on Penetration Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-042, Security Status for Systems Reported in DoD Information Technology Databases, 12/30/2005	Ensure information in DoD information technology database is accurate and complete.	Report had been in mediation and has been recently resolved.	ASD(NII)
D-2006-043, Financial Management: Report on Army Management of the Army Game Project Funding, 1/6/2006	Establish procedures to ensure the appropriate funding of the Army Game Project, determine if there have been any Antideficiency Act violations and report any such violations, as required.	Management corrective actions on schedule.	Army
D-2006-044, Controls Over the Export of Joint Strike Fighter Technology, 1/11/2006	Report is FOUO.	Report had been in mediation and has been recently resolved.	Army
D-2006-046, Technical Report on the Defense Property Accountability System, 1/27/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)
D-2006-048, Report on Reliability of Financial Data Accumulated and Reported by the Space and Naval Warfare System Centers, 1/31/2006	Report is FOUO.	Corrective actions are on schedule.	Navy
D-2006-050, Report on Accuracy of Navy Contract Financing Amounts, 2/7/2006	Cross SYSCOM Lean Six Sigma black belt project is being completed that will include an end-to-end review of the disbursements process.	Corrective actions are on schedule.	Navy

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-052, DoD Organization Information Assurance Management of Information Technology Goods and Services Acquired Through Interagency Agreements, 2/23/2006	Establish clear procedures that designate organization-specific roles & responsibilities for tracking training.	Policy update is under revision.	Navy
D-2006-053, Select Controls for the Information Security of the Ground-Based Midcourse Defense Communications Network, 2/24/2006	Prepare a contingency plan for GCN and an Incidence Response Plan for GCN to meet requirements of DoDI 8500.2 and NISTS Pub 800-34.	Corrective actions are on schedule.	MDA
D-2006-054, DoD Process for Reporting Contingent Legal Liabilities, 2/24/2006	The USD(C) is developing a forum to address development of solutions for providing meaningful assessments of contingent legal liabilities, and develop and implement a uniform methodology for estimating, aggregating, and reporting them. The Services are working to ensure that "Other Liabilities" and contingent liabilities are fully supported and appropriately disclosed.	Corrective actions are generally on schedule.	USD(C), Army, Navy, AF
D-2006-055, Spare Parts Procurements From TransDigm, Inc., 2/23/2006	The DLA will revise guidance and conduct training to strengthen contracting policies and procedures. Additionally, the DLA will meet with TransDigm management to achieve improvements and DLA will also evaluate the suitability of reverse engineering TransDigm items.	Report had been in mediation and has been recently resolved.	DLA



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-056, Financial Management: Report on Vendor Pay Disbursement Cycle, Air Force General Fund: Contract Formation and Funding, 3/6/2006	The Air Force will conduct reviews of potential ADA violations, review and revise existing policy guidance and training and emphasize the need for additional training in appropriations law and inherently governmental activities.	Normal time to revise and implement new guidance and training.	AF
D-2006-057, Corrective Actions for Previously Identified Deficiencies Related to the National Geospatial-Intelligence Agency Financial Statements (U), 2/28/2006	Report is classified.	Corrective actions are on schedule.	NGA
D-2006-059, Air Force Procurement of 60K Turner Cargo Loader Contractor Logistics Support, 3/3/2006	The Air Force will perform analyses to determine the best value approach and the feasibility of teaming with the Marine Corps.	Corrective actions are on schedule.	AF
D-2006-060, Systems Engineering Planning for the Ballistic Missile Defense System, 3/2/2006	Report is FOUO.	Extended time needed to complete and coordinate systems engineering planning documents.	MDA
D-2006-061, Source Selection Procedures for the Navy Construction Capabilities, 3/3/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)
D-2006-062, Internal Controls Over Compiling and Reporting Environmental Liabilities Data, 3/15/2006	Improve internal controls over the compilation and reporting of cost-to-complete estimates for environmental liabilities.	Corrective actions are on schedule.	AF

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-063, Financial Management: Report on Internal Controls Over Department Expenditure Operations at Defense Finance and Accounting Service Indianapolis, 3/10/2006	Perform reviews and reconciliations of uncleared transactions, ensure appropriate resolution, and enforce applicable DoD FMR policy.	Required coordination efforts for discontinued research are taking longer than expected.	DFAS
D-2006-067, Controls Over Exports to China, 3/30/2006	Improve the guidance and documentation for the export review process. Expand access to USX-PORTS within DoD.	Management corrective actions on schedule.	USD(P)
D-2006-069, Technical Report on the Defense Business Management System, 4/3/2006	Report is FOUO.	Corrective actions are on schedule.	DFAS
D-2006-071, Acquisition: Capabilities Definition Process at the Missile Defense Agency, 4/5/2006	Finalize and approve mutually supportive directives outlining each organization's roles and responsibilities with respect to capability-based requirements.	Finalizing focus group's input to the directive.	STRATCOM, MDA
D-2006-073, Human Capital: Report on the DoD Acquisition Workforce Count, 4/17/2006	Develop and implement written standard operating procedures and guidance for counting the acquisition workforce to include definitions of workforce count and methodologies and procedures used to perform periodic counts, and requirements to maintain and support related documentation. Revise DoD guidance to update information requirements for automated data files.	Corrective actions are on schedule.	USD(AT&L)
D-2006-075, Acquisition of the Joint Primary Aircraft Training System, 4/12/2006	Report is FOUO.	Corrective actions are on schedule.	AF



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-076, Financial Management: Report on DoD Compliance With the Prompt Payment Act on Payments to Contractors., 4/19/2006	DFAS will process a System Change Request to have the Prompt Pay application (system) changed to ensure that invoices are paid in accordance with the Prompt Payment Act.	Personnel turnover and competing management priorities.	Army
D-2006-077, DoD Security Clearance Process at Requesting Activities, 4/19/2006	Updating policies for the DoD Personnel Security Clearance Program to include various information including program management and investigative responsibilities, security clearance systems, submission processes, types and levels of security clearances, and training requirements for security personnel.	Extensive time required to update DoD Regulation. Other issuances are dependent upon that updated version of that Regulation. Lack of management responsiveness from USD(I).	USD(I), DISA, AF
D-2006-078, Information Systems Security: Defense Information Systems Agency Encore II Information Technology Solutions Contract, 4/21/2006	Report is FOUO.	Corrective actions ongoing. Estimated completion date is December 2007.	ASD(NII)
D-2006-079, Review of the Information Security Operational Controls of the Defense Logistics Agency's Business Systems Modernization-Energy, 4/24/2006	Update Business Systems Modernization Energy (Fuels Automated System) plan of action and milestones to include all security weaknesses based on the current system configuration.	Actions delayed pending Service/Agency internal accreditations.	DLA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-080, Use of Environmental Insurance by the Military Departments, 4/27/2006	Identify practices, processes, and strategies for effectively using environmental insurance; establish milestones for issuing overarching guidance on the Department's position on the use of environmental insurance; establish a process to evaluate whether DoD is achieving the anticipated benefits of risk reduction, cost savings, timely completion of cleanup projects, and increased used of performance-based contracting for environmental cleanup services, as it relates to environmental insurance.	Long-term corrective action on schedule.	USD(AT&L)
D-2006-081, Financial Management: Recording and Reporting of Transactions by Others for the National Security Agency, 4/26/2006	Report is FOUO.	Corrective actions are on schedule.	NSA
D-2006-083, Report on Information Operations in U.S. European Command (U), 5/12/2006	Report is Classified.	Corrective actions are on schedule.	JS, STRATCOM, USD (I)
D-2006-085, Vendor Pay Disbursement Cycle, Air Force General Fund: Funds Control, 5/15/2006	The Air Force will strengthen internal controls on the coordinated efforts of receiving officials, resource managers, and funds holders who oversee the status of funds.	Corrective actions are on schedule	AF



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-086, Information Technology Management: Report on General and Applications Controls at the Defense Information Systems Agency, Center for Computing Services, 5/18/2006	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-087, Acquisition: Acquisition of the Objective Individual Combat Weapon Increments II and III, 5/15/2006	Report is FOUO.	Lack of management responsiveness.	Army
D-2006-089, Acquisition of the Armed Forces Health Longitudinal Technology Application, 5/18/2006	Develop additional or more robust mitigation strategies that address the risks related to Commercial Off the Shelf (COTS) product integration.	Normal time needed for implementation.	ASD(HA)
D-2006-096, Information Technology Management: Select Controls for the Information Security of the Command and the Control Battle Management Communications System, 7/14/2006	Report is FOUO.	Site Assisted Visits (SAVs) are in progress.	MDA
D-2006-099, Purchase Card Program Controls at Selected Army Locations, 7/21/2006	Require contracting activities establish written policies and procedures for retaining purchase card transaction documents and establish controls to ensure all cardholders and approving officials receive required purchase card training.	Management corrective actions on schedule.	Army

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-100, Procurement Procedures Used for Next Generation Small Loader Contracts, 8/1/2006	The Air Force will develop a plan to improve the collection, analysis, and reporting of maintenance data for the Halvorsen fleet; and transition from a base level funded sustainment construct to ICS, and then to a CLS contract to improve readiness. Also, the Air Force agreed to review the basing plan for all loaders to ensure optimum usage, and ensure that future FAR Part 12 and Part 15 acquisitions adequately meet operational requirements.	Corrective actions are being implemented.	AF
D-2006-101, Acquisition: Procurement Procedures Used for C-17 Globemaster III Sustainment Partnership Total System Support, 7/21/2006	Complete a thorough BCA that evaluates multiple sustainment options for the C-17 Globemaster III aircraft. Also, develop policy that will require future Air Force public-private partnership contracts to identify the resources being procured with private investment.	Normal time needed for implementation.	AF
D-2006-102, Marine Corps Governmental Purchases, 7/31/2006	The USDC will revise the DoD FMR to clarify requirements concerning D&Fs for interagency support. The Marine Corps will update MCO P7300.21 to strengthen policies and procedures for the use of Military Interdepartmental Purchase Requests (MIPR) and will also update training in the use of MIPRs.	Corrective actions are being implemented.	USD(C), MC



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-106, Allegations Concerning Mismanagement of the Aerial Targets Program, 8/4/2006	Issue revised guidance to mitigate frequency interference risks and to emphasize Joint Tactical Radio System notification requirements.	Extensive time needed to coordinate and issue policy guidance.	AF
D-2006-108, Providing Interim Payments to Contractors in Accordance With the Prompt Payment Act, 9/1/2006	AT&L will establish a Defense Federal Acquisition Regulation Supplement case to evaluate the costs and benefits of revising the DoD policy of paying cost reimbursable service contracts on an accelerated basis(14 days). Also, the USD (C) will revise the DoD Financial Management Regulation, Volume 10, Chapter 7, entitled "Prompt Payment Act", to reflect the list of contract financing payments identified in the Federal Acquisition Regulations, Part 32.001.	Corrective actions are on schedule. Normal time required to update the DFARS.	USD(AT&L), USD(C), DFAS
D-2006-111, Expanded Micro-Purchase Authority for Purchase Card Transactions Related to Hurricane Katrina, 9/27/2006	Revise contingency-related purchase card guidance and improve efforts to disseminate and implement guidance. Also, establish a robust oversight presence and significantly strengthen internal controls to mitigate the risk of fraud, waste, and abuse.	Delays in coordinating and issuing policy.	USD(AT&L), AF, DISA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-114, Budget Execution Reporting at Defense Finance and Accounting Service Indianapolis, 9/25/2006	Develop and execute SOPs to: record and report obligations incurred against category codes that are consistent with the apportionment category codes; adjust the amounts submitted to the Treasury and reported on the Army Report on Budget Execution and Budgetary Resources; perform a quarterly reconciliation on those amounts; notify the Treasury when amounts on the OMB Report on Budget Execution and Budgetary Resources are not accurate; and disclose the existence of material unreconciled differences in budget execution data as part of the footnote disclosures to the Army financial statements.	Long-term corrective action on schedule.	DFAS
D-2006-115, Acquisition: Commercial Contracting for the Acquisition of Defense Systems, 9/29/2006	Propose a legislative change to amend Section 2306a (b), Title 10, U.S.C. to clarify the term Commercial Item in the Federal Acquisition Regulation.	Legislative proposal included in NDAA FY 2008 currently under U.S. Senate review.	USD(AT&L)
D-2006-117, American Forces Network Radio Programming Decisions, 9/27/2006	Update DoD Regulation 5120.20-R to provide written policies, controls, and procedures for the radio programming decision-making process.	Impacted by BRAC consolidation of AFIS and internal communications functions of the services.	ASD(PA)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2006-118, Financial Management: Financial Management of Hurricane Katrina Relief Efforts at Selected DoD Components, 9/27/2006	Issue policy guidance directing the closeout of Hurricane Katrina mission assignments and return of reimbursable funding authority to FEMA. Revise DoD FMR to reflect changes in financial management responsibilities.	USD (C) actions contingent on revision of ASD (HD) guidance; corrective actions predicated upon actions by outside agencies.	USD(C), NORTHCOM
D-2006-123, Program Management of the Objective Individual Combat Weapon Increment I, 9/29/2006	Report is FOUO.	Lack of management responsiveness.	Army
D-2007-002, Logistics: Use of DoD Resources Supporting Hurricane Katrina Disaster, 10/16/2006	Revise DoDD 3025.1, Military Support to Civil Authorities, to identify ASD (HD) as executive agent for defense support of civil authorities and the USNORTHCOM as the supporting combatant command for defense support of civil authorities.	Normal time needed for implementation.	ASD(HD)
D-2007-005, Army Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs, 10/12/2006	Accelerate the development of the Future Business System and ensure that it contains the documentation needed for milestone decision authorities to exercise their management oversight responsibilities.	Lack of management responsiveness	Army
D-2007-007, FY 2005 DoD Purchases Made Through the General Services Administration, 10/30/2006	The USD (Comptroller) will update policy guidance on the use and difference between Economy Act orders and Non-Economy Act orders.	Corrective actions are on schedule	USD(C)

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-008, Acceptance and Surveillance of F-16 Mission Training Center Simulation Services, 11/1/2006	The Air Force and the DCMA will develop quality assurance surveillance plans for the follow on F-16 Mission Training Center simulation service contract. The Air Force will revise AFI 36-2251 to more clearly define the roles and responsibilities of personnel who manage and administer simulation service contracts throughout all major commands.	Extensive time required to coordinate and issue policy, and to update quality assurance plans.	AF
D-2007-010, Army Small Arms Program that Relates to Availability, Maintainability, and Reliability of Small Arms Support for the Warfighter, 11/2/2006	Army is following up on the findings and recommendations of the Soldier Weapons Assessment Team Report Number 6-03.	Normal time needed for implementation.	Army
07-INTEL-10, Report on Defense Hotline Complaint on Pentagon Force Protection Agency Acquisition of Technical Surveillance Countermeasures and Security Support (U), 7/11/2007	Report is classified.	Report is classified.	AF, DAM
D-2007-023, DoD Purchases Made Through the National Aeronautics and Space Administration, 11/13/2006	The USD(AT&L) will develop and implement policy guidance to strengthen DoD contracting procedures and training requirements. The Navy will develop training for contracting personnel on proper acquisition planning and administration of interagency acquisitions. The DISA will strengthen contracting procedures in the proper use of non-DoD contracts.	Corrective actions are on schedule.	USD(AT&L), Navy, DISA



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-024, Management and Use of the Defense Travel System, 11/13/2006	USD(P&R) will establish a process to collect complete, reliable, and timely DoD travel information and establish necessary improvements to maximize benefits of Defense Travel System. DFAS will develop, document, and implement a reconciliatory process from disbursing systems to work counts in e-Biz.	Long-term corrective actions on schedule.	USD(P&R), DFAS
D-2007-025, Acquisition of the Pacific Mobile Emergency Radio System, 11/22/2006	Report is FOUO.	Extended time needed to analyze costs and complete required program documents.	PACOM
D-2007-028, Controls Over Army Cash and Other Monetary Assets, 11/24/2006	DFAS has developed the agent officer roster but it needs to be verified.	Corrective actions are on schedule.	DFAS
D-2007-029, Auditability Assessment of the Defense Intelligence Agency Business Processes for the Identification, Documentation, and Reporting of Property, Plant, and Equipment (U), 11/30/2006	Report is classified.	Corrective actions are on schedule.	DIA
D-2007-039, Information Assurance of Missile Defense Agency Information Systems (FOUO), 12/21/2006	Report is FOUO.	Report is FOUO.	MDA



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-040, General and Application Controls Over the Financial Management System at the Military Sealift Command, 1/2/2007	Improve the reliability of financial information by strengthening the general and application controls over the Military Sealift Command's Financial Management System. Specifically, improve internal controls over entity-wide security program planning and management, access controls, software development and change controls, system software, segregations of duties, service continuity, authorization, and accuracy.	Long-term corrective action on schedule.	Navy
D-2007-041, Navy General Fund Vendor Payments Processed By Defense Finance and Accounting Service, 1/2/2007	Update the DoD FMR to be in full compliance with Statement of Federal Financial Accounting Standards Number 1; improve the recording of DoN accounts payable (A/P) transactions; identify the accounts payable recording as an assessable unit and develop procedures to test compliance with Navy General Fund; strengthen procedures to ensure that supporting documentation for all non-Electronic Data Interchange vendor payment transactions is maintained and supports proper disbursements; improve payment and operating procedures used to make vendor payments; require all certifying officials to provide supporting documents.	Corrective actions are on schedule.	USD(C), DFAS, Navy



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-042, Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies, 1/2/2007	Consult with the Office of General Counsel to independently assess and determine whether formal investigations should occur for the potential Antideficiency Act violations. Also, work with DFAS in identifying reimbursements for purchases to Non-DoD agencies citing funds that are either expired or closed and no longer available for use.	Extensive time needed to investigate potential ADA violations and coordinate manual reconciliation efforts.	USD(C), DFAS
D-2007-043, Controls Over the Army, Navy, and Air Force Purchase Card Programs, 1/10/2007	The Army and Air Force will issue purchase card guidance and improve efforts to disseminate and implement guidance.	Extensive time required to coordinate and issue policy guidance.	Army, AF
D-2007-044, FY 2005 DoD Purchases Made Through the Department of the Interior, 1/16/2007	The U.S. Army will revise its internal policy guidance on the proper use of non-DoD contract instruments. Additionally, the ASA(FM&C) is developing an informational pamphlet on interagency agreements.	Corrective actions are on schedule.	Army
D-2007-045, Acquisition of the Precision Guided Mortar Munition Program, 1/10/2007	Report is FOUO.	Lack of management responsiveness.	Army



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-048, Navy Sponsor Owned Material Stored at the Space and Naval Warfare Systems Centers, 1/26/2007	The Space and Naval Warfare Systems Centers (SSC) San Diego and Charleston (the Centers) will perform a wall-to-wall inventory of material and other assets stored at all of the Centers storage locations. The inventory will include properly classifying material and other assets; validation of material and other asset ownership; and updating the dollar value (unit price) of the material and other assets, as needed. The Centers will also support the Space and Naval Warfare Systems Command (SPAWAR) in its planned effort to update internal policies and procedures and then their own policies and procedures. ASN (Financial Management Operations) will also publish updated Data Collection Instrument instructions that properly define Operating Materials and Supplies; and General Property, Plant and Equipment for financial reporting purposes; and provide guidance and properly identifying the respective assets for correct categorization.	Corrective actions are on schedule.	Navy
D-2007-049, Equipment Status of Deployed Forces Within the U.S. Central Command, 1/25/2007	Report is Classified.	Report had been in mediation and has been recently resolved.	USD(P&R)



Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-054, Quality Assurance in the DoD Healthcare System, 2/20/2007	ASD (HA) will revise DoD 6025-13-R, "Military Health System (MHS) Clinical Quality Assurance (CQA) Program Regulation," dated 6/11/04 to help Military Health System managers monitor and improve the quality of medical care in the MHS and mitigate the risk of financial loss. Upon revision of the DoD regulation, the Services will revise Service-level guidance as necessary.	Normal time required for implementation of recommendations.	ASD(HA), Army, Navy, AF
D-2007-055, Contract Administration of the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers, 2/5/2007	The USACE Ordering Districts will maintain responsibility for monitoring timeliness of bottled water deliveries. Each contracting office and their internal review offices will review processes to ensure enforcement of contract time delivery parameters. The USACE will issue guidance reminding Field Operating Agencies of contract requirements for properly supported invoices and proper recordkeeping.	Corrective actions are on schedule.	Army
D-2007-057, Use and Controls Over Military Interdepartmental Purchase Requests at the National Geospatial-Intelligence Agency, 2/13/2007	Report is FOUO.	Corrective actions are on schedule.	NGA

Report Number Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
D-2007-061, Defense Finance and Accounting Service Dayton Network Compliance With the Prompt Payment Act, 3/1/2007	Improve processes and procedures to ensure compliance with the Prompt Payment Act.	Corrective actions are on schedule.	DFAS
D-2007-062, Department of the Navy Purchases for and From Governmental Sources, 2/28/2007	The USD(AT&L) has tasked the DUSD(I&E) to update DoDI 4000.19. The update will consider the requirements of the DoD Financial Management Regulation, Volume 11A, Chapter 3. Also, the DON will update the Funds Usage Documents Course and the Financial Management Policy Manual, which will include more detailed procedures associated with MIPRs to both DoD and Non-DoD providers.	Extensive time required to revise policy guidance and develop new training course.	USD(AT&L), Navy
D-2007-066, Navy Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs, 3/9/2007	Improve the Dashboard reporting system. Implement documentation and testing requirements in support of program milestone decision reviews.	Competing priorities. Extended time needed to meet program documentation and testing requirements	Navy
D-2007-067, DoD Initiatives for Combating Weapons of Mass Destruction, 3/30/2007	Report is FOUO.	Report has been recently resolved.	USD(AT&L), JS, STRATCOM
D-2007-073, Financial Data Processed By the Medical Expense and Performance Reporting System (MEPRS), 3/21/2007	Develop appropriate accounting, measurement, and recognition methods for the data used in the MEPRS allocation process at the military treatment facilities.	Corrective actions are on schedule.	USD(C), ASD(HA), Army, Navy, AF

# APPENDIX G

## DEFENSE CRIMINAL INVESTIGATIVE ORGANIZATION STATISTICS

The Defense Criminal Investigative Organizations, comprised of DCIS, the U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service, the Air Force Office of Special Investigations, and the Marine Corps Criminal Investigative Division. Monetary recoveries of approximately \$62.6 million resulted from the investigations by the DCIOs, and are displayed by major categories in Figure 1 (right). Figure 2 (below) displays the total companies and individuals indicted and convicted is 458 and 439 respectively. Figure 3 (bottom right) displays the number of companies and individuals suspended or debarred for this period were 24 and 80, respectively.

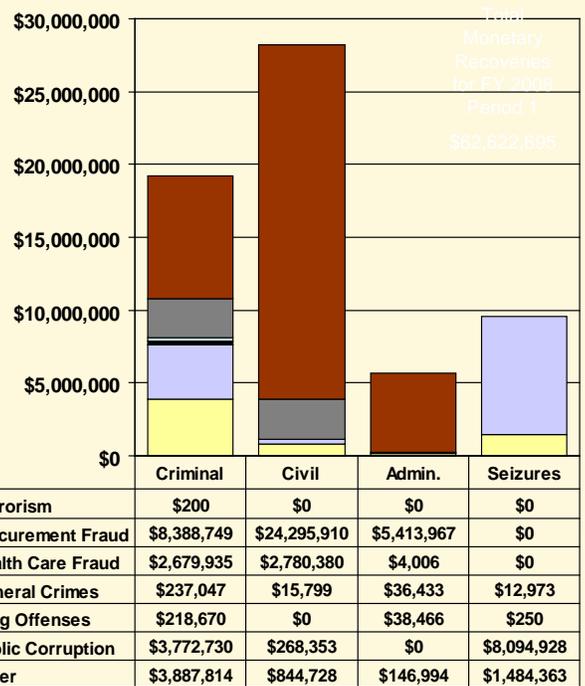


Figure 1

Total Suspension: 24  
Total Debarments: 80

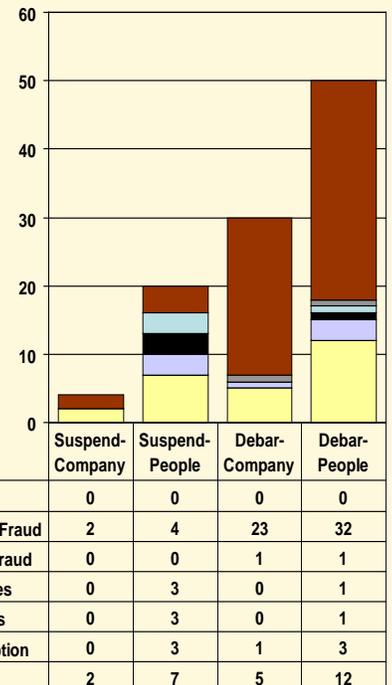


Figure 3

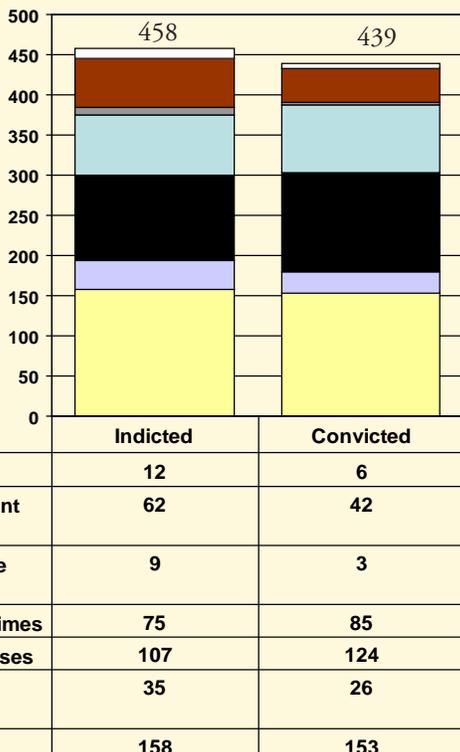


Figure 2

# APPENDIX H

## ACRONYMS

(AAA) Army Audit Agency	(ESOH) Environment, Safety, and Occupational Health
(AFAA) Air Force Audit Agency	(FAR) Federal Acquisition Regulation
(AFCENT) Allied Forces Central Europe	(FBI) Federal Bureau of Investigation
(AFOSI) Air Force Office of Special Investigations	(FMS) Foreign Military Sales
(AOR) Area of Responsibility	(FMTV) Family of Medium Tactical Vehicles
(APO) Audit Policy and Oversight	(FY) Fiscal Year
(ATF) Alcohol, Tobacco and Firearms	(GAO) Government Accountability Office
(CbT) Combating Terrorism	(GSA) General Services Administration
(CCIU) Computer Crimes Investigative Unit	(GWOT) Global War on Terror
(CENTCOM) Central Command	(HHS) United States Department of Health and Human Services
(CID) Criminal Investigative Division	(HKFTF) Hurricane Katrina Fraud Task Force
(CIFA) Counterintelligence Field Activity	(HMMWV) High Mobility Multipurpose Wheeled Vehicle
(CITF) Criminal Investigation Task Force	(HUD) United States Department of Housing and Urban Development
(COCOM) Combatant Command	(ICCTF) International Contract Corruption Task Force
(COMSEC) Communications Security	(ICE) Immigration and Customs Enforcement
(CONUS) Continental United States	(IED) Improvised Explosive Device
(COR) Contracting Officer's Representative	(IG) Inspector General
(CPI) Critical Program Information	(IPO) Investigative Policy and Oversight
(CRI) Civilian Reprisal Investigations Directorate	(IRS) Internal Revenue Service
(DCAA) Defense Contract Audit Agency	(ISF) Iraqi Security Forces
(DCIE) Defense Council on Integrity and Efficiency	(ISR) Intelligence, Surveillance, and Reconnaissance
(DCIOs) Defense Criminal Investigative Organizations	(IT) Information Technology
(DCIS) Defense Criminal Investigative Service	(JCC) Joint Contracting Command
(DCMA) Defense Contract Management Agency	(JOC) Joint Operations Center
(DFAS) Defense Finance and Accounting Service	(JPG) Joint Planning Group
(DFS) DoD FAR Supplement	(JTTF) Joint Terrorism Task Force
(DIB) Defense Industrial Base	(KBR) Kellogg, Brown & Root
(DoD) Department of Defense	(KIA) Killed in Action
(DODD) DoD Directive	(LInX) Law Enforcement Information Exchange
(DoD IG) Department of Defense Inspector General	(LOGCAP) Logistics Civil Augmentation Program
(DoJ) Department of Justice	(LSA) Logistics Support Area
(DoN) Department of the Navy	(MDA) Maritime Domain Awareness
(DoS) Department of State	(MHS) Military Health System
(DoT) Department of Transportation	(MNF-I) Multi-National Force Iraq
(DRMS) Defense Reutilization and Marketing Service	(MPFU) Major Procurement Fraud Unit
(DSCC) Defense Supply Center Columbus	(MRI) Military Reprisal Investigations
(DSS) Defense Security Service	
(DTRA) Defense Threat Reduction Agency	
(ECIE) Executive Council on Integrity and Efficiency	



(NASA) National Aeronautics and Space Administration  
(NATO) North Atlantic Treaty Organization  
(NAVAUDSVC) Naval Audit Service  
(NCIS) Naval Criminal Investigative Service  
(NCTC) National Counterterrorism Center  
(NIST) National Institute of Standards and Technology  
(NPFTF) National Procurement Fraud Task Force  
(OCCL) Office of Communications and Congressional Liaison  
(OCONUS) Outside Continental United States  
(ODIG-AUD) Office of the Deputy Inspector General for Auditing  
(ODIG-INTEL) Office of the Deputy Inspector General for Intelligence  
(OEE) Office of Export Enforcement  
(OEF) Operation Enduring Freedom  
(OIF) Operation Iraqi Freedom  
(OMB) Office of Management and Budget  
(ONS) Operational Needs Statement  
(PACOM) U.S. Pacific Command  
(PCIE) President's Council on Integrity and Efficiency  
(PMI) Patient Movement Items  
(PMI) Project Management Institute  
(PPA) Prompt Payment Act  
(ROWPU) Reverse Osmosis Water Purification Units  
(TPEG) Technology Protection Enforcement Working Group  
(USACIDC) U.S. Army Criminal Investigation Command  
(USACIL) U.S. Army Criminal Investigation Laboratory  
(USAF) U.S. Air Force  
(USMC) U.S. Marine Corps

# Protect the Total Force



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