6

Equipping and Training Iraq and Afghan Security Forces

The development of sovereign, stable and self-reliant governments in Iraq and Afghanistan that contribute to the peace and security of the region, and with which long-term strategic partnerships can be forged, is a major national security goal of the U.S. Supporting the development of professional Afghan and Iraq Security Forces, capable of providing for their internal and external defense, is essential to achieving these U.S. objectives.

In support of these objectives, DoD IG has conducted extensive oversight of U.S. and coalition efforts to train, equip, field and mentor the Afghan and Iraq Security Forces. Cadres of auditors, evaluators and investigators have been stationed throughout Southwest Asia in support of these oversight efforts. Today, DoD IG personnel remain stationed in Afghanistan, Kuwait and Qatar. Current oversight projects include evaluating the effectiveness of the Office of Security Cooperation – Iraq, the development of the Afghan Border Police and assessing whether DoD will complete the development of an effective Command and Control and Communications System within the Afghan National Security Forces by the end of 2014.

7

Nuclear Enterprise

For the past several years, numerous government and nongovernment organizational reports detailed an environment in which DoD had experienced a marked, but gradual, decline in focus upon the nuclear enterprise. That decline was characterized by nuclear forces being subordinated to nonnuclear forces in military organizations and not receiving sufficient staffing and funding to perform the nuclear mission according to past standards. The Department must sustain its focus on the nuclear enterprise, even in the face of probable funding reductions, by continuing to foster an environment that emphasizes the nuclear mission and promotes a reliable, safe, secure and credible nuclear deterrent.

DoD IG is committed to preventing and detecting fraud, waste and abuse; and improving efficiency and effectiveness in the nuclear enterprise. In August 2007, a B-52H bomber crew mistakenly flew six nuclear delivery vehicles from Minot AFB, North Dakota to Barksdale AFB, Louisiana. As a result, the nuclear enterprise was identified as a DoD management challenge in 2008. Congress asked DoD IG to oversee post-Minot incident reviews. Recently, DoD IG recommended improvements to sustain the Weapons Security and Storage System, discovered efficiencies for both Air Force and Navy nuclear security, and identified staffing and command and control improvements within the Air Force Global Strike Command.

Department of Defense INSPECTOR GENERAL

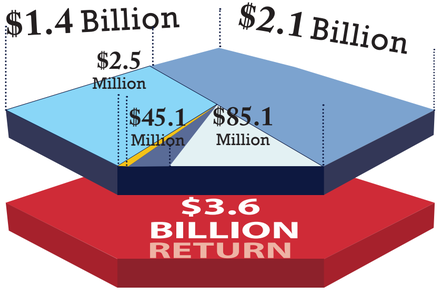
Principal Deputy Inspector General LYNNE M. HALBROOKS

OCT 2012

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

FY 2012 Returned – $3.6 Billion

- Achieved Monetary Benefits from Audits – $85.1 Million
- Recovered Government Property – $2.5 Million
- Civil Judgments/Settlements – $2.1 Billion
- Criminal Judgments – $1.4 Billion
- Administrative Recoveries – $45.1 Million



Total Reports Issued: 147

Arrests: 149

Convictions: 247

Suspensions: 126

Debarments: 207

DoD Hotline

The DoD Hotline is the primary portal for reporting fraud, waste, abuse and mismanagement regarding programs and personnel under the purview of the Department. The primary mission of the DoD Hotline is providing a confidential and reliable vehicle for military service members, DoD civilians, contractors and the public to report fraud, waste, mismanagement and abuse of authority.

Fraud, Waste and Abuse

HOTLINE

1.800.424.9098 • www.dodig.mil/hotline

For more information about DoD IG reports or activities, please contact us:

Reports Mailing List:
dodig_report-request@listserve.com

Public Affairs: Public.Affairs@dodig.mil

Monthly Update:
dodigconnect-request@listserve.com

Office of Communications & Congressional Liaison:
703.604.8324

Twitter: twitter.com/DoD_IG

www.dodig.mil

DoD IG focuses its efforts on detecting and preventing fraud, waste and abuse, while improving efficiency and effectiveness. For more information, visit us on the Web at www.dodig.mil. Below are highlights of DoD IG oversight.

Andro Telemi Sentenced for Attempts to Export Missile Systems Components

An Iranian-born naturalized U.S. citizen attempted to illegally export missile system subcomponents to the security and law enforcement forces of the Islamic Republic of Iran. Andro Telmei pleaded guilty on July 26, 2012, to violating the Arms Export Control Act.

Improved Oversight Required of Commander's Emergency Response Program Funds

DoD and USAID may have committed Antideficiency Act violations of $27.6 million, and USAID improperly used $17.6 million of DoD funds.

Defense Transportation Coordination Initiative Contractor Cost Reductions Were Not Verifiable

DoD did not provide effective oversight of the contractors' reported cost reductions of $167.4 million, costs were about $7.5 million greater than cost reductions.

DoD Failed to Implement the Military and Overseas Voter Empowerment Act

Using the official Federal Voting Assistance Program office website information, DoD IG attempted to contact each of the 229 installation voting assistance offices listed. Attempts failed about 50 percent of the time.

Air Force and Boeing Reach $1 Million Settlement After Destruction of F-15

Boeing provided defective or nonconforming parts to the Air Force for the F-15C Eagle. On Sept. 7, 2012, the Air Force reached an agreement with Boeing for them to provide $1 million worth of parts to replace the defective parts that were previously provided.

DoD IG Assesses Development of Afghan Local Police

DoD IG assessed U.S. efforts to develop the Afghan Local Police, identifying weaknesses in planning and execution for this critical program to train and equip part-time policemen to provide security at the village level.

Summary of Management and Performance Challenges

Introduction

The DoD Inspector General has identified the following areas as the seven most serious management and performance challenges facing the Department in FY 2012: Financial Management; Acquisition Processes and Contract Management; Joint Warfighting and Readiness; Information Assurance, Security and Privacy; Health Care; Equipping and Training Iraq and Afghan Security Forces; and The Nuclear Enterprise. A summary of each follows:

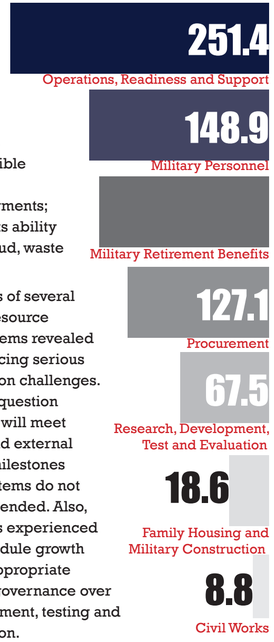
1

Financial Management

The Department's financial management challenges adversely affect its ability to provide reliable, timely and useful financial and managerial data to support operating, budgeting and policy decisions. DoD's FY 2012 budget authority is $645 billion with $2.085 trillion in assets, $2.458 trillion in liabilities and net cost of operations of $768 billion. Effective decision making by leaders at all levels is inhibited by gaps in the financial framework that impact the accuracy, reliability and timeliness of budgetary and accounting data and financial reporting.

Achieving auditable financial statements has proven to be a longstanding and daunting task. In FY 2012, Secretary of Defense Panetta directed DoD to accelerate several of the Financial Improvement Audit Readiness Plan goals. Military services and DoD must have their Statements of Budgetary Resources auditable by the end of FY 2014, increase the emphasis on accountability of military assets and meet legal requirements for all of DoD's financial statements auditable by 2017. DoD IG oversight focuses on DoD's financial improvement and audit readiness efforts, management and development; auditability of military equipment and other assets; and efforts to reduce and eliminate improper payments. In the FY 2012 audit opinion on DoD's consolidated financial statements, DoD IG reported the same 13 material internal control weaknesses of the previous year. These challenges impede DoD's ability to obtain an unqualified opinion on its financial statements; create an environment where DoD is more susceptible to making improper payments; and impairs its ability to identify fraud, waste and abuse.

DoD IG audits of several Enterprise Resource Planning Systems revealed that DoD is facing serious implementation challenges. These audits question whether DoD will meet its internal and external auditability milestones if the ERP systems do not operate as intended. Also, these systems experienced cost and schedule growth and lacked appropriate senior-level governance over their development, testing and implementation.



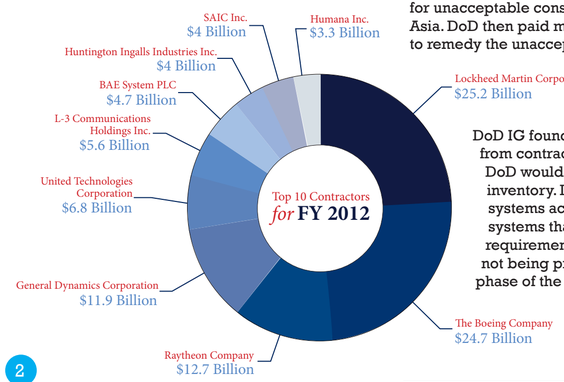


Chart sourced by USASpending.gov

2

Acquisition Processes and Contract Management

The Department continues to address challenges with acquisition and contracting for goods and services necessary to support the Department's mission. Challenges include obtaining adequate competition in contracts, defining contract requirements, obtaining fair and reasonable prices, oversight of contract performance and maintaining contract documentation for payments.

In one recent audit instance, DoD IG found that Defense Logistics Agency Energy did not perform an adequate proposal analysis for contracts valued at $2.7 billion to supply fuel to U.S. troops in Iraq, estimating that DLA Energy paid about $160 to $204 million more than could be supported by price or cost analysis. In another example involving prime vendor support in Afghanistan, DoD IG found that, among many issues, DoD did not determine whether more than $450 million in airlift costs charged by the contractor were fair and reasonable. As a result of the lack of oversight, DoD IG found that DoD may have overpaid a contractor about $124 million for transportation and materiel costs. In other cases, DoD IG found that some contractors performed and were paid for unacceptable construction work in Southwest Asia. DoD then paid millions for other contractors to remedy the unacceptable work that could have been detected and addressed. Responding to the inappropriate use of contracting vehicles, DoD IG found that DoD was procuring parts from contractors at prices higher than DoD would pay instead of using excess inventory. DoD IG reviews of weapon systems acquisitions have identified systems that had poorly defined capability requirements, inadequate testing, and were not being properly prepared for the next phase of the acquisition process thus risking that the systems developed would not meet the warfighter needs.

3

Joint Warfighting and Readiness

The sustained operations in Southwest Asia have placed a considerable strain on joint warfighting and readiness areas including low-density, high demand systems such as intelligence, surveillance and reconnaissance assets. In addition, the sustained operations in Southwest Asia have placed a considerable strain on the ability of DoD to reset and reconstitute its forces. The high operational tempo of deployments in ongoing operations requires DoD to pay extra attention to the well-being of our service members, systems and institutions. The Department faces many challenges in the near future in joint warfighting and readiness, such as a decreasing budget, planned drawdown of forces from Afghanistan, the need to reset equipment and personnel across the services, a return to full-spectrum training and an enhanced focus on the Pacific theater.

DoD IG oversight efforts in this area address joint operations, including ongoing counterinsurgency efforts in Afghanistan; proactive efforts by the combatant commands worldwide to prevent crises and instability; ongoing operations in Afghanistan to include military construction efforts; the development of Afghan National Security Forces capabilities; the planning and execution of worldwide disaster relief efforts; DoD's emerging programs to build the capacity of the Afghan Ministries, including the Defense Institution Reform Initiative and the Ministry of Defense Advisors program; and efforts to enhance the readiness of U.S. forces, which includes training, logistics, supply and maintenance functions. DoD IG found that most geographic combatant commands effectively planned and executed disaster relief operations, but improvements could be made. DoD IG also found that general purpose forces support to Special Operations Forces works effectively, but opportunities exist for improvement. DoD IG has also reported on deficiencies and improvements needed with the Department's accountability, protection and disposition of equipment and property withdrawn from the operations in Southwest Asia.

4

Information Assurance Security and Privacy

According to recent reports from the Department of Homeland Security, reported computer security incidents for federal agencies have increased from 5,503 in FY 2006 to 43,889 in 2011, an increase of approximately 700 percent over six years. The Department's networks and data are under constant attack from domestic and international hackers and foreign governments attempting to connect via the Internet or using malicious software embedded in email attachments, removable media or embedded in the hardware that DoD procures.

DoD IG oversight in this area includes ensuring adherence to applicable policies, regulations and procedures. DCIS focuses on serious compromises of the Global Information Grid; exfiltration of sensitive DoD data or large volumes of personally identifiable information pertaining to civilian DoD employees or service members; and potential contractual violations on the part of DoD contractors. While the Department has made progress in combating cyber attacks and breaches, it still faces a challenge in recruiting and hiring cyber security personnel.

5

Health Care

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

Medical care required by military personnel is expected to increase in the next several years, especially in the areas of rehabilitation and transition care. It is critical for DoD IG to maintain oversight to ensure wounded warriors receive the high-quality health care they have earned. To this end, DoD IG has conducted six assessments of wounded warrior care, the most recent at Camp Pendleton. DoD IG also looked at the plan used to determine the number and type of medical staff needed in Guam to ensure that the increased number of beneficiaries resulting from the upcoming realignment have adequate access to health care.