



# Office of the Inspector General

## Semiannual Report to the Congress

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**April 1, 1997 -- September 30, 1997**



## *Mission Statement*

*The Department of Defense Inspector General promotes national security and integrity and credibility in Government by conducting objective and independent audits, investigations, evaluations and other activities to prevent, detect and help correct problems in DoD programs and to identify opportunities for improving efficiency and effectiveness.*

## FOREWORD

I am again pleased to report on the significant accomplishments achieved by the men and women of the Office of the Inspector General, Department of Defense. Their work, combined with that of others in the DoD oversight community, continues to help ensure integrity and credibility in Government while providing the Department's leaders with information critical to key management decisions. Our investigators, auditors and evaluators have not only responded to an increasing number of management and Congressional requests, but also successfully addressed proactive initiatives in areas of critical concern to the Department.

During this time of dramatic change within the DoD, the OIG has worked closely with senior management through scores of process action teams to adequately address the many challenges and risks that necessarily accompany reform of the Department's programs and operations. While we continue to detect and pursue fraud, waste and abuse that has already occurred, we are also actively helping management to identify ways to prevent these problems in the future.

All of this has occurred at a time of continued downsizing for the OIG. Despite a history of substantial monetary return to the Department, the OIG is now scheduled to be reduced approximately 37 percent by fiscal year 2001 from its fiscal year 1995 level. Undoubtedly, that reduction will dramatically diminish our ability to provide adequate oversight for the Department, at a time of increased procurement spending.

Chapter One of this report reviews the oversight community's efforts to assist senior managers in reducing high risk vulnerabilities in Information Management and Technology, Financial Management, Acquisition and Infrastructure. As first presented in our last report, we have again selected Special Emphasis Areas for detailed discussion. In this report, we focus on the critical areas of Readiness, Property Disposal and Senior Official Investigations.

Chapter Two summarizes the significant activities of our audit, investigative and oversight functions throughout the operations of the Department. Highlights include:

- DoD internal audit organizations identified over \$422.7 million in funds that could be put to better use immediately or during the Future Years Defense Program period;
- DoD contract auditors took exception to over \$1.325 billion and identified nearly \$2.355 billion in funds that could be put to better use; and

- DoD criminal investigators' efforts in procurement and health care fraud investigations resulted in 108 criminal indictments and \$128.7 million in monetary recoveries and fines.

These accomplishments clearly demonstrate the critical role that this organization continues to play in protecting, strengthening and improving the programs and operations of the Department of Defense. The men and women of the Office of the Inspector General understand the importance of their role and are committed to helping the Department successfully meet the many challenges that it will face in the years ahead.

A handwritten signature in black ink, reading "Eleanor Hill". The signature is fluid and cursive, with the first name "Eleanor" and the last name "Hill" clearly distinguishable.

Eleanor Hill  
Inspector General

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## CHAPTER ONE - REDUCING HIGH RISK VULNERABILITIES

### INTRODUCTION

The audit, inspection, evaluation and investigative community assists the Department in minimizing vulnerabilities to fraud and mismanagement across a wide spectrum of high risk areas. The community acts as an agent of positive change in identifying better ways to accomplish the Department of Defense (DoD) mission by controlling risk and fighting fraud. By closely linking our activities with DoD strategic goals and management improvement plans, as well as extensively participating in DoD team problem solving efforts, we try to provide the most relevant, practical and timely advice to policy makers, managers and commanders. The following discussion of high risk areas clearly illustrates this focus.

### INFORMATION MANAGEMENT AND TECHNOLOGY

The rapid advance of information technology underlies the ongoing revolution in the military arts, where concepts like information warfare and the preeminence of battlefield awareness have taken hold. This technological progress also continues to play a significant role in the evolution of DoD business practices. Virtually all DoD command, control and support operations, as well as the functioning of weapon systems, depend on computers. For this reason, the challenges in this area are numerous and formidable. The development of new systems throughout the Department to enable better integrated, faster and less costly processes to be put into place, must be simultaneously accelerated and better controlled than past automated system acquisitions. Measures taken to date to implement the Clinger/Cohen Act and to merge the processes for acquiring weapon systems and information systems represent "good starts." However, the legacy of disjointed information management will remain difficult to overcome as long as most of these systems continue to be controlled solely by functional managers.

***"...the legacy of disjointed information management will remain difficult to overcome...."***

The operational challenges posed by the vulnerability of DoD automated systems to unauthorized access and the Year 2000 computing problem raise serious concerns. System security problems have been well documented in DoD reviews, congressional hearings and reports by General Accounting Office (GAO) and DoD auditors. Our recent work indicated that, while many DoD organizations are taking aggressive action, management of security improvement efforts was somewhat fragmented, multi-level security technology was not consistently incorporated into new systems and controls over access to both operating systems and applications at many computing sites needed improvement.

The DoD also needs to correct potential Year 2000 computing problems in over 3,000 of its mission-critical systems and a huge number of other applications. The DoD internal auditors are closely involved in helping management overcome this challenge. In this regard, we anticipate that a fairly constant flow of reports will be issued starting in early 1998. Difficulties include: identifying all system interfaces and developing coordinated corrective actions; ensuring reliable testing; enforcing new rules against buying hardware or software that does not comply with Year 2000 requirements; dealing with potential interoperability problems with allies; achieving appropriate prioritization of effort; and providing accurate status reports to senior DoD managers, the Office of Management and Budget (OMB) and the Congress.

The DoD audit community issued 20 reports on information technology during the reporting period, covering a wide range of systems development and security matters.

## **FINANCIAL MANAGEMENT**

The DoD is pressing ahead to implement its Five-Year Financial Management Improvement Plan. Further sustained effort is needed, however, to develop far more capable and better integrated finance and accounting systems. These systems are needed to ensure that the Department has the capability to use modern technology to redesign many antiquated and inefficient processes, including vendor pay, and to compile meaningful, reliable and timely financial reports. The DoD remains unable to produce auditable annual financial statements and useful accounting reports, especially cost data for internal management purposes. The Department is also in continued noncompliance with basic fiscal law when charging contractor progress payments to specific accounts without relating the work performed to the correct appropriation.

***"The DoD remains unable to produce auditable annual financial statements..."***

The DoD audit community responded to the mandatory audit requirements in this area and the continued high risk by issuing 92 reports on finance and accounting during this reporting period. Each report discussed internal management control issues. Cumulatively, the reports illustrate both the progress the Department has made and the significant challenges with which it remains confronted.

## **ACQUISITION**

Despite budget reductions, the DoD acquisition program continues to be far larger than any other capital investment program in the world. There are 77 major programs and about 1,200 smaller programs in place, with total acquisition costs of nearly \$1 trillion. The DoD executed 7.5 million contractual actions during fiscal year



***“...the DoD acquisition program [is the largest]...in the world...with total acquisition costs of nearly \$ 1 trillion....”***

1996. The complexity and scope of this effort, the potentially catastrophic consequences of any failure to provide reliable and technologically superior weapon systems to our war-fighters, and the historically questionable performance of the acquisition system in terms of schedule slippage, cost growth and excessive unit costs, combine to make acquisition a high risk area. As discussed in our last semiannual report, we are involved in and strongly support the Department's ongoing acquisition reform initiatives.

During this reporting period, we issued 39 internal audit reports on acquisition matters, ranging from requirements issues to contracting disputes. Findings indicated that contracting officers were complying better with new rules favoring price analysis over demands for certified cost or pricing data; requirements for certain missiles, helicopters and laser systems were not sufficiently supported; some improvement in compliance with requirements to restrict the use of undefinitized contractual actions has occurred, but widespread noncompliance remains a problem; the foreign material acquisition program for foreign threat weaponry needs to be strengthened; and the Advanced Concept Technology Demonstration Program needs better selection criteria to achieve full effectiveness as a major reform initiative.

## **INFRASTRUCTURE**

The DoD spends nearly two thirds of its budget on infrastructure operations and support activities. This includes the cost of maintaining installations and facilities, providing health care to military personnel and their families, repairing equipment and managing supply inventories. The DoD continues to face the major challenge of effectively reducing and transforming this support structure that grew up during the Cold War. During the period, we issued 107 audit and evaluation reports, covering all of the major program areas in this very broad category.

In the facilities area, we continued the construction project audits mandated by the Base Realignment and Closure Act and also reported that more aggressive energy use reduction goals for new facilities were needed. In the health care area, audits identified potential savings in the aeromedical evacuation program; called for better cost accounting to enable more efficient management of the Graduate Medical Education Program; and disclosed that alcohol misuse by DoD personnel cost an estimated \$1 billion in fiscal year 1995, principally in health care expenses. In material management, auditors reported on opportunities to expand concurrent aircraft modification and maintenance, improve the requirements forecasts

for spares and consumable war reserves, and reutilize more materiel.

**SPECIAL EMPHASIS  
AREAS**

In this report, we provide a discussion of three focus areas where there continuously are numerous significant audits and investigations. The first is **Readiness**, a topic that actually cuts across most of the high risk areas already mentioned. The second is **Property Disposal**, which is part of the materiel management cycle and the infrastructure high risk area. Lastly, we discuss our **Program Integrity** mission, which entails the noncriminal investigation of allegations against senior DoD officials.

## READINESS

Readiness ranks among the highest DoD priorities and goes to the very core of the Department's mission to defend the Nation. Maintaining adequate readiness involves numerous challenges to managers and commanders at every organizational and unit level. Those challenges pertain not only to the factors most directly associated with near-term readiness, e.g., training, manpower, maintenance and supply, but also to longer term factors like logistics supportability planning during the acquisition of weapon systems and agreements for host nation logistics support to U.S. forces overseas during contingencies. The Military Service Inspectors General have traditionally played a highly visible role in inspecting unit readiness and troop morale. The supporting role of DoD auditors, evaluators and investigators in this area is less well known, but is also significant.

***"...the DoD internal and contract audit community identified \$8.6 billion in potential monetary benefits..."***

In a broad sense, all audits and evaluations that help improve DoD resource management anywhere in the Department contribute to readiness by decreasing the budget pressures on those accounts that most directly support readiness. During this 6-month period, the DoD internal and contract audit community identified \$8.6 billion in potential monetary benefits and recommended numerous ways to improve effectiveness and efficiency. In a more direct sense, numerous audits and evaluations identified potential readiness problems across a wide spectrum of functional areas.

The following paragraphs summarize the primary readiness challenges faced by the Department and the assistance we are providing to help address them.

### HOST NATION LOGISTICS SUPPORT

The primary challenges for host nation logistics support planners are: fully identifying current U.S. forces contingency requirements, concluding responsive agreements with the pertinent host nations, and validating the assumptions for the host nation support availability. The main focus of our audit and evaluation coverage has been on the host nation logistical support programs in Southwest Asia, Europe and Korea. The results, whose details are generally classified, indicate that many support agreements are outdated, in terms of current plans, and the requisite logistics support for carrying out contingency plans may be lacking.

### TRAINING

The relevance and effectiveness of training are always of paramount concern, especially when there is strong budget cutting pressure.

The DoD needs to reduce training infrastructure without degrading program effectiveness. Auditors reported that DoD-wide management of computer training and simulations was fragmented. Oversight was inadequate in view of both the scale of currently planned investments and the readiness consequences of unavailable or unrealistic computerized training. Management took responsive action, but a consensus is still lacking on the value of simulation versus live training, especially for large operational scenarios.

## **OPERATING TEMPO**

The large number of special U.S. military commitments around the world at the present time is stressing the force. The Army Inspector General conducted two significant assessments during the reporting period, concluding that the current operational pace is having a negative impact on troop morale, discipline and unit readiness. The impact of deployments is felt by both the deploying units and others whose assets are reallocated to support the deployment. Units supporting Operations Joint Endeavor (Bosnia) and Intrinsic Action (Kuwait) have been severely impacted; infantry, military intelligence, military police, aviation, transportation, ordnance, air defense artillery and field artillery units have had their personnel assets "piecemealed" to support the deploying units. While there is little concrete data, anecdotal input suggests that an increase in family stress is occurring. In this regard, the number of Inspector General Action Requests has increased, chaplains report an increase in counseling sessions and financial assistance to soldiers from support agencies such as the Army Community Service has increased dramatically. Retention of junior officers is a major concern. Other Services are facing similar personnel problems, particularly in the loss of pilots.

## **COMMAND, CONTROL AND COMMUNICATIONS READINESS**

With the successful fielding of the Global Command and Control System, the remaining readiness issues in this area include classified problems with the DoD communications capabilities to support two major regional conflicts nearly simultaneously, information systems security and the Year 2000 computing problem. Unfortunately, the latter two are not widely perceived as readiness issues. Compromise or failure of automated systems, however, could have a catastrophic impact on our ability to deploy, support and operate U.S. forces.

## **SUPPLY SUPPORT AND TOTAL ASSET VISIBILITY**

After the Cold War, the DoD found itself with excess stocks of equipment and outdated logistics concepts that relied on huge materiel stockpiles rather than on the more flexible practices that are now possible because of advancing information technology and more capable, less expensive transportation support. The DoD implemented several initiatives to reengineer its logistics systems,

processes, capabilities and inventories, including adopting the commercial business practices of total asset visibility, just-in-time express delivery in support of day-to-day peacetime operations and direct vendor delivery.

Ensuring that supply support to the war-fighters is fully adequate during this transition period and the business practice changes are implemented efficiently is a major focus of audits and evaluations. Several recent audits disclosed weaknesses in the high risk area of visibility, accountability and control of inventories of both consumable items and repairable assets throughout the DoD.

#### **WAR RESERVE MATERIEL**

Despite the expansion of just-in-time support concepts, there will always be a need to stockpile war reserves. The primary challenge is to identify the types, quantities and necessary locations of materiel needed to conduct combat operations during the early stages of a crisis in today's more volatile and unpredictable world situations. Over the past 2 years, the main focus of our audit and evaluation coverage has been on reducing stockage in the European Theater and repositioning materiel to support regional contingencies in the Pacific and Middle East. Several significant instances of malpositioned stocks or critical shortages of ammunition, medical supplies and fuel have been disclosed, as well as some unnecessary stockpiling.

#### **CHEMICAL AND BIOLOGICAL WARFARE DEFENSE**

Readiness challenges in this area include ensuring that equipment, training and doctrine are fully adequate to meet the threat. Over the last year, a main focus of our audit and evaluation coverage has been on management of the chemical and biological contamination survivability program, joint operations doctrine, planning and training; equipment and system survivability enhancements; and testing of protective equipment. Improvements are needed in all of those areas.

#### **MATERIEL QUALITY AND PRODUCT SUBSTITUTION**

The operability of equipment is an essential component of readiness. The DoD maintenance community is justifiably under heavy pressure to eliminate excess depot capacity and cut costs. From a readiness standpoint, the challenge is to improve service to the war-fighters and ensure an adequate surge capability.

Whether or not a sufficient maintenance capability is in place, equipment can be unsafe or unreliable because of design flaws, poor quality control during manufacturing, poor handling or inferior quality because of intentional product substitution. Audits regularly focus on DoD management controls to assure quality, but there are

also some concerns about challenges posed by the influx of commercial items into the supply system.

The chief threat in this area remains the deliberate substitution of inferior materiel by manufacturers or vendors. In light of the safety and readiness implications, combatting product substitution is one of the highest DoD criminal investigative priorities. The three military criminal investigative organizations and the Defense Criminal Investigative Service (DCIS) each aggressively pursue product substitution allegations. For example, nearly 20 percent of DCIS cases are in this area. In fiscal year 1997, such cases resulted in more than 40 indictments, 32 convictions and over \$37 million in fines, forfeitures and recoveries. The following case examples represent some of the product substitution schemes investigated either singly or jointly by the DoD criminal investigative community.

**Product Substitution  
Case Examples**

Hughes Aircraft Company allegedly used substandard fasteners on 39 DoD contracts, did not adequately test parts used in Mark 48 Advanced Capability torpedoes and thwarted Government inspection of torpedo power supply units. As a result of this investigation, Hughes agreed to a civil settlement of \$500,000.

Tech-Air Services, Incorporated, failed to service emergency equipment, such as fire extinguishers, oxygen containers, life raft inflation cartridges, pressurized emergency landing gear extension systems and other items belonging to commercial airlines, the DoD and the contractor that services fire extinguisher bottles on DoD aircraft used by the President and Vice President. Tech-Air then submitted false certifications and invoices to its customers. Following his conviction, the company's operations manager was sentenced to over 3 years imprisonment.

***"The company was fined \$18.5 million in addition to a civil settlement of \$88 million."***

A senior quality inspector at Lucas Western, Incorporated, falsified inspection records, directed others to falsify records and knowingly caused defective gear-boxes to be provided to the DoD. This affected about 3,000 flight critical parts used in the Army Multiple Launch Rocket System, the Navy F/A-18 aircraft and the Air Force F-117 Stealth aircraft. The inspector was sentenced to 3 months imprisonment and a \$10,000 fine. The company previously pled guilty and was fined \$18.5 million in addition to a civil settlement of \$88 million.

An Olin Corporation employee recklessly reprogrammed software used in the production of millions of 20mm rounds for quality

control because company officials pressured him to reduce high scrap rates. The company cooperated in disclosing the employee's actions and agreed to an \$8 million repayment to DoD.

Ordnance Parts and Engineering Company, Incorporated, made and used false certificates of conformance to indicate that parts, including various fasteners, supplied on DoD contracts met contract specifications while knowing the certificates contained false information. The parts were used on various aircraft, including the Viking, Tomcat, Orion; helicopters including the Sea King and Cobra; and aircraft and ship weapons systems such as missiles and torpedoes. The company and multiple officials of the company were fined a total of \$120,000 for making false statements. Various terms of imprisonment were imposed on the officials.

***"...the owner of the company was sentenced to 5 years imprisonment and fined \$500,000."***

Advanced Aerospace, Incorporated, used aluminum instead of the magnesium called for in specifications in manufacturing F-5 speed brakes. Some aircraft had to be grounded while the less durable, defective brakes were replaced. As a result of this investigation, the owner of the company was sentenced to 5 years imprisonment and fined \$500,000.

To ensure that users of potentially defective equipment are not subjected to undue risks, investigators provide formal safety alerts to designated points of contact in the Military Departments, elsewhere in DoD, the Department of Transportation (DOT), the Federal Aviation Administration, the Nuclear Regulatory Commission, the National Aeronautics and Space Administration (NASA) and the Coast Guard. The alerts permit organizations to pull stock out of service or inventory and evaluate its suitability for future use.

## **ANTITERRORISM READINESS**

The changing nature of the threat to U.S. interests and assets poses numerous challenges, many of which are being addressed in a broad set of initiatives under the label of antiterrorism readiness. The antiterrorism program has diverse aspects, such as enhancement of intelligence, physical security, information systems security and capabilities to defend against weapons of mass destruction. Much of our audit and evaluation work pertains to those topics and supports those initiatives. In addition, in October 1996, we initiated a survey of antiterrorism readiness encompassing over 560 DoD commands and installations worldwide. Our survey data were incorporated into the March 1997 Secretary of Defense Report to Congress on Antiterrorism Readiness. In April 1997, we briefed the final survey results to the DoD Antiterrorism Coordinating

Committee Senior Steering Group. We verified survey responses and reviewed subsequent improvements in antiterrorism programs within six Defense agencies.

## **INTELLIGENCE SUPPORT TO THE WARFIGHTERS**

Intelligence plays a crucial role in ensuring the warfighter is ready to meet the evolving challenges to our nation's security. The conflict spectrum has shifted from major combat forces confronting one another to operations that involve such criminal behavior as international organized crime organizations selling nuclear materials and cyber-terrorists attacking our nation's information infrastructure. With this shift in the threat spectrum, intelligence will be the key to predicting, reinventing and defending against these asymmetric threats. The challenge is to provide timely and reliable intelligence while seeking, as with all other DoD elements, to cut costs. Recent audits and evaluations covered intelligence issues, such as the role that measurement and signature intelligence plays in support to military operations, the proper consolidation of DoD human intelligence capabilities and the management of conventional signals intelligence collection sites. More information is provided in Chapter Two and in a separate classified supplement to this report.

## **REPORTING**

Another major challenge in the readiness area is the difficulty of measuring unit readiness objectively and reporting those assessments in a useful form. In 1996, the IG, DoD, reported that the Status of Resources and Training System (SORTS) was significantly deficient in terms of being the principal DoD readiness reporting vehicle. The Joint Staff agreed and is currently implementing the recommended comprehensive action plan to resolve the systemic problems with SORTS. The plan has three parts: technical corrections to the SORTS system and database enhancements (in process), rewrite of the SORTS policy and manual to eliminate vagueness and ambiguity (policy draft is in coordination) and the design and development of improved SORTS outputs for decision makers (to be completed by December 1997). We are tracking these actions and intend to do further audit work in the readiness reporting area to assure that commanders and other decision makers receive accurate, useful and timely information on readiness status.

## **CONCLUSION**

Maintaining adequate readiness is a complex and challenging goal, especially when resources are very constrained, while operating tempo is high. The DoD oversight community identifies ways to stretch scarce resources further; ensures sufficient logistics, intelligence and communications support is provided to the war-fighters; and works to solve problems that degrade readiness.



## PROPERTY DISPOSAL

Although property disposal is merely one facet of DoD logistics management, the challenges related to efficient reutilization, transfer, donation, demilitarization and sale of excess or surplus military items are formidable in their own right. Although the flow of property through the Defense Reutilization and Marketing Service and other disposal channels has somewhat slackened, well over \$20 billion of materiel (original acquisition cost) is still being processed annually.

To protect the taxpayers' interest, the disposal programs need to maintain a difficult balance between maximizing the sales of surplus materiel to recoup as much of its residual value as possible, yet avoiding the sale of items that are still needed for Defense or other Government purposes. The disposal programs must also ensure that the public safety is not endangered by improperly demilitarizing potentially dangerous materiel before it is sold or exchanged. Among the many factors at play are: the sheer volume of materiel moving through the disposal process; the necessarily widespread dispersion of disposal offices; the highly pilferable and/or potentially dangerous nature of much of the materiel; the multiplicity of military organizations, Federal, state and local government agencies, nonprofit entities and contractors involved; potentially conflicting management goals and objectives; the workforce turbulence associated with site closures, downsizing and potential outsourcing; shortfalls in the reliability of automated management information systems; and the usual problems encountered when introducing new business processes, as the Department is trying to do in this area.

Over the past few years, issues related to property disposal have been high audit and investigative priorities. In fiscal years 1995 through 1997, we issued 16 audit reports in this area, each containing significant findings and recommendations. Criminal investigations by the DCIS during this period resulted in 35 arrests, nearly 100 indictments and seizures of almost \$80 million in stolen DoD property.

### **DISPOSAL OF MUNITIONS LIST ITEMS AND MUNITIONS SCRAP**

In this area our principal concerns are inadequate demilitarization controls and questionable exchanges or transfers of helicopters and other equipment to obtain items for military museums.

Munitions list items (MLI) are defined as military articles that require special handling at the time of disposal to prevent

unauthorized use by domestic or foreign purchasers. Special handling instructions are provided by assigning a demilitarization code when an item is introduced into the DoD inventory. Auditors reported chronic noncompliance with policies for coding MLI, which is a responsibility of the inventory control points. A random statistical sample showed that 52 percent of items sampled from supply inventories had inaccurate demilitarization codes. In one instance, about 10,000 tools had been coded as requiring demilitarization, which would have cost \$9.5 million. We found that 80 percent of the items did not require demilitarization. These problems need to be addressed vigorously so that the DoD does not incur unnecessary demilitarization costs or inadvertently sell sensitive or dangerous items. The risk of either of those undesirable consequences occurring is high when the coding is wrong. The DoD shared our concerns and is working to find solutions. In addition, the Congress is requiring the Department to report on its corrective actions by January 31, 1998.

We found that similar coding problems existed at sites operated by 15 contractors who hold DoD property. Of 1,820 items that we judgmentally sampled, we found 1,400 were not properly reviewed at all to ascertain whether they were MLI. It was accepted practice of the contractors to dispose of all such property without due attention to potential demilitarization requirements. On the other hand, we found 155 items that had been identified as MLI, but were sold anyway without consideration of demilitarization or trade security policy requirements.

***“...a fatal accident occurred when a purportedly inert artillery shell exploded...”***

In March 1997, a fatal accident occurred when a purportedly inert artillery shell exploded in a commercial scrap yard in California. A criminal investigation of that incident by the DCIS is still in progress. As a separate effort and at the request of the Department, we reviewed disposal practices for ammunition, explosives and other dangerous articles at 16 military installations. Our review indicated that a major effort is needed to improve a variety of base level controls,

Cumulatively, the DoD fires or otherwise disposes of 200,000 tons of ordnance annually, so extensive safety and environmental ramifications are involved in proper disposal. The Department is taking numerous corrective actions.

## **PROPERTY DISPOSAL DECISIONS**

The DoD materiel managers and program officials who decide what to dispose of and what can be reutilized have more impact on the volume and economic impact of DoD disposal operations than does

the Defense Reutilization and Marketing Service. We put considerable audit emphasis on identifying problems and in determining what should be disposed of or retained in inventory, especially in settings other than the supply depots. Recent audits indicated that the Military Departments unnecessarily stored uncatalogued materiel purchased for research, development, test and evaluation work. The 13 installations reviewed had well over \$1 billion (acquisition costs) of uncatalogued materiel on hand dating from 2 years to more than 30 years after projects for which the materiel was intended were completed. The materiel stood little chance of being reutilized where it was and no chance of being reutilized by other DoD activities, who had no way of knowing of its existence. There are 73 other similar installations, and it is reasonable to assume that most of them have had similar practices. These resources need to be inventoried and screened for reutilization or disposal.

Government-owned property in the possession of contractors, with an acquisition value of about \$90 billion, has never been thoroughly screened to determine reutilization potential. In addition, the Department should reexamine its 44-year old practice of taking title to large amounts of tooling, test equipment and general purpose items acquired to carry out a wide variety of tasks under cost type contracts. The reutilization potential of much of that property may be minimal. The Deputy Secretary of Defense and the DoD acquisition community have been examining the current policies over the past few months, and we anticipate recommending significant changes to the current practices.

## **COMBATTING FRAUD**

The intrinsic nature of the materiel processed through DoD disposal channels, coupled with the difficulty in maintaining strong controls at every storage or disposal site, make this a high risk area in terms of the criminal threat. The following examples of recent cases give a good flavor of the kinds of schemes that DoD criminal investigators frequently encounter.

- Several individuals unlawfully removed military vehicles and equipment from Fort McCoy, Wisconsin. The stolen items included an obsolete tank, a bulldozer, a 20-ton crane and a forklift.
- Equipment, such as bulldozers, road graders, forklifts, front end loaders, patrol boats and diesel engines, worth more than \$80 million, was illegally acquired by a group under the guise of transferring excess property to Indian reservations.

- Three Federal Aviation Administration employees in Oriskany, New York, illegally obtained and converted \$1 million of DoD trucks, generators, appliances and video equipment for their own use.
- Seawitch Salvage Company, Baltimore, Maryland, illegally dumped asbestos removed from ships that were being scrapped and provided false documentation to DoD disposal officials to conceal the violations.
- A police chief in Michigan diverted a tractor and two trailers provided by the DoD as law enforcement assistance for his personal use.

## **CONCLUSION**

This high risk area merits continued audit and investigative priority attention. Recognizing the challenges and risks, DoD managers have been exceptionally cooperative with us and responsive to our findings and recommendations in the property disposal area.

## SENIOR OFFICIAL INVESTIGATIONS

### INTRODUCTION

We continue to accomplish our role of ensuring that allegations of misconduct involving senior DoD officials are properly addressed. In that capacity, we conduct a limited number of noncriminal investigations into allegations against senior officials and oversight the hundreds of similar inquiries completed annually by the Inspectors General of the Military Services and Defense agencies.<sup>1</sup> This summary describes the way that our responsibilities in this special interest area have evolved over the past few years, and illustrates the impact significant investigations that we completed during, and before, the period of this Semiannual Report have had.

Senior DoD officials are understandably held to the highest standards of conduct. Alleged violations of regulations committed by senior officials must be investigated aggressively, competently and with sensitivity.

### BACKGROUND AND SCOPE

The scope of this work encompasses the 1,275 general and flag officers currently on active duty, in the National Guard and the Reserves. It also includes over 1,200 civilians who are career members of the SES or who are agency appointed to high-level, non-career positions within the DoD. As of September 30, 1997, the DoD had 343 active investigations into allegations against some of those senior officials, of which 36 were being conducted by this office, with the remainder conducted by other DoD and Military Service IGs under our oversight. Historically, approximately 20 percent of those investigations have substantiated allegations of wrongdoing. Allegations typically fall into one of the following categories:

- Misuse of Government resources, such as military aircraft, official vehicles or other Government property.
- Misuse of position, particularly the use of official position for personal benefit or the benefit of others.
- Misconduct of a sexual nature, or the related allegation of favoritism shown a subordinate because of an inappropriate relationship with that subordinate.

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<sup>1</sup> The term “senior officials” refers to military officers selected for, or serving in or above, the rank of Brigadier General or Rear Admiral (lower half) and civilians who are career members of the Senior Executive Service (SES) or appointed to equivalent or higher level positions.

- Mistreatment of subordinates, to include abusive behavior or an unwarranted adverse personnel action.
- Failure to take effective corrective action when circumstances warranted.
- Conducting travel at Government expense for personal rather than official reasons.

## **HISTORICAL PERSPECTIVE**

The current process for handling allegations of wrongdoing by senior DoD officials is, in part, the result of action taken to respond to two fundamental concerns that were expressed by Chairmen of Congressional Committees in the late 1980s:

- Possible withholding of adverse information concerning senior officials who were nominated for an action (e.g., promotion, retirement) that required Senate approval—a concern expressed in August 1988 by the Chairman and Ranking Minority Member of the Senate Armed Services Committee.
- Lack of timeliness and thoroughness in senior official investigations that were conducted by Service investigative units—expressed in March 1989 by the Chairman, Senate Committee on Government Affairs.

The Program Integrity Directorate was subsequently established in 1990 and assigned the mission of conducting and overseeing investigations into allegations of senior official misconduct. The Directorate's role in these investigations was further expanded with the publication of a DoD policy directive in 1991, which provides that:

- The OIG, DoD, be advised within 5 days of any allegation of serious misconduct made against a senior official in the DoD. At this point, the OIG, DoD, may choose to assume investigative responsibility for the matter.
- Oversight is exercised over all senior official investigations that we refer to another DoD component.
- Reports of investigation completed by other components are then reviewed by the Program Integrity Directorate.

## **ROLE OF PROGRAM INTEGRITY**

As a general observation, we believe that the IGs of the Military Services and Defense agencies are well qualified to conduct

inquiries into allegations against senior officials within their organizations.<sup>2</sup> However, we now conduct nearly all investigations into allegations against heads of Defense agencies, the most senior officials in the Military Services, the unified commanders, other IGs and political appointees. As a result, the number of senior official investigations that the Program Integrity Directorate completed increased from just 5 cases in fiscal year 1991 to 56 investigations in fiscal year 1997.

The Military Services have established specialized investigative units, under their Service IGs, to investigate allegations against senior officials. Investigators assigned to these units have extensive experience in the DoD and receive specialized training in conducting noncriminal investigative work. As a result, most of our oversight reviews find that investigations completed by the Military Service IGs meet established quality standards.

***"...our investigations have resulted in significant changes to DoD policies..."***

In March 1995, a DoD directive was published that emphasizes the need to "fully inform the President and the Senate of adverse information" concerning officers being nominated for senior positions. The directive requires that the OIG, together with the Military Services, identify any adverse, or alleged adverse, information during the nomination process. Consistent with that directive, nominations for officers who are the subject of ongoing investigations are placed on hold pending the outcome of the investigation. We conduct over 2,500 "name checks" annually as part of this process, and coordinate on a daily basis with the Military Services to ensure information provided is accurate and complete.

#### **SIGNIFICANT INVESTIGATIONS BY PROGRAM INTEGRITY AND THEIR IMPACT**

The results of investigations conducted by the Program Integrity Directorate have had a positive impact on the level of ethics awareness and cost consciousness throughout the Department. For example, our investigations have resulted in significant changes to DoD policies concerning the use of military aircraft by senior officials. Justification for the use of military aircraft for senior official travel has been rigidly defined, and approval channels clarified. Further, the historic practice of scheduling "training missions" for military aircraft to accommodate senior official travel has been specifically prohibited by a March 1997 revision to the DoD regulation concerning Government air travel. We have

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<sup>2</sup> A breakdown by Service of open senior official inquiries is provided in the section of this report entitled, "Administrative Investigations."

observed an overall decrease in the number of allegations of aircraft misuse by senior officials as a result.<sup>3</sup>

In one case we found that Air Force decisions to dispatch an empty military aircraft for overseas and local travel of a senior official were wasteful.<sup>4</sup> In another, a senior Army official used military aircraft repeatedly for unofficial travel. In a third, we found that a unified commander diverted a military aircraft on a scheduled mission so that he could attend the funeral of a relative. Those cases not only demonstrated the need for greater attention to military aircraft use, but also caused the DoD to revise applicable regulations

In other investigations, we substantiated allegations that senior officials used Government resources for personal benefit and, where appropriate, we obtained reimbursement to the Treasury for unnecessary costs incurred. In a recent case involving a Defense agency, we determined that Government funds were improperly used to support a variety of activities conducted to commemorate the retirement of the agency director. Responsible officials personally reimbursed the Government over \$2,500. Further, the agency is revising its internal procedures to prevent future violations. In other cases, the Department obtained reimbursement from senior officials who caused the Government to incur additional cost by using official vehicles and telephones for personal benefit.

Although there has been an increase in the number of allegations against senior officials, the case load appears to have stabilized in 1997 (see Exhibit 1, page 19).

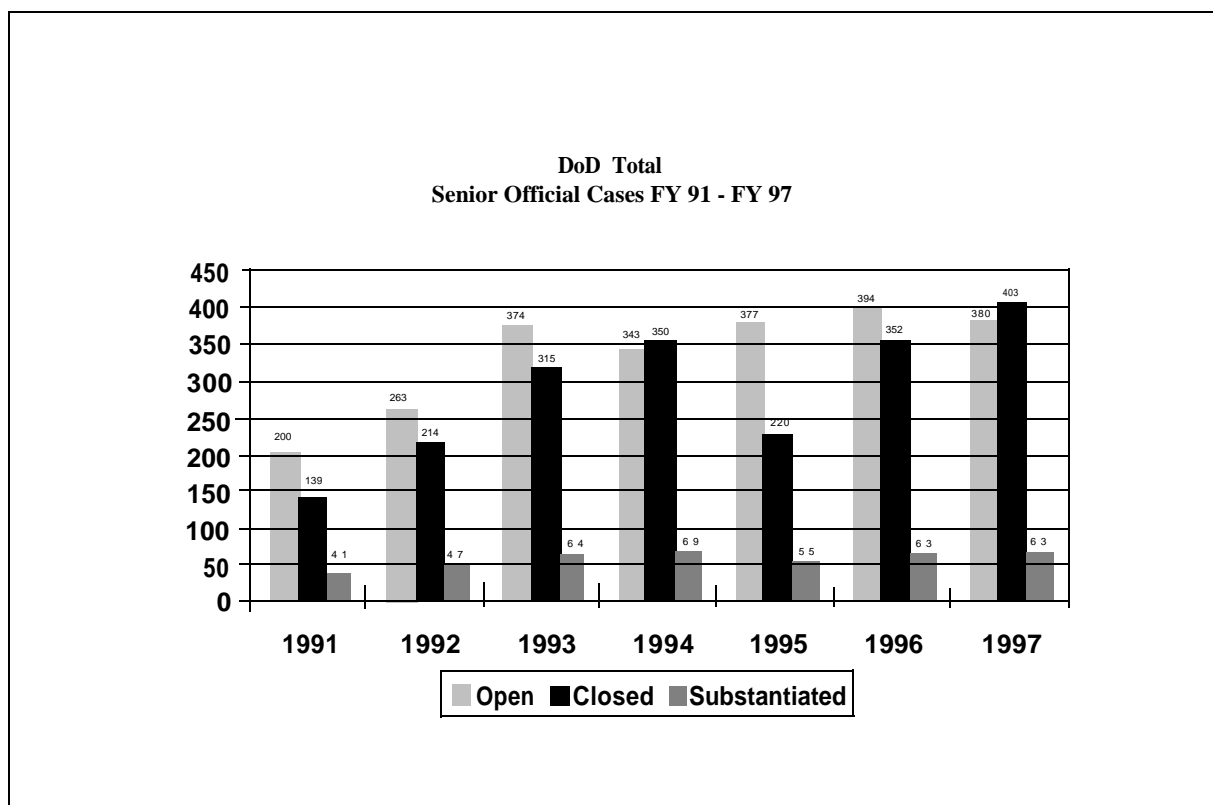
In conducting our work, we recognize the potential impact, both personal and professional, that the initiation of an investigation may have on a senior official, irrespective of the ultimate outcome of the investigation. Therefore, we protect all testimony obtained, notify only key officials of the initiation of the investigation, and subject investigative reports to exhaustive checks for factual accuracy and legal sufficiency. In that regard, we ensure that the conduct at issue is evaluated in terms of applicable standards (i.e., laws, regulations or other established guidance), so that arbitrary, subjective assessments are avoided.

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3 The number of investigations conducted by us or other IGs into allegations of aircraft misuse declined from 58 during the 2-year period 1994-1995, to 28 during 1996-1997.

4 As noted in the introduction above, significant investigations referenced in this summary were completed during, or prior to, the period covered by this Semiannual Report.



**Exhibit 1**

Further, to protect the rights of subjects, we advise them of the nature of the allegations at the time we initiate the investigation and provide them an opportunity to comment on any potentially adverse conclusions before we issue our report. If we recommend that management officials (e.g., the Secretary of Defense or Secretaries of the Military Services) take corrective action with respect to the senior official, we provide redacted copies of evidence that supports our conclusions to management officials who may, at their discretion, provide those documents to the subject.<sup>5</sup>

## OVERSIGHT ROLE

In addition to monitoring progress on the more than 300 senior official investigations conducted by DoD components at any one time, and reviewing the resultant reports of investigation for adequacy, the Program Integrity Directorate has initiated systemic reviews of investigative processes to identify opportunities for improvement. Significant efforts in this area include:

<sup>5</sup> These and other improvements to the investigative process affecting senior officials were recommended by the Report of the Advisory Board on the Investigative Capability of the DoD, published in December 1994.

- A review of noncriminal investigations conducted by the Army and Air Force IG systems. As a result of that review, the Air Force designated nearly 100 billets to serve as full-time IGs at the wing or installation level. This action was taken to eliminate the practice of “dual-hatting” vice or deputy commanders as IGs, which created an inherent conflict of interest between command and IG roles. Because we found deficiencies in Army investigations into allegations of reprisal for whistleblowing, the Army intensified headquarters level management of those cases. In addition, both Services took steps to educate Service members of their right to contact an IG, after we reported widespread fear of reprisal for doing so, especially among lower ranking Service members.
- Inquiries into allegations that two Air Force aircraft safety investigations were flawed. In one case we found that an Air Force practice of briefing investigative results “up the chain of command” caused the perception of improper command influence. The responsible Air Force organization ceased the practice. In the second case, we concluded that an Air Force investigation into a midair collision failed to adequately inquire into the actions of one of the Air Force pilots. We recommended that the Secretary of the Air Force reopen the investigation, which she did.
- A review of investigations of senior active and Reserve component officers conducted by the Service IGs-with particular focus on the possibility that existing procedures discriminate against Reserve component officers. This review was recently initiated at the direction of the Senate Armed Services Committee.<sup>6</sup>To date, we have interviewed Adjutants General and their staffs in five states, extracted statistics on all senior official cases conducted in the DoD over the past 2 years, and interviewed Service IGs and investigators.

## CONCLUSION

We will continue to ensure that investigations of allegations against senior officials receive priority attention within the OIG. Our investigative products will remain thorough, impartial and timely. We consider prompt, thorough and unbiased investigations into

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6 See Senate Report No. 105-29, *National Defense Authorization Act for Fiscal Year 1998*, at page 279, “Inspector general investigations of general and flag officers.”

senior official matters to be a critical responsibility-one that is vital to sustaining the trust of our Service members and the public.

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## CHAPTER TWO - SIGNIFICANT ACTIVITIES

### INTRODUCTION

This chapter summarizes the significant activities of the Office of the Inspector General components and their work with other members of the DoD oversight community.

### CRIMINAL INVESTIGATIONS

The four Defense Criminal Investigative Organizations (DCIOs) continue to combat crime affecting the DoD and the Military Departments. The DCIS, the criminal investigative arm of the OIG, focuses the bulk of its 357 civilian criminal investigators on the investigation of procurement fraud by Defense contractors and health care fraud by health care providers. The three Military Department criminal investigative organizations, the Army Criminal Investigation Command (CIDC), the Naval Criminal Investigative Service (NCIS) and the Air Force Office of Special Investigations (AFOSI), also investigate procurement fraud, but focus the majority of their resources on other crimes against persons and property affecting their respective Military Departments. The AFOSI and NCIS also conduct counterintelligence investigations and operations. This section focuses on the procurement, health care and other major fraud investigations accomplished by the DCIOs.

#### Procurement and Health Care Fraud Investigative Results

Exhibit 2 (page 24) displays the investigative results achieved by the four investigative organizations during the period with regard to procurement fraud and health care provider fraud.

#### Examples of Procurement Fraud

United Technologies Corporation, Pratt & Whitney (P&W), Government Engine and Space Propulsion Division, West Palm Beach, Florida, entered into a settlement agreement in which P&W agreed to pay the Government \$14.8 million, following the Defense Contract Audit Agency (DCAA)-assisted DCIS investigation. The agreement resolved charges that P&W violated the False Claims Act by preparing false purchase orders and submitting false invoices under the Foreign Military Sales Program (FMSP) administered by the Defense Security Assistance Agency. The program involved the FMSP funded Lavi fighter aircraft under development for the Israeli Air Force.

***"...Pratt & Whitney agreed to pay the Government \$14.8 million..."***

The Boeing Company, Space and Defense Group, Seattle, Washington, agreed to an administrative settlement of over \$6 million in connection with interdivisional work orders for the Boeing 777 Commercial Aircraft Program. Costs related to this commercial program were included in Governmental General and

PROCUREMENT FRAUD AND MAJOR HEALTH CARE FRAUD INVESTIGATIVE CASE RESULTS						
	DCIS	CIDC	NCIS	OSI	Joint DCIO	Total
<b>Litigation Results - DoJ Only</b>						
Indictments	58	6	12	3	29	108
Convictions	39	5	5	2	23	74
Civil Settlements/ Judgements	24	1	1	6	24	56
<b>Monetary Outcomes</b>						
DoJ Only	\$32,246,000	\$430,000	\$218,000	\$10,017,000	\$9,416,000	\$52,327,000
DoD Administrative Recoveries <sup>1</sup>	1,336,000	4,049,000	593,000	497,000	69,534	76,009,000
Investigative Recoveries <sup>2</sup>	60,000	52,000	1,000	71,000	190,000	375,000
<b>Total</b>	<b>\$33,642,000</b>	<b>\$4,532,000</b>	<b>\$812,000</b>	<b>\$10,585,000</b>	<b>\$79,140,000</b>	<b>\$128,711,000</b>
<sup>1</sup> Includes the results of military courts-martial. <sup>2</sup> Includes Government properties seized or otherwise recovered during investigations. Those properties may include items previously transferred to a Defense Reutilization and Marketing Office. Government property recovered by investigation is valued at original acquisition price, which may exceed the current fair market value.						

## Exhibit 2

Administrative accounts. Contractors are not permitted to include costs of commercial contracts either directly or indirectly in accounts for which the Government is charged. These unallowable costs were thus included in computations used to determine overhead rates used on Government contracts.

An AFOSI/DCIS, DCAA-assisted, investigation of qui tam allegations found that Northrop Grumman Corporation's Military Aircraft Systems Division (NGMASD) unintentionally overbilled the Government on a Low Rate Initial Production contract for the B-2 bomber. During this reporting period, NGMASD reached a compromise settlement and remitted \$687,654 in interest on the overbilled amount. The interest payment, added to NGMASD's previous credit to the Government, brings the total administrative recovery in this matter to \$34.8 million.

American Construction Services, Incorporated (ACSI) and its owner, Robert Leas, were convicted as a result of an investigation

***“...the singing career costs and other personal expenses [incurred by the contractor’s wife] were...passed on to the Government...”***

involving ACSI’s actions in obtaining over \$4 million in fuel storage tank contracts under the small, minority, woman-owned preference. Leas claimed that his wife was the sole owner of ACSI when she was actually an aspiring country western singer in Tennessee. At Leas’ direction, the singing career costs and other personal expenses were charged to ACSI’s overhead accounts and then passed on to the Government as part of their contract costs. In addition, a false claim for more than \$1.8 million, including personal expenses for an automobile and a trip to Hawaii and Tahiti, was submitted. Leas was sentenced to 30 months incarceration and a criminal fine. The investigation was conducted jointly by the Federal Bureau of Investigation (FBI), DCIS and the OIG, Department of Transportation (DOT).

Harold Fink and John Hart, Army intelligence specialists, and Michael Joslin, an Army noncommissioned officer with the 902nd Military Intelligence Group, Fort Meade, Maryland, were found to have conspired in an attempt to improperly obtain DoD training and service contracts by using their Government positions. Fink and Joslin formed Technology Protection, Incorporated, and later solicited Hart and Donald Hicks, a retired Army major, to assist in the scheme. Hicks attempted to obtain DoD contracts through his sister, an Air Force major. As a result of this DCIS/CIDC/FBI investigation, Fink, Hart, Joslin and Hicks were each sentenced to incarceration and criminal fines.

After pleading guilty to four counts of making false statements in connection with DoD contracts, CTX International, Incorporated, was sentenced to a \$2 million fine and an \$800 special assessment. Contracts required CTX to supply Buy American Act (BAA)-compliant computer monitors to the Army, Navy, Air Force and Marine Corps. The investigation showed that monitors, supplied by CTX through various prime contractors, were mislabelled as being manufactured in a BAA-compliant country, when in fact they were manufactured in noncompliant countries. The investigation was conducted jointly by the DCIS and the U.S. Customs Service.

#### **Examples of Health Care Fraud**

Anthony L. Hester, owner of Doctor’s Professional Ambulance Service, was sentenced to 63 months incarceration, 36 months probation, \$1,697,465 in restitution and a \$200 special assessment for mail fraud. Hester caused over \$2.6 million in false claims for ambulance transportation and related medical services to be mailed to various insurance carriers, including Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). The matter was

***"...EPBs upcoded... billed for the same services twice and billed for services not provided...."***

investigated by DCIS/Department of Veterans Affairs/U.S. Postal Inspection Service (USPIS)/HHS.

EmCare, Incorporated, Dallas, Texas, one of the nation's largest physician staffing companies, agreed to pay the Government and various states \$7.75 million to settle allegations it overcharged several Federal health care programs. The overcharges stemmed from false claims submitted by EmCare's billing company, Emergency Physicians Billing Service (EPBS), Oklahoma City, Oklahoma. An investigation conducted by DCIS/FBI/Department of Health and Human Services (HHS) and the Oklahoma Attorney General's Office established that EPBS upcoded (billed for services at a rate higher than provided), billed for the same services twice and billed for services not provided. Inflated billings were submitted to the CHAMPUS, Medicare, Medicaid and private insurers. The agreement settled a qui tam suit against EmCare; the relator's estate will receive about \$1.5 million.

***"Bonham was sentenced to 87 months confinement..."***

A jury found Dr. Henry Bonham and Beverly Bulger, Bonham's office manager, guilty on more than 20 counts each of mail fraud, conspiracy and false claims.

Bonham was sentenced to 87 months confinement, 3 years supervised release, \$3,911,000 in restitution and a \$1,200 special assessment. Bulger was sentenced to 46 months confinement, 3 years supervised release and a \$1,150 special assessment. A DCIS/Internal Revenue Service (IRS)/HHS investigation determined Bonham submitted claims to insurance programs, including CHAMPUS, Medicare and Medicaid, for services not rendered or rendered by unauthorized persons and received payment from hospitals for patient referrals. Bulger received payment from certain hospitals as a geriatric liaison for patients Bonham referred from nursing homes to those hospitals.

A DCIS/USPIS investigation determined that Frank Lombardo submitted false claims to the CHAMPUS. He was sentenced to 18 months incarceration, 36 months supervised release and \$330,873 in restitution and assessments for using the U.S. mail to defraud CHAMPUS, the Federal Employees Health Benefits Program, private insurers and his patients.



**Suspensions and  
Debarments  
Resulting from  
Investigations**

The numbers of contractors and individuals suspended and debarred as a result of DoD criminal investigations are shown in Exhibit 3.

<b>SUSPENSIONS AND DEBARMENTS RESULTING FROM INVESTIGATIONS</b>						
	<b>Defense Criminal Investigative Organization (DCIO)</b>					
	<b>DCIS</b>	<b>CIDC</b>	<b>NCIS</b>	<b>OSI</b>	<b>Joint DCIO</b>	<b>Total</b>
<b>DoD CONTRACTOR ACTIONS</b>						
<b>Suspensions</b>						
Companies	14	0	2	1	2	19
Individuals	14	0	7	3	8	32
<b>Total</b>	<b>28</b>	<b>0</b>	<b>9</b>	<b>4</b>	<b>10</b>	<b>51</b>
<b>Debarments</b>						
Companies	26	4	28	9	18	85
Individuals	25	2	32	7	33	99
<b>Total</b>	<b>51</b>	<b>6</b>	<b>60</b>	<b>16</b>	<b>51</b>	<b>184</b>

**Exhibit 3**

## Other Criminal Investigative Results

In addition to the matters listed above, the DCIOs conducted various other significant investigations involving large scale thefts and non-procurement related fraud. The results of those investigations are presented in Exhibit 4. As in previous reports, the statistics shown in the exhibit do not include general crime investigations or counterintelligence activities.

OTHER CRIMINAL INVESTIGATIVE RESULTS			
	Totals for Period		
	DoJ	State/Local/ Foreign	Total
<b>LITIGATION RESULTS</b>			
<b>Indictments</b>			
DCIS	36	15	51
CIDC	13	1	14
NCIS	33	23	56
OSI	21	2	23
Joint DCIO	5	0	5
<b>Total</b>	<b>108</b>	<b>41</b>	<b>149</b>
<b>Convictions</b>			
DCIS	32	8	40
CIDC	39	3	42
NCIS	42	33	75
OSI	17	9	26
Joint DCIO	15	0	15
<b>Total</b>	<b>145</b>	<b>53</b>	<b>198</b>

	DoJ	DoD		State/Local/ Foreign	Total
<b>MONETARY OUTCOME (\$000)</b>		1	2		
DCIS	\$6,573	\$316	\$2,991	\$763	\$10,643
CIDC	579	1,550	2,295	3	4,427
NCIS	549	1,950	1,757	131	4,386
OSI	64	579	1,905	53	2,601
Joint DCIO	1,280	0	11,068	0	12,349
<b>Total</b>	<b>\$9,046</b>	<b>\$4,394</b>	<b>\$20,016</b>	<b>\$950</b>	<b>\$34,406</b>

<sup>1</sup> Administrative settlements and recoveries, and results of military courts-martial.

<sup>2</sup> Investigative seizures and recoveries. Includes Government properties seized or otherwise recovered during investigations and may include items previously transferred to a Defense Reutilization and Marketing Office. Government property recovered by investigation is valued at the original acquisition price, which may exceed the current fair market value.

### Exhibit 4

**Examples of  
Major Theft**

***“...an organized crime group [was] involved in the purchase and sale of over \$8 million worth of stolen fuel...”***

Following a guilty plea, Sarkis Parseghian was sentenced to 41 months in prison, 3 years probation, \$207 in restitution and a \$100 special assessment. Investigation disclosed that Parseghian and other members of an organized crime group were involved in the purchase and sale of over \$8 million worth of stolen fuel, including fuel stolen from a Defense Fuel Supply Center. Members of the investigative team were comprised of DCIS/FBI/IRS/ DOT/Los Angeles and Long Beach, California, Police Departments/California Department of Justice (DoJ).

Mocheet Q. Smith was sentenced to 8 months incarceration and a \$50 special assessment fee for conspiracy to commit bank fraud. Smith, a Defense Finance and Accounting Service (DFAS) employee, stole U.S. Treasury checks, valued in excess of \$310,000, that were intended for payment of DoD contractors. The checks were given to co-conspirators involved in the scheme that included opening fraudulent business accounts at several banks, depositing the stolen checks into those accounts and attempting to withdraw from the accounts using false identification. This investigation was conducted jointly by the DCIS and the U.S. Secret Service.

**Environment**

Mine Safety Appliances, Incorporated (MSA), Pittsburgh, Pennsylvania, pled no contest to an information that charged the company with one count of illegal storage of hazardous waste and was assessed a \$350,000 fine and \$200 special assessment. A joint DCIS/AFOSI/FBI/Environmental Protection Agency (EPA) investigation found that from about February 1991 to March 1995, MSA illegally stored a mixture of pentaborane and other boron hydrides, which constitute ignitable and reactive hazardous waste, at its Callery Chemical Division in Evans City, Pennsylvania. These products were initially produced for the Navy and Air Force in the 1950s as a high energy fuel for the B-70 bomber and other experimental aircraft.

**Export Violations**

Electrodyne Systems Corporation (ESC), South Hackensack, New Jersey, was sentenced to 5 years corporate probation, a \$1 million fine and \$249,900 in restitution for violating the Arms Export Control Act and presenting false statements to the United States. As a DoD contractor, ESC manufactured electronic components. The DCIS/CIDC/NCIS/AFOSI/U.S. Customs Service investigation disclosed that ESC falsely represented that components used in DoD prime contracts were manufactured in the United States. In fact, the components were manufactured in Russia and Ukraine,

**DoD Hotline**  
**Opened and Closed Cases and Total Contacts for FY 1997**

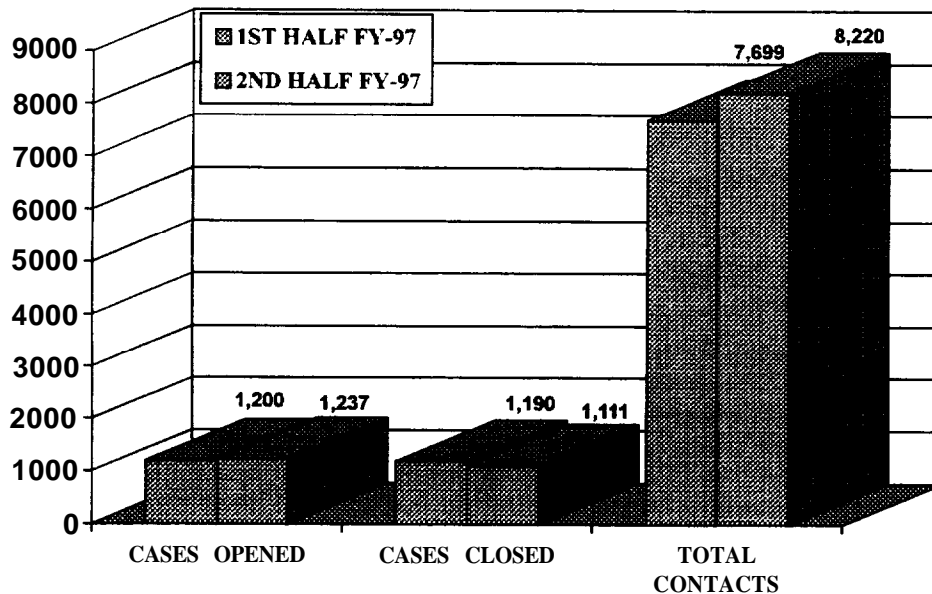


Exhibit 5

prohibited countries under the Arms Export Control Act and Importation statutes.

## HOTLINE

The OIG, DoD continues to encourage military members, DoD employees, DoD contractor employees and the public to contact the DoD Hotline to report occurrences of fraud, waste and mismanagement.

During this reporting period, the Hotline received 8,220 telephone calls and letters, resulting in the initiation of 1,237 cases. During the same period, 1,111 Hotline cases were closed (see Exhibit 5). Additionally, the Hotline distributed 15,443 Hotline posters and other Hotline informational materials to various DoD activities and DoD contractors in our continuing effort to promote use of the DoD Hotline. Since 1982, the Hotline has recovered over \$391 million as a direct result of investigations, inspections, inquiries or audits initiated in response to information provided to the Hotline.

***“...the failure of these devices  
could prove life-threatening  
to...Service members...”***

Members of the Hotline staff provided six briefings to classes at the Department of the Army Inspector General Academy, Fort Belvoir, Virginia. The briefings are an overview of the OIG, DoD, mission, and the relationship between Military Service

Inspectors General and IG, DoD, and the DoD Hotline operations. Also during this reporting period, the Hotline staff provided assistance to the U.S. Postal Service in establishing a fraud hotline.

**Significant Hotline  
Complaint**

An investigation by the DCIS disclosed that a defense contractor encouraged employees to falsify test results as they relate to image intensifier tubes (used in night-vision goggles, tank periscopes, sniper scopes and other similar devices). Left unchecked, the failure of these devices could prove life-threatening to the Service members who depend on their reliability. The preliminary information was received via the Defense Inspector General’s Hotline and was assigned to DCIS for inquiry. As a result of the investigation, the contractor agreed to several administrative sanctions and financial restitution to the U.S. Government in the amount of \$2 million.

## ADMINISTRATIVE INVESTIGATIONS

As highlighted in a Special Emphasis Area (page 15), the OIG conducts investigations and also performs oversight of investigations conducted by the Military Departments: Findings are provided to individual whistleblowers and their respective chains of command. Those investigations pertain to:

- Allegations of reprisal against military members, Defense contractor employees and nonappropriated fund employees.
- Allegations that military members were referred for mental health evaluations without being afforded the rights prescribed in the DoD Directive, Mental Health Evaluations of Members of the Armed Forces.
- Noncriminal allegations against senior military and civilian officials within the DoD.

### Examples of Substantiated Whistleblower Reprisal Cases

Exhibits 6 and 7 (page 33) show results of whistleblower reprisal activity during the period.

#### *Military Reprisal*

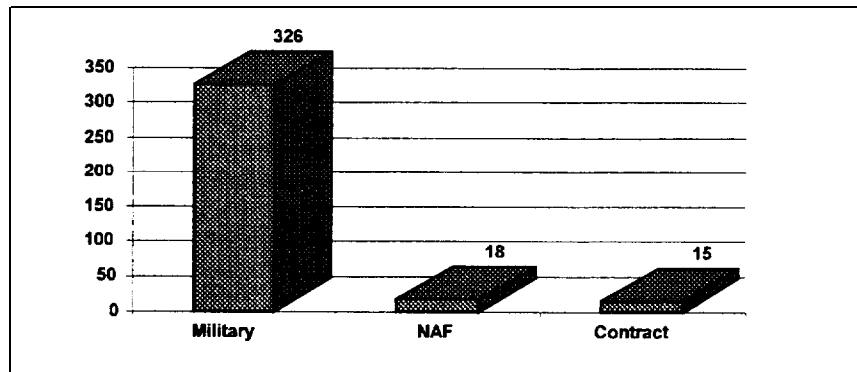
A Navy lieutenant at the Naval Air Station, North Island, California, was downgraded in his midyear performance counseling; threatened with adverse consequences for failing to withdraw his complaints; informally suspended from flight duty; evaluated by the command Human Factors Council and Human Factors Board; received a downgraded fitness report; told his return to flying status was contingent on submitting a statement of support for his command; involuntarily transferred to a non-flying billet; and denied reinstatement to flying status in reprisal for making protected communications to Members of Congress, Inspectors General and his chain of command regarding the use of unregistered computer software at his command.

A sergeant first class in the Active Guard/Reserve Program, New Mexico Army National Guard, received eight adverse personnel actions in reprisal for visiting his congressman's office to request assistance regarding a personnel action taken against him. Among the actions found to be in reprisal were two letters of reprimand, a letter of

### **Special Inquiries and Program Integrity Statistics**

- *During the reporting period, we opened 135 reprisal investigations and closed 140; 13 of the closed cases (9 percent) contained substantiated allegations.*
- *We closed 22 cases involving violation of the DoD Directive on mental health referrals. In 5 of those cases, responsible officials failed to provide the member the required notification of rights, a procedural violation of the Directive.*
- *We opened 182 cases and closed 198 senior official administrative investigations; 33 of the closed cases (17 percent) contained substantiated allegations.*

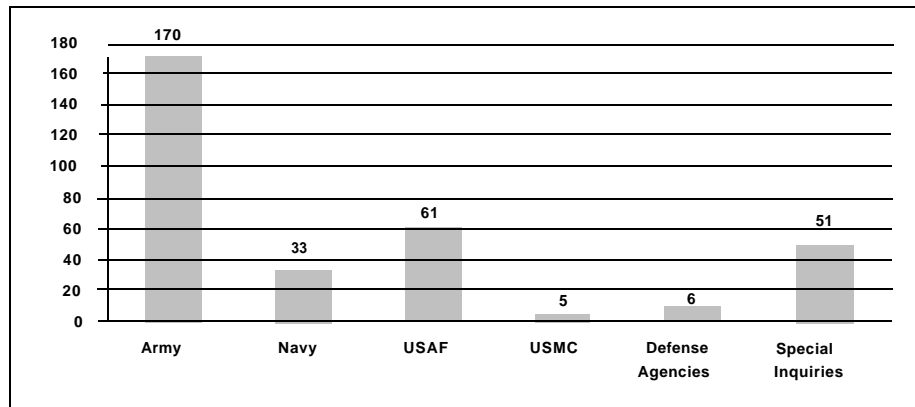
**Whistleblower Reprisal Inquiries  
By Category of Employee\*  
Open As of September 30, 1997**



\* This graph provides a breakdown of reprisal cases according to the category of employee who filed the complaint (Service member, nonappropriated fund employee or employee of a Defense contractor). In addition to the 359 reprisal cases shown here, Special Inquiries also had 25 open cases involving other matters, such as alleged improper mental health evaluations.

**Exhibit 6**

**Military Whistleblower Reprisal Inquiries  
By Office Conducting Review\*  
Open As of September 30, 1997**



\* This graph provides a breakdown of military whistleblower reprisal inquiries according to the organization which is conducting the inquiry. Inquiries completed by other organizations are submitted to the Special Inquiries Directorate for review.

**Total Open Cases: 326**

**Exhibit 7**

counseling, his reviewer's nonconcurrence to his noncommissioned officer evaluation report (NCOER) and recommendations to separate him involuntarily from the Active Guard/Reserve Program.

An Army Dental Corps lieutenant colonel at Fort Huachuca, Arizona, received a letter of reprimand and his commander recommended denial of his request to withdraw his retirement request in reprisal for his protected communications to Members of Congress and an Inspector General regarding theft of property and unauthorized dental treatment.

An Army Reserve sergeant first class was threatened with non-judicial punishment under Article 15, Uniform Code of Military Justice; was removed from his audiovisual position and received two reassignments and a transfer to the Individual Ready Reserve; received a lowered NCOER; received a letter of reprimand; and had his recommendation for award of the Army Achievement Medal withdrawn in reprisal for making protected communications to Members of Congress and Inspectors General.

***DoD Contractor  
Employee  
Reprisal***

A DoD contractor employee was suspended from his position as the Manager of Quality Assurance in reprisal for reporting the existence of a deviation from a contract to manufacture springs for the Army's M1A1 tank to a Government official at Rock Island Arsenal, Illinois.

An aircraft mechanic formerly employed with a DoD contractor was suspended and subsequently discharged for reporting contract deficiencies regarding the maintenance of a C-26B aircraft to Vermont Air National Guard officials.

***Nonappropriated  
Fund Reprisal***

A former nonappropriated fund instrumentality employee at the Morale, Welfare and Recreation Department, Naval Submarine Base, San Diego, California, was denied her request to withdraw her resignation in reprisal for making protected communications regarding mismanagement and falsification of time and attendance cards to her supervisor, the Command Evaluation Office and an investigating officer.

**Examples of  
Substantiated Senior  
Official Cases**

Exhibits 8 and 9 (page 35) show results of activity on senior official cases during the period.

***Misuse of  
Government  
Resources***

We completed two inquiries that substantiated misuse of Government resources by senior DoD officials. In one case, we determined that, in arranging retirement activities for its departing director, a



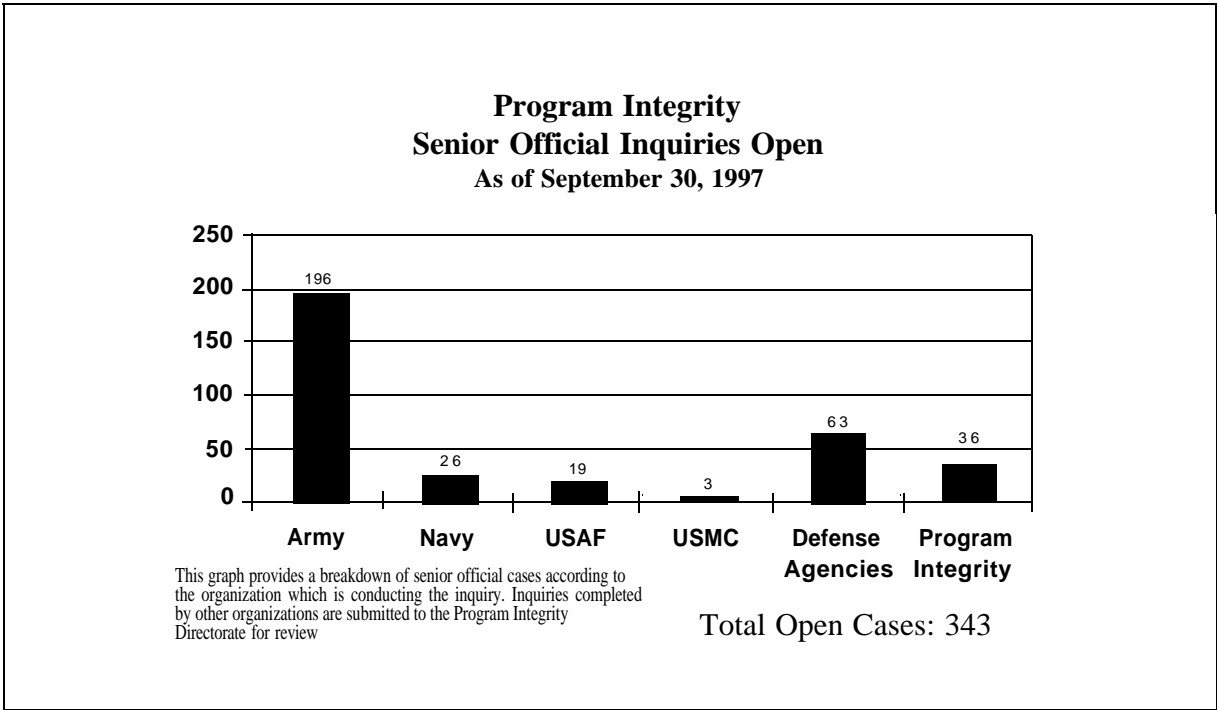


Exhibit 8

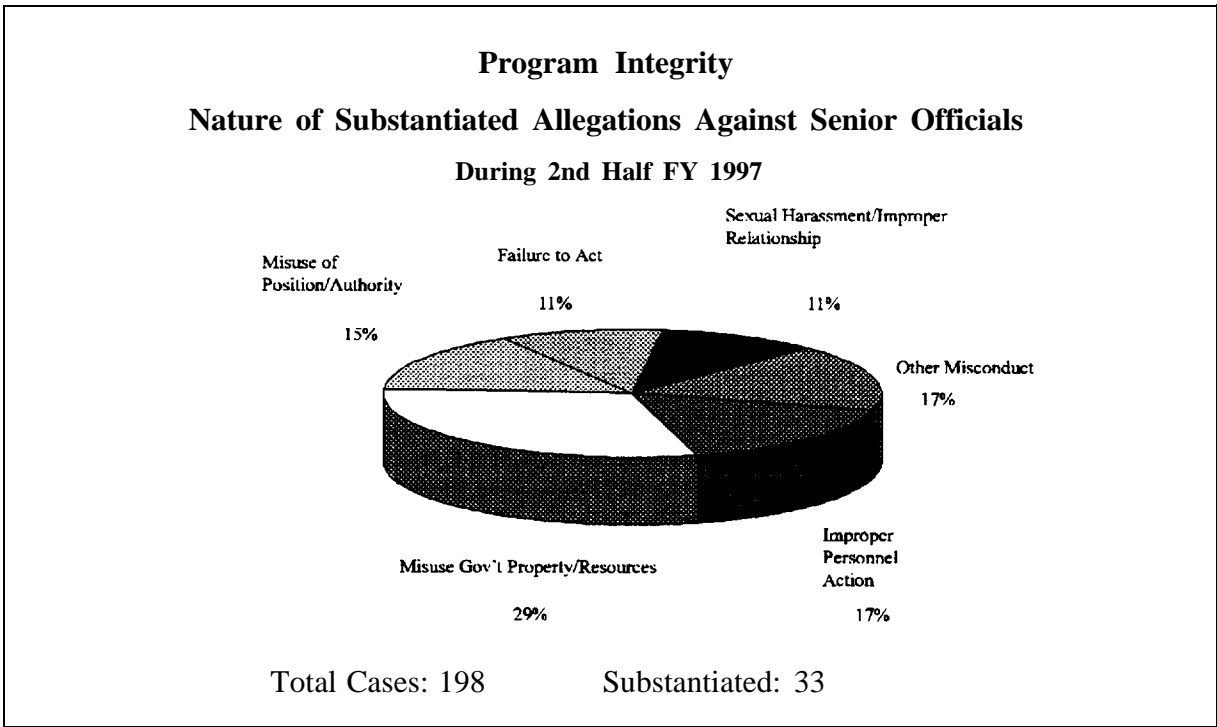


Exhibit 9

DoD agency improperly provided Government vehicles for transportation to private events and used DoD employees to plan those events. In addition, we found that the retiring director was presented gifts and mementos that were fabricated using Government resources costing over \$3,000. Although we determined that the violations of ethics regulations were not deliberate, we recommended that responsible senior officials reimburse the Government for costs incurred. Further, we recommended that the DoD agency strengthen its policies and procedures concerning Government support to ceremonial activities.

In the second inquiry, we found that a senior DoD official used a Government vehicle and driver for transportation to an awards dinner that was held to honor a family member. Although we determined that the DoD official attended the dinner in a personal, rather than official capacity, we concluded that the incident did not constitute deliberate misuse. Nevertheless, we recommended that the DoD official provide reimbursement to the Government.

***Air Force Safety  
Investigation***

In response to a request from the Chairman and Ranking Minority Member of the Senate Armed Services Committee, we conducted an investigation into numerous, wide-ranging allegations that the Air Force aircraft safety investigative process was mismanaged and systemically flawed. As part of our investigation, we reviewed 50 mishap investigations and interviewed numerous DoD safety experts. We concluded that Air Force safety investigations were properly conducted and evidenced no attempt to cover up circumstances of the aircraft mishap. However, we recommended that, to avoid the perception of command influence, the Air Force cease the practice of briefing mishap investigative results to the chain of command until the investigation has been completed and findings issued. We also identified the need for improved training for members of safety investigation boards, and recommended that the Air Force Safety Center be represented on all such boards.

**AUDITING**

Our auditors, and those of the Military Departments, issued a total of 315 audit and evaluation reports during this period. See Appendix A for a listing of these reports, sorted by major subject area. Appendices B and C list reports containing monetary benefits and our audit followup activities, respectively.

**AUDIT POLICY AND  
OVERSIGHT**

The OIG develops policy for, and monitors the performance of, the DoD audit community and ensures the DoD's appropriate use of non-Federal auditors. The following are examples of reviews conducted during this period.

**Requests for  
Field Pricing Audit  
support**

An evaluation found that 65 percent of the requests for field pricing audit support was unnecessary. Sufficient pricing information was available from the cognizant contract administration office or the audit office for contracting officers to evaluate the reasonableness of cost or pricing data without additional pricing or audit support. The report includes nine recommendations to the Under Secretary of Defense for Acquisition and Technology to reduce the number of unnecessary audit requests to the DCAA. The Under Secretary concurred or partially concurred with 7 of the 9 recommendations.

**Single Audit  
Program**

The Inspector General Act of 1978 requires that the Inspector General take appropriate steps to assure that work performed by non-Federal auditors complies with the standards established by the Comptroller General. The overall objective of the Single Audit Program is to reduce the audit burden on the agencies and institutions while ensuring that Government funds are properly accounted for and expended. We received 197 single audit reports from state and local governments, universities and nonprofit organizations that received DoD assistance and awards. We conducted 15 desk reviews of organizations for which the DoD has cognizance or oversight responsibilities to assure the audit reports meet applicable requirements. We conducted quality control reviews and issued 19 reports that focused on the qualitative aspects of the audit. Our reviews also covered the work of the DCAA when it participates with the independent public accountants in performing coordinated single audits. We identified findings that included: required opinion not rendered; inadequate documentation of sampling; incomplete management representation letters; lack of specific training in governmental auditing; and insufficient reviews of subrecipient monitoring.

Exhibit 10 (page 38) illustrates statistics of DCAA audit reports issued during the period.

<b>CONTRACT AUDIT REPORTS ISSUED <sup>1</sup></b> <b>(\$000 in millions)</b>				
<b>Type of Audit</b>	<b>Reports Issued</b>	<b>Examined</b>	<b>Audit Exceptions</b>	<b>Funds Put to Better Use</b>
Incurred Costs	19,545	\$58,870.4	\$1,147.4	\$188.9 <sup>2</sup>
Forward Pricing Proposals	6,743	39,173.3	-	2,166.1
Cost Accounting Standards	2,494	199.4	36.5	-
Defective Pricing <sup>3</sup>	1,054	0	141.7	-
Other <sup>4</sup>	18	0	-	-
<b>Total</b>	<b>29,854</b>	<b>\$98,243.1</b>	<b>\$1,325.6</b>	<b>\$2,355.0</b>
<sup>1</sup> Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for the DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. <sup>2</sup> Incurred cost funds put to better use are from the cost avoidance recommended in operations audits. <sup>3</sup> Defective pricing dollars examined are not reported because they are considered a duplication of forward pricing dollars reported as examined. <sup>4</sup> Relates to suspected irregular conduct cases.				

**Exhibit 10****CRIMINAL  
INVESTIGATIVE  
POLICY AND  
OVERSIGHT**

The OIG develops criminal investigative policy for the DoD law enforcement community. In addition to conducting case-based and general oversight, the Criminal Investigative Policy and Oversight staff is responsible for management of the DoD Voluntary Disclosure Program.

**Voluntary  
Disclosure  
Program**

The DoD Voluntary Disclosure Program encourages contractors to disclose potential criminal or civil fraud that may affect their contractual relationship with the DoD or the contractor's responsibility under Federal Acquisition Regulations. Since its inception in 1986, the Voluntary Disclosure Program has received 381 disclosures. There have been three corporate convictions, and 53 individuals have been convicted on the basis of disclosures. One contractor has been debarred. The Government has recouped \$385.1 million in criminal, civil and administrative recoveries as a result of the program. During the reporting period, five new disclosures were received, nine disclosures were accepted, and the Department received \$3.79 million in recoveries.

The following are examples of voluntary disclosures that resulted in not only monetary payments to the Government, but actions by contractors to improve their business practices and prevent recurrence of the problems.

- A Defense contractor disclosed that some of its independent sales agents had represented themselves as small businesses in order to make higher priced direct sales to the DoD. The company entered into a settlement agreement with the DoJ and paid \$891,000 to the Government. The company also instituted changes in its management processes to reduce the possibility of fraud committed within its workforce.
- A Defense contractor disclosed that it had mischarged costs on a DoD contract. The company entered into a civil settlement agreement with the DoJ and paid the Government \$139,585. The company also instituted corrective action to reduce the potential for recurrence of similar types of mischarging. The company took disciplinary action against 11 of its employees.
- A Defense contractor disclosed that it had mischarged DoD in connection with repair contracts. The company entered into a civil settlement agreement with the DoJ and paid the Government \$222,280. The company also took disciplinary action against employees involved in the mischarging and instituted remedial measures to prevent the recurrence of such mischarging.

## **INTELLIGENCE REVIEW**

The DoD is faced with reduced military spending and a continuing demand for U.S. presence overseas. The overseas multilateral commitment of forces has increased the need for improved joint planning and execution. This increase in force presence, combined with a decrease in available resources, has placed greater demands on the intelligence assets that can provide critical data to our information dependent, technology-oriented combat force. The OIG plays an important role in ensuring that these resources are used effectively and efficiently. The following are examples of significant Intelligence Review reports issued during this period.

### **Joint Audit of Real Estate and Real Property Holdings at a Selected Field Site**

This joint effort by the Inspectors General of the DoD, National Security Agency, and National Reconnaissance Office (NRO) was part of a series of audits of real estate and real property holdings at locations requested by the Senate Select Committee on Intelligence. The auditors found that real estate and real property management at the field site audited was generally effective. However, the auditors found that field site personnel could improve the accuracy of property records and made several recommendations in this regard.

**Actions Taken to  
Implement  
Guatemala Review  
Recommendations**

The evaluation was performed in response to a June 28, 1996, President's Intelligence Oversight Board Report on Guatemala. The overall evaluation objective was to assess the implementation of the President's Intelligence Oversight Board's recommendations affecting the DoD. The IG, DoD, concluded the DoD has met the intent of the Board's recommendations.

**NRO Payment of  
Incentive Fees  
Under Specialized  
Incentive Contracts**

The purpose of this joint Inspectors General, DoD, Central Intelligence Agency, and NRO assessment was to determine if the practice of the NRO attempting to ensure successful on-orbit performance by paying an incentive fee during a satellites construction violates the statutory prohibition on making advance payments. The auditors found that payments constitute advance payments, which generally are prohibited by 31 U.S.C. Section 3324, unless otherwise authorized and approved.

**CLASSIFIED  
ANNEX**

Additional information on the intelligence-related audits, evaluations, investigations and special reviews can be found in Appendix A and in a classified annex to the Semiannual Report.

## APPENDIX A\*

### REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

Excludes base level reports issued by the Air Force Audit Agency. Includes evaluation reports issued by the IG, DoD. Evaluation reports are indicated by an asterisk next to the report number.

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

OIG, DoD  
(703) 604-8937

Army Audit Agency  
(703) 681-9863

Naval Audit Service  
(703) 681-9126

Air Force Audit Agency  
(703) 696-8027

#### Summary of Number of Reports by Issue Area April 1, 1997 - September 30, 1997

	IG, DoD	Military Depts	Total
Acquisition Oversight	27	16	43
Finance and Accounting	35	57	92
Construction and Installation	15	24	39
Forces Management	0	13	13
Logistics	16	30	46
Information Technology	9	13	22
Quality of Life	1	8	9
Environment	3	10	13
Intelligence	16	7	23
Health Care	4	6	10
Security Assistance	2	0	2
Other	3	0	3
<b>Total</b>	<b>131</b>	<b>184</b>	<b>315</b>
The IG, DoD, issued 29 reports on audit and criminal investigative oversight reviews.			

\*Fulfills requirements of 5 U.S.C., Appendix 3, Section 5(a)(6)

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**Acquisition Program and Contractor Oversight**


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**IG, DoD**

**PO 97-039\*** Evaluation of the Acquisition Audit Process (7/30/97)

**PO 97-056** Defense Hotline Allegations Concerning Contract Audit Recommendation (9/29/30)

**PO 97-057\*** Followup Evaluation of the Defense Contract Audit Agency Support to Special Access Programs (FOUO) (9/30/97)

**PO 97-058** DoD Requests for Field Pricing Audit Support (9/30/97)

**97-120** Advanced Concept Technology Demonstrations (4/7/97)

**97-121** The Navy Value Engineering Program (4/9/97)

**97-127** Supportability Planning for Systems Provided to the Army Reserve (4/14/97)

**97-133** Acquisition and Exploitation of Foreign Materiel by DoD Components (CLASSIFIED) (4/21/97)

**97-135** Contract for Rotary Sweeper Broom Refills for Airport Snow Removal (4/25/97)

**97-138** Requirements Planning and Impact on Readiness of Training Simulators and Devices (4/30/97)

**97-144** Defense Special Weapons Agency Procurements Through the Department of Energy (5/21/97)

**97-145** Purchasing of Commercial Products (5/23/97)

**97-157** Hotline Allegations Concerning Contract Pricing of Advanced Medium Range Air-to-Air Missiles (6/10/97)

**97-165** Procurement of M4 Carbines (6/17/97)

**97-172** Acquisition of the Joint Standoff Weapon System (6/20/97)

**97-174** The Army Quantitative Requirements for Attack and Reconnaissance Helicopters (CLASSIFIED) (6/23/97)

**97-180** Weapon System Supportability for Wheeled, Tracked, and Amphibious Vehicles in the Marine Corps (6/30/97)

**97-185** The Marine Corps Quantitative Requirements for Hellfire Missiles (CLASSIFIED) (7/7/97)

**97-197** Transition of Army Missile Acquisition Programs From Program Management Offices to Commodity Commands (7/28/97)

**97-198** University Research Initiative Program (7/28/97)

**97-199** The Minuteman III Guidance Replacement Program (7/29/97)

**97-204** Unfinalized Contractual Actions (8/15/97)

**97-207** Contracting Officer Price Analysis (8/26/97)

**97-209** Summary Audit Report on DoD Value Engineering Programs (8/26/97)

**97-214** Live-Fire Test and Evaluation of Major Defense Systems (9/9/97)

**97-218** Component Breakout of the Advanced Medium Range Air-to-Air Missile (9/22/97)

**97-219** Lessons Learned From Acquisitions of Modified Commercial Items and Nondevelopmental Items (9/23/97)

**Army Audit Agency**

**AA 97-183** Heavy Assault Bridge Program (5/5/97)

**AA 97-184** Quantitative Requirements for the Multiple Integrated Laser Engagement System 2000, U.S. Army Training Support Center (4/28/97)

**AA 97-205** Incorporating MANPRINT Into Weapon Systems Development (6/10/97)

**AA 97-271** Review of Vendor Pay Initiative, Fort Drum (7/23/97)

**AA 97-268** Army's Small Computer Program, U.S. Army Communications-Electronics Command (8/15/97)

**Naval Audit Service**

**032-97** Grounds Maintenance Contracts at Navy Public Works Center, Norfolk, VA (4/25/97)

**047-97** F-14 Aircraft Modification and Maintenance Program Model (9/3/97)

**Air Force Audit Agency**

**95064001** B-2 Transition to the Active Force (4/10/97)

**96064011** Controls Over the Use of the International Merchant Purchase Authorization Card (8/11/97)

**96064012** Acquisition of Educational Services and Training (5/6/97)

**96064013** Contracting for Architectural and Engineering Services (8/22/97)

**96064021** Contracting for Contractor-Operated Civil Engineering Supply Store (8/11/97)

**96064028** F-22 Program Management During Engineering and Manufacturing Development (7/22/97)

**96064030** Full Scale Aerial Target Acquisition and Logistics Support Planning (9/1/97)

**96064034** Laboratory and Test Center Advisory and Assistance Services (8/28/97)

**96066008** Software Developmental Test and Evaluation Deficiency Reporting Process (7/11/97)

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**Construction and Installation Support**


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**IG, DoD**

**97-139** Defense Base Realignment and Closure Budget Data for the Realignment of Grissom Air Reserve Base, Indiana (5/2/97)

**97-142** Unaccompanied Enlisted Personnel Housing Requirements for Marine Corps Base, Camp Pendleton, California (5/9/97)



**97-146** Report on Military Construction for the Renovation of Unaccompanied Personnel Housing at Lackland Air Force Base, Texas (5/22/97)

**97-149** Defense Base Realignment and Closure Budget Data for Naval Air Station, Jacksonville, Florida (6/2/97)

**97-158** Use of Energy Conservation Measures in the Design of New Military Facilities (6/11/97)

**97-161** Defense Base Realignment and Closure Budget Data for the Realignment of Undergraduate Pilot Training From Reese Air Force Base, Texas, to Vance Air Force Base, Oklahoma (6/13/97)

**97-162** Defense Base Realignment and Closure Budget Data for the Relocation of the Fleet Hospital Support Office to Cheatham Annex, Williamsburg, Virginia (6/16/97)

**97-164** Defense Base Realignment and Closure Budget Data for the Realignment of the System Program Office from McClellan Air Force Base, California, to Wright-Patterson Air Force Base, Ohio (6/18/97)

**97-169** Defense Base Realignment and Closure Budget Data for Naval Hospital Bremerton, Washington (6/19/97)

**97-179** Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah (6/26/97)

**97-184** Defense Base Realignment and Closure Budget Data for the Realignment of Naval Surface Warfare Center Annapolis, Maryland, to Naval Surface Warfare Center, Philadelphia, Pennsylvania (7/1/97)

**97-189** Defense Base Realignment and Closure Budget Data for the Realignment of Certain Functions from Kelly Air Force Base, Texas, to Brooks Air Force Base, Texas (7/14/97)

**97-191** Defense Base Realignment and Closure Budget Data for the Realignment of Undergraduate Pilot Training from Reese Air Force Base, Texas, to Laughlin Air Force Base, Texas (7/18/97)

**97-200** Defense Base Realignment and Closure Budget Data for the Realignment of Onizuka Air Station, California, to Falcon Air Force Base, Colorado (7/30/97)

**97-221** Defense Base Realignment and Closure Budget Data for the Closure of the Stratford Army Engine Plant, Stratford, Connecticut (9/30/97)

#### **Army Audit Agency**

**AA 97-155** Base Realignment and Closure 1995 Savings, Seneca Army Depot (4/2/97)

**AA 97-165** Troop and Family Housing Furnishings, U.S. Army Training Center and Fort Jackson (4/1/97)

**AA 97-166** Troop and Family Housing Furnishings, Assistant Chief of Staff for Installation Management (4/1/97)

**AA 97-171** Base Realignment and Closure 1995 Savings, Savanna Army Depot Activity (4/30/97)

**AA 97-179** Base Realignment and Closure 1995 Savings, Sierra Army Depot (4/30/97)

**AA 97-186** Base Realignment and Closure 1995 Savings, U.S. Army Military District of Washington, Fort Ritchie (6/11/97)

**AA 97-191** Base Realignment and Closure 1995 Construction Requirements, U.S. Army Intelligence Center and Fort Huachuca, and U.S. Army Garrison and Fort Detrick (8/18/97)

**AA 97-193** Base Realignment and Closure 1995 Savings, U.S. Army Training and Doctrine Command, Fort Chaffee (6/30/97)

**AA 97-197** Base Realignment and Closure 1995 Savings, U.S. Army Training and Doctrine Command, Fort McClellan (6/30/97)

**AA 97-217** U.S. Army Materiel Command Efficiencies - Closure of the European Redistribution Facility (5/30/97)

**AA 97-219** Base Realignment and Closure 1995 Savings, U.S. Army Forces Command, Fort Pickett (6/30/97)

**AA 97-220** Base Realignment and Closure 1995 Savings, U.S. Army Forces Command, Fort Indiantown Gap (6/30/97)

**AA 97-225** Base Realignment and Closure 1995 Savings Estimates (7/31/97)

**AA 97-226** Base Realignment and Closures 1995 Construction Requirements, 5th Readiness Group, Travis Air Force Base, California (6/30/97)

**AA 97-227** Base Realignment and Closures 1995 Construction Requirements, Headquarters 6th U.S. Army Recruiting Brigade, Nellis Air Force Base (6/30/97)

**AA 97-228** Base Realignment and Closures 1995 Construction Requirements, DOD Television-Audio Support Activity, McClellan Air Force Base (6/30/97)

**AA 97-229** Wastewater Treatment Services, Fort Ritchie, Maryland (6/13/97)

**AA 97-251** Base Realignment and Closures 1995 Construction Requirements, Executive Systems Software Directorate, U.S. Army Garrison and Fort George G. Meade (6/30/97)

**AA 97-258** Base Realignment and Closure 1995 Construction Requirements, Fort Ritchie Military Police Company (7/14/97)

**AA 97-289** Base Realignment and Closure 1995, Reserve Component Enclave, Fort Totten, New York (9/26/97)

**AA 97-755** Housing Options - Korea, Eighth U.S. Army (6/16/97)

#### **Air Force Audit Agency**

**96052005** Cooperative Agreements at Closed Air Force Bases (4/28/97)

**96052032** Closed Installations Utility and Vendor Payments (5/2/97)

**97052028** Vision 21 - Internal Control Plan (5/12/97)

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### Environment

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#### IG, DoD

**97-118\*** Evaluation of Environmental Measures of Merit (4/7/97)

**97-137\*** Evaluation of Sierra Army Depot Groundwater Contamination (4/29/97)

**97-208** Management of Underground Storage Tanks at Fort Bragg (8/26/97)

#### Army Audit Agency

**AA 97-182** Eliminating Hazardous Material in Weapon Systems, Program Executive Officer for Ground Combat and Support Systems and U.S. Army Armament Research, Development and Engineering Center (4/11/97)

**AA 97-190** Non-Stockpile Chemical Materiel Project, Aberdeen Proving Ground, Maryland (5/12/97)

**AA 97-194** Recycling Program, U.S. Army Training Center and Fort Jackson (5/23/97)

**AA 97-236** Management of Hazardous Material, III Corps and Fort Hood (6/23/97)

**AA 97-273** Recycling Program (8/15/97)

#### Naval Audit Service

**043-97** Selected Defense Environmental Restoration Account Expenditures at the Pacific Division Naval Facilities Engineering Command (6/20/97)

#### Air Force Audit Agency

**96052019** Pollution Prevention Program (5/5/97)

**96052039** Environmental Cleanup at Bases Selected for Closure (4/7/97)

**97052012** Followup Audit-Air Force Hazard Communication Program (8/14/97)

**97052025** Underground Storage Tank Environmental Compliance (8/25/97)

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### Finance and Accounting

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#### IG, DoD

**97-122** Inspector General, DoD, Oversight of the Air Force Audit Agency Audit of the FY 1996 Air Force Consolidated Financial Statements (4/10/97)

**97-123** Inspector General, DoD, Oversight of the Army Audit Agency Audit of the Army Financial Statements for Fiscal Years 1996 and 1995 (4/10/97)

**97-124** Inspector General, DoD, Oversight of the Naval Audit Service Audit of the Fiscal Year 1996 Navy General Fund (4/10/97)

**97-125** Inspector General, DoD, Oversight of the Army Audit Agency Audit of the US Army Corps of Engineers, Civil Works Program, FY 1996 Financial Statements (4/10/97)

**97-126** FY 1997 Budget for the Domestic Dependent Elementary and Secondary Schools (4/11/97)

**97-128\*** Evaluation of DoD Civilian Pay Outsourcing Study (FOUO) (4/15/97)

**97-129** Financial Accounting at the On-Site Inspection Agency (4/15/97)

**97-131** Financial Management at the Department of Defense Education Activity (4/17/97)

**97-132** Security Assistance and International Programs Account (4/18/97)

**97-136** Defense Accounting Office Compliance With Personal Check Cashing Procedures (4/28/97)

**97-140** Financial Management at the American Forces Information Service (5/7/97)

**97-141** Financial Management at the Uniformed Services University of the Health Sciences (5/9/97)

**97-148** Defense Logistics Agency Actions to Improve Property, Plant, and Equipment Financial Reporting (5/29/97)

**97-151** The Fund Balance With Treasury Account for the Research, Development, Test and Evaluation Appropriation, Department 97 (6/4/97)

**97-153** Marine Corps Reserve Financial Reports on the National Guard and Reserve Equipment Appropriation (6/9/97)

**97-155** Internal Controls and Compliance With Laws and Regulations for the FY 1996 Financial Statements of the "Other Defense Organizations" Receiving Department 97 Appropriations (6/11/97)

**97-156** DoD Support for the 1996 Paralympics and Centennial Olympic Games (6/9/97)

**97-159** Inventory Accuracy at the Defense Depot, Susquehanna, Pennsylvania (6/12/97)

**97-160** Financial Accounting for the Chemical Agents and Munitions Destruction, Defense Appropriation (6/13/97)

**97-163** Financing Computer Systems and Other Equipment at the Defense Contract Management Command (6/16/97)

**97-171** Internal Controls and Compliance With Laws and Regulations for the FY 1996 Financial Statements of the Defense Security Assistance Agency (6/19/97)

**97-176** Internal Controls and Compliance With Laws and Regulations for the National Defense Stockpile Transaction Fund Financial Statements for FY 1996 (6/25/97)

**97-177** Internal Controls and Compliance With Laws and Regulations for the DoD Military Retirement Trust Fund Financial Statements for FY 1996 (6/25/97)

**97-178** Internal Controls and Compliance With Laws and Regulations for the Defense Business Operations Fund Consolidated Financial Statements for FY 1996 (6/26/97)

**97-182** Internal Controls and Compliance With Laws and Regulations for the DoD Consolidated Financial Statements for FY 1996 (6/30/97)

**97-194\*** Evaluation of Management Controls at the Disbursing Office, Naval Surface Warfare Center, Dahlgren, Virginia (7/23/97)

**97-195** Management Controls of Administrative Operations at the U.S. Mission to the North Atlantic Treaty Organization, Brussels, Belgium (7/24/97)

**97-201** Navy and Marine Corps Reserve Financial Reports on the National Guard and Reserve Equipment Appropriation (7/30/97)

**97-202** Financial Reporting of Government Property in the Custody of Contractors (8/4/97)

**97-203** Application Controls Over the Defense Joint Military Pay System Reserve Component (FOUO) (8/15/97)

**97-212** FY 1996 DoD Superfund Financial Transactions (9/14/97)

**97-215** Reporting of Accounts Payable for the National Guard and Reserve Equipment Appropriation on the "Other Defense Organizations" Portion of the FY 1996 Financial Statements (9/18/97)

**97-223** Recording and Reporting Expenses of the Defense Commissary Agency (9/30/97)

**97-224** Presentation of Accrued Annual Leave in the FY 1996 Defense Agency Financial Statements of the Defense Business Operations Fund (9/30/97)

**97-225** Major Deficiencies Preventing Favorable Audit Opinions on the FY 1996 DoD General Fund Financial Statements (9/30/97)

#### **Army Audit Agency**

**AA 97-145** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Report on Internal Controls and Compliance With Laws and Regulations (6/30/97)

**AA 97-146** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of Wholesale Asset Balances (6/13/97)

**AA 97-147** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of Asset Values (7/28/97)

**AA 97-148** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of Government-Furnished Property (9/30/97)

**AA 97-149** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of Real Property, Natural Resources, and Leases (9/30/97)

**AA 97-150** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of Retail Equipment (9/30/97)

**AA 97-151** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of National Guard Items (9/30/97)

**AA 97-153** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of Accounts Payable (8/27/97)

**AA 97-155** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Selected Liabilities (9/30/97)

**AA 97-172** FY 96 Army Defense Business Operations Fund Financial Statements, Followup Issues (4/7/97)

**AA 97-174** Materiel Returns, Eighth U.S. Army (4/7/97)

**AA 97-176** FY 96 Army Defense Business Operations Fund Financial Statements, Supply Management, Eighth U.S. Army Korea (4/7/97)

**AA 97-181** Installation Costs and Performance Measures, U.S. Army Kwajalein Atoll/Kwajalein Missile Range, Republic of the Marshall Islands (4/23/97)

**AA 97-188** FY 96 Army Defense Business Operations Fund Financial Statements, Summary Report (5/16/97)

**AA 97-221** Financial Management in Sensitive Organizations (Classified) (9/30/97)

**AA 97-231** Corps of Engineers Financial Management System (6/31/97)

**AA 97-283** Army Working Capital Fund, Supply Management, FY 97 Financial Statements, U.S. Army Missile Command (8/25/97)

**AA 97-293** Army Working Capital Fund FY 97 Financial Statements, Rock Island Arsenal (9/26/97)

**AA 97-311** Army's Principal Financial Statements for Fiscal Years 1996 and 1995, Financial Reporting of Government-Furnished Property, U.S. Army Industrial Operations Command (9/30/97)

**AA 97-774** Corps of Engineers Financial Management System (9/29/97)

#### **Naval Audit Service**

**029-97** Department of the Navy Fiscal Year 1996 Annual Financial Report: Report on Internal Controls and Compliance with Laws and Regulations (4/15/97)

**033-97** Naval Air Warfare Center Flight Hour Rates (4/29/97)

**035-97** Trends in Department of the Navy Financial Audits (5/12/97)

**039-97** Validation of Selected Requisition Obligations in the Standard Accounting and Reporting System (5/29/97)

**040-97** Fiscal Year 1996 Consolidating Financial Statements of the Department of the Navy Defense Business Operations Fund (6/16/97)

**044-97** Military Sealift Command Civilian Mariner Payroll (7/16/97)

**045-97** Department of the Navy Fiscal Year 1996 Annual Financial Report: Accounts Receivable, Net (8/12/97)

**046-97** Department of the Navy Fiscal Year 1996 Annual Financial Report: Government Property Held by Contractors (8/14/97)

**048-97** Department of the Navy  
Fiscal Year 1996 Annual Financial  
Report: Ammunition and Ashore  
Inventory (9/25/97)

**049-97** Department of the Navy  
Fiscal Year 1996 Annual Financial  
Report: Advances and Prepayments,  
Non-Federal (9/19/97)

**051-97** Department of the Navy  
Fiscal Year 1996 Annual Financial  
Report: Property, Plant, and  
Equipment, Net (9/25/97)

#### **Air Force Audit Agency**

**96051026** Third Party Collection  
Program (7/18/97)

**96051046** Third Party Liability  
Program (6/30/97)

**96053002** Military Equipment,  
Fiscal Year 1996 Air Force  
Consolidated Financial Statements  
(5/29/97)

**96053003** Fund Control Process,  
Fiscal Year 1996 Air Force Consoli-  
dated Financial Statements (9/08/97)

**96053004** Civilian Pay, Fiscal Year  
1996 Air Force Consolidated  
Financial Statements (4/17/97)

**96053005** Operating Materials and  
Supplies, Fiscal Year 1996 Air Force  
Consolidated Financial Statements  
(5/30/97)

**96053006** Weapon System Progress  
Payments, Fiscal Year 1996 Air  
Force Consolidated Financial  
Statements (7/03/97)

**96053015** Military Pay, Fiscal Year  
1996 Air Force Consolidated  
Financial Statements (4/15/97)

**96053017** Government Furnished  
Property, Fiscal Year 1996 Air Force  
Consolidated Financial Statements  
(8/04/97)

**96053019** Real Property and  
Nonmilitary Equipment, Fiscal Year  
1996 Air Force Consolidated  
Financial Statements (6/20/97)

**96054012** Work Information  
Management System Real Property  
Module (4/23/97)

**96058005** Controls Over Noncapi-  
talized Property and Equipment  
(5/6/97)

**96066029** Application Controls  
Within the Comprehensive Engine  
Management System (7/11/97)

**96068001** Selected Asset, Liability,  
and Expense Accounts Depot  
Maintenance Service Business Area,  
Fiscal Year 1996 (8/20/97)

**96068003** Selected Expense  
Accounts, Airlift Services Division,  
Transportation Service Activity  
Group, Fiscal Year 1996 (7/11/97)

**96068004** Estimated Repair Prices  
(6/18/97)

**96068011** Air Force Defense  
Business Operations Fund Cash  
Management and Property, Plant,  
and Equipment, Fiscal Year 1996  
(7/30/97)

**96068012** Inventory Accounts,  
Supply Management Activity Group,  
Fiscal Year 1996 (6/18/97)

**96068013** Sales and Accounts  
Receivable, Supply Management  
Business Area, Fiscal Year 1996  
(5/27/97)

**96068016** Controls Over Stock  
Control and Distribution System  
Data Modification (8/21/97)

**97053011** Eliminating Entries and  
Nonoperating Changes, Fiscal Year  
1996 Air Force Consolidated  
Financial Statements (4/15/97)

**97053012** Contingent Liabilities,  
Fiscal Year 1996 Air Force Consoli-  
dated Financial Statements (4/10/97)

**97053013** Invested Capital, Fiscal  
Year 1996 Air Force Consolidated  
Financial Statements (5/29/97)

**97054014** General and Application  
Controls Within the Consolidated  
Analysis and Reporting System  
(6/02/97)

**97054033** Preliminary Audit  
Assessment for the Fiscal Year 1997  
Annual Statement of Assurance on  
the Status of Internal Controls  
(9/12/97)

**97058018** Confidential Investigative  
Contingency Funds, Fiscal Years  
1995 and 1996 (4/16/97)

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### **Forces Management**

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#### **Army Audit Agency**

**AA 97-198** Reporting Civilian Full  
Time Equivalent and Related Cost  
Information (5/23/97)

**AA 97-202** Workload-Based  
Manpower Requirements Program,  
U.S. Army Training and Doctrine  
Command (5/30/97)

**AA 97-215** Controlling Institutional  
Training Equipment Costs, U.S.  
Army Field Artillery Center and Fort  
Sill (7/21/97)

**AA 97-235** Controlling Institutional  
Training Equipment Costs, U.S.  
Army Training and Doctrine  
Command (7/22/97)

**AA 97-263** Force Design, Develop-  
ment, and Approval (8/6/97)

**AA 97-272** Recruiting Operations,  
U.S. Army Recruiting Command  
(8/18/97)

**AA 97-286** Digitization of the  
Battlefield, Advanced Warfighting  
Experiments (9/16/97)

**AA 97-296** Orient Shield 97, U.S.  
Army Japan and 9th Theater Army  
Area Command (9/16/97)

**AA 97-297** North Wind 97, U.S.  
Army Japan and 9th Theater Army  
Area Command (9/16/97)

**AA 97-298** Yama Sakura XXXI,  
U.S. Army Japan and 9th Theater  
Army Area Command (9/30/97)

**AA 97-305** Implementation of  
Workload-Based Manpower Require-  
ments Program, U.S. Army Materiel  
Command (9/30/97)

#### **Naval Audit Service**

**034-97** Implementation of  
Computer- Based Training in the  
Navy (4/29/97)

**Air Force Audit Agency**

**97058002** Air Combat Maneuvering Instrumentation Pods and Test Sets (8/4/97)

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**Health Care**

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**IG, DoD**

**97-143** Followup Audit of the Aero-medical Evacuation System (5/19/97)

**97-147** Reporting Graduate Medical Education Costs (5/23/97)

**97-150\*** Economic Impact of Alcohol Misuse in DoD (6/2/97)

**97-170** Medical War Reserves for U.S. Forces, Korea (CLASSIFIED) (6/19/97)

**Army Audit Agency**

**AA 97-143** Mental Health Care Delivery System, Brooke Army Medical Center (4/10/97)

**AA 97-185** Mental Health Care Delivery System, William Beaumont Army Medical Center (4/21/97)

**AA 97-189** Compliance With Acquisition Policy, U.S. Army Health Care Systems Support Activity (5/12/97)

**AA 97-224** Mental Health Care Delivery System, Dewitt Army Community Hospital, Fort Belvoir, Virginia (6/19/97)

**AA 97-276** Mental Health Care Delivery System, U.S. Army Medical Command (8/22/97)

**Air Force Audit Agency**

**97051025** Air National Guard Medical Training Program (8/13/97)

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**Information Technology Resources**

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**IG, DoD**

**PO 97-039\*** Evaluation of the Acquisition Audit Process (7/30/97)

**97-119** Consolidation of Naval Activities Providing Telephone Services in the Pacific Region (4/4/97)

**97-152** Corporate Executive Information System (6/6/97)

**97-154** Functional Transfer of Navy Base Communications Offices (6/11/97)

**97-167\*** Joint Communications Support Element (6/19/97)

**97-187** Communications Capability Within the DoD to Support Two Major Regional Conflicts Nearly Simultaneously (CLASSIFIED) (7/14/97)

**97-188** Management Controls Over Automated Data Processing Equipment at the North American Aerospace Defense Command and U.S. Space Command (7/14/97)

**97-206** Defense Finance and Accounting Service Acquisition Strategy for a Joint Accounting System Initiative (8/22/97)

**97-216** Security Over Networks used to Transmit U.S. Special Operations Command Financial Data (9/18/97)

**Army Audit Agency**

**AA 97-214** Information Systems Security Program (6/30/97)

**Naval Audit Service**

**028-97** Management of Naval Telecommunications Services in the Norfolk, VA Area (4/14/97)

**036-97** Telephone and Internet Services at Naval Air Warfare Center Aircraft Division, Patuxent River, Maryland (5/27/97)

**041-97** Management and Use of Navy Cellular Telephones (6/9/97)

**Air Force Audit Agency**

**96054018** Air Force Bulletin Boards and Home Pages (4/29/97)

**95054021** Automated Data Processing Equipment Accountability (4/30/97)

**96054023** Fiber Optics (5/21/97)

**96054025** Private Branch Exchange Maintenance (4/7/97)

**96054027** Data Communications Security (4/15/97)

**96066002** Managing Software Development Data and Information (6/18/97)

**96066004** Air Force Software License Management (5/30/97)

**96066026** Air Force Satellite Control Network (7/22/97)

**97066032** Followup Audit-Cost Reimbursement of Software Support Provided to Non-Air Force Organizations (9/19/97)

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**Intelligence**

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**IG, DoD**

**PO 97-016\*** Evaluation of DoD Support to the National Drug Intelligence Center (4/30/97)

**PO 97-017** Followup on National Reconnaissance Office Financial Management Practices (CLASSIFIED) (6/13/97)

**PO 97-021** Tom Victor (CLASSIFIED) (6/9/97)

**PO 97-026** Report on the Investigation of a Potential Antideficiency Act Violation at the National Security Agency (6/15/97)

**PO 97-028** Joint Audit of Real Estate and Real Property Holdings at a Selected Field Site (CLASSIFIED) (6/27/97)

**PO 97-030** Defense Human Intelligence Systems (CLASSIFIED) (6/26/97)

**PO 97-031** Measurement and Signature Intelligence (6/30/97)

**PO 97-040\*** Evaluation of Allegations Concerning the Naval Criminal Investigative Service Investigation of Battlespace, Incorporated (FOUO) (8/11/97)

**PO 97-041** Information Security Equipment Maintenance and Depot Operations (FOUO) (8/20/97)

**PO 97-044** Actions Taken to Implement Guatemala Review Recommendations (FOUO) (9/19/97)

**PO 97-045\*** Evaluation Report on Dispositioned Defective Pricing Audit Reports at the Warner Robins Air Logistics Center (9/24/97)

**PO 97-046\*** Evaluation Report on Defense Contract Audit Agency Audits of Requests for Equitable Adjustment (9/24/97)

**PO 97-048** Tom Victor (CLASSIFIED) (9/24/97)

**PO 97-049** DoD Management of Information Assurance Efforts to Protect Automated Information Systems (CLASSIFIED) (9/25/97)

**PO 97-050** National Reconnaissance Office Payment of Incentive Fees Under Specialized Incentive Contracts (CLASSIFIED) (9/29/97)

**PO 97-053** Management of Conventional Signals Intelligence Collection Sites (CLASSIFIED) (9/30/97)

**PO 97-060** Review of DoD Hotline Allegations Regarding Operation CARRIBEAN CRUISE (CLASSIFIED) (9/30/97)

#### **Army Audit Agency**

**AA 97-117** Property Accountability (CLASSIFIED) (5/21/97)

**AA 97-173** Audit of Special Pay (CLASSIFIED) (5/23/97)

**AA 97-180** Acquisition Planning - Phase II (CLASSIFIED) (4/15/97)

**AA 97-209** Financial Management of Limited User Test II Funds for the Hunter Unmanned Aerial Vehicle Program (6/13/97)

#### **Air Force Audit Agency**

**96058036** Air Force Application of National Foreign Intelligence Program Funds (CLASSIFIED) (9/19/97)

**97058014** Status of Resources and Training System Reporting for Intelligence Units (7/31/97)

**97058017** Intelligence Contingency Funds, Fiscal Years 1995 and 1996 (6/20/97)

#### **Logistics**

##### **IG, DoD**

**97-130** Coding Munitions List Items (4/16/97)

**97-134** Disposal of Munitions List Items in the Possession of Defense Contractors (4/22/97)

**97-168\*** Disposal of Serviceable Repairable Assets (6/19/97)

**97-173** Management and Administration of International Agreements in the U.S. Pacific Command (CLASSIFIED) (6/23/97)

**97-175** Management of the DoD Personal Property Shipment and Storage Program (6/23/97)

**97-181** U.S. Navy Aircraft Corrosion Prevention and Control Program (6/30/97)

**97-183** Uncataloged Material at Research, Development, Test, and Evaluation Installations (6/30/97)

**97-190\*** Defense Hotline Allegations on Improper Sale and Disposal of Pallets (7/17/97)

**97-192** European Theater C-9A Aircraft Flying Hour Program (7/18/97)

**97-205** Dual Management of Commercially Available Items - Defense Logistics Agency Electronic Catalog Pilot Program (8/15/97)

**97-211** Management of the U.S. Army Center for Military History Exchange-for-Services Agreement (8/28/97)

**97-213\*** Evaluation of the Disposal of Munitions Items (9/5/97)

**97-217** Chemical and Biological Defense Readiness (CLASSIFIED) (9/19/97)

**97-220** Savings Methodology and Benefits of Direct Vendor Deliveries and Just-in-Time Inventory Management Initiatives (9/24/97)

**97-222** Conditional Donation of an F-4D Aircraft (9/30/97)

**97-226** Consumable Item Transfer, Phase II, Management (9/30/97)

#### **Army Audit Agency**

**AA 97-192** Management of Equipment in Tables of Distribution and Allowances, U.S. Army Armor Center and Fort Knox (5/8/97)

**AA 97-213** Followup Audit of Aircraft Maintenance, U.S. Army Air Defense Artillery Center and Fort Bliss (6/27/97)

**AA 97-233** Total Asset Visibility, U.S. Army, Europe and Seventh Army (6/30/97)

**AA 97-255** Initial Mandatory Parts Lists for the Patriot Missile System (7/10/97)

**AA 97-260** Low-Dollar-Value Requisitions (9/15/97)

**AA 97-264** Reporting Process for the Theft or Loss of Army Arms, Ammunition, and Explosives (7/25/97)

**AA 97-269** Management of Equipment in Tables of Distribution and Allowances, U.S. Army Training and Doctrine Command (8/11/97)

**AA 97-287** Property Accountability, Center of Military History (8/28/97)

**AA 97-290** Center Operations, Center of Military History (9/30/97)

**AA 97-291** Property Exchange Transactions, Center of Military History (9/30/97)

**AA 97-292** Ammunition Management, 7th Special Forces Group (Airborne), Fort Bragg, North Carolina (9/12/97)

**AA 97-303** U.S. Army Materiel Command Efficiency-Operations and Support Cost Reductions (9/26/97)

**AA 97-304** U.S. Army Materiel Command Efficiencies-Administrative/Production Leadtime (9/26/97)

**AA 97-306** Unit-Level Logistics System-Ground, 3d Infantry Division (Mechanized) and Fort Stewart (9/26/97)

#### **Naval Audit Service**

**026-97** Survival and Wearout Rate Computations for Depot Level Repairables at the Naval Inventory Control Point (4/4/97)

**027-97** Management, Control, and Accounting Procedures for Sponsor Material at Naval Sea Systems Command Warfare Centers (4/11/97)

**052-97** Dehumidified Preservation of Aircraft (9/29/97)

#### **Air Force Audit Agency**

**95061032** Requirements for Low or No Failure Items (8/21/97)

**96061002** Manually-Computed Readiness Spares Package Requirements (4/16/97)

**96061004** Other War Reserve Materiel to Support Wartime Depot Repair (6/19/97)

**96061008** Propulsion Requirements System Spare Engine Computations (4/9/97)

**96061011** Mobility Bags (6/16/97)

**96061023** Funding For Fuel Facilities Maintenance and Repair (5/13/97)

**96061024** Estimated Usage Rates for Recoverable Items (8/21/97)

**96061025** Asset Shipments Outside of Supply Control (7/2/97)

**97058001** Consumable War Reserve Materiel in the Pacific Air Forces (9/2/97)

**97061001** Standard Base Supply System Data Interfaces (8/11/97)

**97062010** Followup Audit-Job Routed Repair of Recoverable Engine Items (5/19/97)

**97062021** Followup Audit-Local Manufacturing at the Air Logistics Centers (7/3/97)

**97062022** Followup Audit-Management of Base Repair Cycle Assets (8/19/97)

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#### **Quality of Life**

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##### **IG, DoD**

**97-166\*** Ready Reserve Mobilization Income Insurance Program (6/18/97)

#### **Army Audit Agency**

**AA 97-245** Selected Financial Controls - Morale, Welfare and Recreation Activities, I Corps and Fort Lewis (6/30/97)

**AA 97-257** Officers Club, III Corps and Fort Hood (6/30/97)

**AA 97-285** Selected Financial Controls - Morale, Welfare and Recreation Activities, Tooele Army Depot (8/29/97)

**A 97-748** Family Advocacy Program, U.S. Army, Europe and Seventh Army (5/28/97)

#### **Naval Audit Service**

**031-97** Navy Exchange Service Command Freight Traffic Management for Overseas Shipments (4/25/97)

**042-97** Audit of Inventory Management at Navy Exchange, San Diego, California (6/13/97)

#### **Air Force Audit Agency**

**96051030** Lodging Operations (4/29/97)

**96051035** Air Force Services Vehicle Management (4/15/97)

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#### **Security Assistance**

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##### **IG, DoD**

**97-210** Technology Transfer Under the F-151 Program (8/27/97)

**97-227** Foreign Military Sales Administrative Surcharge Fund (9/30/97)

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#### **Audit and Criminal Investigative Oversight**

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##### **IG, DoD**

**PO-97-015** Evaluation of Program Evaluation Advisory Type Services by Internal Audit Organizations (4/18/97)

**PO-97-018** Coopers and Lybrand, LLP Wentworth Institute of Technology, Fiscal Year Ended June 30, 1995 (5/9/97)

**PO-97-019** Allegations of Inappropriate Action on Contracting Issues by Government Officials Hughes Danbury Optical Systems (5/20/97)

**PO-97-020** Procurement of Single Audits by Recipients of Federal Awards (5/22/97)

**PO-97-022** KPMG Peat Marwick, LLP Applied Physics Laboratory of Johns Hopkins University, Fiscal Year Ended June 30, 1995 (6/18/97)

**PO-97-023** KPMG Peat Mat-wick, LLP Corporation of Mercer University, Fiscal Year Ended June 30, 1995 (6/30/97)

**PO-97-027** Coopers & Lybrand, LLP Woods Hole Oceanographic Institution, Fiscal Year Ended December 31, 1995 (6/23/97)

**PO-97-029** KPMG Peat Marwick, LLP Great Lakes Composites Consortium, inc., Fiscal Year Ended December 31, 1995 (6/25/97)

**PO-97-032** Defense Contract Audit Agency Sampling Initiative of Incurred Cost Proposals on Low-Risk Contractors (6/27/97)

**PO-97-033** Price Waterhouse, LLP Shaw University, Fiscal Year Ended June 30, 1993 through 1995 (6/27/97)

**PO-97-034** Grant Thornton, LLP Georgia Tech Research Corporation, Fiscal Year Ended June 30, 1995 (6/30/97)

**PO-97-035** Coopers and Lybrand, LLP The Charles Stark Draper Laboratory, Inc., Fiscal Year Ended June 30, 1995 (6/30/97)

**PO-97436** Deloitte & Touche, LLP Oregon Graduate Institute of Science and Technology, Year Ended June 30, 1996 (6/30/97)

**PO-97-037** Coopers and Lybrand, LLP Corporation for National Research Initiatives, Fiscal Year Ended December 31, 1995 (6/30/97)

**PO-97-038** Ernst & Young, LLP South Carolina Research Authority, Fiscal Year Ended June 30, 1995 (6/30/97)

**PO-97-039** Evaluation of the Acquisition Audit Process (7/30/97)

**PO-97-042** Leonard G. Birnbaum and Company, L.L.P., Kestrel Institute, Fiscal Year Ended December 31, 1995 (9/15/97)

**PO-97-043** Coopers and Lybrand, L.L.P., The Mitre Corporation, Fiscal Year Ended September 30, 1994 (9/15/97)

**PO-97-045** Evaluation Report on Dispositioned Defective Pricing Audit Reports at the Warner Robins Air Logistics Center (9/24/97)

**PO-97-046** Evaluation Report on Defense Contract Audit Agency Audits of Requests for Equitable Adjustment (9/24/97)

**PO-97-047** Legislative Audit Bureau of the State of Wisconsin-Madison, Fiscal Year Ended June 30, 1995 (9/25/97)

**PO-97-051** Ernst & Young, L.L.P., Analytic Services Inc., Fiscal Year Ended September 30, 1995 (9/26/97)

**PO-97-052** Coopers and Lybrand L.L.P., Ben Franklin Technology Center of Southeastern Pennsylvania, Fiscal Year Ended August 31, 1996 (9/26/97)

**PO-97-054** Coopers & Lybrand, L.L.P., Worcester Polytechnic Institute, Fiscal Year Ended June 30, 1996 (9/30/97)

**PO-97-055** Clausell & Associates and Deloitte & Touche, L.L.P., Clark Atlanta University, Fiscal Year Ended June 30, 1996 (9/29/97)

**PO-97-056** Defense Hotline Allegations Concerning Contract Audit Recommendation (9/26/97)

**PO-97-057** Followup Evaluation of the Defense Contract Audit Agency Support to Special Access Programs (FOUO) (9/30/97)

**PO-97-058** DoD Requests for Field Pricing Audit Support (9/30/97)

**PO-97-059** KPMG Peat Marwick, L.L.P., Audit of Battelle Memorial Institute, Fiscal Year Ended December 31, 1995 (9/30/97)

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### Other

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#### IG, DoD

**97-186** Review of Military and Civilian Personnel Assignments to Congress (7/14/97)

**97-193\*** Joint Warfighting Center (7/18/97)

**97-196** Personnel Security in the Department of Defense (7/25/97)

**Our report on the status of OIG, DoD reports over 12 months old in which management decisions have been made but final action has not been taken has been provided to the Department and is available upon request.**



APPENDIX B* INSPECTOR GENERAL, DOD AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS		
Audit Reports Issued	Potential Monetary Benefits (\$ in thousands)	
	Disallowed Costs <sup>1</sup>	Funds Put to Better Use
<b>97-126</b> FY 1997 Budget for the Domestic Dependent Elementary and Secondary Schools (4/11/97)	N/A	\$5,100
<b>97-129</b> Financial Accounting at the On-Site Inspection Agency (4/15/97)	N/A	4,600
<b>97-131</b> Financial Management at the Department of Defense Education Activity (4/17/97)	N/A	7,300
<b>97-138</b> Requirements Planning and Impact on Readiness of Training Simulators and Devices (4/30/97)	N/A	209,300
<b>97-139</b> Defense Base Realignment and Closure Budget Data for the Realignment of Grissom Air Reserve Base, Indiana (5/2/97)	N/A	563
<b>97-143</b> Followup Audit of the Aeromedical Evacuation System (5/19/97)	N/A	68,300
<b>97-144</b> Defense Special Weapons Agency Procurements Through the Department of Energy (5/21/97)	N/A	19,300
<b>97-146</b> Report on Military Construction for the Renovation of Unaccompanied Personnel Housing at Lackland Air Force Base, Texas (5/22/97)	N/A	4,600
<b>97-149</b> Defense Base Realignment and Closure Budget Data for Naval Air Station Jacksonville, Florida (6/2/97)	N/A	3,000
<b>97-157</b> Hotline Allegations Concerning Contract Pricing of Advanced Medium Range Air-to-Air Missiles (6/10/97) (FOUO)	N/A	41,100
<b>97-158</b> Use of Energy Conservation Measures in the Design of New Military Facilities (6/11/97)	N/A	27,300
<b>97-160</b> Financial Accounting for the Chemical Agents and Munitions Destruction, Defense Appropriation (6/13/97)	N/A	1,665
<b>97-164</b> Defense Base. Realignment and Closure Budget Data for the Realignment of the System Program Office from McClellan Air Force Base, California, to Wright-Patterson Air Force Base, Ohio (6/18/97)	N/A	2,500
<b>97-188</b> Management Controls Over Automated Data Processing Equipment at the North American Aerospace Defense Command and U.S. Space Command (7/14/97)	N/A	25,200
<b>97-189</b> Defense Base Realignment and Closure Budget Data for the Realignment of Certain Functions from Kelly Air Force Base, Texas, to Brooks Air Force Base, Texas (7/14/97)	N/A	250
<b>97-192</b> European Theater C-9A Aircraft Flying Hour Program (7/18/97)	N/A	20,100
<b>97-200</b> Defense Base Realignment and Closure Budget Data for the Realignment of Onizuka Air Station, California, to Falcon Air Force Base, Colorado (7/30/97)	N/A	416
<b>97-211</b> Management of the U.S. Army Center for Military History Exchange-for-Services Agreement (8/28/97)	N/A	2,100
<b>Totals</b>		<b>\$442,694</b>
*Fulfills the requirement of 5 U.S.C., Appendix 3, Section 5(a)(6).		
<sup>1</sup> There were no OIG audit reports during the period involving disallowed costs.		

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APPENDIX C\*  
FOLLOWUP ACTIVITIES

DECISION STATUS OF INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE' (\$ in thousands)		
Status	Number	Funds Put to Better Use
A. For which no management decision had been made by the beginning of the reporting period.	41	\$2,761,753
B. Which were issued during the reporting period.	113	442,694
Subtotals (A+B)	154	3,204,447
C. For which a management decision was made during the reporting period.	113	2,808,658
(i) dollar value of recommendations that were agreed to by management	-	81,775
- based on proposed management action	-	81,775
- based on proposed legislative action	-	0
(ii) dollar value of recommendations that were not agreed to by management	-	2,726,883 <sup>2</sup>
D. For which no management decision has been made by the end of the reporting period.	41	395,789
Reports for which no management decision was made within 6 months of issue.	3	0
<sup>1</sup> There were no OIG audit reports during the period involving questioned costs.		
<sup>2</sup> On certain reports with audit estimated monetary benefits of \$368 million, it has been agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.		
<sup>3</sup> OIG Reports 97-084, "Reimbursable Orders Issued to the Naval Undersea Warfare Center, Keyport, Washington," 1/29/97; 97-090, "Electronic Commerce Resource Centers" 2/11/97; and 97-100, "Asset Presentation on Military Department General Fund Financial Statements" 2/25/97. These three reports are now decided. The Military Departments report no undecided internal audit reports over 6 months old.		

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS (\$ in thousands)			
Status of Action	Number of Reports	Questioned Costs	Funds Put to Better Use
<b>IG, DoD</b>			
Action in Progress - Beginning of Period	244	-	\$ 304,839
Action Initiated - During Period	113	-	2,808,658
Action Completed - During Period	106	-	109,159 <sup>1</sup>
Action in Progress - End of Period	251	-	308,161 <sup>2</sup>
<b>Military Departments</b>			
Action in Progress - Beginning of Period	407	-	7,255,010
Action Initiated - During Period	194	-	1,343,716
Action Completed - During Period	201	-	1,498,660
Action in Progress - End of Period	400	-	7,236,827
<sup>1</sup> In addition, \$1,047 billion in monetary benefits was not agreed to by management, but DoD management or the Congress took actions that resulted in the monetary benefits being realized.			
<sup>2</sup> Does not include the \$368 million referenced in the table above pertaining to actions on which there is agreement that an estimate of monetary impact at this point is infeasible,			

\*Fulfills requirements of 5 U.S.C., Appendix 3, Section 5(a)(8)(9) and Section 5(b)(2)(3).

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## THE JOSEPH H. SHERICK AWARD

The Joseph H. Sherick Award, named after the first DoD Inspector General, is presented annually. The award recognizes the actions and accomplishments of an individual that most strongly support and foster the mission and functions of the OIG. Major General Robert W. Drewes, United States Air Force (Retired), received the award from the Inspector General on October 8, 1997. The citation for the award follows:

Major General Drewes has been at the forefront of Department of Defense acquisition reform and an effective proponent of close cooperation between managers and the Office of the Inspector General.



Major General Drewes

Major General Drewes excelled in such challenging acquisition assignments as Deputy Assistant Secretary of the Air Force (Contracting) and Commander, Defense Contract Management Command. He has been one of the most innovative Department of Defense acquisition managers, successfully implementing a broad range of improvements in contract administration services during a difficult period of downsizing. His talent for molding disparate and often hostile Government and industry groups into effective teams to solve problems was crucial to the success of the Single Process Initiative, a keystone of acquisition reform that enables the Department to adopt commercially-used, contractor facility-wide processes instead of the more costly contract-unique requirements of the past.

As a strong proponent of Inspector General involvement in acquisition reform, Major General Drewes welcomed Inspector General assessments of his programs, was consistently open minded about the results and took vigorous corrective actions if any problems were identified. He displayed particular courage and integrity in elevating longstanding problems in controlling \$90 billion of Government-owned property in contractor possession to the attention of senior Department of Defense managers. In close cooperation with the Inspector General, he then played a leading role in devising a strategy for solving those problems. Similarly, he was more than willing to take on very sensitive issues raised by audits of prices paid for spare parts on sole source contracts under new acquisition laws.

Major General Drewes retired from the Air Force in September 1997. The Inspector General wishes him success in his future endeavors.

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