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Semiannual Report to the Congress

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Office of the Inspector General

Department of Defense

VISION STATEMENT:

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

MISSION STATEMENT:

The Office of the Inspector General promotes integrity, accountability, and improvement of Department of Defense personnel, programs and operations to support the Department's mission and to serve the public interest.

GOALS:

- *Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs and operations.*
- *Eliminate fraud, waste, and abuse in the programs and operations of the Department.*
- *Improve the efficiency and effectiveness of OIG products, processes, and operations.*

FOREWORD

As the Principal Deputy Inspector General of the Department of Defense (DoD), I am pleased to submit this Semiannual Report to Congress for the six-month period ending March 31, 2006. During this period two major operations have demanded the attention of the DoD and the Office of Inspector General (OIG). One is the ongoing Global War On Terrorism (GWOT) including operations in Iraq and Afghanistan. The other has been the participation of the DoD in the response to the devastation resulting from Hurricane Katrina and other storms that hit the Gulf Coast.

Chapter 1 of this report provides an overview of the extensive efforts by auditors, investigators, and inspectors in the DoD to monitor tax dollars expended in support of the GWOT. The fight against terrorism is a long-term commitment and the DoD oversight community has an important role in promoting the efficient and effective use of resources devoted to this effort. In this chapter, we discuss the recent initiative by the OIG to increase its presence in Southwest Asia by opening a field office in Qatar. DoD investigative elements have been participating with the FBI in Joint Terrorism Task Forces. Initiatives by inspectors general at the combatant commands demonstrate that oversight is taking place across the services and at every level within the Department.

The Gulf Coast of the United States was the target of several major tropical storms during 2005, most notably, Hurricanes Katrina, Rita and Wilma. The DoD has a significant role in assisting with hurricane recovery and relief efforts. Chapter 2 discusses how the OIG and other DoD audit and investigative agencies are working to ensure effective oversight in the utilization of resources for relief and recovery efforts.

This report also discusses other audits, investigations, and inspections that address the major management challenges faced by the DoD. Significant accomplishments resulting from these efforts include almost $1.4 billion in monetary benefits identified in audit reports issued by the OIG and the service audit agencies. Further, investigations conducted by the Defense Criminal Investigative Organizations resulted in monetary recoveries totaling $126.4 million.

I want to recognize the efforts of the men and women in the OIG for their commitment to promoting integrity, accountability, and efficiency within the DoD.

Thomas F. Gimble
Principal Deputy Inspector General

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INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

The Table below cross-references the specific pages in this semiannual report to the reporting requirements prescribed by the Inspector General Act of 1978 (Public Law 95-452), as amended.

IG Act References	Reporting Requirements	Page
Section 4(a)(2)	"review existing and proposed legislation and regulations...make recommendations..."	62-64
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	19-48
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	19-48
Section 5(a)(3)	"identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..."	49-51
Section 5(a)(4)	"a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted.."	19-48
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.	65-74, 75
Section 5(a)(7)	"a summary of each particularly significant report..."	19-48
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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..."	76
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..."	77
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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..."	80-101
Section 8(f)(1)	"information concerning the number and types of contract audits..."	78

CHAPTER 1 — GLOBAL WAR ON TERRORISM

Between September 11, 2001, and September 2005, the United States has obligated $268 billion in support of the Global War on Terrorism (GWOT). Overseeing these expenditures, the acquisition of massive amounts of materiel and equipment involved to support actions in Afghanistan and Iraq, and the extensive logistics to move these resources poses tremendous challenges for the services. The work of the Department of Defense (DoD) oversight community has been and will continue to be critical to the outcome of the DoD-wide GWOT efforts.

The continuing efforts of the services, incorporating the lessons learned of Operations Iraqi Freedom, Enduring Freedom, and Noble Eagle focus on the flexible support that is crucial to helping the armed forces meet all threats, the traditional and the unconventional. The efforts at transformation to achieve this flexibility also include changes in the overseas presence of United States forces, such as altering the footprint of our installations and activities globally to better position our forces to address the evolving threat environment.

The DoD Office of the Inspector General (OIG) opened a field office in Qatar in March 2006. The staff in the Qatar office has been assigned to conduct audits, inspections, and investigations as required in Iraq, Afghanistan, Kuwait, and Qatar to support the operational commanders. The reviews done by this staff will cover critical issues that are important to the Department in the areas of readiness, logistics, force management, contracting, and financial management.

The DoD OIG continues to support the development of a strong anti-corruption system within the Iraqi government. A viable Inspector General (IG) system is one of the three pillars of the Iraqi Anti-Corruption program. The DoD OIG provided a senior advisor to the Iraq Ministry of Defense (MoD) IG to train, mentor, and assist the organizational and policy development of this fledgling program essential to the stability and accountability of the new government. In November 2005, the DoD OIG deployed a two-person mobile training team to Iraq to train 38 Iraqi MoD and Ministry of Interior OIG staff members in IG principles and procedures for inspections and assistance. Additional mobile training teams are planned to teach audit and investigation procedures. As the Iraqi IGs build their organizational capacity, they are helping the MoD promote principled governance, anti-corruption programs and a transparent rule of law process. On January 5, 2006, the DoD and Department of State Inspectors General co-hosted representatives from several other federal Offices of Inspector General to discuss how, as a community, we can further enable capacity-building within the Iraq IG system as a key element in their Anti-Corruption program.

Audits

To sustain the strong bond created by the effective coordination among the DoD audit community, the DoD OIG continues to actively participate in the Readiness/Forces Management Joint Planning Group with the Military Service audit agencies and the Government Accountability Office. Service audit agencies greatly support the GWOT through recommended efficiencies and cost-effective measures. Audits that identify funds that can be put to better use are critical to the support of the GWOT and the warfighter.

At this time, there are a total of 155 auditors assigned to GWOT related initiatives: 20 in DoD OIG, 58 in Army Audit Agency (AAA), 49 in Naval Audit Service (NAS), and 28 in Air Force Audit Agency (AFAA). Since FY 2002, the DoD OIG has issued 33 reports related to GWOT. From March 2004 through April 2005, 25 DoD OIG auditors provided support to the Coalition Provisional Authority Inspector General and the Special Inspector General for Iraq Reconstruction.

The DoD OIG is conducting audits in the Southwest Asia region launched from both the Qatar field office and from the Continental United States (CONUS). Those audits include the Commander's Emergency Response Program (CERP), Equipment Status of Deployed Forces, Information Operations in Southwest Asia, Joint Service Small Arms Program, and Management of the Iraq Security Forces Fund.

The DoD OIG Qatar staff is in the process of reviewing the administration of the CERP in Afghanistan. The CERP enables local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility.

An audit of the Equipment Status of Deployed Forces is being conducted to determine whether units deployed to Iraq have been equipped in accordance with mission requirements. This audit began in December 2005 and the team has made their first trip into the theater to include Kuwait, Bahrain, and Qatar and is leaving again for Afghanistan and Iraq in early May 2006.

An evaluation of information operations in Southwest Asia, specifically the activities of the U.S. Central Command (USCENTCOM) and U.S. Special Operations Command (USSOCOM), will look at the role of private contractors in conducting information operations activities.

The Joint Service Small Arms Program will be reviewed to evaluate the initiatives to support and sustain the warfighter in the current operating environment.

The Management of the Iraqi Security Forces Fund is being reviewed to determine whether the $5.7 billion provided in the FY 2005 supplemental for the equipping, facility and infrastructure repair, renovation and construction, supplying, and training of the Iraq security forces was used for the intended purposes and whether transfers to other DoD appropriations followed congressional intent and applicable appropriation law.

The AAA reported existing control weaknesses related to handling military interdepartmental purchase requests and nonconstruction contract payments, making Iraqi vendor payments, and performing fund status reviews. AAA also identified at least $12.4 million in unused payroll funds that should be used to offset other budget requirements.

The NAS has audited Emergency Action/Continuity of Operations Planning in the intelligence community and fund controls in classified programs. NAS also assisted in oversight of intelligence, compartmented programs, sensitive activities, and controls over communication security equipment and the Navy Small Arms Program. NAS also completed an audit on Demand on Equipment. The United States Marine Corps initiated a study of Stress on Equipment due to operations related to the GWOT. Other reports include: Models Used by the Marine Corps to Determine Requirements and Budget for Ammunition. At the request of the Deputy Commandant for Programs and Resources, NAS audited the reliability of the conventional ammunition model; H-1 Upgrades Program. NAS is continuing a series of audits in the anti-terrorism and force protection area and also has scheduled audits of classified and intelligence-related contracting and small arms controls in the Marine Corps.

The AFAA currently has two ongoing and two planned GWOT-related audits requested by the United States Central Command Air Forces (CENTAF) in the overseas Area of Responsibility (AOR): (1) an ongoing audit of U.S. Central Command Air Forces Deployed Locations Cash Management; (2) an ongoing audit of U.S. Central Command Air Forces Deployed Locations Blanket Purchase Agreements; (3) a planned audit of U.S. Central Command Air Forces AOR Contract Management; and (4) a planned audit of U.S. Central Command Air Forces AOR Ground Fuel Management.

Audits not in the AOR include: (1) an ongoing audit of Civilian Deployments; (2) a planned audit of Homeland Security, Civil Air Patrol; (3) An ongoing audit of Weapons of Mass Destruction Emergency Medical Response Capabilities; and (4) a planned followup audit of Weapons of Mass Destruction Emergency Response Equipment.

Investigations

As the criminal investigative arm for the DoD OIG, the Defense Criminal Investigative Service (DCIS), as part of a Department of Justice Task Force, is involved in the review of allegations regarding matters that have occurred in Iraq. Beginning in May 2003, DCIS provided two special agents to conduct criminal investigations in support of the Coalition Provisional Authority (CPA) in Baghdad. Investigative support to the CPA resulted in numerous recoveries and dismantling of criminal operations, to include a multi-million dollar counterfeiting operation involving the Iraqi dinar, and the multiple seizures of weapons and explosive devices destined to be used against coalition forces.

DCIS and its military criminal investigative counterparts continue to provide criminal investigative support within their respective authorities to investigate major frauds, corruption, thefts, and other compromises of DoD assets in Afghanistan, Iraq, and other countries in that theater. DCIS agents deploy from Europe and CONUS with investigation partners (e.g., FBI) into theater to conduct investigative operations, such as gathering evidence and conducting interviews when crimes are reported. However, the bulk of their investigative activities occur in CONUS where corporate headquarters of DoD contractors, key evidence, and Department of Justice prosecutive support are located. With the deployment of the OIG Qatar Field Office, DCIS expects a significant increase in criminal fraud referrals and a concomitant increase in investigator presence in the area.

DCIS also conducts investigations of the illegal diversion, theft, or movement of strategic technologies and U.S. Munitions List items to proscribed nations, and to terrorist organizations that pose a threat to national security. Technology Protection-related investigations have grown to encompass approximately 20 percent of DCIS' active caseload. DCIS is currently recognized by the Department of Homeland Security, Federal Bureau of Investigation (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.

The Military Criminal Investigative Organizations (MCIOs), composed of the U.S. Army Criminal Investigation Command (USACIDC), the Air Force Office of Special Investigations (AFOSI), and the Naval Criminal Investigative Service (NCIS), also play an active role in the GWOT by providing top-notch investigative support and valuable intelligence information to the combatant and Service component commanders. They also actively participate in worldwide joint terrorism task forces, sharing and acting on information, and relying on the unique skills and investigative specialties of the participating organizations to ensure no potential threat goes unchecked.

Special agents from DCIS and the MCIOs are assigned to Federal Bureau of Investigation-led Joint Terrorism Task Forces (JTTFs) located throughout the country. These task forces are comprised of small groups of highly trained, locally based investigators, analysts, linguists, and other specialists who investigate DoD-related leads, gather evidence, make arrests, provide security for DoD-related special events, conduct training, collect and share DoD-related intelligence, and respond to threats and incidents related to the DoD. JTTFs throughout the country are considered the nation's "front line" in battling terrorism, and have been instrumental in breaking up terrorist cells such as the "Portland Seven," the "Lackawanna Six," and the Northern Virginia Jihad.
In addition to participation in JTTFs, the Defense Criminal Investigative Organizations (DCIOs), comprised of the MCIOs and DCIS, share information with other federal law enforcement and intelligence agencies involved in the GWOT, such as the Department of Homeland Security, the Defense Intelligence Agency, and the DoD Counterintelligence Field Activity (CIFA).

Since September 11, 2001, each DCIO has embarked on unique programs to lend their assets and provide support to the GWOT. Following are some examples of those efforts.

Worldwide, USACIDC agents and support personnel are providing crucial investigative, intelligence and protective services to the U.S. Army in support of the GWOT. USACIDC has over 120 agents currently deployed to Iraq, Afghanistan, and elsewhere in the world in support of the GWOT and the U.S. Army Forces committed to that campaign. This latest rotation of about 120 agents continues the proactive posture of the USACIDC command and the constant forward deployment of its assets since 9/11 in the GWOT. Almost 90 percent of all reserve agemts – over 320 – as well as about 70 percent or 550 of all active duty agents in the field have been deployed since 9/11. These agents have conducted sensitive site exploitations of suspected terrorist habitations in Afghanistan and Iraq, have investigated and interviewed suspected terrorists in preparation of judicial proceedings, and have collected and preserved evidence to assure successful prosecutions.

USACIDC leads the Criminal Investigation Task Force (CITF), a joint enterprise of criminal investigators from all MCIOs, whose major task is to investigate and develop prosecutable packets against terrorists held at Guantanamo Bay, Cuba. Additionally, CITF agents in Iraq are actively supporting the Central Criminal Court of Iraq by investigating and assisting in the prosecution of terrorists under the Iraqi judicial system. They have had over 60 successful prosecutions, with 3 resulting in death sentences and another 12 resulting in life confinement sentences.

USACIDC has joined with U.S. Army military intelligence to close the gaps and seams that existed between foreign and counterintelligence information and law enforcement and domestic criminal intelligence. In order to further bolster the integration of law enforcement information into the fight against terrorism, USACIDC is in the process of expanding its criminal intelligence capabilities to better provide commanders with the force protection information they need to protect and defend the personnel and vital assets under their commands.

Because of the increased threat from terrorists, the number of DoD officials being protected by USACIDC agents, in the United States and abroad, has almost doubled. Further, because of the need for increased and more in-depth protection, the number of protective service personnel assigned to the various principals has dramatically increased. These protective service agents perform a vital mission in safeguarding those DoD leaders who are directing the GWOT, from the Pentagon to field commands in Afghanistan and Iraq.

The NCIS forensic exploitation of non-improvised explosive devices and related items involves two separate but interconnected efforts. First, in November 2005, NCIS developed an evidence collection-training program designed for the unique Iraqi environment. Second, in January 2006, NCIS established the Latent Print Laboratory – Camp Fallujah (LPL-CF), as a pilot forensic latent print laboratory to examine collected evidence related items. The project was designed to improve the timeliness of evidence recognition, thus enabling the investigative and prosecutorial process, as well as gathering intelligence for future identification of terrorists. To date, the program has resulted in:

- Detainees' identities being confirmed or denied in 48 hours or less, thus enabling the retention of detainees if warranted.

- Interview techniques being enhanced.

- Results meeting requirements for acceptance into the U.S. legal system, which is serving as the model for the developing Iraqi legal system.

- Forward commanders having information to make proactive operational decisions and the intelligence community providing improved link analysis and targeting packages.

The NCIS also has established a Middle East Field Office (MEFO) Threat Mitigation Unit (TMU). The TMU is tasked with providing expeditionary support to "big deck" ship visits for selected ports in the U.S. Naval Central

Command's (NAVCENT) area of operation; establishing a network of overt sources and informational contacts at these ports; and conducting operations designed to identify pre-incident indicators of possible terrorist actions and foreign collection activities.

Caring for special agents assigned to hostile areas and their families is a prime concern of the MCIOs. Responding to that concern, in March 2005, AFOSI developed a Deployment Stress Management Program (DSMP) that aims to reduce the psychological impact on OSI members and their families being deployed to high threat areas by providing education and support prior to, during, and after deployment.

Inspections

The DoD OIG is conducting a follow-up evaluation of the DoD/Department of State (DoS) Interagency Assessment of Iraq Police Training. The original report focused on improving the effectiveness of the U.S. funded Iraqi police training program and accelerating the transition of training responsibility to the Iraqi government. Several of the recommendations of that report already have been implemented.

Inspections are a key component to maintaining readiness at the individual service level. The Army, Navy, Marine Corps and Air Force each have an IG responsible for inquiring into and periodically reporting on the discipline, efficiency, economy, morale, training, and readiness of their respective military programs and forces. Examples of some of the initiatives taken by military IGs follow.

The Army IG conducted a special follow-up inspection on detainee operations. The team inspected 33 locations and interviewed over 1,000 leaders and soldiers involved in detainee operations. The follow up inspection had four objectives: (1) assess the distribution and execution of established policies and authorities for interrogation from the point of capture to the internment/resettlement facilities; (2) assess the distribution and execution of established policies and authorities for the capture, care, and control of detainees from the point of capture to the internment/resettlement facilities; (3) assess detainee operations training for personnel operating internment facilities, interrogation facilities, collecting points, and points of capture; and (4) assess the conditions of collecting points and detention facilities. The final report is expected to be released during April 2006.

The Army IG's Technical Inspection Division conducted Army-wide Nuclear, Biological, and Chemical Surety inspections and assessment to validate compliance with DoD and Army surety policies. These policies contain systems of control measures that provide protection to the local population, workers, and

the environment by ensuring that biological and chemical agent operations are conducted safely; that agents are secure; and that personnel involved in these operations meet the highest standards of reliability.

The Air Force IG, through a top-to-bottom rewrite of all Air Force inspection guidance, has emphasized the changing threats in today's wartime environment. As an example, the Ability to Survive and Operate phase now consists of split Mission-Oriented Protective Postures (MOPP) levels, transitioning procedures from contaminated to sterile environments, and asymmetrical attacks – situations the Airman may encounter while deployed in the GWOT.

The Air Force IG currently is coordinating the draft USAF Counter-Biological Warfare Concept of Operations to better focus on chemical or biological attacks. This new guidance will establish inspection criteria specific to biological warfare. Additionally, the Disease Containment Plan is scheduled for release in the summer of 2006. This instruction outlines the Air Force's approach to preparing for and responding to contagious disease outbreaks, whether naturally occurring or the result of deliberate attacks. This document is cross-functional and directs all Air Force installations to develop, exercise, and maintain a Disease Containment Plan.

The Air Force IG also is revising the emergency management guidance (previously the full-spectrum threat response, or FSTR, program) to include requirements and standards for individual protective equipment, as well as opportunities for joint training and exercises employing Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) scenarios. The incorporation of new biological defense and emergency response guidance into inspection criteria ensures that Air Force installations are well prepared to respond to all biological threats, including biological warfare, biological terrorism, and naturally occurring disease outbreaks.

On the combatant command level, IGs also play an important role in improving operational readiness, operational command and control systems, force protection, and intelligence oversight. Examples of some of their most recent efforts follow.

The North American Aerospace Defense Command (NORAD) and the U.S. Northern Command (USNORTHCOM) IG:

- Conducted regular no-notice, live-fly Alert Force Evaluations of all alert fighter sites and squadrons under Operation Noble Eagle, to include exercising command and control links and conferences with assessors for scenarios in both Canadian and U.S. airspace.

- Monitored, tracked, analyzed, and observed vulnerability assessments on DoD installations and facilities.

- Conducted regular exercises for potential terrorist threats and consequence management where unbiased observers, such as the Joint Warfare Fighting Center were sequenced and positioned to gain qualitative, first-hand data and provide feedback to the Commander.

- Inspected the intelligence components of NORAD and USNORTHCOM to verify compliance with intelligence oversight guidance and law. The IG has taken the lead in promulgating operating procedures that help commanders monitor incoming data without hindering information sharing.

- Initiated development of procedures for receiving, handling, tracking, and purging when appropriate, the material currently termed "sensitive information" which might arrive in DoD channels and which must be analyzed to determine if it has a terrorism nexus.

The U.S. Special Operations Command (USSOCOM) IG:

- Maintained high standards for the Special Operations Forces (SOF) through rigorous and continuous verification of command policies and procedures.

- Implemented an aggressive joint inspection program at all Theater Special Operations Commands under the Unified Combatant Commanders. Recent inspections at Special Operations Command Europe (SOCEUR) and Special Operations Command Central (SOCCENT) ensured training and equipment needs were adequate for theater Special Operators as they prosecute the GWOT.

- Ensured training and equipment needs were adequate for theater Special Operators as they prosecuted the GWOT.

The U.S. Pacific Command (USPACOM) IG:

- Conducted command and control inspections on sub-unified and component commands focusing on the units ability to handle, transmit/receive, store, and secure classified messages/data while maintaining communications with USPACOM Emergency Operations Center (EOC) on a 24/7 basis.

- Monitored intelligence efforts and activities of sub-unified and component commands, required reports of readiness, and checking for consistency with regard to existing policies, programs and procedures specifically focusing on intelligence gathering activities both internal and external to the U.S.

- Conducted inspections on Security Assistance Organizations, focusing on personnel security and force protection measures consistent with each country's threat level and future known and anticipated threats.

Classified information and information on the DoD intelligence agencies' oversight of GWOT can be found in the classified annex to this report.

CHAPTER 2 — HURRICANE KATRINA

An Air Force senior airman nails a cover on a roof of a home damaged by Hurricane Katrina.

The Department of Defense (DoD) has been an active participant in the disaster recovery and relief efforts for areas of the Gulf Coast devastated by Hurricanes Katrina, Rita, and Wilma this past Fall. As a result, the DoD Office of the Inspector General (OIG) has been working in close coordination with other Inspectors General through the President's Council on Integrity and Efficiency (PCIE) to ensure effective oversight in the utilization of resources in the relief and recovery efforts.

Within DoD, the OIG, the Army Audit Agency (AAA), the Naval Audit Service (NAS), the Air Force Audit Agency (AFAA), the Defense Contract Audit Agency (DCAA), the Defense Criminal Investigative Service (DCIS), and the Army Criminal Investigation Command (USACIDC) have employed a cadre of about 150 auditors, investigators, and inspectors who have provided professional oversight of contracts and operations related to Hurricane Katrina relief and recovery efforts.

Audits

The DoD OIG has 11 ongoing audits related to Hurricane Katrina. These audits cover contracts on ice, water, temporary roofs, subsistence, and construction capabilities; expanded micro-purchase authority for purchase card transactions; effects on information technology resources in affected areas; accounting and oversight of obligations and expenditures related to DoD Hurricane Katrina efforts; and the use of DoD resources supporting recovery and relief efforts.

Further, the AAA, the NAS, and the AFAA have provided audit oversight. These audit agencies currently have 13 ongoing audit projects that cover the areas of contracting, financial accounting and reporting, contract data reporting, and purchase cards.

For example, the NAS reported on its review of the contract process used to award and administer four contracts involving chartered cruise ships to support Hurricane Katrina relief efforts. The review determined that the Military Sealift Command (MSC) met the requirements of Federal Acquisition Regulation, DoD, and Department of Navy policies. However, the review did disclose opportunities to improve the methods MSC uses to administer vessel preoccupancy inspections and invoice certification. MSC took actions to improve its methods in these areas during the audit.

DCAA is supporting both the Federal Emergency Management Agency (FEMA) and the Corps in its Hurricane Katrina recovery efforts. DCAA's support to FEMA is focused on FEMA's four largest reconstruction contractors: Bechtel, CH2M Hill, Fluor Federal, and Shaw Environmental. The audit effort has included forward pricing reviews, reviews of costs billed under Government contracts and preaward accounting system surveys, as well as support of Source Selection Evaluation Boards.

DCAA also has provided direct support to the Corps emergency response mission. DCAA provides professional advice on accounting and financial matters to assist in the negotiation, award, administration, repricing, and settlement of contracts. DCAA has been involved primarily in the Corps missions related to installation of temporary roofing (Blue Roof Mission) and debris removal (Debris Mission). This effort involves verifying contractor compliance with the terms and conditions of the contract. DCAA conducts audit steps such as on-site visits, physical observations, and verification of contractor records to ensure compliance with contractor policies and contract terms. For the Blue Roof Mission, DCAA's findings have included lack of initial estimates on Right of Entry forms, claimed quantities in excess of actual physical roof area, incomplete certified payroll records, and safety violations. For the Debris Mission, DCAA's findings have included the need for improved observation tower locations at dump sites, lack of standard procedures for determining the amount of debris hauled to dump sites, lack of controls over the billing process, and safety violations.

These observations and recommendations are recorded and reported to the Corps on a real-time basis. The Corps has taken corrective action on an ongoing basis or is in the process of taking corrective actions with the responsible contractors.

Investigations

In addition to audit coverage, DCIS has received 21 criminal allegations related to Hurricane Katrina. Of the 21 allegations, 8 were determined to be unfounded; 3 were declined for prosecution; 3 were referred to other federal agencies; 1 is being examined to determine if a case initiation is warranted; and 6 resulted in opened cases. The opened cases deal with bribery, kickbacks, and possible product substitution; three of these cases relate to debris removal, and one relates to blue roofs. The allegations originated from Government agencies, subcontractors, and private citizens.

DCIS has also conducted 34 mission or fraud awareness briefings. Currently, DCIS is working joint investigations with the U.S. Army Criminal Investigation Command and the Federal Bureau of Investigation. In addition, DCIS is supporting the following groups:

DCIS agents deployed to New Orleans, LA from September 5-18 to provide law enforcement support to disaster relief operations pose after a long shift patrolling the city streets.

· The Hurricane Katrina Fraud Task Force Command Center, headquartered in Baton Rouge, which consists of senior law enforcement and U.S. Attorney's Office personnel. This group coordinates investigations and collects and analyzes criminal investigative data.

· The joint law enforcement and U.S. Attorneys' Offices working group headquartered in Covington, Louisiana, and the Joint Criminal Investigative Task Force headquartered in Mississippi—both of which are looking into hurricane-related fraud and corruption.

USACIDC, the Navy Criminal Investigative Service, and the Air Force Office of Special Investigations have been performing missions in support of law enforcement and military personnel and the overall Force Protection of DoD military and civilian personnel involved in the relief efforts. Additionally, USACIDC is performing general crimes investigations.

Hotline

In support of the Department of Homeland Security and the PCIE community, the DoD OIG established the Hurricane Relief Fraud Hotline on October 4, 2005. The Hotline functions as a channel for logging, relaying, and tracking incoming complaints and allegations of wrongdoing. These complaints come to the Hotline through calls to an established toll free telephone number or via fax, regular mail service, or e-mail. Staff from the Defense Hotline and detailees from other Federal Agencies operate the Hotline.

Between October 5, 2005, and March 19, 2006, the Hurricane Relief Fraud Hotline reported 9,664 total contacts, which include calls, email, letters, and faxes. Of those total contacts, 5,017 cases were opened and forwarded to the Department of Homeland Security for further review.

On March 20, 2006, control of the Hurricane Relief Fraud Hotline passed from the DoD OIG to the Hurricane Katrina Fraud Task Force Command Center in Baton Rouge, Louisiana.

CHAPTER 3 — MANAGEMENT CHALLENGES

The Department of Defense (DoD) Office of Inspector General (OIG) annually assesses the most serious management and performance challenges faced by the DoD based on the findings and recommendations of audits, inspections, and investigations conducted during the year. The Inspector General (IG) Summary of Management Challenges is included in the DoD Performance and Accountability Report. In the Fiscal Year 2005 Performance and Accountability Report, the following challenges were identified:

- Joint Warfighting and Readiness
- Homeland Defense
- Human Capital
- Information Technology Management
- Acquisition Processes and Contract Management
- Financial Management
- Health Care
- Infrastructure and Environment

JOINT WARFIGHTING AND READINESS

United States forces continue to transform to meet the threats of the 21st century and beyond. The continuing efforts of the Services, incorporating the lessons learned of Operations Iraqi Freedom and Enduring Freedom, focus on evolving the armed forces to meet all threats, the traditional as well as the unconventional. The transformation efforts also include tailoring the overseas presence of U.S. forces, and changing the footprint of our installations and activities globally to better position our forces to address the evolving threat environment. Furthermore, the United States finds itself asking the armed forces to perform another new mission, conducting peacekeeping and stabilization operations. Although other management challenges encompass areas that directly affect joint warfighting and readiness issues, these continuing challenges, combined with the other management challenges, will determine the extent to which the United States will be able to achieve its national objectives through joint operations.

Audits

DoD OIG audits assessed enhanced operational movement and mobility requirements in support of Joint Operations in the U.S. Pacific Command. One report determined that U.S. Air Force bases lacked sufficient quantities of airfield damage repair materials to conduct crater repair, and that standardized testing procedures had to be established and implemented before serviceability of airfield runway repair materials could be determined. A second report concluded that movement and mobility resources for ground operations designated for the Korean Theater of Operations were not sufficient. These resource limitations could subject U.S. forces to an unplanned pause in operations that could jeopardize achievement of strategic and

A Lockheed Martin X-35A Joint Strike Fighter concept demonstrator receives fuel from a U.S. Air Force KC-135 Stratotanker during a test mission over California's Mojave Desert

operational plan objectives. Recommended improvements will correct weaknesses identified in the reports.

The objective of another DoD OIG audit was to assess the controls over the export of Joint Strike Fighter technology. The audit determined that contractors were allowed to: (1) designate personnel who had not received required training as certifiers of exports; (2) avoid audits designed to detect unauthorized releases of technology; and (3) disregard assessments on the quality of export training. Consequently, Joint Strike Fighter contractors incorrectly certified exports to foreign companies, which may have resulted in foreign companies gaining unauthorized access to Joint Strike Fighter technology. Improving oversight controls as a result of the audit will decrease the risk of contractors disclosing controlled unclassified technical information to unauthorized foreign companies.

An Air Force Audit Agency (AFAA) report revealed that Prime Base Engineer Emergency Force (BEEF) personnel did not always receive required training to perform emergency and wartime duties. Specifically, 970 Prime BEEF personnel did not receive 5,404 of the 12,359 required training events needed to operate equipment, perform tasks, or defend themselves. Additionally, Prime BEEF units were not completely equipped to support contingency related operations. Twelve of 18 units had equipment shortages for 606 of 5,337 assets valued at $510,173. Finally, a survey of 545 recently deployed Prime BEEF personnel indicated that the Air Force needed to provide additional training in specific areas and identified problems with equipment and supplies.

A second AFAA report concluded that planners did not properly assess base capabilities to support wartime and contingency operations. Although planning officials accomplished site plans for all but 2 of 11 locations reviewed, these plans were inaccurate and incomplete, and included discrepancies such as overstatements of available resources. Additionally, Air Force officials did not adequately use the Logistician's Contingency Assessment Tools (a system enabling automated, employment driven, agile combat support planning) to develop and oversee individual site plans. Auditors performed system implementation reviews at 11 locations and found that only 7 sites had installed the system, only 1 of the 7 sites was using critical system components, and only 5 of the 7 maintained their site plans in the system as required.

HOMELAND DEFENSE

The Department defines a threat as any circumstance or event with the potential to cause harm. The Global War on Terrorism continues to heighten the level of threat from adversaries of the United States. Direct threats to the homeland infrastructure are obvious, and we have made a tremendous effort to anticipate, prepare, and prevent those threats; however, a serious challenge that continues to warrant our vigilance is that of chemical and biological threats.

Audits

Because Homeland Defense is a top priority area within the Department, DoD OIG is reviewing how the Department is deterring, intercepting, and defeating threats at a safe distance. Additionally, to make sure that the coordination among the DoD audit community continues to be a strong bond, DoD OIG continues to actively participate in the Homeland Defense Joint Planning Group with the military service audit agencies and the Government Accountability Office.

An Army Audit Agency (AAA) report found that the Army's policy for programming and budgeting for contract security guard requirements will be effective at the Army's ammunition installations. U.S. Army Field Support Command used an acquisition process generally based on supportable force protection requirements in order to supply force protection services at installations.

AFAA performed an audit on contract security guards. Although it was determined the guards were properly equipped, staffing requirements and services received were not accurately validated, the security guards were not all trained and licensed, and they did not always have proper background checks. A review of 558 contract security guards disclosed that 154 had not completed required training prior to starting work, 93 were not weapons qualified, and 169 were neither state armed security guard certified nor had they completed prerequisites required to be state certified and licensed. In addition, contractors had not completed 253 pre-employment background checks, 160 National Crime Information Center checks, and 87 National Agency Checks.

An AFAA report stated that a review disclosed that fund managers did not effectively control intelligence contingency funds (ICF). Although auditors did not identify any evidence of inappropriate expenditures by Air Force personnel, ICF managers did not: (1) authorize or adequately document and support all ICF expenditures at 9 of 10 locations, (2) prepare and maintain complete and accurate quarterly management reports at 7 of 10 locations, and (3) control, account for, and safeguard ICF gift inventories at 4 of 5 locations.

Investigations

The Defense Criminal Investigative Organizations (DCIOs) actively participate in worldwide joint terrorism task forces, sharing and acting on information, and relying on the unique skills and investigative specialities of the participating organizations to ensure no potential threat goes unchecked. Examples of the DCIO's mission initiatives and investigative accomplishments pertaining to the Global War on Terrorism are detailed in Chapter 1. Examples of DCIO efforts related to Homeland Defense follow.

Focusing on critical national security related issues, the Defense Criminal Investigative Service (DCIS) created its National Security Program to provide oversight of technology protection and homeland security/terrorism-related efforts and to conduct liaison with federal, state, and local agencies that share investigative jurisdiction over these matters in order to promote interagency cooperation and the exchange of criminal intelligence.

DCIS also continues to build upon its newly developed criminal intelligence capability in furtherance of the National Criminal Intelligence Sharing Plan, which serves as a guide for the law enforcement and intelligence communities to ensure the sharing of information and to "connect the dots."

In September 2005, DCIS hosted an Interagency Technology Protection Conference for members of the federal law enforcement and intelligence communities, as well as representatives from various Defense agencies with export control-related functions, to discuss matters of mutual concern related to the illegal transfer of DoD strategic technologies and U.S. Munitions List items to proscribed nations, criminal enterprises, and terrorist organizations. Conference attendees received advanced training concerning export enforcement authorities and responsibilities, as well as training designed to enhance their ability to conduct investigations and operations in the protection of designated DoD technologies and technical information from foreign and domestic threats.

In May 2005, the Air Force Office of Special Investigations (AFOSI) began an aggressive campaign to interdict contraband and narcotics being smuggled aboard military transportation systems. Operation RUTHLESS RAVEN is an initiative to counter this smuggling threat. A task force comprised of agents, analysts, and data miners, was formed to identify vulnerabilities and indications of illegal smuggling activity. In addition to the task force, AFOSI organized a federal level working group consisting of the Military Criminal Investigative Organizations and other key federal law enforcement agencies to conduct liaison, share narcotics intelligence information, and conduct joint narcotics operations in an effort to detect and deter narcotics smuggling within the DoD. In October 2005, AFOSI conducted 17 flight

inspections over a six-week period. Although no narcotics were found, the liaison established with other law enforcement agencies will be extremely helpful as AFOSI continues to target smuggling in the future.

Examples of investigations involving Homeland Defense issues are highlighted below.

Erika Jardine, a non-DoD civilian, was sentenced to 6 months incarceration, 3 years probation, and 500 hours of community service resulting from her guilty plea relating to illegal exportation of a munitions list item without a license and unauthorized sale of U.S. property. Jardine's conviction was the result of a joint undercover operation that discovered that Jardine illegally exported Small Arm Protective Insert (SAPIs) body armor that she acquired from U.S. military members. Subsequent to her arrest, Jardine provided information that led to the arrest of nine U.S. Marines and the recovery of 104 SAPI plates, 14 Outer Tactical Vests, and other military equipment valued at $63,100.

Arif Durrani, an employee of the Aerospace Logistics Services S.A. de CV, Mexico, was convicted of four counts of exporting defense articles without a license, and one count of conspiracy to commit offenses against the U.S. A joint investigation developed information that Durrani, a Pakistani native and legal resident of Mexico, was shipping General Electric J-85 jet engines from the United States without the required export license. Durrani's sentencing is scheduled for June 2006.

Kal Nelson Aviation, Inc., a major DoD contractor, pled guilty to violating the Arms Export Control Act and agreed to pay a one million dollar fine. An investigation of the California company was initiated based upon the company's alleged shipment of International Trafficking in Arms Regulations (ITAR) controlled F-5 Tiger fighter aircraft components to a company located in Southeast Asia without required export licenses. The investigation revealed that additional ITAR controlled F-14 fighter aircraft and LQ-5 military missile parts were shipped to the same location in Asia without required licenses.

HUMAN CAPITAL

The premier challenge with human capital is to make sure that DoD civilian and military work forces are sized appropriately, well trained and motivated, held to high standards of integrity, and able to function in an integrated work environment and handle the emerging technologies and threats of the 21st century. The Department employs more than 3.28 million civilian and military personnel. The challenges of managing such a large workforce, to include oversight of contractor personnel, highlight the need for

DoD to identify and maintain a balanced level of skills to sustain core defense capabilities and meet the ever evolving challenges and threats of the 21st century.

The DoD is designing a new civilian human resources management system to better support its critical national security mission. The National Security Personnel System will change how DoD hires, evaluates, pays, and disciplines its civilian workforce in order to more closely resemble personnel practices in the private sector.

Audits

Because human capital is a critical area within the Department, the DoD OIG human capital audit team is conducting a review of the Personnel Security Clearance process. Additionally, to make sure that the DoD audit community is well coordinated, DoD OIG continues to actively participate in the Human Capital Joint Audit Planning Group with the military service audit agencies and the Government Accountability Office.

AAA reported that unnecessary inactive time could not be minimized because training installations generally were not accurately or consistently recording the time soldiers spent in an inactive status in the Army Training Requirements and Resources System. Lacking reliable data, managers were not able to determine whether the size and average length of time their soldiers spent in an inactive status was efficient when compared with other schools. In addition, the lack of reliable data prevented senior leadership from identifying schools that were having problems managing inactive initial entry training soldiers or schools with efficient processes that could be benchmarked and applied elsewhere.

A Naval Audit Service (NAS) audit determined that the methodology used to conduct Enlisted Community Reviews was reasonable, valid, and consistently applied. The methodology provided a vertical view of manpower requirements and listed military billets for civilian substitution or outsourcing. Four enlisted communities totaling 20,777 billets were audited to validate the Department of Navy reviews. The reviews identified 1,434 billets that could be studied for possible outsourcing or civilian substitution for a potential $113 million of funds put to better use over the Future Years Defense Plan.

An AFAA audit concluded that all 236 minority and female pilot candidates reviewed were afforded an equal opportunity of selection, and pilot selection boards ranked candidates based on a "whole person" concept; therefore, gender and ethnicity did not influence pilot candidate selection. However, pilot selection methods did not always obtain the best qualified pilot can-

didates. In addition, pilot selection methods did not help to lower pilot training attrition rates and therefore costs. Specifically, 227 of 944 candidates selected for undergraduate pilot training during FY 2004 did not meet the minimum Pilot Candidate Selection Method score of 50 required for Officer Training School pilots, and 17 of the 944 candidates did not meet the minimum required Air Force Officer Qualifying Test score of 25. By implementing a minimum Air Force Officer Qualifying Test score of 50, the Air Force could lower its pilot training attrition rates and put more than $4 million in pilot training costs currently lost to attrition to better use over the six-year Future Years Defense Plan.

An AFAA report identified no issues with the Undergraduate Pilot Training curriculum or training methods that would have increased attrition. However, a survey of 39 candidates eliminated from Undergraduate Pilot Training in FY 2004 and a records review of 89 candidates eliminated from Undergraduate Pilot Training during FYs 2004 and 2005 indicated that the Introduction to Flying Training program did not adequately screen pilot candidates to identify individuals with the greatest chance of completing the training. This would have decreased overall pilot training attrition. The report also disclosed that pilot training methods did not have a negative impact on diversity. Although FY 2004 female attrition rates were comparable to males, a significant disparity in attrition still existed between minority and non-minority groups. However, the auditors could not attribute the higher minority attrition to pilot training methods.

Investigations

Started in March 2005, the AFOSI Deployment Stress Management Program (DSMP) aims to reduce the psychological impact on AFOSI members and their families being deployed to high threat areas by providing education and support prior to, during, and after deployment. During this reporting period, approximately 74 returning AFOSI members went through the Redeployment Center at Ramstein AB, Germany, where they spent 2 days decompressing and reintegrating with the assistance of a clinical psychologist. A new initiative of the DSMP involved arranging meetings at various locations in the continental U.S. and overseas, with AFOSI members who deployed prior to the start of the DSMP in 2005. These "Lessons Learned" sessions were designed to provide education on post-deployment stress and Post-Traumatic Stress, as well as to elicit suggestions and information to make the DSMP better and more helpful to AFOSI members deploying in the future. The AFOSI DSMP is not meant to replace other services available in the USAF, such as Family Support and Life Skills, but to supplement these services and ensure members are aware of available services and are referred as needed.

An Air Force assessment following the publicity pertaining to sexual assault incidents at Sheppard Air Force Base, Texas, highlighted concerns about timely evidence processing/examination at the U.S. Army Criminal Investigations Laboratory (USACIL). In response to these concerns, the Vice Chief of Staff, Headquarters U.S. Air Force, directed that efforts be undertaken to reduce the length of time it takes to process/examine DNA evidence in sex-related cases. The Air Force is providing approximately 1 million dollars annually to fund 10 scientific analyst positions at USACIL to help improve evidence processing timeliness. In addition, the Air Force hired a contractor representative to help facilitate procedural and processing improvements for Air Force evidence sent to USACIL.

Inspections

Evaluation of DoD's Voting Assistance Program (VAP). On March 31, 2006, the DoD OIG released its annual VAP report. The IGs of the Military Departments reported that the calendar year 2005 DoD voting assistance programs were effective generally in accordance with Section 1556, Title 10, United States Code. Based on surveys, interviews, analyses of respective Service's reports, and the results of unannounced visits to 10 DoD installations, the evaluation team concluded that there are opportunities to improve how voting information and materials are provided to absentee voters. Since communications and availability of voting information and materials are key elements for an effective voting program, the team recommended that the Federal Voting Assistance Program Office and the military services improve their voting assistance web sites.

Revolving Door-Post Government Service Employment Survey. Compliance with restrictions on post-government employment activities is a challenge the Department faces as it strives to maintain a high standard of integrity and public confidence. Disclosure of a Pentagon's acquisition official's violation of post-employment guidelines prompted members of Congress and senior level DoD officials to question whether current training and information provided to employees are sufficient to prevent similar irregularities. The Government Accountability Office issued an April 2005 report on the "Defense Ethics Program: Opportunities Exist to Strengthen Safeguards for Procurement Integrity," which stated the DoD lacks information to evaluate the DoD training and counseling process. The DoD OIG, in partnership with a civilian contractor, recently completed a Web based survey to measure the awareness and attitudes of DoD senior officials and acquisition force regarding post-Government service employment restrictions. The DoD OIG will publish the findings in its next Semiannual Report to the Congress.

Evaluation of DoD Safety Program. Beginning in 2001, the Secretary of Defense launched an executive assessment of the DoD safety program and challenged the senior leaders to reduce in 2 years the accident mishap rate by 50 percent. Overall responsibility for the project was tasked to the Under Secretary of Defense for Personnel and Readiness, who subsequently chartered the Defense Safety Oversight Council (DSOC) to facilitate oversight of DoD's efforts to achieve the Secretary's goal. In late 2004, DSOC deliberations concluded the 50 percent reduction goal may not be achievable. Recognizing this possibility, the Deputy Under Secretary of Defense for Readiness requested the DoD IG's assistance to conduct an evaluation/review of the DoD safety program. In November 2004, the DoD OIG announced an evaluation plan that addresses all aspects of the safety program—culture, leadership, policies, organization structure, resources, exceptional practices, and lessons learned. To achieve the evaluation objectives, the DoD OIG team partnered with the National Safety Council, the Services' safety centers, the Reserve Component safety offices, and many safety experts in and out of government. Over 90 interviews have been conducted with DoD civilian and military leaders. During the evaluation process, the team has communicated interim reports to program stakeholders and the DSOC. In March 2006, the Assistant Inspector General for Inspections and Evaluations briefed the DSOC and recommended program improvements that can be implemented now and before the final report is published.

Follow-up Evaluation of DoD's Chaplain Program. On November 10, 2004, the DoD OIG published their "Evaluation Report on the DoD Chaplain Program." As a follow-up effort to that report, the DoD OIG conducted an evaluation of the implementation of the report's recommendations. As described in a February 28, 2006, management letter to the Under Secretary of Defense for Personnel and Readiness, management has fully implemented all but one of the recommendations.

Alcohol Abuse and Prevention Study. At the request of the Vice Chief of Naval Operations (VCNO), the Naval Inspector General (NAVINSGEN) conducted a review of the Navy's Alcohol Abuse and Prevention Program. NAVINSGEN found in the DoD Survey of Health Related Behaviors from 1980 to 2002, alcohol abuse in the Navy declined 25 percent, but still showed 40 percent of Navy personnel classified as moderate/heavy and heavy drinkers in 2002. The decline was reported to be primarily a result of the changing socio-demographics (e.g., more females, slightly older, more married) of the Navy and not the Navy's program efforts. Results of the next DoD survey are scheduled to be released in 2006. Navy internal data shows an increase in alcohol related incidents from 2002 to 2005. NAVINSGEN found the Navy's primary alcohol prevention tools are education and train-

ing which are dated and ineffective. Current research indicates that education and training alone are costly and ineffective in reducing alcohol abuse. From this study, numerous recommendations are currently being staffed for implementation by the Navy, including creating a comprehensive alcohol abuse prevention strategy with clear lines of responsibilities, establishing disciplinary guidelines when misconduct occurs due to alcohol abuse, and updating training to meet current research guidelines.

Navy's Family Ombudsman Program Study. At the request of the VCNO, NAVINSGEN conducted a review of the Navy's Family Ombudsman Program and made recommendations on how the Navy can improve the current program. NAVINSGEN reaffirmed that the Ombudsman Program plays a key role in Navy family and mission readiness, and that for the most part the program is successful. The study found that the vast majority of deployable units have an Ombudsman Program in place, but that a significantly lower percentage of non-deploying (e.g., shore based, staff, Reserve, Recruit) units had a program. The study also found that although the Navy views the program as vital to the success of family (and therefore mission) readiness, the Navy, as a whole, does not fully understand nor appreciate the resources and capabilities the Ombudsman Program can provide to Navy families. The primary contributing factors negatively affecting the success of the Ombudsman Program include lack of adequate command leadership knowledge of the program's capabilities, poor orientation to Sailors and their families to the program, and strained resources for program management and unit-level execution. From this study, the Navy is staffing numerous recommendations for implementation, including increasing training of leadership, improving outreach, program visibility and knowledge of ombudsman capabilities to Navy families, and efforts to ensure all Navy families have access to an ombudsman.

INFORMATION TECHNOLOGY MANAGEMENT

The DoD Components use information technology (IT) to support all mission functions of the Department, including business, warfighting, intelligence, and enterprise infrastructure. Effective planning for IT investments has emerged as a priority of the President's Management Agenda for expanding electronic government. Improving IT security as part of IT management is one of the highest priorities of the Office of Management and Budget (OMB). The DoD OIG plans to continuously audit and monitor IT management, investment, and security within DoD.

Audits

The magnitude of the IT management challenge continues to be extremely problematic for the Department. A root cause of this difficulty is the inability of the Department to provide clear guidance to components on IT management issues such as defining what constitutes an IT system, deter-

mining security standards needed for certifying systems, documenting and reporting identified security weaknesses to higher management (to include OMB), and specifying what assets to include in the inventory of the Global Information Grid (GIG). Further, the Department continues to significantly underreport expenditures for IT because it is unable to identify the initiatives and investments it supports (other than through a self-reporting mechanism that lacks internal controls) and has no comprehensive inventory of IT systems to support its reports to OMB and Congress regarding system security, privacy, and e-authentication.

A DoD OIG report identified that DoD components did not accurately report the same IT system security data in the IT Registry and the IT Management Application databases. As a result, DoD, OMB, and congressional committees are making management decisions concerning technology operations, investments, security, interoperability, and architecture, based upon erroneous information contained in DoD databases.

A payload launch vehicle carrying a prototype exoatmospheric kill vehicle is launched for a planned intercept of a ballistic missile target over the central Pacific Ocean.

Another DoD OIG report found that Missile Defense Agency (MDA) officials had not prepared a System Security Authorization Agreement for the Ground-Based Midcourse Defense Communications Network. As a result, MDA officials may not be able to reduce the risk and extent of harm resulting from misuse or unauthorized access to or modification of information of the Ground-Based Midcourse Defense Communications Network, and they also may not be able to ensure the continuity of the network in the event of a disruption.

An AAA report determined that the Army did not designate the Joint Network Node (JNN) as an official program of record and developed the system in an informal manner with limited documentation. The Army did not assign JNN an acquisition category, prepare a test and evaluation master plan, conduct operational testing, hold formal milestone decision reviews, or develop a plan for evaluating secure cellular technology to see if it could be inserted into Army battlefield systems to improve voice communications on the move. The Army Vice Chief of Staff directed further analyses of JNN, which resulted in a strategy that allows for earlier insertion of technological developments that will be used in the Warfighter Information Network-Tactical program and the identification of a decrement of about $710 million.

An AFAA audit found that (1) Defense Travel System (DTS) managers, where possible, modified the DTS implementation schedule to eliminate duplicate travel systems; (2) Air Force financial managers eliminated the contractor-maintained Integrated Automated Travel System and replaced it with the existing Reserve Travel System; and (3) reserve component personnel jointly eliminated, where possible, development efforts pertaining to each Component's order writing system. As a result, the Air Force reduced the number of active travel systems from 11 to 5. Once the Air Force fully implements DTS, only three travel systems will remain--DTS and two systems supporting the Reserves and the Guard.

Investigations

DCIO agents regularly coordinate and train with other national intelligence and law enforcement agencies involving counterintelligence, criminal and fraud computer-evidence processing, analysis, and diagnosis in computer investigations and computer forensics. Various information technology programs are depicted below.

The DCIOs continued to provide a full-time representative to the Joint Task Force for Global Network Operations (JTF-GNO), Law Enforcement and the Counterintelligence Center (LECIC), in Arlington, Virginia. The JTF-GNO is tasked with defending the DoD's Global Information Grid, while the LECIC works to deconflict criminal and counterintelligence computer intrusion investigations among the DCIOs, Army Military Intelligence, and the Counterintelligence Field Activity (CIFA). The DCIS representation is the current chief of the LECIC.

DCIS also moved forward with a host of sweeping initiatives to professionalize its Computer Crimes Program. A new set of policies and procedures forms the foundation for these initiatives, based on the philosophies of "Flexible Standardization" and "Dynamic Professionalism." Flexible Standardization grants DCIS a certain degree of latitude in employing procedures predicated on over-arching general best practices. Dynamic Professionalism consists of progressive and continuous efforts to ensure that personnel are properly trained and proficient, deliver legally sufficient work products that add value to investigations, and exceed customer service expectations. During this reporting period, DCIS computer crimes agents provided computer forensics support to over 100 DCIS investigations.

For example, in Colorado, Rafael Nunez-Aponte, a Venezuelan national, was convicted of illegally accessing and intentionally damaging a protected computer system belonging to the DoD. He was sentenced to 7 months imprisonment, and was required to pay restitution of $10,548. A joint investigation led to the identification and prosecution of Nunez-Aponte and

several others affiliated with "World of Hell," a group of computer hackers who assisted each other with intrusions they made into government, business, and corporate computers.

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

The DoD continues its distinction as the world's largest purchaser of goods and services. In FY 2005 alone, DoD spent $267 billion on contract actions. There are about 1,300 weapon acquisition programs valued at $2.3 trillion over the collective lives of these programs. In addition, during FY 2005, DoD submitted approximately 49,000 Military Interdepartmental Purchase Requests, valued at $6 billion, to the General Services Administration, Department of Transportation, and Department of Interior for the purchase of goods and services. Every acquisition dollar that is not prudently managed results in that dollar not being available to fund the Secretary of Defense's top priorities, such as the GWOT and joint warfighting capabilities.

Audits

The DoD OIG conducted an acquisition review of the Objective Individual Combat Weapon (OICW) to determine whether internal controls in the DoD 5000 series of guidance were effectively being implemented. The audit disclosed that the Army acquisition community prematurely initiated actions to begin acquisition of Increment I of the OICW before the requirements community validated that the warfighter had a need for the weapon. Increment I was the basis for a family of small arms, including replacement of the M16 and M4 family of small arms, the M249 squad automatic weapon, and selected M9 pistols. As a result of the audit, the Army cancelled the request for proposal for Increment I and was reassessing its total small arms capability gaps and materiel requirements. As of March 2006, the Army has already put $36 million to better use by delaying the acquisition of Increment I and could put another $566 million to better use if the Joint Requirements Oversight Council does not validate a requirement for Increment I. Army enforcement of the internal controls in the DoD 5000 series of guidance would have prevented this situation from occurring.

Similarly, DoD OIG reported that the Navy is at risk on the acquisition of the Common Submarine Radio Room by not adhering to internal controls in the DoD 5000 series of guidance. Specifically, the Navy Acquisition Executive approved the program for entry into low-rate initial production in June 2005 before obtaining an assessment of the operational effectiveness and suitability of the system as required. As a result, the Navy has increased the risk that initial production units will not perform as intended and will require retrofit costs associated with fielded and deployed units. Again, Navy adherence to requirements in the DoD 5000 series of guidance would have provided assurance that the fielded units met warfighter requirements.

A DoD OIG report on the Ballistic Missile Defense System found that the DoD audit community continued to identify ways that the Department could improve acquisition of weapon system programs, including identifying system engineering requirements and planning fully for system sustainment.

Army Stryker vehicles kick up plumes of dust as they conduct a patrol near Mosul, Iraq.

An AAA report concluded that the current logistics support contract for Stryker vehicles included sufficient incentives to ensure that the contractor provided needed services, but did not include sufficient incentives to ensure the contractor controlled costs. The report also found that the Army faces significant risk in relying on the life-cycle support cost estimates to support a decision on long-term logistics support for the Stryker vehicles because enough information is not available to reliably estimate the cost of logistics support or to evaluate the difference between the support alternatives.

An AFAA review of preliminary planning guidance and criteria for OMB Circular A-76 determined that the guidance did not provide field activities adequate direction for implementing the revised May 2003 OMB circular. Specifically, the guidance did not adequately address the areas of baseline costing period, collecting support contract costs, criteria on capital assets, or clearly establish firewalls between Performance Work Statement and Most Efficient Organization teams. Additionally, the guidance did not provide implementing organizations with adequate direction to address baseline costing issues inherent in the standard DoD costing software program.

An AFAA report disclosed that major commands and direct reporting units provided inaccurate and incomplete support contract data in response to the annual President's Budget Exhibit 15 (PB-15) and the Air Force Vice Chief of Staff data calls. Specifically, actual FY 2004 obligated dollars reported were misstated, and both future year support contract cost projections and contract man-year equivalents were erroneously calculated. As a result, the contractor support data were of limited use for Air Force corporate decision-

making purposes, and furthermore these errors and omissions resulted in erroneous PB-15 reporting to Congress.

DoD Directive 7640.2, "Policy for Follow-up on Contract Audit Reports," as amended August 16, 1995, prescribes DoD policies and procedures, including the requirement that reports be resolved within 6 months of issuance and closed within 12 months. At the end of this semiannual reporting period, 471 reports with costs questioned of about $1.2 billion exceed the 6 month requirement for resolution and 277 reports with costs questioned of $807.6 million exceeded the 12 month requirement and were not closed.

FINANCIAL MANAGEMENT

The DoD financial statements are the largest, most complex, and most diverse financial statements in the world. The Department faces financial management problems that are complex, long-standing, pervasive, and deeply rooted in virtually all business operations throughout the DoD. These problems have hindered the ability to provide reliable, timely, and useful financial and managerial data to support operating, budgeting, and policy decisions.

The DoD OIG is working closely with the Department to address long-standing financial management problems 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 (CFO) issued the DoD Financial Improvement and Audit Readiness Plan as part of an initiative to improve financial management within the Department. The DoD OIG supports the objective of the plan, which is to provide ongoing, cross-functional collaboration with DoD Components that will yield standardized accounting and financial management processes, business rules, and data to better support the war-fighting mission in a more effective environment. DoD OIG also supports the Department's ongoing efforts to target achievable, incremental change and to initiate the change necessary for continual, sustainable improvement in financial management.

Audits

The DoD OIG issued disclaimer opinion reports, and related reports on internal control and compliance with laws and regulations, on the FY 2005 DoD Agency-wide financial statements and seven other component financial statements whose audits are required by OMB. In addition, DoD OIG issued an unqualified opinion on the FY 2005 Military Retirement Fund financial statements and a qualified opinion on the FY 2005 Medicare-Eligible Retiree Health Care Fund financial statements. The DoD OIG cited the following material internal control weaknesses in the DoD Agency-wide report: financial management systems; fund balance with Treasury; inventory; operating materials and supplies; property, plant, and equipment; gov-

ernment-furnished material and contractor-acquired material; environmental liabilities; intragovernmental eliminations; accounting entries; Statement of Net Cost; and Statement of Financing. DoD OIG also issued reports on the FY 2005 DoD Agency-wide special purpose financial statements and the FY 2005 intragovernmental agreed-upon procedures required by OMB.

The DoD OIG issued reports on six DoD financial systems. In performing the audits, we 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. Specifically, DoD OIG found design control weaknesses regarding access controls in the areas of user and access rights, physical and logical controls to detect unauthorized access, and audit trails. Additionally, tests of operating effectiveness identified primary deficiencies in authorization, completeness, change controls, and configuration management.

In addition to the reports on internal control and compliance with laws and regulations that DoD OIG issued with the financial statement opinion reports, DoD OIG also issued individual audit reports on the Department's internal controls and compliance with specific laws and regulations. One DoD OIG audit report on the Department's compliance with the Government Performance and Results Act (GPRA) of 1993 identified specific GPRA requirements with which the Department's FY 2001 strategic plan did not comply. The report contained recommendations for preparing the next required strategic plan which the Department issued in February 2006, two months after the DoD OIG issued its final report. The Department commented that the deficiencies cited in the report would be corrected in the new strategic plan, and DoD OIG will audit the new plan during the second half of FY 2006 to evaluate the Department's compliance with GPRA requirements.

Another DoD OIG audit report detailed internal control weaknesses in the Air Force General Fund disbursement cycle that resulted in violations of several laws and regulations. Specific laws and regulations cited in the report include the Antideficiency Act, Emergency Wartime Supplemental Appropriations Act, Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and Air Force Instructions.

Another DoD OIG report determined that the National Committee for Employer Support of the Guard and Reserve (ESGR) did not adequately administer and manage aspects of its operations, specifically in the areas of control environment and personnel management, travel and expense

accountability, and acquisition and contracting. The report also found that contracting procedures in support of ESGR operations were not followed. Specifically, a sole source justification was not properly certified, out-of-scope activity was allowed, surveillance was inadequate, and an effective ordering and receiving process for fulfillment contracts was not established. As a result, ESGR cannot be assured that it received the best contracting solutions and paid fair and reasonable prices for goods purchased. Further, ESGR cannot be assured that the contractor performed the requirements of the contract and that ESGR received the goods purchased. Recommended improvements in the areas of management accountability and control, and following contracting procedures will enable ESGR to operate more effectively and efficiently.

The Senate Select Committee on Intelligence requires audit opinions on the FY 2007 Defense Intelligence Agency, National Security Agency, and National Geospatial-Intelligence Agency financial statements. In anticipation of this requirement, DoD OIG issued classified reports with recommendations to improve the financial management and internal controls at these agencies. The DoD OIG will followup on prior recommendations and conduct additional financial-related audits and reviews of internal controls of these intelligence agencies in FY 2006 to prepare for the FY 2007 financial statement audits.

An AAA report found that the Project and Contracting Office's (PCO) financial management system and processes were effective generally for ensuring the accurate recording of commitments, obligations, and disbursements. However, control weaknesses that were related to the handling of military interdepartmental purchase requests, making nonconstruction contract payments and Iraqi vendor payments, and reviewing fund status did exist. The report also found that the PCO generally had adequate controls to ensure that operating costs were recorded properly. However, the PCO needed to maintain more supporting documentation; improve the timeliness and coding of contract transactions; improve the process for submitting, approving, and reconciling timecards; and monitor funds status at a budget line item level.

An AFAA report concluded that Air Force financial managers could improve the capital lease accounting process. Specifically, financial managers established and maintained effective capital lease valuation procedures; however, they could increase reliability over the capital lease accounting process by developing and instituting procedures to periodically verify that financial reports accurately included all capital lease activities. Management initiated and completed corrective actions during the audit to adjust accounting

records to reflect only current capital leases and to validate the completeness of capital leases reported.

The AFAA conducted an audit to determine whether Air Force financial records fairly presented selected aspects of General Fund accounts payable owed to the public. The audit concluded that Defense Finance and Accounting Service (DFAS) personnel did not establish and maintain effective internal controls and processes for summarizing and adjusting accounts payable data. Specifically, personnel did not (1) appropriately reconcile monthly data, (2) effectively develop a month-end data transfer process, (3) report all monthly accounts payable transactions, and (4) properly retain adjusting transaction support. Management took action during the audit to research variances and successfully identified processing procedure errors, reaccomplished reconciliations for the audited period, and established and documented business rules, thereby improving the overall summarization process.

Investigations

The DoD loses millions of dollars annually because of financial crime, public corruption, and major thefts. Through the investigative efforts of DCIO special agents, abuses in the procurement process, such as the substitution of inferior products, overcharges, bribes, kickbacks, and cost mischarging, are exposed. Additionally, the DCIOs have partnered with acquisition and financial agencies to proactively identify areas of vulnerability. Examples of DCIO efforts to combat financial threats to DoD follow.

The DoD OIG Data Mining Directorate, DFAS, and the DCIS have teamed together to identify DoD freight transportation payment systems that are vulnerable to fraud and other abuse. PowerTrack, an Internet-based freight payment system, is the DoD's primary method for paying for freight transportation and has streamlined the payment process by electronically allowing carriers to bill shippers for payment.

An investigation was initiated based upon information from a newspaper article that alleged that a DoD contractor purchased Congressman Randall "Duke" Cunningham's house at an inflated price and later sold the house at a loss of $700,000. It was further alleged that the Congressman was living rent free on the same contractor's boat. Investigation revealed that Congressman Cunningham made recommendations and took other official action in order to influence the U.S. Congress' appropriation of funds to benefit the DoD contractor in exchange for money, travels, antiques, furnishings, and other things of value. On November 28, 2005, Cunningham entered into a plea agreement and pled guilty to conspiracy and tax evasion. After entering his plea, Cunningham resigned from Congress and in March

was sentenced to 100 months confinement, followed by 3 years of supervised probation. He was also ordered to make restitution of $1,804,031 for back taxes, and to forfeit $1,851,508 in real estate and other property he received as bribes.

A joint investigation, based on information filed in a qui tam law suit, found that Hexcel Corporation engaged in a conspiracy with other defendants to fix prices and divide the market on materials used in many DoD and aerospace programs, as well as commercial applications. The company agreed to pay the Government $11.5 million as part of a settlement agreement to resolve the allegations and avoid civil litigation. The agreement also required the contractor to pay $1 million to the relator's for fees, cost, or expenses. Previous settlement agreements were reached in this investigation with four other Defense contractors totaling $35 million to resolve the same allegations. These companies also were required to pay the relator's for fees, costs, or expenses in the amount of $3.8 million in connection with the qui tam action.

Linda, Stephanie and Fred Marlow, the wife, daughter and father of Kevin Marlow, a contracting officer with the Defense Information Systems Agency (DISA), and David Tynio, a graphics company owner and a DoD sub-contractor, were sentenced to a total of 50 months confinement and 36 months probation, and ordered to pay $54,871 in restitution. An investigation revealed that the contracting officer orchestrated a scheme to steer $18.1 million in contracts, and directed that $500,000 in bribery payments be made to his company and several "straw" companies that were established to serve as conduits to mask the bribery payments.

Gene Boyce, Stephen Wiley and Barbara Spellar, two former DoD employees and an employee of a DoD contractor pled guilty to charges of conspiracy and conspiracy to accept illegal gratuities. They were sentenced to a total of 71 months confinement, 108 months probation, and 200 hours of public service. An investigation revealed that two freight delivery contractors gave bribes and gratuities to U.S. Navy employees in exchange for DoD freight shipping contracts. The bribes and gratuities included cash payments, hunting supplies, concert and airline tickets, and an "open tab" at a local restaurant. The individuals were also ordered to pay a total of $798,164 in restitution.

The University of Connecticut agreed to a $2.5 million civil settlement to settle false claims charges relative to grant applications and invoices that contained incorrect or overstated expense information. An investigation disclosed that the university had improperly charged certain expenses, such

as excessive compensation, to the DoD and other federal agencies in connection with several research grants.

As a result of a joint investigation, based on information filed in a qui tam lawsuit, Booz Allen, Ernst and Young, and KPMG agreed to pay the Government $25.1 million to resolve allegations of overbilling. The contractors overbilled the Government, including various agencies within the DoD and DoD contractors, for travel-related expenses while receiving rebates on travel expenses from airlines, hotels, rental car agencies, credit card companies, and travel service providers. The companies did not consistently disclose the existence of these travel rebates to the Government and did not reduce travel reimbursement claims by the amounts of these rebates as required by the contracts and applicable provisions of the Federal Acquisition Regulations. The agreement also required the contractors to pay the relator's attorney's fees and expenses in the amount of $1.1 million.

As a result of a joint investigation, based on information filed in a qui tam lawsuit, Fluor Daniel, Inc., a DoD contractor, agreed to pay the Government $9.7 million to resolve the potential liability and claims resulting from improperly billing the Government. The investigation found that Fluor reorganized and changed its accounting practices to improperly bill the Government a disproportionate share of accounting costs, facilities assets, executive and marketing bonuses, and computer network costs, through an accounting entity called Fluor Daniel Federal Operations. The agreement also required the contractor to pay the relator's attorney's fees and expenses in the amount of $2,750,000.

Sea Information Services, Inc. agreed to pay the Government $9.5 million as a result of a settlement to resolve allegations that the company billed for unqualified employees on an information technology contract with the DoD. The joint investigation was the result of a proactive initiative designed to uncover procurement irregularities related to a major U.S. Navy acquisition command.

Hunt Building Corporation (HBC), a major DoD contractor, reached a Comprehensive Repair Agreement to repair damaged family housing in a military installation in lieu of product substitution charges. An investigation revealed that HBC utilized non-conforming expansive soils in the construction of 237 family housing units located at Kaneohe Marine Corps Base, Hawaii. The Navy reported observing distressed conditions in the completed housing units. HBC agreed to repair all damages to the homes and replace non-conforming soils at no cost to the government.

Science and Engineering Association, Inc. (SEA), a major DoD contractor, reached a civil negotiated settlement to avoid charges of filing false claims and agreed to return $9.5 million to the government. SEA submitted four delivery orders that contained billing irregularities in excess of $56 million for information technology services on the development of a DoD procurement issue known as the Defense Integrated Military Human Resource Center.

HEALTH CARE

The DoD military health system (MHS) challenge is to provide world class health care in both peacetime and wartime. MHS must provide quality care for approximately 9.2 million eligible beneficiaries within fiscal constraints while facing growth pressures, legislative imperatives, and inflation that have made cost control difficult in both the public and private sectors. Base Realignment and Closure actions and increased benefits to the Reserve and Guard components also will impact MHS operations. The DoD challenge is magnified because the MHS must also provide health support for the full range of military operations. The increased frequency and duration of military deployments further stresses the MHS in both the active and reserve Components. To cover the costs of health care for Medicare eligible retirees, retiree family members, and survivors, the MHS was funded at $38.4 billion in FY 2006, including $20.4 billion in the Defense Health Program appropriation, $6.9 billion in the Military Departments' military personnel appropriations, $0.3 billion for military construction, and $10.8 billion from the DoD Medicare-Eligible Retiree Health Care Fund.

Audits

DoD OIG health care audit resources focused on completing an audit of security controls over selected Military Health Care System corporate databases, and an audit of controls over payments made to overseas health care providers. Additionally the DoD OIG initiated an audit of the Third Party Collection Program to evaluate the implementation of itemized outpatient billing.

A DoD OIG audit assessing the adequacy of security controls (electronic, physical, and personnel) to protect sensitive health care information contained in selected MHS corporate databases found that many of the controls were adequate. For areas such as controls over passwords, physical access, disposal of information technology equipment, and personnel security investigations for selected information technology positions, improvements were recommended with which management generally agreed.

Another DoD OIG report of TRICARE Management Activity (TMA) that dealt with controls over payments made to overseas health care providers focused on one country where paid health care claims had risen by

about 2,135 percent from FY 1998 through FY 2003 ($2.87 million to $64.19 million) despite the beneficiary population remaining fairly constant. The report concluded that the TMA needed to implement additional controls that would hold providers accountable for claims submitted either by themselves or on their behalf, and to ensure that supplemental health insurance plans do not waive beneficiary co-payments and deductibles.

The NAS performed an audit to determine whether DON complied with public laws, Federal regulations, and DoD guidance in safeguarding patients' protected health information in automated information systems used by military treatment facilities (MTF). The audit identified a need for improving policy and procedures to verify whether Composite Health Care System (CHCS) accounts were appropriately active and whether account users were properly registered for mandatory privacy and security training. Approximately 33 percent of active CHCS accounts reviewed required deactivation, and about 13 percent of reviewed MTF staff with active CHCS access were either unregistered or improperly registered for mandatory privacy and security training.

An AFAA report disclosed that although the Air Force spent $12 million on the Hearing Conservation Program during 2004, the program was not achieving the desired results. Specifically, Air Force officials did not properly monitor Air Force employees with initial, annual, and termination audiograms as required by the Occupational Safety and Health Administration and DoD directives to protect them from hearing loss. Unless individuals working in hazardous noise areas are properly identified and receive required audiograms, the Air Force cannot accurately diagnose workers' hearing loss or minimize hearing loss compensation claims or costs, which have risen by more than 70 percent over the past 3 years.

Investigations

To ensure that DoD health care funding is utilized in a proper and efficient manner toward providing quality patient care to DoD beneficiaries, the DCIOs have aggressively pursued health care investigations involving "harm to patient," corruption, kickbacks, and allegations with significant TRICARE impact. Examples of significant health care fraud investigations follow.

Dr. Floyd Day and Sherrie Day, the owner and co-owner of Family Medical Management Services, Inc. (Family Medical), a chain of health care clinics, were ordered to pay $561,686 to the Internal Revenue Service and were excluded from conducting business with all federal health care programs. The sentences and penalties were the result of previous convictions of making false statements to the Government. An investigation found that Family

Medical systematically claimed that its medical director, Dr. Day, had performed nearly all of its health care services, when in fact nurse practitioners provided the vast majority of the services. Family Medical was reimbursed by Medicare and TRICARE at a higher rate than was warranted for services provided by nurse practitioners. Family Medical also had its billing software altered to systematize the fraud. Mrs. Day was also sentenced to 36 months probation.

King Pharmaceuticals (King) and Monarch Pharmaceuticals, Inc., a wholly-owned subsidiary of King, agreed to pay the Government $124,057,318 as part of a civil settlement to resolve all issues relating to a qui tam complaint. The complaint alleged that King provided discounts to health maintenance organizations and other pharmacy benefit managers without allowing for these discounts when they reported their pricing data to the Government. This practice negatively impacted the computation of federal ceiling prices for Government healthcare programs, to include TRICARE. King conducted an internal investigation to determine its sales volume to the Government and provided the results to the Government. The results were later used in the negotiation of the settlement.

LOGISTICS

The support mechanism that is logistics must be both responsive and cost effective to ensure the readiness and sustainability of the entire force across all military operations. Specifically, the challenge of logistics includes providing the right force, the right personnel, equipment, and supplies in the right place, at the right time, and in the right quantity. To meet this challenge, DoD is continuously transforming logistics by assessing best practices and evaluating new concepts that will support all of the functions needed by the joint warfighter. Overall, DoD logistics is a $90 billion per year activity, involving more than a million people. DoD provides supplies, transportation, and maintenance for a vast inventory of ships, aircraft, helicopters, ground combat and tactical vehicles, and thousands of additional mission support assets.

Servicemen from the U.S. Army load hundreds of meals, ready to eat and water onto a CH-47 Chinook helicopter to support the Federal Emergency Management Agency's disaster-relief efforts in the Gulf Coast areas devastated by Hurricane Rita.

A DoD OIG report addressed the policy and procedures of the Air Force that concern the return of depot-level reparable assets to repair facilities. The audit determined that the 50 shipments judgmentally sampled were adequately documented; however, the Air Force has not corrected a previously reported internal control weakness regarding oversight of depot level reparable assets.

Audits

The Air Force proposed corrective actions that include implementing and installing the Commercial Asset Visibility system. This system should improve the accountability of assets moving through a contractor repair process by providing Air Force officials total asset visibility and increasing the effectiveness of repair decisions. The corrective action completion date is the fourth quarter of FY 2006. The report contained no recommendations and required no further action because officials had controls in place to properly treat and account for depot level reparable assets shipments and adequately recorded and reported shipments. Also, in its annual statement of assurance, the Air Force reported the material control weakness concerning accountability and the safeguarding of inventory shipped for repair to contractor repair facilities.

An AAA audit determined that planned Military Construction, Army projects in Europe were adequate to support the Army's proposed restationing plan. About $334 million in projects at installations scheduled to close as part of the restationing plan were canceled. Project planners focused future construction projects at those installations scheduled to remain under the plan. With limited exceptions, project planners accurately identified projected requirements for barracks, maintenance facilities, and support facilities. In addition, personnel accurately estimated costs for programmed construction. U.S. Army, Europe and Seventh Army plans to reduce the size of five facilities to the square footage authorized in planning criteria. As a result, the cost avoidance is about $953,000.

An AFAA review disclosed that maintenance personnel overhauled C-5 aircraft TF39 engine modules too frequently and without direction from the reliability-centered maintenance monitor. Consequently, the Air Force could reduce TF39 engine maintenance costs and save at least $159.6 million by choosing a cost optimal overhaul policy and requiring approval from the reliability-centered maintenance monitor before maintenance personnel would be allowed to conduct overhauls and incur associated costs. Additionally, reliability-centered maintenance implementation for 12 of the 13 designated engine programs was neither complete nor consistently applied. As a result, the Air Force is practicing reliability-centered maintenance on only 8 percent of the designated engine programs and may not achieve any reliability-centered maintenance-based reductions in the associated $1.6 billion annual engine maintenance expenses.

An AFAA audit revealed that depot shop flow times (the length of time unserviceable items spend in repair) were not accurate for 297 (99 percent) of 300 items reviewed. These errors misstated reparable item requirements

and related budgets by about $60.1 million. By reducing overstated requirements, the Air Force can put $37.8 million to better use.

An AFAA report on supply item pricing disclosed that although the pricing tool generally computed iterative prices correctly using baseline data, logistics management personnel did not properly validate the baseline source of repair costs or percentages used to compute FY 2005 iterative prices for 59 (25 percent) of 238 statistically selected stock items. The improper validation resulted in projected FY 2005 sales estimate errors totaling $56 million, based on planned sales activity. In addition, logistics management personnel did not properly manage data recording for iteratively priced stock items in the official systems thereby contributing to projected repair budget errors totaling $256 million for FYs 2006 through 2011. By reducing the repair budget overestimates, the Air Force can put $196 million to better use.

Investigations

The DCIOs conducted several investigations into the fraud, waste, and abuse in logistic support operations for supplies, transportation and maintenance. Examples of logistics investigations follow.

In an effort to protect the integrity of DoD logistics systems, DCIS, in conjunction with other federal law enforcement agencies and military criminal investigative organizations, concluded Operation High Bidder, an undercover operation that focused upon theft and sale of military related equipment through utilization of the Internet, particularly via the EBay Internet auction website. A primary focus of the operation was the theft and sale of ballistic body armor and associated Small Arms Protective Inserts (SAPIs) designed to protect soldiers serving in the U.S. military. Possession and sale of these items by the general public is illegal. Likewise, export restrictions apply to these items. The investigation revealed a widespread network of theft and sale of body armor, SAPIs, and related equipment. Some buyers were identified as convicted felons with violent histories who are prohibited by state and federal statutes from owning body armor. Such activity was deemed to be especially egregious in light of the fact that, throughout the course of the operation, DoD was experiencing shortages in supplies of SAPI's that made adequately outfitting troops in Iraq difficult.

Aamullah Khan and Ziad Gammoh, owners of United Aircraft and Electronics, an aircraft parts company, were sentenced for their role in a conspiracy to misrepresent material facts regarding the sale of inferior and non-conforming aircraft parts to commercial and military customers. Khan was sentenced to 15 years and 8 months confinement, 36 months probation, and debarment until 2052 and ordered to pay $5,493,071 in resti-

tution. Gammoh was sentenced to 6 years and 5 months confinement, 36 months probation, and debarment until July 2005 and ordered to pay $5,493,071 in restitution.

An investigation that was initiated as a result of a flight safety alert resulted in Apex Manufacturing Company agreeing to pay a $400,000 fine and $793,061 in restitution as a result of a civil agreement. The company was convicted of mail fraud for providing DoD with defective substandard main rotor blade expandable pins that are used on U.S. Army, U.S. Air Force, and U.S. Immigration and Customs Enforcement (ICE) Blackhawk Helicopters.

The former Vice President of Hunt Valve Company, Inc. was sentenced to 24 months of confinement and ordered to pay the US government $4.1 million in restitution for conspiring to provide the DoD with non-conforming valves and fraudulent certifications. Hunt Valve was ordered to pay $666,000 to settle their civil settlement. Four other companies reached a tentative settlement to pay $12.6 million to settle their civil settlement for making false statements and false claims. The non-conforming valves are used on U.S. Navy submarines and surface ships.

PB Fasteners, a Division of Paul Briles Incorporated, California, entered into a civil settlement with the United States Government and agreed to pay $2,500,000 in penalties in lieu of false claims charges. The settlement resulted from an investigation that uncovered the fact that PB Fasteners manufactured fasteners for the DoD, Department of Transportation, and the National Aeronautics and Space Administration, without properly performing non-destructive testing required in contract specifications. The fasteners are utilized on a wide variety of commercial and military aircraft.

INFRASTRUCTURE AND ENVIRONMENT

The challenge in managing approximately 4,700 military installations and other DoD sites is to provide reasonably modern, habitable, and well-maintained facilities that cover a spectrum from test ranges to housing. The Department's review of defense and security needs resulted in transforming force structure and prompting a corresponding new base structure. This challenge of a new base structure is complicated by the need to minimize spending on infrastructure so funds can be used instead on defense capability. Unfortunately, there is an obsolescence crisis in Department facilities, and environmental requirements have continually grown. Furthermore, the Department will need to efficiently and effectively implement the Base Realignment and Closure (BRAC) 2005 recommendations to eliminate excess capacity which will free up dollars to be used for other purposes.

Comparing BRAC Rounds

	Major Base Closures	Major Base Realignments	Minor Closures and Realignments	Costs (TY $B)	Annual Recurring Savings (FY05 $B)
BRAC 88	16	4	23	2.7	0.9
BRAC 91	26	17	32	5.2	2.0
BRAC 93	28	12	123	7.6	2.6
BRAC 95	27	22	57	6.5	1.7
Total	97	55	235	22.0	7.3
BRAC 05	**33**	**29**	**775**	**24.4**	**5.5**

Implementing the results of "Transformation through BRAC 2005" will pose a significant challenge for the Department. At the same time, implementation of BRAC 2005 will provide an opportunity for the Department to eliminate excess physical capacity, transform DoD infrastructure to make it more efficient, and derive funds that can be put to better use. As part of the challenge, the Department must implement the Commission's recommendations to obtain optimal savings in the most efficient manner and with the least disruption to the Department. In today's environment, the Department needs to consider additional security measures in DoD buildings. DoD is in the process of implementing the "DoD Minimum Antiterrorism Standards for Buildings" for new and existing inhabited buildings. The Department will need to spend additional funds for security purposes if the antiterrorism standards for buildings are fully implemented. The amount of funds needed to implement the standards is unknown at this time.

As of December 31, 2005, DoD has an estimated $65.9 billion in environmental and disposal liabilities. The Department continues to correct past material control deficiencies in identifying and tracking sites with environmental liabilities and maintaining audit trails for financial liability estimates; however, the Department needs to improve documentation and supervisory review of environmental liability estimates. The BRAC 2005 decisions affect the amount and extent of environmental liabilities. It is too early to know how much cleanup will be required for the bases that are scheduled to close or how long the cleanup will take to complete.

The Department is in the process of implementing the BRAC decisions, but the timing and problems encountered to implement the recommendations will affect the amount of savings available for other uses and the amount of environmental cleanup needed. The DoD OIG is monitoring the BRAC 2005 implementation that will result in little to no oversight of other infrastructure and environmental areas.

Audits

An Army Audit Agency report found that Fort Hood maintained appropriate controls over and properly obligated and spent funds it received to sustain barracks. However, funds obligated for sustainment were only 17 percent of the total Department of the Army-identified requirement of about $13.6 million for barracks sustainment. Inadequate funding of the overall sustainment requirement is the primary reason Fort Hood did not fully sustain barracks during FY 2004.

A Naval Audit Service review determined that although the Department of the Navy (DON) has established controls in the system for managing military construction project development, isolated cases still occurred in which these controls did not fully achieve proper scoping on all projects. Based on a review of 23 projects, auditors determined that: (1) 18 had valid requirements and were properly scoped; (2) 4 had valid requirements, but their scope should be reduced because the projects were based on inaccurate, outdated, or incomplete data; and (3) 1 project had a valid requirement, but it was under-scoped because updated requirements were not being considered.

An Air Force Audit Agency audit found that overall, Air Force personnel accurately prepared and adequately supported the government cost estimates and the cost data for the economic analyses of utilities privatization with minor exceptions. Specifically, the Air Force generally calculated and supported the Certified Economic Analysis (CEA) model cost input in accordance with the Air Force Utilities Privatization Policy and Guidance Manual. However, review of the CEA model inputs disclosed some errors, which did not affect the economic analyses conclusions, but did result in minor changes to the CEA model. As a result of privatization, the Air Force could save more than $33 million over the life of the contracts for 9 of the 11 utility systems.

An Air Force Audit Agency report concluded that installation Remedial Program Managers did not have relevant, sufficient, and reliable support for $197 million of environmental remediation estimates at the 5 installations reviewed. In addition, Air Force restoration officials did not conduct and document management reviews of remediation estimates. Properly documented and supported remediation estimates and the integral control of management reviews of these estimates help provide Air Force environmental officials with accurate information to establish priorities and support budget requirements.

Investigations

The DCIOs conduct numerous investigations into environmental issues and crimes affecting the natural resources so valuable to our defense infrastructure. Several on-going projects and investigations are illustrated below.

DCIS prepared and distributed a Fraud Vulnerability Report (FVR) as a result of an investigation into double billing for aviation fuel and ground handling services provided to the U.S. Air Force and the U.S. Army overseas. The FVR identified this area as one where DoD is vulnerable to fraud in other locations worldwide, and made recommendations that would remove the vulnerability in an effort to prevent further abuse of the system. The implementation of the Defense Energy Support Center Aviation Into-Plane Reimbursement Card has largely eliminated the vulnerability of double-billing in those locations where the card is accepted.

DCIS participated in a Federal Fraudulent Environmental Training Certificate Task Force. The task force conducted an investigation revealing that approximately 51 fraudulent training certificates were issued to workers who had not completed the required training to obtain jobs involving hazardous material removal, including asbestos and lead abatement. The certificates were submitted to obtain work at federal, state and public facilities such as schools and military bases. As a result of the task force investigation, Robert Newsome, the former operations manager for ACS Environmental, and Nicanor Lotuaco, president for Air Power Enterprises were convicted of making false statements, aiding and abetting violations of the Clean Air Act, and conspiracy. Both individuals have been sentenced to a total of 13 months of confinement, 60 months probation, special assessment penalty of $400 and a criminal fine of $1 million. The companies have yet to be sentenced.

Inspections

The Naval Inspector General (NAVINSGEN) conducts Readiness and Quality of Life (QOL) Area Visits at Naval installations worldwide. NAVINSGEN's Area Visit program provides senior Navy leadership with an independent evaluation of an area's mission readiness, facilities' condition, healthcare, housing, environment, safety, command climate, and QOL. The objectives are to identify systemic, Navy-wide issues, assess selected risks to DON, and provide on-site assistance, advice, and advocacy to commands and personnel as necessary. NAVINSGEN's team of military and civilian subject matter experts conducted an Area Visit to installations and tenant commands throughout Japan from August 28, 2005 to September 28, 2005. The team visited all major Navy installations in Japan including Fleet Activities Yokosuka, Fleet Activities Sasebo, Fleet Activities Okinawa, and Naval Air Facility Atsugi. the NAVINSGEN also conducted an Area Visit to Southeast and Southwest Asia from January 18, 2006 to February

24, 2006. Navy commands and installations in Bahrain, Diego Garcia and Guam were visited. Numerous readiness and QOL concerns discovered during these visits were assessed with recommendations for improvement forwarded to responsible authorities. Additionally, NAVINSGEN team members shared with local commands "Best Practices" gained from their collective assessments and experience.

CHAPTER 4 — OIG COMPONENTS

DEPUTY INSPECTOR GENERAL FOR AUDITING

The Office of the Deputy Inspector General for Auditing (ODIG-AUD) conducts audits on all facets of Department of Defense (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, by requests from the Secretary of Defense and other DoD leadership, by Hotline allegations, by congressional requests, and by internal analyses of risk in DoD programs.

DoD Audit Community

The defense audit community consists of the DoD Office of the Inspector General (OIG), the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency. As a whole, the organizations issued 184 reports, which identified the opportunity for almost $1.4 billion in monetary benefits. Appendix A lists reports issued by central DoD internal audit organizations. Appendix B lists DoD OIG reports with potential monetary benefits, and Appendix C statistically summarizes audit follow-up activity.

The Defense Contract Audit Agency (DCAA) provided financial advice to contracting officers in 15,954 reports during the period. The contract audits resulted in more than $2.9 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 $304.5 million (39.8%) of the $765.5 million questioned as a result of significant post-award contract audits. The contracting officer disallowance rate of 40 percent represents a significant increase from the average disallowance rate of 21 percent from the last reporting period. Additional details of the amounts disallowed are found in Appendix E.

Significant Open Recommendations

Managers accepted or proposed acceptable alternatives for 99 percent of the 256 DoD OIG audit recommendations rendered in the first 6 months of fiscal year 2006. 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 887 open actions on DoD OIG audit reports being tracked in the follow-up system are on track for timely implementation, there were 206 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 that have yet to be implemented follow.

- Recommendations made in 1997 and subsequent years 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

compliance; and develop a plan for performance characteristics and training requirements for the DoD financial management workforce have resulted in initiatives that are underway to correct financial systems deficiencies and enable the Department to provide accurate, timely, and reliable financial statements.

• 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. Issues are being actively addressed by interagency working groups.

• 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. Applicable DoD guidance needs to be updated to reflect definitions that have been developed. However, issues have surfaced regarding the appropriate policy document for this purpose, and thus guidance has not been issued.

• Recommendations were made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures and to ensure that a force protection program has been established throughout the U.S. Pacific Command. Issuance of DoD guidance has been delayed.

• Recommendations made in 2003, 2004 and 2005 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 and Milestones to resolve critical security weaknesses. These actions need to be completed to address requirements of the Federal Information Security Management Act (FISMA) and related OMB guidance. Although some actions have been initiated, they are not adequate to correct the identified deficiencies.

• Recommendations made in a 2004 report to develop and deliver a contract compliant C-130J aircraft and to increase amounts withheld to motivate the contractor to deliver an aircraft that meets contractual requirements. Actions are in process to implement the recommendations but have not been finalized.

• Recommendations made in 2004 in the Health Care issue area. These include improvements in the acquisition of direct care medical services such as: reviewing potential solutions to barriers of DoD and Department of Veterans Affairs sharing; and establishment of a pilot program and an oversight process for acquiring direct care services; and improved implementation of requirements regarding Federal Insurance Contributions Act taxes. These also include improvements in the management of pharmaceuticals such as: development of improved policy on management of stock levels and treatment of expiring pharmaceuticals; and improved policy and oversight regarding pharmaceutical returns to ensure the costs for services provided are reasonable and the credits received are complete, and trends are analyzed to determine whether to modify inventory levels or ordering practices. Implementation of the improvements is ongoing.

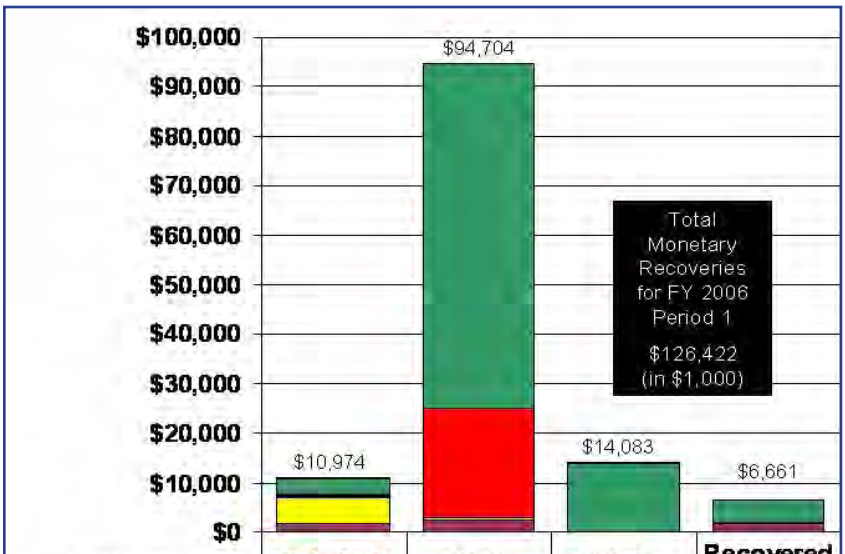
• Recommendations made in 2004 regarding the Performance-Based Logistics Program that include: establishing guidance that defines the requirements, process and procedures for developing a business case analysis to determine potential performance-based candidates; finalizing a standardized data collection format that contains all of the data fields determined necessary to accurately track the status of performance-based logistics efforts; and establishing requirements for quarterly reports or updates to all required fields of the standardized data collection format. Progress is being made but the actions are not complete.

DEPUTY INSPECTOR GENERAL FOR INVESTIGATIONS

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

Defense Criminal Investigative Service

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 activity in the Middle East theater is discussed in Chapter 1. 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.

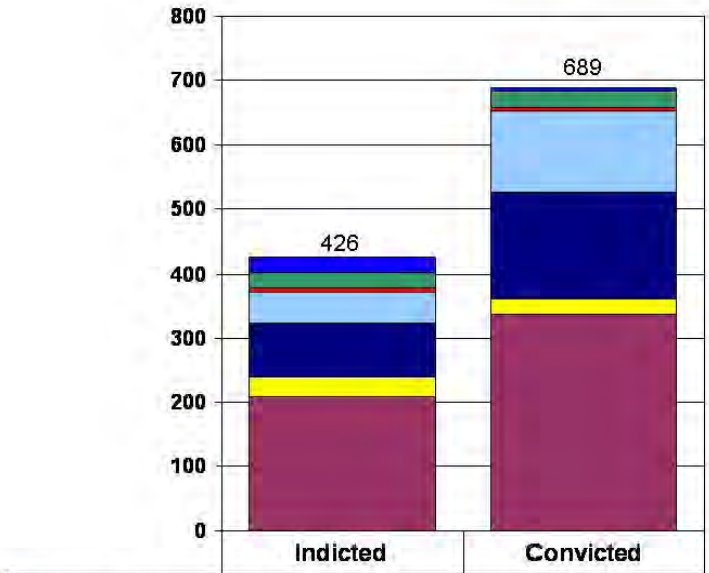


In $1,000	Criminal	Civil	Admin.	Recovered / Seized
Terrorism	$343	$0	$340	$0
Procurement	$2,990	$69,561	$13,680	$4,665
Health Care Fraud	$198	$22,278	$0	$0
General Crimes	$254	$0	$2	$65
Drug Related	$382	$0	$0	$0
Public Corruption	$5,079	$340	$0	$21
Other	$1,728	$2,525	$61	$1,910

Figure 1

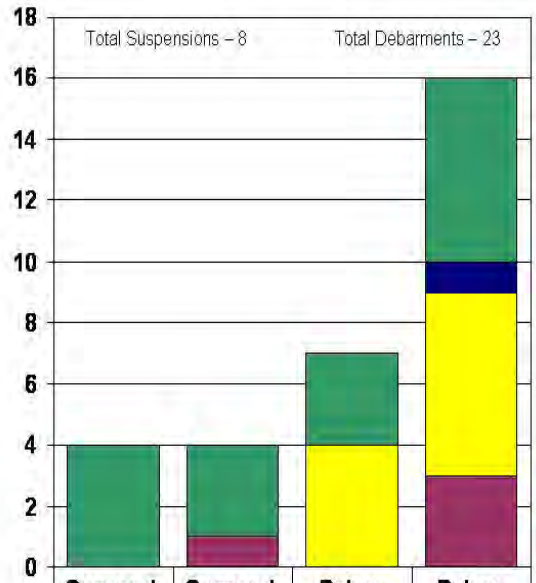
The Defense Criminal Investigative Organizations (DCIOs), comprised of DCIS, the U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations, protect the military and civilian men and women of the Department by combating crimes, both domestic and overseas, with highly trained special agents, forensic experts, analysts, and support personnel. Examples of the DCIO's mission initiatives and investigative accomplishments are detailed in Chapter 3 under the nine management challenges.

Monetary recoveries of approximately $126 million resulted from the investigations by the DCIOs, and are displayed by major categories in Figure 1. Figure 2 (the following page) displays the total companies and individuals indicted and convicted is 426 and 689, respectively. Figure 3 (the following page) displays the number of companies and individuals suspended or debarred for this period were 8 and 23, respectively.



	Indicted	Convicted
Terrorism	24	6
Procurement	24	25
Health Care Fraud	8	5
General Crimes	48	126
Drug Related	82	166
Public Corruption	30	25
Other	210	336

Figure 2



	Suspend-Company	Suspend-People	Debar-Company	Debar-People
Terrorism	0	0	0	0
Procurement	4	3	3	6
Health Care Fraud	0	0	0	0
General Crimes	0	0	0	0
Drug Related	0	0	0	1
Public Corruption	0	0	4	6
Other	0	1	0	3

Figure 3

Directorate for Investigations of Senior Officials

The DoD OIG 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 4 and 5 (the following page) show results of activity on senior official cases during the first 6 months of FY 2006. On March 31, 2006, there were 217 ongoing investigations into senior official misconduct throughout the Department, representing little change from October 1, 2005, when we reported 236 open investigations. Over the past 6 months, the Department closed 185 senior official cases, of which 32 (17 percent) contained substantiated allegations.

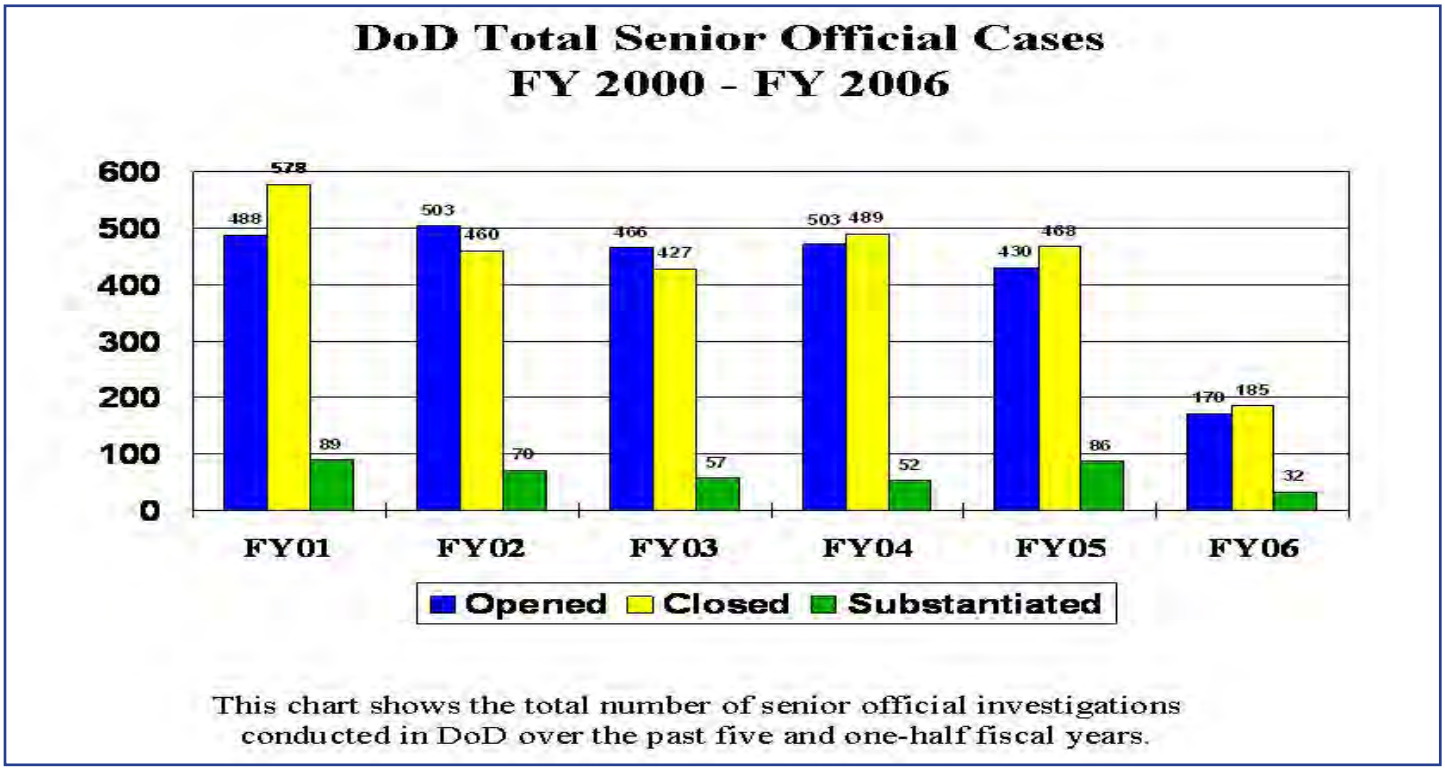


Figure 4

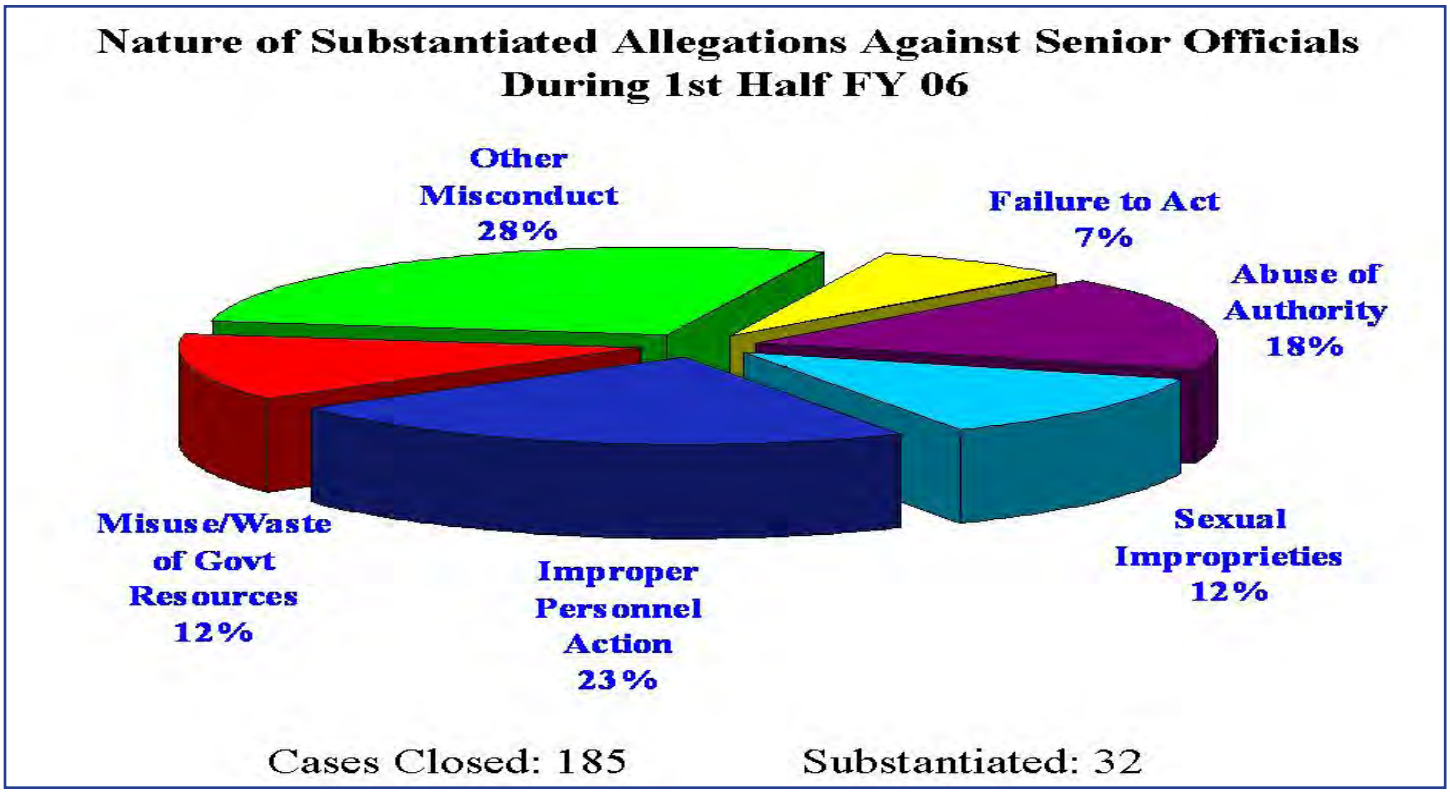


Figure 5

Directorate for Military Reprisal Investigations

The DoD OIG Directorate for Military Reprisal Investigations (MRI) conducts investigations and performs oversight of investigations conducted by the military department and defense agency inspectors general. Those investigations pertain to:

- Allegations that unfavorable actions were taken against members of the Armed Forces, non-appropriated fund employees, and Defense cotractor 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. During the reporting period, MRI and the Military Department IGs received 253 complaints of whistleblower reprisal. The DoD OIG closed 189 reprisal cases during this period. Of those 189 cases, 136 were closed after preliminary analysis determined further investigation was not warranted and 53 were closed after investigation. Of the 53 cases investigated, 8 contained one or more substantiated allegations of whistleblower reprisal.

MRI and the military departments currently have 501 open cases involving allegations of whistleblower reprisal. Examples of substantiated whistleblower reprisal cases follow.

An Air National Guard master sergeant alleged his group commander issued him a letter of reprimand in reprisal for reporting alleged vandalism affecting public health and safety to the wing commander. Air Force investigation substantiated the allegation. Corrective action is pending against the group commander.

An Army captain alleged his battalion commander issued him an unfavorable officer evaluation report in reprisal for reporting the commander's abuse of authority to the brigade commander. Army's investigation substantiated the allegation. Corrective action is pending.

A Navy petty officer second class alleged his commanding officer threatened him with non-judicial punishment if he sought a higher level review of his equal employment opportunity complaint. The Navy's investigation determined that the commander threatened punishment in reprisal for preparing to make a protected communication. The commanding officer was counseled.

A nonappropriated fund instrumentality employee alleged he was separated in reprisal for participating in an inspector general investigation. MRI's investigation found that his appropriated fund supervisor recommended the employee's termination in reprisal for his protected disclosure. Corrective action is pending against the supervisor.

Referrals for Mental Health Evaluations. MRI closed twenty cases involving allegations of improper referrals for mental health evaluations during the reporting period. In six (30%) of those cases, the DoD OIG substantiated that command officials and 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." The DoD OIG did not substantiate that these mental health referrals were taken in reprisal for Service members' protected communications.

Directorate for Civilian Reprisal Investigations

Between July 1, 2005 and January 1, 2006, the Civilian Reprisal Investigations Directorate (CRI) accomplished two missions of note to the Congress. First, it reported out the first comprehensive review of a alleged civilian whistleblower reprisal involving security clearance adjudication in a case involving the National Security Agency (NSA); second, it coordinated the Office of the Inspector General's recertification as Section 2302(c) compliant with the U.S. Office of Special Council. OIG DoD is one of two DoD Components to achieve this distinction, and the first to recertify.

DEPUTY INSPECTOR GENERAL FOR INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence (ODIG-INTEL) audits, reviews, evaluates, and monitors the programs, policies, procedures, and functions of the DoD Intelligence Community and 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 DoD OIG, 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; and the Defense Contract Audit Agency completed 104 intelligence-related and other classified and sensitive reports. The reports are categorized into the areas shown in Figure 6 (following page). A listing and highlights of the 104 reports can be found in the Classified Annex to this report.

INTELLIGENCE-RELATED REPORTS

DOD MANAGEMENT CHALLENGE AREA	DOD OIG	DEFENSE AGENCIES	MILITARY DEPARTMENTS	TOTAL
Joint Warfighting and Readiness	0	39	0	39
Homeland Defense	0	1	0	1
Human Capital	0	4	0	4
Information Technology Management	2	5	1	8
Acquisition Processes and Contract Management	0	9	2	11
Financial Management	1	10	5	16
Health Care	0	0	0	0
Logistics	0	0	0	0
Infrastructure and Environment	0	2	0	2
Other	1	21	1	23
TOTAL REPORTS ISSUED	**4**	**91**	**9**	**104**

Figure 6

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. The Intelligence Community Inspectors General Forum serves as a mechanism for sharing information among inspectors general whose duties include audit, evaluation, inspection, or investigation of programs and operations of Intelligence Community elements. 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 this group are to improve the effectiveness and efficiency of DoD oversight of intelligence activities by identifying areas needing more emphasis and deconflicting oversight programs. See the Classified Annex to this report for information on meetings of these groups.

DEPUTY INSPECTOR GENERAL FOR POLICY AND OVERSIGHT

Previously established in 2002 as the Office of the Deputy Inspector General for Inspections and Policy (I&P), consisting of Audit Policy and Oversight (APO), Investigative Policy & Oversight (IPO), Inspections and Evaluations (I&E), and Defense Hotline, the component was renamed Policy and Oversight (P&O) on February 5, 2006, as a result of a DoD OIG reorganization which combined the four I&P components with four other divisions: Quantitative Methods; Technical Assessment; Audit Follow-up and GAO Affairs; and Data Mining.

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for Audit and Investigative activities within DoD; manages the DoD Hotline; conducts inspections and evaluations; provides technical, statistical, and quantitative advice and support to OIG projects; conducts data mining; monitors corrective actions taken in response to OIG and Government Accountability Office (GAO) reports; and serves as DoD central liaison with GAO on reports and reviews regarding DoD programs and activities.

Audit Policy and Oversight

In accordance with the Inspector General Act of 1978, as amended, the Office of Assistant Inspector General for Audit Policy and Oversight (APO), provides policy direction and oversight for audits performed by over 6,500 DoD auditors in 24 DoD organizations, ensures appropriate use of non-federal auditors and their compliance with auditing standards and ensures that contracting officials comply with statutory and regulatory requirements when resolving contract audit report recommendations in accordance with DoD Directive 7640.2, "Policy for Follow-up on Contract Audit Reports." During the reporting period, APO issued two reports that addressed the quality of audits. The reports are:

- FY 2005 External Peer Reviews of the Quality Control Systems of the Military Department Audit Agencies (D-2006-6-001, November 15, 2005)

- Report on Quality Control Review of the PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audit Report of the Rand Corporation, Fiscal Year Ended September 29, 2002 (D-2006-6-002, December 16, 2005)

APO also:

- Issued IGDPH 7600.2, "What Makes a DoD Audit Organization World Class?" to provide elements that make a world class audit organization.

· Held a two-day conference for representatives from 18 small Defense audit and internal review organizations on challenges they face and to provide training on various topics.

· Provided training and discussions with a CPA firm to address their revised audit approach and documentation for single audit work based on our report recommendations.

· Provided training on attestation engagements to Army Internal Review evaluators.

· Developed training on management controls for military inspectors general in Serbia and Montenegro.

· Provided training and advice to other OIG personnel for conducting the external peer review of the Department of Homeland Security audit operations.

· Participated in newly formed Single Audit Policy Workgroup, the Procurement Fraud Working Group, and the Hurricane Katrina Working Group.

· Issued DoD audit policy on "Audit Organizations Access to Other Component Entities and Reports with Recommendations to Other Entities."

· Provided consolidated comments with service audit agencies and DCAA on Government Auditing Standards proposed revisions on "Evidence and Data Reliability in Performance Audits," "Quality Control and Assurance," and "Temporary Exemptions and Guidance in Response to Hurricanes Katrina and Rita."

· Provided comments to the American Institute of Certified Public Accountants on proposed Statement on Auditing Standard on communication of internal control related matters.

· Reviewed 25 revisions to the Federal Acquisition Regulation and Defense Federal Regulation Supplement and provided comments on "Levy on Payments to Contractors," "Government Property, Acquisition Planning," "Types of Contracts," "Inflation Adjustment of Acquisition-Related Thresholds (Matrix)," "Exception to Buy

American Act for Commercial Information Technology," and "Earned Value Management Systems."

Audit Followup and GAO Affairs

The Audit Followup and GAO Affairs 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 and maintains a complete record of actions taken. During this 6-month period, final action was completed on 93 reports and 361 recommendations. The Directorate also oversees a process to facilitate mediation of disputes regarding OIG recommendations to achieve agreement. Through this process, agreement was reached on 4 reports with 14 disputed issues during the period.

The Directorate also serves as the DoD central liaison with GAO on matters concerning GAO reviews and reports regarding DoD programs and activities. This includes monitoring ongoing reviews to facilitate appropriate DoD actions. This also includes monitoring and facilitating the preparation of DoD responses to GAO reports to ensure the responses are appropriately coordinated before release. The Directorate also distributes information regarding GAO activities to DoD auditing and other oversight organizations to facilitate identifying unnecessary overlap or duplication. During this 6-month period, the directorate processed 101 reviews and 152 draft and final reports.

Data Mining Directorate

The 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 DoD programs. During this reporting period the Directorate worked jointly with:

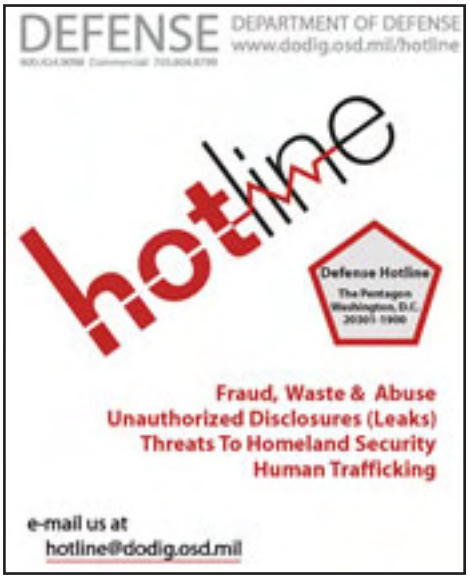
- DoD OIG and the Service Audit communities on 16 audit reports.
- DoD OIG and the Service MCIO communities on 47 investigations involving criminal activity.

In addition, the Data Mining Directorate supported 6 Federal OIGs in setting up their data mining efforts.

DoD Hotline

The DoD Hotline continues its primary mission of providing a confidential and 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. During this reporting period, the DoD Hotline received 6471 contacts from the public and members of the DoD commu-

nity, initiated 1505 investigations, and closed 1405 cases. Investigations initiated by the DoD Hotline returned $1,564,596 to the Federal Government during this reporting period. The DoD Hotline received 30 Congressional inquiries and 76 investigative referrals from the Government Accountability Office. The DoD Hotline has also continued an aggressive marketing campaign that has included responding to 503 requests from DoD contractors and the military services for DoD Hotline fraud, waste and mismanagement posters.



Inspections and Evaluations Directorate

The Inspections and Evaluations Directorate promotes positive change by identifying opportunities for performance and efficiency improvements in DoD programs and operations. The Directorate conducts objective and independent customer-focused management and program inspections addressing areas of interest to Congress and the DoD.

Investigative Policy and Oversight Directorate

The Investigative Policy and Oversight Directorate evaluates the performance and develops/implements policy for the DoD law enforcement community and the non-criminal investigative offices of the DoD. The Directorate also manages the IG Subpoena Program for the DCIOs and administers the DoD Voluntary Disclosure Program, which allows contractors a means to report potential civil or criminal fraud matters.

Quantitative Methods Directorate

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

Technical Assessment Directorate

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 have been improved in audited systems.

OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON

The Office of Communications and Congressional Liaison (OCCL) supports the DoD OIG by serving as the contact for communications to and from Congress, and by serving as the DoD OIG Public Affairs Office. The OCCL also includes the Freedom of Information Act/Privacy Act Office and Strategic Planning. In addition, the OCCL provides staff support and serves as the liaison for the DoD OIG to the President's Council on Integrity and Efficiency and the Defense Council on Integrity and Efficiency (DCIE). The DoD IG established the DCIE in 2002 to ensure effective coordination and cooperation among oversight agencies within the DoD.

Comments on Legislation/Testimony

Section 4(a) of the Inspector General Act requires the Inspector General "to review existing and proposed legislation and regulations relating to the program 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 OIG routinely receives legislation for review that has been referred to the Department of Defense for comment.

The DoD OIG is given the opportunity to provide information to Congress by participating in congressional hearings.

On October 18, 2005, Mr. Thomas F. Gimble, Acting Inspector General,[1] testified before the Subcommittee on National Security, Emerging Threats, and International Relations, House Committee on Government Reform regarding the IG oversight role related to Iraq reconstruction, governance, and security oversight efforts by the Department of Defense. The Acting IG's testimony focused on the DoD IG oversight role which includes providing oversight of other DoD audit and investigative organizations. To coordinate oversight efforts and avoid duplication, the DoD OIG participated in the Iraq Inspectors General Council with representatives from Special Inspector General for Iraqi Reconstruction, Government Accountability Office, the Department of State

1. Mr. Gimble served as the Acting Inspector General from September 10, 2005 through April 7, 2006. He currently holds the title of Principal Deputy Inspector General.

Office of the Inspector General, the U.S. Agency for International Development Office of the Inspector General, the Defense Contract Audit Agency, the U.S. Army Audit Agency, and U.S. Army Corps of Engineers. At the time of the hearing, DCAA had issued 622 reports, the Service Audit Agencies had collectively issued 14 audit reports and had 16 ongoing efforts, and the DoD IG has issued 31 audit reports and had two ongoing efforts on issues pertaining to the Global War on Terror. The DoD IG efforts pertained to acquisition, chemical and biological defense, cooperative threat reduction program, export controls, force protection, and financial and personnel responsibility. Two of the issued audit reports addressed the use of FY 2004 Emergency Supplemental Appropriations. DCIS, as part of a Department of Justice Task Force, was involved in the review of allegations regarding matters that have occurred in Iraq. DCIS special agents provided investigative support to the CPA which resulted in numerous recoveries and dismantling of criminal operations to include a multi-million dollar counterfeiting operation involving Iraqi Dinar, and the multiple seizures of weapons and explosive devices destined to be used against coalition forces.

On February 14, 2006, Mr. Thomas F. Gimble, Acting Inspector General testified before the Subcommittee on National Security, Emerging Threats, and International Relations House Committee on national security whistleblower protection. During his testimony, Mr. Gimble discussed whistleblower protections available to members of the military personnel, DoD civilian employees, and employees of DoD contractors. Accompanying Mr. Gimble were Ms. Jane Deese, Director of Military Reprisal Investigations, and Mr. Dan Meyer, Director of Civilian Reprisal Investigations. The Acting IG testified that DoD OIG, has two Directorates that are responsible for conducting and overseeing investigations of complaints that military personnel or civilian employees suffered reprisal for making a disclosure protected by applicable statute. The Military Reprisal Investigations Directorate has conducted such investigations for over 20 years. Additionally, in 2003 the DoD OIG established the Civilian Reprisal Investigations Directorate to to provide an alternate means by which DoD civilian appropriated fund employees could seek protection from reprisal. In January of 2006 the DoD IG submitted a Department of Defense Instruction for formal coordination within DoD. This instruction will govern the operations of the Civilian Reprisal Investigations Directorate and formalize the procedures by which it can assist DoD employees claiming reprisal for whistleblowing activities. Significantly, this instruction will extend whistleblower protections to employees of the DoD intelligence community who are not provided statutory protection by Office of Special Counsel.

The DoD OIG has continued to work with the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) to amend the Defense Federal Acquisition Regulation Supplement (DFARS). The proposed change would implement DoD policy prohibiting any activities on the part of DoD contractor employees that support or promote trafficking in persons. The proposed change includes a clause for use in contracts requiring performance outside the United States. The proposed clause would require the contractor to establish policy and procedures for combating trafficking in persons and to notify the contracting officer of any violations and the corrective action taken.

The DoD OIG also regularly reviews new and revised regulations proposed by the Department of Defense. During this reporting period, the DoD OIG reviewed 115 draft issuances or re-issuances of DoD directives, instructions, manuals, and policy guidance.

APPENDIX A

REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

Excludes base level reports issued by the Air Force Audit Agency and memorandum reports and consulting reports issued by the Army Audit Agency.

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

DoD OIG
(703) 604-8937
http://www.dodig.mil

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

Army Audit Agency
(703) 681-9863
http://www.hqda.army.mil/aaaweb

Air Force Audit Agency
(703) 696-7904
www.afaa.hq.af.mil

Summary of Number of Reports by Management Challenge Area
October 1, 2005 – March 31, 2006

	DoD OIG	Military Depts.	Total
Joint Warfighting and Readiness	2	8	10
Homeland Defense	-	4	4
Human Capital	1	13	14
Information Technology Management	7	10	17
Acquisition Processes/Contract Management	12	12	24
Financial Management	39	21	60
Health Care	2	4	6
Logistics	1	19	20
Infrastructure and Environment	2	15	17
Base Realignment and Closure	-	7	7
Other	2	3	5
Total	68	116	184
For information on intelligence-related reports, including those issued by other Defense agencies, refer to page 55 under Deputy Inspector General for Intelligence, or 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 OIG

D-2006-026 Air Force Operational Mobility Resources in the Pacific Theater (CLASSIFIED) (11/17/05)

D-2006-041 Operational Mobility: Gap-Crossing Resources for the Korean Theater (CLASSIFIED) (12/26/05)

Army Audit Agency

A-2006-0003-FFM Kuwait Defense Cooperative Agreement (11/16/05)

A-2006-0047-ALL Base Closure Process in the Iraq Area of Operations (01/11/06)

A-2006-0049-FFF Followup Audit of Advanced Individual Training Courses, U.S. Army Air Defense Artillery School, Fort Bliss (03/07/06)

Naval Audit Service

N2006-0012 Navy Individual Personnel TEMPO Accounting (01/06/06)

N2006-0019 United States Marine Corps Demand on Equipment (03/23/06)

Air Force Audit Agency

F-2006-0001-FD1000 Prime Base Engineer Emergency Force Program (01/19/06)

F-2006-0002-FD3000 Follow-up Audit, Space Operations Crew Force Management (02/07/06)

F-2006-0003-FD3000 Base Support and Expeditionary Site Planning (02/07/06)

HOMELAND DEFENSE

Army Audit Agency

A-2006-0029-ALA Funding Contract Security Guards at Army Ammunition Installations, Program Executive Officer, Ammunition and U.S. Army Joint Munitions Command (12/21/05)

Naval Audit Service

N2006-0004 Alternative Compensatory Control Measures (11/17/05)

N2006-0015 Chartered Cruise Ships (02/16/06)

Air Force Audit Agency

F-2006-0001-FD3000 Security Guard Contract Management (11/15/05)

HUMAN CAPITAL

DoD OIG

D-2006-070 Management of Emergency-Essential Positions in the U.S. European Command (03/31/06)

Army Audit Agency

A-2006-0010-FFF Reserve Component Readiness Reporting, Army National Guard (11/09/05)

A-2006-0017-ALE Army Golf Operations in Europe, U.S. Army Installation Management Agency, Europe Region (11/10/05)

A-2006-0019-ALE Followup Audit of Laundry and Dry Cleaning Services, U.S. Army Installation Management Agency, Europe Region (12/02/05)

A-2006-0061-FFP Followup Audit of Morale, Welfare, and Recreation Acquisition Practices, U.S. Army Installation Management Agency, Korea Region Office (02/07/06)

A-2006-0051-FFF Material Weakness Revalidation - Manpower Requirements Determination (02/10/06)

A-2006-0041-FFF Management of Initial Entry Training Soldiers (02/14/06)

A-2006-0079-FFM Material Weaknesses Closeout on Line of Duty and Incapacitation Pay (03/08/06)

Naval Audit Service

N2006-0008 Individual Community Studies – Enlisted Community Reviews (12/08/05)

Air Force Audit Agency

F-2006-0002-FD2000 Nonappropriated Fund Prime Vendor Food Purchase Program (FOR OFFICIAL USE ONLY) (03/15/06)

F-2006-0001-FD4000 The Deputy Chief of Staff of Personnel - Role Under Human Capital Performance Management (11/23/05)

F-2006-0002-FD4000 Pilot Selection Methods (12/30/05)

F-2006-0003-FD4000 Air Force Academy and Preparatory School Oversight Framework (03/15/06)

F-2006-0004-FD4000 Pilot Training Methods (03/27/06)

INFORMATION TECHNOLOGY MANAGEMENT

DoD OIG

D-2006-008 Report on the 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 (10/24/05)

D-2006-030 Report on Diagnostic Testing at the Defense Information Systems Agency Center for Computing Services (FOR OFFICIAL USE ONLY) (11/30/05)

D-2006-031 Report on Penetration Testing at the Defense Information Systems Agency Center for Computing Services (FOR OFFICIAL USE ONLY) (11/30/05)

D-2006-042 Security Status for Systems Reported in DoD Information Technology Databases (12/30/05)

D-2006-046 Technical Report on the Defense Property Accountability System (FOR OFFICIAL USE ONLY) (01/27/06)

D-2006-052 DoD Organization Information Assurance Management of Information technology Goods and Services Acquired Through Interagency Agreements (02/23/06)

D-2006-053 Select Controls for the Information Security of the Ground-Based Midcourse Defense Communications Network (02/24/06)

Army Audit Agency

A-2006-0015-ALA Followup Audit of Common Hardware Systems Notebook Computers, Fort Monmouth, New Jersey (11/07/05)

A-2006-0044-FFM Attestation of Standard Procurement System - Requirements Validation (01/23/06)

A-2006-0071-ALA Joint Network Node, Fort Monmouth, New Jersey (03/07/06)

A-2006-0066-FFM Integrated Facilities System, Requirements Validation (03/08/06)

A-2006-0082-FFI Attestation Review of Investment and Cost Benefit Estimates for the Publication Content Management Program Initiative (03/14/06)

Naval Audit Service

N2006-0003 Safeguarding Department of the Navy Protected Health Information in Medical Automated Information Systems (11/10/05)

N2006-0013 Summary Report – Information Security Within the Navy (01/13/06)

N2006-0017 Navy Legacy Applications and Databases (02/27/06)

Air Force Audit Agency

F-2006-0001-FB2000 Reliability of Data Supporting Air Force Information and Logistics Systems (11/15/05)

F-2006-0002-FB2000 Air Force Travel Systems (03/03/06)

ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

DoD OIG

D-2006-001 Audit of the Common Submarine Radio Room (10/03/05)

D-2006-004 Acquisition of the Objective Individual Combat Weapon (FOR OFFICIAL USE ONLY) (10/07/05)

D-2006-007 Contracts Awarded to Assist the Global War on Terrorism by the U.S. Army Corps of Engineers (10/14/05)

D-2006-010 Contract Surveillance for Service Contracts (10/28/05)

D-2006-027 Contract Award and Administration for Coupling Half Quick Disconnect (11/23/05)

D-2006-055 Spare Parts Procurement From TransDigm, Inc. (FOR OFFICIAL USE ONLY) (02/23/06)

D-2006-058 Source Selection Procedures for the C-5 Avionics Modernization Program (02/28/06)

D-2006-059 Air Force Procurement of 60K Tunner Cargo Loader Contractor Logistics Support (03/03/06)

D-2006-060 Systems Engineering Planning for the Ballistic Missile Defense System (FOR OFFICIAL USE ONLY) 03/02/06

D-2006-061 Source Selection Procedures for the Navy Construction Capabilities Contract (FOR OFFICIAL USE ONLY) 03/03/06

D-2006-065 Procurement Procedures Used for F-16 Mission Training Center Simulator Services 03/24/06

D-2006-066 Report on the Procurement Processes and Procedures for the C-40 Lease and Purchase Programs and C-22 Replacement Program (C-40) (FOR OFFICIAL USE ONLY) (03/28/06)

Army Audit Agency

A-2006-0016-ALI Contracting and Cooperative Agreements, U.S. Property and Fiscal Office, Indiana Army National Guard (11/18/05)

A-2006-0028-ALM Stryker Contract Logistics Support Costs, Office of the Project Manager, Stryker Brigade Combat Team (12/06/05)

A-2006-0036-ALA Earned Value Management (12/22/05)

A-2006-0045-ALL Audit of Training Resource Model Inputs -- Acquisition Contracting, U.S. Army Tank-Automotive and Armaments Life Cycle Management Command, Warren, Michigan, and Rock Island, Illinois (01/10/06)

A-2006-0053-ALR Followup of Audit Report A-2002-0492-AMW, Government Purchase Cards, U.S. Army Materiel Command (01/27/06)
A-2006-0062-FFH Attestation Review of Army and Air Force Exchange Service External Contract Oversight (01/27/06)

A-2006-0083-ALL Audit of Retrograde Operations (Task Order 87), Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (03/21/06)

Naval Audit Service

N2006-0007 Use of General Services Administration Leased Vehicle Fuel Credit Card at Selected Department of the Navy Activities (12/06/05)

N2006-0011 Marine Corps Management of Service Contracts (12/27/05)

Air Force Audit Agency

F-2006-0001-FC1000 Review of Air Force Preliminary Planning Guidance and Criteria for OMB Circular A-76 (03/03/06)

F-2006-0002-FC1000 Summary of Independent Review Official Costing Issues (03/16/06)

F-2006-0001-FC3000 Support Contract Data Validation (02/07/06)

FINANCIAL MANAGEMENT

DoD OIG

D-2006-002 Civilian Payroll and Withholding Data for FY 2005 (10/06/05)

D-2006-006 Management of the National Committee for Employer Support of the Guard and Reserves (10/06/05)

D-2006-009 Independent Examination of Valuation and Completeness of U.S. Army Corps of Engineers Buildings and Other Structures (10/28/05)

D-2006-011 Foreign Military Sales Trust Fund Cash Management (11/07/05)

D-2006-012 Controls Over Funds Used by the DoD for the National Drug Control Program (11/07/05)

D-2006-013 Compiling and Recording Financial Adjustments Related to DoD Commercial Payments (11/08/05)

D-2006-014 Independent Auditor's Report on the Fiscal Year 2005 Army Working Capital Fund Financial Statements (11/08/05)

D-2006-015 Independent Auditor's Report on the Fiscal Year 2005 Army General Fund Financial Statements (11/08/05)

D-2006-016 Independent Auditor's Report on the Fiscal Year 2005 Navy Working Capital Fund Financial Statements (11/08/05)

D-2006-017 Independent Auditor's Report on the Fiscal Year 2005 Navy General Fund Financial Statements (11/08/05)

D-2006-018 Independent Auditor's Report on the Fiscal Year 2005 Air Force General Fund Financial Statements (11/08/05)

D-2006-019 Independent Auditor's Report on the Fiscal Year 2005 Air Force Working Capital Fund Financial Statements (11/08/05)

D-2006-020 Independent Auditor's Report on the Fiscal Year 2005 U.S. Army Corps of Engineers, Civil Works Financial Statements (11/08/05)

D-2006-021 Endorsement of the Qualified Opinion on the FY 2005 DoD Medicare-Eligible Retiree Health Care Fund Financial Statements (11/08/05)

D-2006-022 Independent Auditor's Report on the Department of Defense FY 2005 Agency-Wide Principal Financial Statements (11/12/05)

D-2006-023 Endorsement of the Unqualified Opinion on the FY 2005 Military Retirement Fund Financial Statements (11/04/05)

D-2006-024 Independent Auditor's Report on the FY 2005 DoD Special-Purpose Financial Statements (11/18/05)

D-2006-025 Accuracy of Air Force Contract Financing Amounts (11/14/05)

D-2006-029 Potential Antideficiency Act Violations Identified During Audit of the Acquisition of the Pacific Mobile Emergency Radio System (11/23/05)

D-2006-032 Independent Accountant's Report of Agreed-Upon Procedures on the FY 2005 Chief Financial Officer's Representations for Federal Intragovernmental Activity and Balances (12/02/05)

D-2006-033 Defense Finance and Accounting Service Corporate Database User Access Controls (12/07/05)

D-2006-034 Accuracy of the Contributions to the Medicare-Eligible Retiree Health Care Fund (12/07/05)

D-2006-035 FY 2004 DoD Superfund Transactions (12/07/05)

D-2006-037 Puget Sound Naval Shipyard Mission-funded Prototype (12/09/05)

D-2006-038 DoD Compliance with the Government Performance and Results Act of 1993 (12/13/05)

D-2006-039 Internal Controls Over the Compilation of the Air Force, General Fund, Fund Balance With Treasury for FY 2004 (12/22/05)

D-2006-043 Army Management of the Army Game Project Funding (01/06/06)

D-2006-045 Endorsement of the Deloitte & Touche LLP Management Letters on the FY 2005 Military Retirement Fund Financial Statements Opinion Audit (FOR OFFICIAL USE ONLY) (01/10/06)

D-2006-047 Independent Auditor's Report on the DoD FY 2005 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities (01/26/06)

D-2006-048 Reliability of Financial Data Accumulated and Reported by the Space and Naval Warfare Systems Centers (FOR OFFICIAL USE ONLY) (01/31/06)

D-2006-049 Audit of the FY 2004 Marine Corps Entitlements and Withholding (02/10/06)

D-2006-050 Accuracy of Navy Contract Financing Amounts (02/13/06)

D-2006-054 DoD Process for Reporting Contingent Legal Liabilities (02/24/06)

D-2006-056 Vendor Pay Disbursement Cycle, Air Force General Fund: Contract Formation and Funding (03/06/06)

D-2006-057 Corrective Actions for Previously Identified Deficiencies Related to the National Geospatial-Intelligence Agency Financial Statements (CLASSIFIED) (02/28/06)

D-2006-062 Internal Controls Over Compiling and Reporting Environmental Liabilities Data (03/15/06)

D-2006-063 Internal Controls Over Departmental Expenditure Operations at Defense Finance and Accounting Service Indianapolis (03/10/06)

D-2006-064 Appropriated Funds Distribution Within the Program Budget Accounting System ()3/17/06)

D-2006-068 Implementation of the Business Enterprise Information Services for the Army General Fund (03/31/06)

Army Audit Agency

A-2006-0007-FFM Independent Auditors Report for FY 05 American Red Cross Financial Statements (10/21/05)

A-2006-0006-FFP Review of the Army Management Control Process FY 05, US Army Pacific, Fort Shafter, Hawaii (11/02/05)

A-2006-0002-FFM Review of the Army Management Control Process FY 05, Deputy Chief of Staff, G-2 (11/03/05)

A-2006-0011-FFM Review of the Army Management Control Process FY 05, Office of the Surgeon General/U.S. Army Medical Command (11/03/05)

A-2006-0012-FFM Review of Army Management Control Process FY 05, Chief Information Officer/G-6 (11/17/05)

A-2006-0013-FFM Defense Property Accountability System Material Weakness Closeout, Criminal Investigative Division Laboratory, Fort Gillem, Georgia (11/17/05)

A-2006-0020-FFM Review of the Army Management Control Process FY 05, U.S. Army Network Enterprise Technology Command/ 9th Army Signal Command (11/23/05)

A-2006-0052-ALR Followup Audit of Aged Accounts, U.S. Army Aviation and Missile Command (01/26/06)

A-2006-0046-ALA Fund Accountability for Fiscal Year 2004 Iraq Relief and Reconstruction Funds, Project and Contracting Office, Washington, DC (01/31/06)

A-2006-0065-ALR Followup of Audit Report AA 01-443, Compilation of Army Working Capital Fund Fiscal Year 2000 1307 Accounting Report (02/13/06)

A-2006-0059-FFM Review of the Army Management Control Process FY 05, Assistant Secretary of the Army (Financial Management and Comptroller) (03/03/06)

A-2006-0081-ALL Audit of Unliquidated Obligations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom (03/17/06)

A-2006-0090-ALE Followup Audit II of the Commander's Emergency Response Program and Quick Response Fund, Multi-National Security Transition Command – Iraq (03/31/06)

Naval Audit Service

N2006-0001 Fiscal Year 2004 Implementation of the Federal Managers' Financial Integrity Act at Selected Naval Activities (10/31/05)

N2006-0002 Auditor General Advisory Report on Military Sealift Command Financing Mechanism (11/08/05)

N2006-0016 Special Operations Fund (CLASSIFIED) (02/24/06)

N2006-0018 Aircraft Engine Management System (03/22/06)

Air Force Audit Agency

F-2006-0001-FB3000 Air Force Working Capital Fund Tri-Annual Review Process - Depot Maintenance Activity Group (02/07/06)

F-2006-0004-FD3000 Intelligence Contingency Funds - Fiscal Year 2004 (03/01/06)

F-2006-0002-FB3000 General Fund and Working Capital Fund Capital Lease Assets and Liabilities (03/03/06)

F-2006-0003-FB3000 Selected Aspects of General Fund Accounts Payable (03/06/06)

HEALTH CARE

DoD OIG

D-2006-003 Security Controls Over Selected Military Health System Corporate Databases (FOR OFFICIAL USE ONLY) (10/07/05)

D-2006-051 TRICARE Overseas Controls Over Third Party Billing Agencies and Supplemental Health Insurance Plans (FOR OFFICIAL USE ONLY) (02/10/06)

Army Audit Agency

A-2006-0005-FFH Audit of Contracts for Medical Goods and Services, Contract DADA09-03-P-0961, Neurosurgeon Services, William Beaumont Army Medical Center (10/20/05)

A-2006-0068-FFH Contracts for Medical Goods and Services, Contract W81K00-04-D-0001 (Medical Processing Assistants) (02/23/06)

A-2006-0070-FFP Followup Audit of Healthcare for DA Civilians Stationed Overseas, Eighth U.S. Army, Korea (02/28/06)

Air Force Audit Agency

F-2006-0001-FD2000 Hearing Conservation Program (01/05/06)

LOGISTICS

DoD OIG

D-2006-040 Air Force Controls Over the Return of Depot-Level Reparable Assets (12/22/05)

Army Audit Agency

A-2006-0018-ALL Logistics Civil Augmentation Program Support Unit Training, Logistics Civil Augmentation Program Support Unit Headquarters, Fort Belvoir, Virginia (11/17/05)

A-2006-0022-ALL Logistics Civil Augmentation Program, U.S. Army Materiel Command (11/28/05)

A-2006-0014-ALM Depot-Level Maintenance for Secondary Items, Phase I - Repair Versus Procurement Decisions, U.S. Army Tank-Automotive and Armaments Life Cycle Management Command (12/14/05)

A-2006-0032-ALE Followup Audit of Ammunition Accountability--Reserve Storage Activity, Miesau, U.S. Army, Europe and Seventh Army (12/14/05)

A-2006-0063-ALR Increasing Safety Levels for Spare Parts, Office of the Deputy Chief of Staff, G-4 (1/31/06)

A-2006-0043-ALI Contract Management of Equipment Transition Sites, U.S. Army Reserve Command, Fort McPherson, Georgia (02/10/06)

A-2006-0055-ALM Impact of Warranties on Weapon System Maintenance Costs (02/13/06)

A-2006-0064-FFM Defense Property Accountability System Material Weakness Closeout, Night Vision and Electronic Sensors Directorate, Fort Belvoir, Virginia (02/24/06)

A-2006-0060-FFM Defense Property Accountability System Material Weakness Closeout, Fort Bragg, North Carolina (03/06/06)

A-2006-0086-ALM Coordination Between Local and National Level Reset, Fort Hood, Texas (03/30/06)

A-2006-0089-ALE Followup Audit of Requirements for Nontactical Vehicles, U.S. Army Installation Management Agency, Europe Region (03/30/06)

Air Force Audit Agency

F-2006-0001-FC2000 C-17 Aircraft Engine (F117) Maintenance Operations (11/15/05)

F-2006-0002-FC2000 Aircraft Engine Reliability-Centered Maintenance (11/16/05)

F-2006-0003-FC2000 U-2 Maintenance (03/15/06)

F-2006-0001-FC4000 Depot Stock Level Days (11/09/05)

F-2006-0002-FC4000 Readiness Spares Package Requirements (11/15/05)

F-2006-0003-FC4000 Supply Discrepancy Report Program (11/15/05)

F-2006-0004-FC4000 Shop Flow Time Data Accuracy (12/02/05)

F-2006-0005-FC4000 Supply Item Pricing (02/07/06)

INFRASTRUCTURE AND ENVIRONMENT

DoD OIG

D-2006-028 DoD Reporting System for the Competitive Sourcing Program (11/22/05)

D-2006-036 Public-Private Competition for Environmental Services at the Navy Public Works Center, San Diego, California (FOR OFFICIAL USE ONLY) (12/08/05)

Army Audit Agency

A-2006-0008-ALO Followup Audit of Privatization of Utility Distribution System, Fort Hamilton, New York (11/03/05)

A-2006-0024-FFE Followup Audit of Army Wastewater Systems, Office of the Assistant Chief of Staff for Installation Management (12/02/05)

A-2006-0026-ALO Barracks Sustainment, Restoration, and Modernization, U.S. Army Garrison, Fort Hood, Texas (12/09/05)

A-2006-0030-FFD Civil Works Project Cooperation Agreements, Office of the Assistant Secretary of the Army (Civil Works) and U.S. Army Corps of Engineers (12/13/05)

A-2006-0027-FFF Followup Audit of Military Training Service Support-Pilot Test, Fort Gordon, Georgia (12/16/05)

A-2006-0031-FFP Followup Audit of Quartermaster Laundry Service - Korea, Eighth U.S. Army, Seoul, Korea (12/22/05)

A-2006-0058-FFP Barracks Improvement Program, U.S. Army Garrison, Hawaii (01/24/06)

A-2006-0033-FFE Remediation at Aberdeen Proving Ground, Aberdeen Proving Ground, Maryland (02/10/06)

A-2006-0034-FFE Environmental Liabilities (02/15/06)

A-2006-0075-ALE Capital Purchases and Minor Construction in Europe, U.S. Army Installation Management Agency, Europe Region (03/09/06)

A-2006-0076-ALE Military Construction Requirements in Europe (03/17/06)

Naval Audit Service

N2006-0005 Military Construction, Navy Projects Proposed for Fiscal Year 2007 (11/21/05)

Air Force Audit Agency

F-2006-0002-FD1000 Housing Tenant Liabilities (03/03/06)

F-2006-0003-FD1000 Utilities Privatization Economic Analysis - First Quarter Fiscal Year 2006 (03/16/06)

F-2006-0004-FD1000 Environmental Remediation Estimates (03/27/06)

BASE REALIGNMENT AND CLOSURE

Naval Audit Service

N2006-0009 Independent Attestation Review of Financial Statements for the Charleston Naval Complex Redevelopment Authority No-Cost Economic Development Conveyance (12/21/05)

N2006-0010 Auditor General Advisory – Opportunities for Management Improvements Over No-Cost Economic Development Conveyances Within the Department of the Navy (12/22/05)

Air Force Audit Agency

F-2006-0001-FB4000 2005 Base Realignment and Closure - Air Force Data Collection (11/09/05)

F-2006-0002-FB4000 2005 Base Realignment and Closure - Air Force Analysis (01/05/06)

F-2006-0003-FB4000 2005 Base Realignment and Closure - Cost of Base Realignment Actions (01/19/06)

F-2006-0004-FB4000 2005 Base Realignment and Closure - NOISEMAP Reliability (02/07/06)

F-2006-0005-FB4000 2005 Base Realignment and Closure - Joint Cross-Service Group Data Collection (03/01/06)

OTHER

DoD OIG

D-2006-044 Controls Over the Export of Joint Strike Fighter Technology (FOR OFFICIAL USE ONLY) (01/11/06)

D-2006-067 Controls Over Exports to China (03/30/06)

Army Audit Agency

A-2006-0035-FFD Workload Survey: Iraq Reconstruction, Corps of Engineers (12/20/05)

Naval Audit Service

N2006-0006 Internal Controls Over the Personnel Security Function at Fleet and Industrial Supply Center Puget Sound (FOR OFFICIAL USE ONLY) (11/23/05)

N2006-0014 Peer Review of Marine Corps Nonappropriated Fund Audit Service (02/14/06)

APPENDIX B

DOD OIG AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS

	Potential Monetary Benefits	
Audit Reports Issued	**Disallowed Costs[1]**	**Funds Put to Better Use**
D-2006-026 Air Force Operational Mobility Resources in the Pacific Theater (U) (11/17/2005)	N/A	2,000,000
D-2006-027 Contract Award and Administration for Coupling Half Quick Disconnect (11/23/2005)	N/A	3,300,000
D-2006-043 Army Management of the Army Game Project Funding (1/6/2006)	N/A	13,412,943
D-2006-049 Audit of the FY 2004 Marine Corps Entitlements and Withholding (2/10/2006)	N/A	800,000
D-2006-055 Spare Parts Procurements From TransDigm, Inc. (2/23/2006)	N/A	34,400,000
D-2006-059 Air Force Procurement of 60K Tunner Cargo Loader Contractor Logistics Support (3/3/2006)	N/A	20,341,000
Totals		**$74,253,943**

[1] There were no OIG 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*

FOLLOWUP ACTIVITIES

DECISION STATUS OF DOD OIG ISSUED AUDIT REPORTS AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE ($ in thousands)		
Status	**Number**	**Funds Put To Better Use [1]**
A. For which no management decision had been made by the beginning of the reporting period.	22	$0
B. Which were issued during the reporting period.	67	74,254
Subtotals (A+B)	89	74,254
C. For which a management decision was made during the reporting period.	47	23,641
(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.		23,641[2]
D. For which no management decision has been made by the end of the reporting period.	42	50,613
Reports for which no management decision was made within 6 months of issue (as of March 31, 2006).	7[3]	0

1 There were no DoD OIG 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 No. D-2004-064, "Acquisition of the Boeing KC-767A Tanker Aircraft," March 29, 2004; DoD OIG Report No. D-2005-054, "DoD Information Technology Security Certification and Accreditation Process," April 28, 2005; DoD OIG Report No. D-2005-062, "Audit of Contract Financing Payments," May 10, 2005; DoD OIG Report No. D-2005-093, "Technical Report on the Standard Finance System," August 17, 2005; DoD OIG Report No. D-2005-094, "Proposed DoD Information Assurance Certification and Accreditation Process," July 21, 2005; DoD OIG Report No. D-2005-099, "Status of Selected DoD Policies on Information Technology Governance," August 19, 2005; and, DoD OIG Report No. 05-INTEL-13, "Incident Reporting and Forensic Capabilities," May 27, 2005, had no management decision as of March 31, 2006, but action to achieve a decision is in process. (Action to achieve a decision on Report D-2004-064 was on hold pending a DoD decision on the tanker replacement program. The decision was made on April 13, 2006.)

* Fulfills requirements of Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5 (a) (8) (9) & (10).

FOLLOWUP STATUS REPORT*

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS Period ending March 31, 2006 ($ in thousands)		
Status	**Number**	**Funds Put to Better Use [1]**
OIG DoD		
Action in Progress - Beginning of Period	252	$0
Action Initiated - During Period	47	0
Action Completed - During Period	57	10,734
Action in Progress - End of Period	242	0[2]
Military Departments		
Action in Progress - Beginning of Period	649[3]	2,802,854
Action Initiated - During Period	129	1,015,622
Action Completed - During Period	262	1,627,588
Action in Progress - End of Period	516	1,815,776

1 There were no OIG DoD audit reports issued during the period involving "questioned costs."
2 On certain reports (from prior periods) with audit estimated monetary benefits of $7,136 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.
3 Incorporates retroactive adjustments.

* 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[1]
($ in millions)
October 1, 2005 through March 31, 2006

TYPE OF AUDIT[2]	REPORTS ISSUED	EXAMINED	QUESTIONED COSTS[3]	FUNDS PUT TO BETTER USE
Incurred Costs, Ops Audits, Special Audits	10,507	$63,097.2	$386.6	$63.5[4]
Forward Pricing Proposals	4,271	$60,808.0	---	$2,403.6[5]
Cost Accounting Standards	1,002	$82.8	$47.2	---
Defective Pricing	174	(Note 6)	$19.2	---
Totals	**15,954**	**$123,988**	**$453.0**	**$2,467.1**

Note 1. This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended March 31, 2006. 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.

Note 2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:

Incurred Costs – Audits of direct and indirect costs charged to Government contracts to determine that the costs are reasonable, allocable, and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.

Forward Pricing Proposals – Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for redeterminable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.

Cost Accounting Standards – A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice, or noncompliance with a CAS regulation.

Defective Pricing – A review to determine whether contracts are based on current, complete and accurate cost or pricing data (the Truth in Negotiations Act).

Note 3. Questioned costs represent costs that DCAA has questioned because they do not comply with rules, regulations, laws, and/or contractual terms.

Note 4. Represents recommendations associated with Operations Audits where DCAA has presented to a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.

Note 5. Represents potential cost reductions that may be realized during contract negotiations.

Note 6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

APPENDIX E

STATUS OF ACTION ON SIGNIFICANT POST-AWARD CONTRACT AUDITS[1]

Period Ending March 31, 2006
($ in millions)

	Number of Reports	Costs Questioned	Disallowed Costs[6]
Open Reports:			
Within Guidelines[2]	301	$422.5	N/A[7]
Overage, greater than 6 months[3]	471	$1,204.8	N/A
Overage, greater than 12 months[4]	277	$807.6	N/A
In Litigation[5]	84	$1,791.8	N/A
Total Open Reports	1,133	$4,226.7	N/A
Closed Reports	327	$765.5	$304.5 (39.8%)

[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, and TRICARE. Contract audit followup is reported in accordance with DoD Directive 7640.2, "Policy for Followup 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 Followup", 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 84 reports in litigation, 3 are under criminal investigation.

[6] Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.

[7] N/A (not applicable)

APPENDIX F

STATUS OF DOD OIG REPORTS MORE THAN 12 MONTHS OLD WITH FINAL ACTION PENDING [1,2]

(As of September 30, 2005)

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
97-100, Asset Presentation on Military Department General Fund Financial Statements, 2/25/1997	Clarify accounting guidance for the reporting of progress payments to ensure consistent presentation by the DFAS Centers on Military Departments General Fund financial statements and future DoD consolidated statements.	Awaiting an opinion from the FASAB on financial statement presentation issues.	USD(C)
97-112, Air Mobility Command (AMC) Financial Reporting of Property, Plant, and Equipment (PP&E), 3/19/1997	AMC is to develop a methodology for keeping PP&E current and providing accurate and useful information to DFAS for preparation of financial statements.	Competing management priorities.	USTRANSCOM DFAS
97-134, Disposal of Munitions List Items in the Possession of Defense Contractors, 4/22/1997	Change regulations to advance identification of munitions list items to the early stages of the acquisition process.	Personnel turnover has delayed implementation of the Manual.	USD(AT&L)
97-187, Communications Capability Within the DoD to Support Two Major Regional Conflicts Nearly Simultaneously, 7/14/1997	Revise the Joint Operation and Planning and Execution System to include command and control and non-command and control communications requirements to better ensure planning will support future regional conflicts.	Final coordination in process after completion of changes to overarching doctrine on the war planning process.	JS
98-022, Reporting of Contract Holdbacks on the DoD Financial Statements, 11/17/1997	Develop guidance regarding presentation of holdbacks on interim progress payments in the financial statements and publish that guidance in the Financial Management Regulation.	Awaiting an opinion from the FASAB on financial statement presentation issues.	USD(C)
98-049, DoD Sensitive Support Focal Point System (U), 1/20/1998	Report is classified.	Actions still ongoing.	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)

1 Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(b)(4).
2 For this reporting period, there are no disallowed costs on reports over 12 months old with final action pending.

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; however, some corrective actions were outside DoD's span of control. Unprecedented transformation of the personnel security program has delayed implementation.	USD(I), Army, Navy, AF
98-100, Fund Balance With Treasury Account in the FY 1996 Financial Statements of the Defense Business Operations Fund, 4/2/1998	Issue Standard Operating Procedures to the DFAS centers for reporting undistributed balances in the monthly Accounting Report 1307.	Implementation strategy changes and unique reporting issues caused delays. DFAS revised the format for the report, but the related DoD FMR guidance is still being developed.	DFAS
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. Impacted by transformation of the personnel security program.	USD(I)
98-170, Army National Guard and U.S. Army Reserve Command Small Arms Indoor Firing Ranges, 6/30/1998	Revise and issue NGB Regulation 385-15 and NGB Pamphlet 385-15 that addresses identification and abatement of lead contamination for indoor ranges, including migration outside the immediate range area.	Lack of funding and personnel.	NGB
99-078, Outsourcing of Defense Commissary Agency Operations, 2/5/1999	Perform an outsourcing study for accounting positions.	Extensive time due to need to conduct regional consolidation/reorganization.	DeCA
99-102, Chemical and Biological Warfare Defense Resources in the U.S. European Command (U), 3/4/1999	Report is classified.	Lack of management responsiveness.	Army
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
99-186, DoD Export Licensing Processes for Dual-Use Commodities and Munitions, 6/18/1999	Develop a process for identifying and establishing assessment priorities related to the cumulative effect of technology transfers.	Delays in coordinating and issuing policy.	USD(P)
99-191, Compilation of the FY 1998 Financial Statements for Other Defense Organizations, 6/24/1999	Explain material abnormal balances reported on the financial statements, and disclose and explain in the financial statement notes.	Corrective actions have not been verified.	DFAS

99-250, Construction and Rehabilitation of Reserve Component, 9/13/1999	Revise and issue NGB Regulation 385-15 and NGB Pamphlet 385-15 that addresses identification and abatement of lead contamination for indoor ranges, including migration outside the immediate range area.	Lack of funding and personnel.	NGB
D-2000-075, Administration and Management of Civil Air Patrol, 2/15/2000	Improve administration and management of the Civil Air Patrol Program nonexpendable equipment items. Update regulations and Statement of Work to establish roles, responsibilities, policies and procedures.	Awaiting publication of CAPR 67-1 in order to revise CAP-USAF guidance.	AF
D-2000-110, Export Licensing at DoD Research Facilities, 3/24/2000	Improve guidance regarding the determination of the need for "deemed" export licenses in the event of foreign national visits to, or assignments to, DoD research facilities.	Delays in coordinating and issuing policy.	USD(P), USD(AT&L)
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Establishment of timeframes to expedite investigative priorities.	Corrective action delayed by the transfer of the personnel security investigative function from DSS to OPM. Impacted by transformation of the personnel security program.	USD(I), DSS
D-2000-130, Foreign National Access to Automated Information Systems (AIS), 5/26/2000	Update existing guidance to provide adequate procedures for authorizing and controlling access by foreign nationals to information available on AISs and Local area networks.	Delays in coordinating and issuing policy.	Navy
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.	DSS
D-2000-139, Controls Over the Integrated Accounts Payable System, 6/5/2000	Awaiting revisions to the Financial Management Regulation, Volume 10, Chapters 3 and 12.	Delays in coordinating and issuing policy.	USD(C)
D-2000-140, Compilation of the FY 1999 Department of the Navy Working Capital Fund Financial Statements, 6/7/2000	DFAS has initiated the Business Management Redesign to better integrate financial and business management data. DFAS is also working with the Navy to reconcile inventory-related general ledger account balances to supporting records.	Delays in coordinating and issuing policy, and extensive time needed for system changes.	DFAS
D-2000-153, Compilation of the FY 1999 Financial Statements for Other Defense Organizations (ODO) - General Funds, 6/23/2000	DFAS is implementing procedures to remove duplicate and abnormal balances. Any remaining abnormal balances are to be accompanied by footnotes that fully disclose the causes for these balances. DFAS is documenting the processes used to compile the ODO financial statements.	An audit addressing abnormal balances will be conducted to verify the implementation of corrective actions.	DFAS

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.	Management corrective actions on schedule.	USD(C)
D-2001-016, Security Controls Over Contractor Support for Year 2000 Renovation, 12/12/2000	Navy will assess the potential risks to the security baseline requirements for renovated systems for which risk assessments are lacking and accredit or reaccredit renovated systems in accordance with DoD guidance.	Personnel reductions have delayed implementation of corrective actions.	Navy
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.	Delays in coordinating and issuing policy.	Army
D-2001-035, Management of Potentially Inactive Items at the Defense Logistics Agency, 1/24/2001	DLA examine viability of the Defense Inactive Item Program (DIIP) as a cost effective and beneficial program to DoD.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
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.	Additional time required to obtain operational capabilities.	ASD(HA)
D-2001-044, Accreditation Policies and Information Technology Control at the Enterprise Center Mechanicsburg, 2/9/2001	Update DISA Instruction 630-230-19, "Automated Data Processing, Information Systems Security Program," July 1996 to establish and implement specific guidance related to the reaccreditations of sites.	Delays continue in coordinating and issuing policy.	DISA
D-2001-059, Armed Service Blood Program Readiness, 2/23/2001	Actions are underway to improve the Defense Blood Standard System (DBSS) to ensure that the system meets all user and mission needs, ensures asset accountability and inventory accuracy. Also actions are underway to ensure consistent deployment and use of DBSS throughout DoD.	Extensive time needed to establish policy and implement other changes.	Army, Navy, AF
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.	Competing management priorities. Impacted by transformation of the personnel security program.	DSS, USD(I)
D-2001-071, Navy Financial Reporting of Government-Owned Material Held by Commercial Shipyard Contracts, 3/2/2001	Revise the Defense FAR Supplement to include the updated DoD property accountability procedures.	Lack of management responsiveness.	USD(AT&L)

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.	Delays due to deficiencies in the hardware configuration. The system is being upgraded.	WHS
D-2001-085, The 2000 DoD Financial Management Improvement Plan, 3/19/2001	Identify each financial management position by component, series, skill, requirements, and grade level; and identify the appropriate training required, and combine the requirements into the Department-wide FM training plan.	Extended time required to implement a complex, multi-phase, DoD-wide program.	USD(C)
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-2001-109, DoD Payroll Withholding Data for FY 2000, 4/27/2001	Develop the capability to maintain, and query, historical payroll data.	Management stated that the recommended action was too costly. Alternative long-term action is being taken.	DFAS
D-2001-111, Acquisition of the Airborne Laser Mine Detection System, 5/2/2001	The Navy plans to review and revalidate the Airborne Laser Mine Detection System (ALMDS) Operational Requirements Document in the normal course of preparation for the planned FY 04 Milestone III decision.	Extensive time required for development and approval of documents.	Navy
D-2001-118, Public/Private Competition at Lackland Air Force Base, 5/14/2001	Issuance of guidance regarding legal support to a most efficient organization study team.	Interim guidance issued. However, extensive time needed to develop, coordinate and issue formal policy. Awaiting input from OGC, DoD.	USD(AT&L)
D-2001-121, Use of the DoD Joint Technical Architecture in the Acquisition Process, 5/14/2001	Establish process to verify JTA standards in acquisition documents and incorporate additional language needed in DoD 5000 series guidance.	Delayed inclusion of recommended changes in the Defense Acquisition Management Guidebook.	USD(AT&L)
D-2001-124, U.S. Special Operations Command Use of Alternative or Compensatory Control Measures (U), 5/18/2001	Report is classified.	Lack of management responsiveness.	JS
D-2001-129, Contracting Officer Determinations of Price Reasonableness When Cost or Pricing Data Were Not Obtained, 5/30/2001	Implement procedures to better assess price reasonableness and institute corrective actions for future contracts.	Coding and data discrepancy problems had to be resolved; new tools and processes are being developed.	DLA
D-2001-133, Deliberate Planning for Meteorological and Oceanographic Operations, 6/1/2001	Report is FOUO.	Lack of management responsiveness.	EUCOM

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.	DFAS
D-2001-136, Defense Clearance and Investigations Index Database, 6/7/2001	Establish procedures to revise and maintain DCII user codes. Issue guidance to implement OPM policy on constructing pseudo social security numbers for foreign nationals require CAFs to determine the use of pseudo SSNs for payroll purposes and use these numbers in the DCII.	Additional time needed to develop and implement procedures. Impacted by transformation of the personnel security program.	USD(I)
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. Delay additional work until security investigations obtained by contractor employees and existing computer code is tested.	Extended time needed to issue policy. Delayed completion of contract resulted in delay in final code review.	USD(I), DSCA
D-2001-148, Automated Transportation Payments, 6/22/2001	Issue policy to address information assurance requirements for commercial automated processes.	Personnel turnover has delayed issuing and implementing policy.	ASD(NII), USD(C)
D-2001-153, Pentagon Reservation Maintenance Revolving Fund, 7/2/2001	Forms are to be developed 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-2001-155, Compilation of the FY 2000 Navy Working Capital Fund Financial Statements, 7/3/2001	Maintain standard operating procedures and documentation to provide an audit trail, and maintain complete documentation and audit trails for budgetary information.	Corrective actions have not been verified.	DFAS
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.	Management corrective actions on schedule.	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-2001-164, Implementation of a Cost-Accounting System for Visibility of Weapon Systems Life-Cycle Costs, 8/1/2001	USD(AT&L) define and build a financial architecture that incorporates cost accounting requirements for weapon system life cycle costs.	Organizational realignment of program has delayed actions.	USD(AT&L)
D-2001-169, U.S. Special Operating Command's Reporting of Real and Personal Property Assets on the FY 2000 DoD Agency-wide Financial Statements, 8/2/2001	Financial Management Regulation revision to aid DoD Components in identifying what organization should report specific property, equipment, and on the reporting of automated processing equipment.	Extensive time required for consideration of changes to financial policies.	USD(C), USSOCOM

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 USTRANSCOM, Air Mobility Command (AMC), and Defense Courier Service (DCS) assets. Reconcile all system records for USTRANSCOM, AMC and DCS against actual assets, and make a prior period adjustment. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Management corrective actions on schedule.	USTRANSCOM
D-2001-175, Application of Year 2000 Lessons Learned, 8/22/2001	Implement a mission or business area approach for managing information technology investments; and implement an oversight process for complete repair, retirement, or replacement of systems that used date-windowing techniques during the year 2000 conversion process.	Delays in issuing and implementing policy.	ASD(NII)
D-2001-189, Multiple Award Contracts for Services, 9/30/2001	Reemphasize the need to ensure competition on multiple award tasks and delivery order contracts.	Management actions are delayed pending an audit of GSA contracts awarded for DoD.	USD(AT&L)
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.	Development problems and funding shortfalls in FY 2005.	USFK
D-2002-006, Classified Chemical and Biological Report (U), 11/16/2001	Report is classified.	Lack of management responsiveness.	Navy
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, especially separation of duties.	Delays in coordinating and issuing policy.	DFAS, MC
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 actions on schedule.	Army, Navy, AF, ASD(HA)
D-2002-020, Audit Report on General Officer Quarters at Kaneohe Bay, Hawaii Camp Pendleton California, and Albany, Georgia, 12/5/2001	SECNAVINSTR 11101.73B has been revised. The Marine Corps will update their policies and a resident guide will be developed. Corrective actions are complete on all but 2 of the report's 8 recommendations.	Extensive time needed to revise policies	Navy, MC
D-2002-024, Navy Fleet Hospital Requirements (U), 12/12/2001	Report is classified.	Corrective actions are on schedule.	Navy, PACOM
D-2002-028, Classified Report on Environmental Program - Japan (U), 12/28/2002	Report is classified.	Long-term corrective actions are on schedule.	PACOM, USFJ

D-2002-035, Protection of Strategic Systems Against Radio Frequency Threats (U), 1/4/2002	Report is classified.	Long range corrective actions are on target.	ASD(NII)
D-2002-038, Financial Reporting for the Other Defense Organization General Funds at the Defense Finance and Accounting Service San Antonio, 1/14/2002	Review all abnormal general ledger accounts; identify and document the causes of net abnormal balances; and when possible correct the balances.	Corrective actions have not been verified.	DFAS
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. Improve security over access to CAPS. Provide for automated interfacing of data between CAPS and both the Standard Procurement System and the Corporate Electronic Funds Transfer database.	Delays in coordinating and issuing policy.	USD(C)
D-2002-060, Management of Terminal Items at the Defense Logistics Agency, 3/13/2002	Revise procedures to review terminal items with no registered users in the Defense Inactive Item Program (DIIP), for obsolescence, and quantify the number of terminal National Stock Numbers (NSNs) that are determined to be obsolete after NATO and foreign governments review the NSNs.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
D-2002-071, DoD Management of the North Atlantic Treaty Organization Security Investment Program, 3/26/2002	Track each prefinanced project in the NATO Security Investment Program, including the likelihood of NATO Infrastructure Committee authorization, actions required to obtain NATO authorization, and an estimated recoupment date.	Extended time required to recover forecasted recoupments.	EUCOM
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 actions are complete on all but 1 of the original 14 recommendations.	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.	Lack of management emphasis.	USD(C)

D-2002-079, Delivery and Receipt of DoD Cargo Inbound to the Republic of Korea, 4/15/2002	USFK Regulation 55-355, "Korea Traffic Management" is being revised to include specific cargo delivery information. The Eighth U.S. Army Command Inspection Program (CIP) will include delivery information. A new checklist will be incorporated into the CIP schedule by the 4th Quarter FY 2002.	Time needed in the development of specific policies and checklists.	USFK
D-2002-084, Guidance for the Global Command and Control System Common Operational Picture, 5/1/2002	Report is FOUO.	Extended time needed to coordinate and issue policy.	EUCOM
D-2002-088, Acquisition of the Joint Service Lightweight Standoff Chemical Agent Detector, 5/10/2002	Implement improvements in defining operational requirements, evaluating production readiness, and test planning.	Extensive time needed to restructure program to implement an evolutionary, incremental acquisition strategy.	USD(AT&L)
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.	Action is ongoing, however, constrained by competing priorities.	Army
D-2002-095, Chemical and Biological Defense Individual Protective Equipment in Central Command and European Command Area (U), 5/30/2002	Report is classified.	Lack of management responsiveness.	Army
D-2002-103, Certification of the Reserve Component Automation System (RCAS), 6/14/2002	Through a contractor/government teaming effort, establish functional performance measures to better assess both the initial and future impact of RCAS on supported functionalities.	Transition from a sustainment contract to a performance-based contract was delayed to allow the contractor to perform against the established performance criteria for a full 6-month period.	Army, NGB
D-2002-107, Army Transition of Advanced Technology Programs to Military Applications, 6/14/2002	Research Development and Engineering Centers (RDECs) should incorporate performance goals necessary for technology transitions in Science & Technology project managers performance plans.	Corrective actions are on schedule.	Army
D-2002-108, Standard Procurement System Certification and Accreditation Process, 6/19/2002	Identify the responsibilities the certification and accreditation actions or steps to be performed by the program manager and Component organizations.	Delays in coordinating and issuing policy.	ASD(NII)
D-2002-109, Army Claims Service Military Interdepartmental Purchase Requests, 6/19/2002	Modify Chapters 1 and 3 of DoD FMR Volume 11A to include specific guidance for congressionally enacted pilot programs that authorize interagency orders, other than those used in the performance of Economy Act orders and project orders.	Extended time required to develop and coordinate new guidance.	USD(C)
D-2002-112, Report of the Industrial Prime Vendor Program at the Air Force Air Logistics Center, 6/20/2002	Reengineer the industrial prime vendor (IPV) program. Incorporate fixes to program weaknesses into IPV Generation II.	Long-term, multi-phase process to reengineer the industrial prime vendor program.	DLA

D-2002-117, Review of FY 2001 Financial Statement for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Corrective actions are on schedule.	DIA
D-2002-121, Security: Controls Over Biological Agents (U), 6/27/2002	Report is classified.	Lack of management responsiveness.	USD(I)
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.	Extended time required to develop and coordinate the new DoD Instruction.	USD(P&R)
D-2002-127, Audit Report on DoD Compliance with Internal Use Software Accounting Standards, 7/9/2002	Implement a system to capture material internal software costs; identify the appropriate actions needed to properly value and support all financial statement amounts and publish these actions in financial improvement plans; update DoD FMR Volume 4, Chapter 6; and develop a strategy and a Key Milestone Plan.	The DoD FMR update was delayed due to adjudication issues; and actions to properly value and support all financial statement amounts is complex.	DFAS
D-2002-131, Terminal Items Managed by the Defense Logistics Agency for the Navy, 7/22/2002	DLA will modify the existing stock retention policy to review terminal items that are excluded from the Defense Inactive Program (DIIP). In addition, plan to complete a new study to quantify the costs of inactive items.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
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 and other technical difficulties, and contract terminations.	Army, Navy, AF, WHS
D-2002-153, Reprocessed Medical Single-Use Devices in DoD, 9/30/2002	Issue policy and guidance on the reuse of single-use devices (SUD) and work with FDA to work toward clarifying SUD labeling requirements. The MILDEPs Surgeons General issue implementing guidance and ensure adequate awareness and training is provided.	Significant time required to address/resolve issues with FDA and Services.	ASD(HA), Army, Navy, AF
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 plans for two installations have been held up pending the resolution of litigation and coordination issues.	Army, Navy, AF
D-2003-003, Controls for the DoD Aviation Info-Plan Reimbursement Card, 10/3/2002	The DLA and the Services need to improve management controls and establish written policies that define the methods and responsibilities for using the Aviation Into-Plane Reimbursement Card.	Corrective actions are on schedule.	DLA, Navy, AF, MC

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.	Management corrective actions on schedule.	DFAS
D-2003-021, Export Controls Over Biological Agents (U), 11/12/2002	Report is confidential.	Extensive time is needed to coordinate and issue policy guidance.	USD(P), USD(AT&L), DATSD(C/BD)
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. The guidance should describe the documentation required to identify the proper expenditure account, the responsible fund holder, and the payment date.	Management corrective actions on schedule.	USD(C)
D-2003-040, Chemical and Biological Defense Individual Protective Equipment in the Pacific Command Area (U), 12/31/2002	Report is classified.	Lack of management emphasis and a change in applicable DoD guidance	MC
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)
D-2003-057, Accountability and Control of Materiel at the Naval Air Depot, Jacksonville, 3/5/2003	Perform inventories and quarterly review of all materiel in storage, adjust records and return excess materiel to the supply system.	Corrective actions are on schedule.	Navy
D-2003-064, Report on Accountability and Control Of Materiel at the Warner Robin Air Logistics, 3/20/2003	Air Force is completing physical inventory, reconciling with the Wholesale and Retail Shipping System, and turning in excess materials to supply. The Air Force will issue a policy directive to ensure proper supply discipline and use of material metrics in monthly material reviews.	Implementation of new process to account for inventory.	AF
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; and program the DFAS accounting systems to properly capture, record, and report recoveries of prior year obligations.	Management corrective actions on schedule.	USD(C), DFAS
D-2003-0071, Acquisition of Marine Corps Aircraft Simulators (U), 4/2/2003	Report is classified.	Corrective actions are on schedule.	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 was delayed to include any findings from the Federal Voting Assistance Program lessons learned report and 2004 Federal Post Election Survey results.	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.	Corrective actions are on schedule.	DIA
D-2003-076, Document Automation and Production Service Public/Private Competition, 4/8/2003	Report is FOUO.	Corrective actions are on schedule.	DLA
D-2003-077, Cooperative Agreements Support the Mentor Protégé Program, 4/10/2003	The USD(C) tasked the Director, Small and Disadvantaged Business Utilization (SADBU) to conduct a preliminary review into a potential Antideficiency Act violation.	Reorganization initially delayed corrective actions. Actions back on schedule.	USD(C)
D-2003-081, DoD Explosives Safety Program Oversight, 4/24/2003	Restructure the DoD Explosives Safety Board and revise DoD guidance to accurately reflect the Board's roles and responsibilities. Develop a safety management strategy that requires a comprehensive DoD explosives safety program.	Management corrective actions on schedule.	USD(AT&L)
D-2003-083, Acquisition of the Suite of Integrated Radio Frequency Countermeasures, 4/29/2003	Report is FOUO.	Program transition delayed testing and document processing.	USSOCOM
D-2003-085, International DoD Air Freight Tenders, 4/30/2003	Developing an instructional memorandum which will be posted on the International Tender website. Reference to the memorandum will be made with each tender solicitation request.	Due to significant changes in the program, original action is not being continued. A more appropriate action is being pursued.	USTRANSCOM
D-2003-091, Reliability of the FY 2002 National Security Agency Financial Statement and Adequacy of Related Procedures and Controls (U), 5/14/2003	Report is classified.	Corrective actions are on schedule.	NSA
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-2003-096, Protection of European Theater Systems Against Radio Frequency Threats (U), 6/4/2003	Report is classified.	Long range corrective actions are on target.	Army, Navy, AF, JS, ASD(NII)
D-2003-098, Follow-Up Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations, 6/5/2003	Ensure that depot-level repair inventory at commercial contractors and at a DLA storage facility is properly accounted for.	Shortage of funding and extended time needed to develop and implement needed capability.	Army
D-2003-105, Management of Developmental and Operational Test Waivers for Defense System, 6/20/2003	Report is FOUO.	Length of time required for approval process to update DoD Instructions.	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 (DPAP), 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-2003-107, DoD Petroleum War Reserve Requirements (U), 6/26/2003	Report is classified.	Extended time needed to coordinate and issue procedural guidance.	AF
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.	Normal time needed to develop system enhancements.	USD(P&R)
D-2003-114, Defense Logistics Agency's Implementation of the Government Information Security Reform, 6/30/2003	Complete the DoD certification and accreditation process for the Air Force Electronic Key Management System.	SSAA delayed at NSA, the DoD Designated Approving Authority for the system.	DLA
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).	Further review needed on cost estimates.	AF, DCMA
D-2003-117, Systems Inventory to Support the Business Enterprise Architecture, 7/10/2003	Establish a single repository for business systems information, which includes all data elements necessary for architecture development and budget. Establish procedures to ensure that the data are kept current, consistent, and accurate.	Management corrective actions on schedule.	USD(C)
D-2003-119, Controls Over DoD Medicare Eligible Retiree Health Care Fund Investments, 7/31/2003	Comply with DoD investment policy for the DoD Medicare Eligible Retiree Health Care Fund; issue oversight procedures to ensure that the DFAS complies with the investment policy for the DoD Medicare Eligible Retiree Health Care Fund.	Long-term corrective action on schedule.	USD(C)

D-2003-121, DoD Fire and Emergency Services Program, 8/12/2003	Revise DoDI 6055.6 to address staffing issues. Develop modernization plans for fire and emergency services apparatus.	Extended time needed to update directive and develop modernization plans.	USD(AT&L), Army, Navy
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-2003-124, Financial Management: Certification of a DoD Payment for Telecommunications Services, 8/22/2003	Reconcile the approximately $2.2 million of invoices that have not been researched to identify potential overpayments and require appropriate credit back to the Defense Information Technology Contracting Organization.	Management corrective actions on schedule.	DISA
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.	Extensive time needed to develop DoD-wide strategy for disposal of buried chemical warfare materiel.	USD(AT&L), Army
D-2003-132, Air Force Transaction of Advanced Technology Program to Military Applications, 9/12/2003	Establish integrated product teams and charters for advanced technology development efforts. Revise and implement Air Force Instruction 61-101 to ensure the status of technology transition plans are reviewed at the Applied Technology Councils.	Document processing placed on hold pending completion of major reorganization.	AF
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, and validate the canceled balances and report any potential Antideficiency Act violations.	Management corrective actions on schedule.	USD(C), DFAS
D-2003-134, System Security of the Army Corps of Engineers Financial Management System, 9/15/2003	Track all major modifications of corporate-level automated information systems and networks to ensure accreditation and reaccreditation actions are initiated in accordance with DoD guidance, and require all USACE districts to perform site inspections and prepare action reports that verify physical security policies.	Actions delayed due to competing priorities.	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.	USD(I)

D-2004-003, Decontamination Operation Preparedness of Continental U.S. Based Navy and Air Force Units (U), 10/8/2003	Report is classified.	Extensive time needed to coordinate and issue policy.	Navy, AF
D-2004-006, Acquisition Management of the Army's Allsource Analysis System, 10/10/2003	Director, Operational Test and Evaluation will provide an assessment of operational effectiveness, survivability, and test the adequacy of the Allsource Analysis System (ASAS) Block II family of systems. USD(AT&L) will evaluate in accordance with the dollar thresholds to determine the appropriate Major Defense Acquisition Program (MDAP) level.	Extensive time required to update DoD Acquisition guidance.	Army, USD(AT&L)
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	Army, Navy, AF actions are contingent on publication of pending USD (P) guidance.	USD(P), Army, Navy, AF
04-INTEL-07, Audit of the Physical Security of Nuclear Weapons (U), 5/3/2004	Report is classified.	Classified.	ATSD(NCB)
D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/2003	Issue and implement guidance to comply with DoD Directive 8100.1, Global Information Grid (GIG) Overarching Policy, September 19, 2002, which requires the Army to define how each Army system will interface within the GIG to achieve joint interoperability.	Extended time to complete issuance of numerous related guidance.	Army
D-2004-009, Allegations Concerning Controls Over DoD Transit Subsidies Within the National Capital Region, 10/14/2003	Develop policies and procedures requiring the reconciliation of all transit subsidy billings received from the Department of Transportation.	Extended time needed to complete policy and procedures.	Army, AF
04-INTEL-10, Audit of the Nuclear Weapons Personnel Reliability Program (U), 6/21/2004	Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs [ATSD{NCB}] will assess policies, practices, and oversight to strengthen the reliability program and ensure the reliability of those working with and around nuclear weapons. Regulations and Directives will be updated.	Initial coordination delayed due to delinquent responses. Instruction now under re-coordination.	ATSD(NCB)
D-2004-012, Sole-Source Spare Parts Procured From an Exclusive Distributor, 10/16/2003	Report is FOUO.	Corrective actions are on schedule.	DLA, Army
D-2004-020, Allegations Concerning Improprieties 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.	Corrective actions are on schedule.	Army, AF

D-2004-023, Financial Management: Corps of Engineers Financial Management System Accounting Processes, 11/18/2003	USACE is to prepare an information paper to outline a plan to address account phase general ledger correlation related weaknesses and system deficiencies, including a monthly status report that shows the progress in correcting these problems.	Lack of management responsiveness.	Army
D-2004-034, Environment: Defense Hotline Allegations Regarding the Environmental Compliance Assessment Process at U.S. Army Corps of Engineers, Portland District, 12/4/2003	Clarify requirements for internal assessments.	The Corps of Engineers guidance update is on hold pending the revision of a higher level Army regulation.	Army
D-2004-037, Logistics: Defense Reutilization and Marketing Services Commercial Venture Contracts for Privatization of the DoD Surplus Sales Program, 12/30/2003	Report is FOUO.	Corrective actions are on schedule.	DLA
D-2004-039, Cooperative Threat Reduction Construction Projects, 12/18/2003	Negotiate a transparency agreement that will allow US verification of the quantity and quality of the material stored in the fissile material storage facility. Undertake sufficient activities to come into compliance with Russian environmental requirements for water discharge rates.	Significant time is required for negotiations with sovereign nations.	USD(P), DTRA
D-2004-041, The Security of the Army Corps of Engineers Enterprise Infrastructure Services Wide-Area Network, 12/26/2003	Fully implement the DITSCAP process and security controls for the Army Corps of Engineers Enterprise Infrastructure Services Wide-Area Network.	Actions delayed due to competing priorities.	Army
D-2004-042, Control Over Obligations at the National Geospatial-Intelligence Agency (U), 1/16/2004	Report is classified.	Corrective actions are on schedule.	NGA
D-2004-047, Implementation of the DoD Management Control Program for Army Category II and III Programs, 1/23/2004	Program Managers will be able to store acquisition documents in Virtual Insight (VIS) so the Milestone Decision Authority can review document status from development to document approval. Army Regulations will be updated to reflect new reporting procedures.	Corrective actions are on schedule.	Army
D-2004-050, Management Structure of the Cooperative Threat Reduction Program, 2/5/2004	Revised DoD guidance to clarify the roles of responsible offices for the Cooperative Threat Reduction Program.	Management corrective actions on schedule.	DAM
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.	Management corrective actions on schedule.	WHS

D-2004-055, DoD Source Approval Process for Service & Sales, Inc., a Small Business Manufacturer, 2/25/2004	Action is ongoing to 1) reinstate Service & Sales, Inc. as an approved source for licensed items previously supplied to DoD and 2) develop guidance for source approval and reevaluation for critical items.	Lack of management responsiveness.	DLA
D-2004-057, Acquisition: Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington, 3/18/2004	Conduct a study on existing DoD post-war strategy and establish responsibilities, policies, and procedures for the rapid acquisition of necessary goods and services in support of any future post-war occupation or relief operations.	Management corrective actions on schedule.	USD(AT&L)
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-2004-060, Acquisition of the Joint Chemical Agent Detector, 3/30/2004	Report is FOUO.	Extended time needed to perform comprehensive evaluation of detector alternatives.	USD(AT&L)
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.	Management corrective actions on schedule.	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.	Management corrective actions on schedule.	Army
D-2004-064, Acquisition: Acquisition of the Boeing KC-767A Tanker Aircraft, 3/29/2004	Conduct an Analysis of Alternatives (AoA) for Military Tanker Aircraft.	Normal time needed to conduct the AoA.	USD(AT&L)
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. Establish civilian position for Service Voting Action Officer.	AF publication was delayed to include any findings from the Federal Voting Assistance Program lessons learned report and 2004 Federal Post Election Survey results. Navy consideration of full-time position has been delayed due to reorganizations.	Navy, AF, MC
D-2004-066, Allegations Concerning Personnel Background Investigations and Clearances at the Space and Naval Warfare Systems Command Information Technology Center, 4/9/2004	Develop a communications security (COMSEC) plan. Staff up the Security Dept. Designate the Information Technology (IT) position Category and sensitivity level of all IT positions.	Normal time needed to develop policy and recruit qualified staff. Hurricane Katrina delayed completion of final corrective action.	Navy
D-2004-068, Global Command and Control System-Korea (U), 4/6/2004	Report is classified.	Long term actions are in process.	USFK

D-2004-070, Small Business Administration Section 8(A) Program Contracting Procedures at the Defense Supply Center, Columbus, 4/12/2004	DSSC revised its guidance to contracting officers, and DLA is in the process of revising the DLA Acquisition Directive.	Normal time to revise the DLA Acquisition Directive.	DLA
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 actions are on schedule.	Army, AF
D-2004-075, Reliability of the FY 2003 Financial Statements for the National Geospatial-Intelligence Agency (U), 4/23/2004	Report is classified.	Corrective actions are on schedule.	NGA
D-2004-078, Summary Report on the Military Departments' Transition of Advanced Technology Programs to Military Applications, 4/29/2004	The Director supports using technology transitioning as a performance rating criteria for science and technology personnel that manage technologies that are more advanced in development.	Changes to the Acquisition workforce on hold pending a review of the overall workforce requirements.	USD(AT&L)
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Corrective actions are on schedule.	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.	Long-term corrective action on schedule.	USD(AT&L), Army, Navy, AF
D-2004-082, DoD Installation Disaster Preparedness and Consequence Management in the U.S. European Command (U), 5/24/2004	Report is classified.	Long-term management corrective actions on schedule (EUCOM). Lack of management responsiveness (Army, Navy, AF).	EUCOM, Army, Navy, AF
D-2004-083, Acquisition: Management of the Centrally Billed Travel Card Program at Defense Agencies, 5/24/2004	Corrective actions are designed to strengthen controls and help managers to identify potential problem areas in their centrally billed travel card program.	Corrective actions are on schedule.	USD(C)
D-2004-084, Antideficiency Act Investigation of the Research, Development, Test and Evaluation Defense-Wide, Appropriation Account 97 FY 1989/1990-0400, 5/28/2004	Allocate all undistributed disbursements to fund holders of DoD closed fixed-term appropriations at statutory time of closing or provide alternate procedures that will provide positive assurance against future potential violations.	Management corrective actions on schedule.	DFAS
D-2004-085, DoD Costs of Licensing Space-Related Exports and Monitoring Satellite Launches, 5/28/2004	Deposit unfunded civilian fringe benefits in the U.S. Treasury as a miscellaneous receipt.	Awaiting a Comptroller ruling on whether the actions taken were appropriate.	DTRA

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.	Normal time for implementation.	ASD(HA), Army, AF
D-2004-089, Acquisition of the MH-47G Helicopter Service Life Extension Program, 6/14/2004	The U.S. Army Special Operations Command (USASOC) will produce and Information Support Plan (ISP), in concurrence with the Joint Staff. In addition, USASOC will submit a request for a one-year Interim Certificate to Operate.	Corrective actions are on schedule.	Army
D-2004-091, Management of Network Centric Warfare Within the Department of Defense, 6/22/2004	Define network centric warfare and its associated concepts; formalize roles, responsibilities, and processes for the overall development, coordination, and oversight of network centric warfare efforts; and develop a strategic plan to guide network centric warfare efforts and monitor progress.	Issues have arisen regarding the appropriate policy vehicle to use.	ASD(NII), JS
D-2004-093, Acquisition and Management of Specialized Shipping and Unit-Owned Containers and Related Accessories, 6/30/2004	The DLA will initiate a new fully competitive acquisition for the containers. The Army and the Air Force will improve controls over the acquisition and management of specialized shipping and unit-owned containers.	Normal time for implementation.	Army, AF, DLA
D-2004-094, Acquisition: Direct Care Medical Services Contracts, 6/24/2004	Develop a joint strategy for acquiring direct care medical services and strengthen guidance and oversight for those acquisitions. If required, address the issue of required changes for withholding FICA and other payroll taxes for individual set aside contracts. Develop an oversight process for the acquisition of direct care medical services.	Normal time for implementation.	USD(AT&L), USD(C), USD(P&R), Navy, AF
D-2004-095, Navy Controls Over Materiel Sent to Defense Reutilization and Marketing Offices, 6/24/2004	Establish controls to ensure that depot personnel request the required demilitarization instructions for all materiel awaiting disposal instructions, and to ensure that Navy organizations either demilitarize materiel or provide demilitarization instructions to the depots, prior to requesting for disposal.	Delays in issuing and implementing guidance.	DLA, Navy
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-2004-102, Contracting for and Performance of the C-130J Aircraft, 7/23/2004	The C-130J Aircraft would go through operational testing and the Air Force expects to close out all known in-scope deficiencies prior to the start of future block upgrades. In addition, future block upgrade modifications would be performed under separate Federal Acquisition Regulation Part 15 contracts.	Awaiting completion of final test report and definitized contract.	AF

D-2004-103, Contract No. N00024-02-C-6165 for Consulting Services at the Naval Shipbuilding, Conversion, and Repair Facility, 8/2/2004	NAVSEA will revise it's Contracts Handbook and conduct refresher training for it's contracting officers to highlight key points in the justification and approval process.	Normal time to revise the Contracts Handbook.	Navy
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.	Corrective actions are on schedule.	Army
D-2004-106, Selected Controls Over Army Fund Balance With Treasury at Defense Finance & Accounting Service Indianapolis, 8/5/2004	Update the performance metric on suspense accounts to track the progress for reconciling the field accounting records of suspense account balances with the summary Fund Balance With Treasury balance.	Management corrective actions on schedule.	DFAS
D-2004-108, Implementation of the DoD Management Control Program for Air Force Acquisition Category II and III Programs, 8/16/2004	The Air Force was updating and consolidating reporting policies, particularly emphasizing the ratings and comments within the System Metrics and Reporting Tool (SMART) and the Monthly Acquisition Reports (MARs).	Normal time for changes to be incorporated into a system.	AF
D-2004-110, The Military Departments' Implementation of Performance-Based Logistics in Support of Weapon Systems, 8/23/2004	USD (AT&L) has undertaken several initiatives related to Performance Based Logistics (PBL). The Services will issue policies and procedures for implementation of PBL.	Normal time for implementation.	USD(AT&L), Army, Navy
D-2004-114, The Followup on the Government Accountability Office and U.S. Army Audit Agency Recommendations for the U.S. Army Corps of Engineers, 9/21/2004	Develop and implement a management-driven action plan to ensure that all audit recommendations are properly implemented for the Corps of Engineers Financial Management System.	Actions delayed due to competing priorities.	Army
D-2004-115, The Followup on the Government Accountability Office and U.S. Army Audit Agency Recommendations for the U.S. Army Corps of Engineers, 9/21/2004	Develop and implement a management-driven action plan to ensure that all audit recommendations are properly implemented for the Corps of Engineers Enterprise Infrastructure Services.	Actions delayed due to competing priorities.	Army
D-2004-117, Defense Hotline Allegations Concerning the Collaborative Force-Building, Analysis, Sustainment, and Transportation System, 9/24/2004	Develop management control documentation for the Collaborative Force-Building, Analysis, Sustainment, and Transportation System (CFAST).	Corrective actions are on schedule.	JFCOM
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

D-2005-003, Financial Management: DoD Antideficiency Act Reporting and Disciplinary Process, 10/14/2004	Review and revise the DoD FMR, Volume 14, Chapter 9 guidance on the administrative controls and requirements over Antideficiency Act appropriations and violations.	The DoD FMR is currently being revised and is being coordinated with the Office of General Counsel.	USD(C)
D-2005-006, Acquisition: Overseas Purchase Card Transactions by DoD Dependents Schools-Europe, 10/20/2004	To improve controls on overseas Government Purchase Card transactions by DoD Dependent Schools-Europe, the DoD Education Activity agreed to develop guidance regarding program oversight and issue overarching program guidance that is consistent and complete and is distributed to program officials. The guidance is also expected to ensure DoDDS-Europe management provides the discipline, structure, and climate necessary to implement effective internal controls.	Corrective actions are on schedule.	DoDEA
D-2005-009, Pueblo Chemical-Agent-Destruction Pilot Plant Project, 11/1/2004	Report is FOUO.	Extensive time needed to complete facility redesign	USD(AT&L), Army
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 for implementation.	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.	Reconciliation work continues.	DFAS
D-2005-023, Information Systems Security: Assessment of DoD Plan of Action and Milestones Process, 12/13/2004	Report is FOUO.	Lack of management responsiveness.	ASD(NII)
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.	Corrective actions are on schedule.	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	Reliability of U.S. Army Corps of Engineers, is implementing system changes to improve the reliability or recording and reporting Fund Balance With Treasury and Unexpended Appropriations accounts.	Management corrective actions on schedule.	Army
D-2005-027, Contract With Reliant Energy Solutions East, 1/28/2005	Consider the audit findings before making a determination to proceed with suspension action against the contractor	Action deferred indefinitely until completion of criminal proceedings by Government against contractor	DLA

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)
D-2005-031, Endorsement of the Management Letter on Internal Controls Over Financial Reporting for the FY 2004 DoD Medicare Eligible Retiree Health Care Fund Financial Statements, 1/31/2005	Report is FOUO.	Management corrective actions on schedule.	ASD(HA)
D-2005-033, Acquisition: Implementation of Interoperability and Information Assurance Policies for Acquisition of Navy Systems, 2/2/2005	Report is FOUO.	Lack of management responsiveness.	ASD(NII)
D-2005-034, Implementation of Interoperability and Information Assurance Policies for Acquisition of Air Force Systems, 2/2/2005	Issue policy to require program managers to prepare information support plans and obtain supportability certifications before milestone decisions for system acquisition programs.	Extensive time needed for coordination and issuance of policy	AF
D-2005-035, Existence of U.S. Army Corps of Engineers Buildings and Other Structures, 2/15/2005	Corps-wide implementation of corrective actions regarding Buildings and Other Structures is being performed.	Management corrective actions on schedule.	Army
D-2005-037, Implementation of Performance Based Logistics for the Javelin Weapon System, 3/7/2005	Army is developing policy for Performance Based Agreements (PBAs).	Normal time for implementation.	Army
D-2005-045, FY 2004 Emergency Supplemental Funding for the Defense Logistics Agency, 5/9/2005	DLA is reviewing the methodology for calculating incremental fuel costs in the consolidated DoD Terrorist Response Cost Report and developing standard operating procedures for calculating and reporting that cost information.	Normal time 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.	Corrective actions have not been verified.	Army

Acronyms:

AF	Air Force
ASD(HA)	Assistant Secretary of Defense (Health Affairs)
ASD(NII)	Assistant Secretary of Defense (Networks Information Integration)
ATSD{NCB}	Assistant to the Secretary of Defense for Nuclear and Chemical and Biological Defense Programs
DAM	Director, Administration and Management
DATSD(C/BD)	Deputy Assistant to the Secretary of Defense for Chemical/Biological Defense
DCMA	Defense Contract Management Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoDEA	Department of Defense Education Activity
DSS	Defense Security Service
DSCA	Defense Security Cooperation Agency
DTRA	Defense Threat Reduction Agency
EUCOM	European Command
JFCOM	Joint Forces Command
JS	Joint Staff
MC	Marine Corps
NGA	National Geospatial-Intelligence Agency
NGB	National Guard Bureau
NSA	National Security Agency
PACOM	Pacific Command
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology and Logistics
USD(C)	Under Secretary of Defense (Comptroller)
USD(I)	Under Secretary of Defense (Intelligence)
USD(P)	Under Secretary of Defense for Policy
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USFJ	United States Forces - Japan
USFK	United States Forces – Korea
USSOCOM	United States Special Operations Command
USTRANSCOM	United States Transportation Command
WHS	Washington Headquarters Service

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