

# STATISTICAL HIGHLIGHTS

The following statistical data highlights Department of Defense Inspector General accomplishments during the October 1, 2010 to March 31, 2011 reporting period.

## SUMMARY OF AUDIT ACTIVITIES

Reports Issued	64
Monetary Benefits	
Recommendations Made on Funds Put to Better Use	\$187 million
Achieved Monetary Benefits (Funds Put to Better Use)	\$572 million

## SUMMARY OF INVESTIGATIVE ACTIVITIES

Total Returned to the U.S. Government	\$1.4 billion
Seizures and Recoveries	\$1.5 million
Civil Judgments	\$705.7 million
Criminal Judgments	\$730.2 million
Administrative Judgments	\$2.9 million
Investigative Cases	
Indictments	127
Convictions	140
Suspensions	87
Debarments	99
Administrative Investigations	
Cases Received	567
Cases Closed	461
Senior Official Investigations	213
Reprisal Cases	248

## SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	174
Evaluation Reports Issued	8
Inspector General Subpoenas Issued	104
Recommendations Made on Funds Put to Better Use	\$6 million

## SUMMARY OF INTELLIGENCE ACTIVITIES

Intelligence Reports Issued	7
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## SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	6
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## SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts	11,062
Cases Opened	1,418
Cases Closed	1,144



APRIL 2011



Inspector General  
Gordon S. Heddell

DEPARTMENT OF DEFENSE  
**INSPECTOR  
GENERAL**

## SIGNIFICANT ACHIEVEMENTS

DoD IG focuses its efforts on preventing and detecting fraud, waste, and abuse, and improving efficiency and effectiveness in areas such as the health and safety of DoD personnel, acquisitions and contracting, financial management, information security and assurance, and joint warfighting and readiness. The Defense Criminal Investigative Service, the investigative arm of DoD IG, focuses its efforts on public corruption, procurement fraud, product substitution, technology protection, health care fraud, and computer crime. In addition, DoD IG is statutorily required to provide oversight of DoD American Recovery and Reinvestment Act funds and the realignment of U.S. forces from Japan to Guam. DoD IG employees are experts in fields such as auditing, investigations, computer security, intelligence, hotline complaints, whistleblower protection, senior official accountability, and many others.

DoD IG is operating with over 55 personnel in Southwest Asia working out of nine offices - five in Afghanistan, two in Iraq, one in Qatar, and one in Kuwait as well as teams of auditors, special agents, inspectors, and engineers on temporary duty assignments in the region. DCIS identifies corrupt business practices, loss of U.S. funds through contract fraud, and theft of critical military equipment destined for U.S. forces in Southwest Asia.

For a complete listing of our reports, visit us on the Web at [www.dodig.mil](http://www.dodig.mil). A few highlights of DoD IG oversight work are listed below:



### Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan

DoD IG determined that the Defense Logistics Agency needed to improve contract administration of the subsistence prime vendor contract for Afghanistan. Defense Logistics Agency overpaid the prime vendor potentially \$98.4 million for transportation costs and approximately \$25.9 million for triwall costs; paid the prime vendor approximately \$454.9 million for services to airlift fresh fruit and vegetables without incorporating the airlift requirement in the contract or documenting that the airlift price was fair and reasonable; and did not validate whether the quantity of triwalls, billed at \$103.6 million, was accurate or chargeable to the contract. (Report No. D-2011-047)



### Assessment of Allegations Concerning Mild Traumatic Brain Injury Research Integrity in Iraq

DoD IG reviewed allegations that a U. S. Navy physician conducted sub-standard human subject research on 80 service members, recently exposed to a blast incident (e.g., improvised explosive devices), at Camp Al Taqaddum, Iraq, between December 2008 and March 2009. The physician failed to disclose that he had a financial interest in the drug being tested, failed to properly care for service members by using an inappropriate screening tool to assess for mTBI, used an experimental drug that was not FDA approved, and administered medications contraindicated in early treatment of mTBI. (Report No. SPO-2011-005)



### \$69 Million Settlement by Louis Berger Group, Inc. for False Claims

A joint investigation conducted by DCIS, FBI, U.S. Agency for International Development, and the Special Inspector General for Iraq Reconstruction disclosed that the Louis Berger Group, Inc. charged inflated overhead rates on numerous government reconstruction contracts in both Iraq and Afghanistan. From at least 1999 through August 2007, LBG intentionally overbilled the U.S. government, to include the U.S. Air Force and the U.S. Army. After the two responsible employees pled guilty to conspiring to defraud the government, LBG agreed to a settlement to resolve the criminal and civil fraud charges. The settlement included a deferred prosecution agreement, \$18.7 million in related criminal penalties, and \$50.6 million to resolve civil allegations that LBG violated the False Claims Act.



### Arms Dealer Convicted and Jailed for Violation of the Arms Export Control Act

A joint investigation conducted by DCIS and Homeland Security Investigations disclosed that Ruslan Gilchenko and his Slovenia based company, MG-CZ Inc., sought to purchase and illegally export M134 mounted sport utility vehicles to Turkmenistan in violation of the Arms Export Control Act. The M134 "Minigun," which costs more than \$1 million, is used on a variety of vehicles and aircraft in the U.S. military arsenal. Gilchenko was sentenced to 18 months of incarceration, followed by three years of supervised release.

# CHALLENGE AREAS FOR THE DEPARTMENT

## DEPARTMENT OF DEFENSE INSPECTOR GENERAL



The Department is America's oldest and largest government agency with a budget of over \$600 billion. It is the nation's largest employer with 1.4 million men and women on active duty and 718,000 civilian personnel. Another 1.1 million serve in the National Guard and Reserve forces. More than two million military retirees and their family members receive benefits. More than 450,000 employees are overseas, both afloat and ashore. DoD facilities utilize over 30 million acres of land. The Department has troops stationed in more than 150 countries. The sheer size of the Department's operations makes providing oversight an enormous challenge. The mission of DoD IG is to improve the programs and operations of the Department. DoD IG audits, investigations, and evaluations protect American interests and taxpayer dollars; fight public corruption; and reduce fraud, waste, and abuse in the Department. This page identifies challenge areas for the Department to include TRICARE, Contingency Contracting, Training and Equipping the Afghan Security Forces, and BRAC.

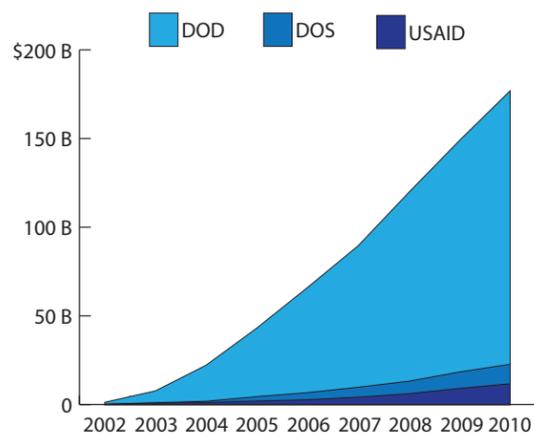
### CONTINGENCY CONTRACTING



Effective contracting is critical in accomplishing the mission of Overseas Contingency Operations. "Contingency Contracting: A Framework for Reform," (Report No. D-2010-059), identifies 10 systemic challenges related to deficiencies in the contract management process during contingency operations. DoD IG continues to identify concerns with adequately defining the contract requirements, price reasonableness, contracting oversight, and contractors performing inherently governmental functions. Additionally,

investigations related to contingency contracting resulted in convictions for bribes, illegal gratuities, false claims and conspiracy to defraud the government. DoD IG provides oversight of the management and execution of DoD contracts supporting the training and equipping of the Afghanistan National Security Forces and conducts oversight of contracts for military construction, maintenance of weapon systems, troop and base support, spare parts, and contract pricing and oversight issues for goods and services.

Cumulative obligations on contracts and grants performed in Iraq, Afghanistan, Bahrain, Kuwait, and Qatar (in \$ billions)



Source: Commission on Wartime Contracting

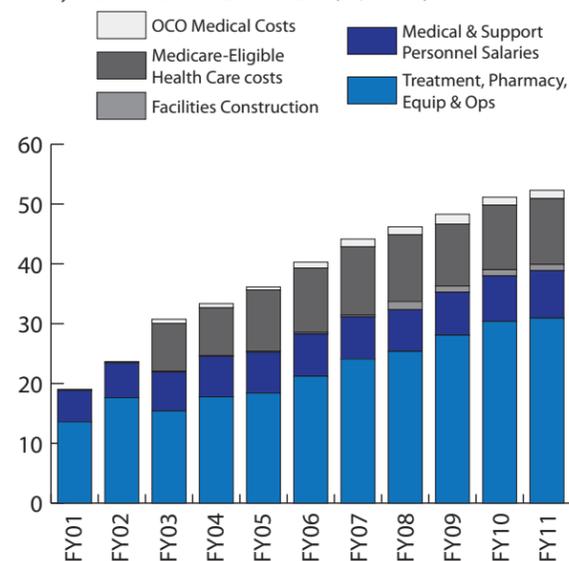
### TRICARE



The DoD Military Health System and TRICARE provide quality health care for approximately 9.6 million eligible beneficiaries. As testified by the secretary of defense, escalating health care costs are a problem that must be addressed. Additionally, an Office of the Secretary of Defense review identified areas that assist in managing costs to include fraud management, allowing the Department to focus on delivering health care in the most efficient and effective manner possible. The Department is committed to continuously improving

care for the wounded, ill, injured, and their families, and in 2010 expanded the TRICARE network significantly in the area of behavioral health. DoD IG is auditing TRICARE and the military health care system and has conducted 55 audits as well as completed 926 investigations of TRICARE and health care fraud since FY 2001. During this period, military health care costs have increased from \$19 billion to over \$50 billion. From FY 2001 to 2010, DoD IG investigations resulted in recoveries, fines, and restitution of \$9.83 billion to the U.S. government.

Military Healthcare Costs FY 2001 - FY 2011 (in \$ billions)



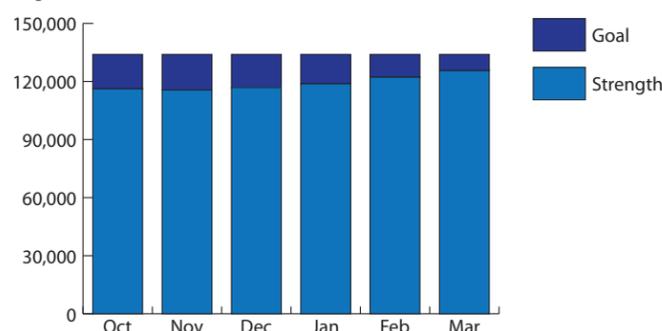
### TRAINING AND EQUIPPING AFGHAN SECURITY FORCES



The Afghan government along with the international community set the goal of having the Afghan army and police take the lead in their security operations in all Afghan provinces by the end of 2014. DoD IG identifies and summarizes metrics that indicate the status of progress towards achieving that goal in key areas of ANP development including growth and the intended result of the transition to Afghan lead. ANP

total strength, including the Afghan Uniformed Police, Afghan National Civil Order Police, Afghan Border Police, and Enablers were reported as just over 125,000 policemen, on track to meet or exceed the established goal of 134,000 by November 2011.

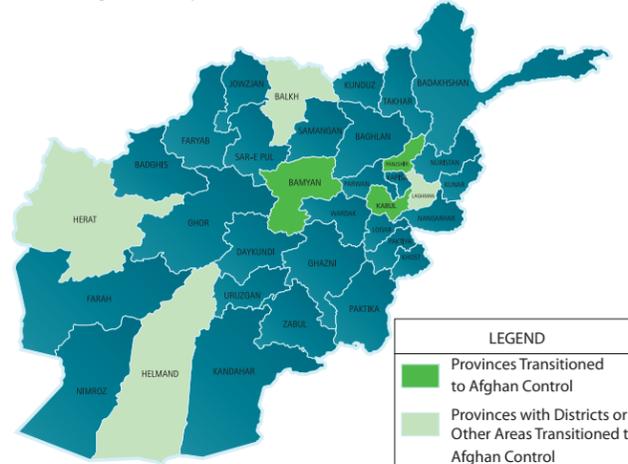
Afghan National Police Growth



Total number of police assigned against command established goal for November 2011: ANP - 134,000.

On March 20, 2011, the Afghan government identified the first (seven) provinces, provincial capitals, and districts for transition to Afghan lead in July. They are located in all five regions and also include much of the capital, Kabul. The announced areas are illustrated below.

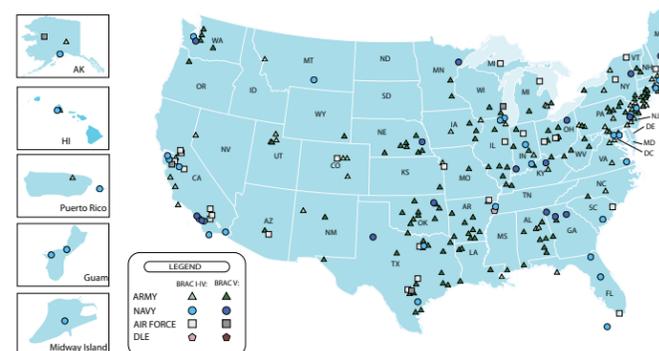
Transition to Afghan Security Forces Control



### BRAC

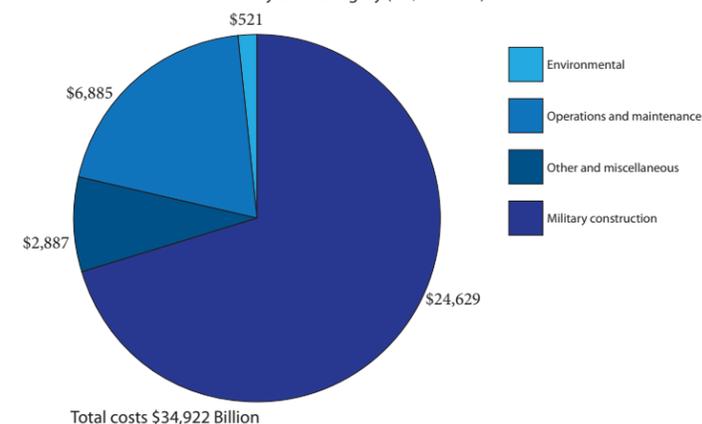
As the Department of Defense executes one of the largest realignment efforts in military history, DoD IG must remain vigilant regarding expenditure of resources related to base realignment and closure to ensure efficiency and deter fraud, waste, and abuse. Implementing recommendations resulting from the 2005 BRAC process continues to be a challenge for the Department. The 2005 BRAC law had more than 200 recommendations affecting more than 800 locations and some 125,000 people at an estimated FY 2010 cost of nearly \$35 billion.

BRAC Round I-IV Installations



The House of Representatives approved the FY 2012 National Defense Authorization Act on May 26, 2011, which includes a provision granting the secretary of defense authority to delay seven BRAC recommendations for up to one year beyond the September 15, 2011, deadline. If this becomes law, it may create additional challenges for the Department concerning property management issues such as current building leases.

BRAC 2005 Estimated Cost by Cost Category (in \$ millions)



#### Ongoing Projects

- The Audit of Joint Basing Implementation Process within the Pacific Region will determine whether the joint bases adhered to the BRAC recommendation concerning Joint Basing Implementation Guidance.
- In accordance with the FY 2011 National Defense Authorization Act, DoD IG is contracting for an independent analysis of the Army's May 9, 2011, report *Transportation Plan for BRAC Recommendation #133 Project Fort Belvoir-Mark Center, Virginia*.