



Inspector General

United States
Department *of* Defense

Semiannual
Report *to the*
Congress

October 1, 2003 - March 31, 2004

Required by Public Law 95-452

*Inspector General of the
Department of Defense*

Vision

*“One Professional Team of Auditors,
Inspectors, and Investigators, Inspiring by
Paradigm a Culture of Integrity,
Accountability, and Intelligent Risk-Taking
Throughout the Department of Defense”*



INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

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

IG Act References	Reporting Requirements	Page
Section 4(a)(2)	“review existing and proposed legislation and regulation...make recommendations...”	29-30
Section 5(a)(1)	“description of significant problems, abuses, and deficiencies...”	1-26
Section 5(a)(2)	“description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	17-26
Section 5(a)(3)	“identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”	26-27
Section 5(a)(4)	“a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted...”	1-8
Section 5(a)(5)	“a summary of each report made to the [Secretary of Defense] under section 6(b)(2)...” (instances where information requested was refused or not provided)	N/A
Section 5(a)(6)	“a listing, subdivided according to subject matter, of each audit report issued...” showing dollar value of questioned costs and recommendations that funds be put to better use.	31-41, 42
Section 5(a)(7)	“a summary of each particularly significant report...”	17-26
Section 5(a)(8)	“statistical tables showing the total number of audit reports and the total dollar value of questioned costs...”	44, 45
Section 5(a)(9)	“statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management...”	43
Section 5(a)(10)	“a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period...”	43
Section 5(a)(11)	“a description and explanation of the reasons for any significant revised management decision...”	N/A
Section 5(a)(12)	“information concerning any significant management decision with which the Inspector General is in disagreement...”	N/A
Section 5(a)(13)	“information described under Section 804 [sic] of the Federal Financial Management Improvement Act of 1996...” (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 8(f)(1)	“information concerning the number and types of contract audits...”	44

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FOREWORD

In testifying before Congress earlier this year, Secretary of Defense Donald Rumsfeld noted the common challenge faced by the Department and the Congress “to support the troops and to make sure they have what they will need to defend the nation in the years ahead.” The Secretary told Congress, “We are working to do that in a number of ways:

- By giving them the tools they need to win the global war on terror;
- By transforming for the 21st century, so they will have the training and tools they need to prevail in the next wars our nation may have to fight—wars which could be notably different from today’s challenges;
- And by working to ensure that we manage the force properly—so we can continue to attract and retain the best and brightest, and sustain the quality of the all-volunteer force.”¹

The Office of the Inspector General is committed to assisting the Department and the Congress in meeting this challenge. Our recent efforts in support of the Global War on Terror and to improve the programs and operations of the Department include:

- *IG Support to the Global War on Terror:*

In direct support to all aspects of the Global War on Terror (GWOT), this office has provided approximately \$3.6 million worth of audit, inspection, and investigative services in the 2nd quarter of FY 2004.

Currently, the Office of the Inspector General has 125 staff members providing support to the Coalition Provisional Authority (CPA) and the CPA Inspector General pursuant to the “Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004” (Public Law 108-106) which requires that the CPA IG “shall coordinate with, and receive the cooperation of, the Inspector General of the Department of Defense.” The DoD IG also has a statutory duty under Section (4)(c) of the Inspector General Act of 1978 requiring that: “In carrying out the duties and responsibilities established under this Act, each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring effective coordination and cooperation.” In that regard, in addition to our audit work on the Office of Reconstruction and Humanitarian Assistance (the predecessor to the CPA), this office has continued to monitor and coordinate with the General Accounting Office, the Defense Contract Audit Agency, the Army Audit Agency, the Agency for International Development, and the Department of State Office of the

1. Prepared Testimony of Secretary of Defense Donald H. Rumsfeld, for the Senate and House Armed Services Committees, Wednesday, February 4, 2004
<<http://www.defenselink.mil/speeches/2004/sp20040204-secdef0922.html>>

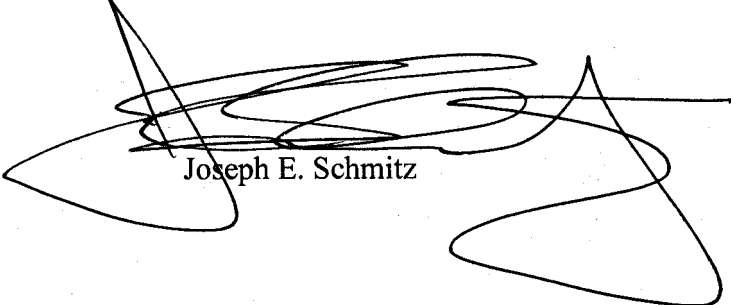
Inspector General on the on-going and planned audit work for Operation Enduring Freedom, Operation Iraqi Freedom, and Operation Noble Eagle.

- *Public Confidence in Integrity of DoD Programs and Operations:*

We initiated an audit of the Air Force Boeing 767 tanker program, focusing on acquisition and contract management issues, in response to the following request from the Deputy Secretary of Defense: "In light of recent revelations by The Boeing Company concerning improprieties by two of the company's executives, please determine whether there is any compelling reason why the Department of the Air Force should not proceed with its Tanker Lease Program." In our March 29, 2004, report, we reported that the short answer to the Deputy's questions was "no"; however, we recommended that the Department not proceed until it resolves five statutory requirements and related issues. As a result of a parallel investigation by the investigative component of this office, one of the aforementioned Boeing executives subsequently plead guilty to criminal conspiracy in federal district court.

By memorandum dated January 30, 2004, the Deputy Secretary established a DoD "zero tolerance" policy on trafficking in persons, following our assessments of DoD efforts to combat trafficking in Korea and the Balkans. The DoD policy has since become the model for the draft of a NATO policy document currently in staffing. We continue to monitor DoD activities in this area as part of ongoing inspection efforts.

In addition to support for the Global War on Terror, this office is also committing substantial resources to assist Department initiatives to improve financial management and to support the Base Realignment and Closure process. The significant growth and complexity of DoD business operations, human capital requirements, and information technology infrastructure have resulted in an increase in Departmental and congressional requirements placed on the Office of Inspector General without a commensurate increase in funding or personnel resources.



Joseph E. Schmitz

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SIGNIFICANT ACTIVITIES

INTRODUCTION

This report summarizes the significant activities of the Office of the Inspector General of the Department of Defense (OIG DoD) components and their work with other members of the DoD oversight and Federal law enforcement communities.

CRIMINAL INVESTIGATIONS

The four Defense Criminal Investigative Organizations (DCIOs) continue to combat crimes affecting the Department of Defense (DoD). The Defense Criminal Investigative Service (DCIS), a component of the OIG DoD, focuses its investigative priorities on terrorism, technology protection, product substitution, computer crime, financial crime, public corruption, and major thefts. The U.S. Army Criminal Investigation Command (USACIDC), the Naval Criminal Investigative Service (NCIS), and the Air Force Office of Special Investigations (AFOSI) also investigate procurement fraud, but their primary mission focus is terrorism, force protection, general crimes under the Uniform Code of Military Justice, and crimes affecting major weapons systems within their respective Military Departments. The AFOSI and NCIS also conduct counterintelligence investigations and operations. The DCIOs support anti-terrorism investigations and participate as members of Joint Terrorism Task Forces. Additionally, they work cooperatively to investigate cases involving more than one service.

Monetary recoveries and fines related to all criminal investigations throughout the DoD totaled more than \$52.6 million. Figure 1 (page 2) displays other statistical results achieved by the investigative organizations during this semiannual reporting period. The following are examples of significant cases.

Support in Baghdad, Iraq

Defense Criminal Investigative Service Special Agents continue to work effectively with the Coalition Provisional Authority (CPA) in Baghdad, Iraq. A rotating team of three DCIS Special Agents, working within Baghdad, coordinated investigative matters relating to allegations of bribery, contract irregularities, counterfeiting, embezzlement, and the sale and smuggling of illegal weapons and explosive devices. Investigations were conducted primarily in the Green Zone established by the CPA, and surrounding areas of Baghdad, working in coordination with the U.S. Army Military Police and the newly established Iraqi National Police. DCIS Special Agents also work closely with the Military Criminal Investigative Organizations, the Federal Bureau of

Investigation, and the Bureau of Immigration and Customs Enforcement in Iraq.

DCIS Special Agents developed and utilized CPA and Iraqi sources to obtain valuable information for its activities in Iraq. This information furthered DCIS inquiries and, when appropriate, was coordinated with other law enforcement and intelligence organizations. As an example, working with the Military Police, Iraqi police, and CPA Ministry of Finance, DCIS Special Agents broke up an Iraqi dinar counterfeiting operation, seizing counterfeit currency worth more than 100 billion dinars (\$50 million) and printing presses, and assisted in the arrest of an Iraqi national. The investigation exemplified the close cooperation among the many U.S. and Iraqi agencies and the prevention of criminal activity that could seriously affect CPA’s progress and the Iraqi economy. DCIS continues to adapt to the changing safety and security landscape in Iraq while providing invaluable service—supporting CPA officials—and—protecting America’s Warfighters.

Judicial and Administrative Actions				
	Convictions	Indictments	Debarments	Suspensions
Terrorism	9	10	81	22
Procurement/ Health Care Fraud	76	43		
Other	245	143		
Total	330	196		

Figure 1

Terrorism

DCIS Special Agents teamed with the Joint Terrorism Task Forces (JTTF) continue their efforts against terrorism throughout the United States. In addition to the traditional work of ensuring that our warfighters have the best and safest equipment to accomplish their mission, DCIS Special Agents work with Federal, state, and local law enforcement agencies, the Military Criminal Investigative Organizations, and the intelligence units that comprise the JTTFs, to ensure that information is shared, investigations are completed, and that the investigations are both thorough and timely.

- In Seattle, Washington, an individual pled guilty and was sentenced to 24 months incarceration, 3 years supervised probation, and a \$100 fine for conspiring to violate the International Emergency Economic Powers Act. The investigation disclosed his ties to the Taliban, specifically, that he had provided cash, computers, and recruitment assistance to the Taliban-controlled territory of Afghanistan.

Technology Transfer

- The Chinese-American owner of a Virginia company was sentenced to 7 months incarceration, 8 months community detention, fined \$2,500, required to forfeit \$505,000 in proceeds from illegal exports, and ordered to pay an additional \$88,000 in taxes after pleading guilty to charges of Unlawful Export of Commerce Control List items and Tax Fraud. The investigation disclosed that the firm conspired to and illegally exported hardened microprocessors with military application to the People's Republic of China. The subject's spouse also pled guilty to delivery of a false tax return.
- The Chinese-American owner of a California company was sentenced to 30 months incarceration, 3 years supervised release, and fined \$6,000 for violations of the Arms Export Control Act. An investigation determined that the owner attempted to illegally export Munitions List items from the business to the People's Republic of China. The items included bomb ordnance, missiles, rockets and launchers, classified electronics, lasers, and components from submarine, tank, aircraft and helicopter systems.
- A Taiwanese national, employed by a Taiwanese firm, was sentenced to 24 months incarceration, 3 years probation, and a \$5,000 fine after pleading guilty to conspiracy, money laundering, and Arms Export Control Act violations. The

investigation disclosed that the employee and a Taiwanese businessman with ties to an Iranian procurement official attempted to illegally export Munitions List items to Iran that included electronic warfare equipment, night vision goggles, helicopter parts, and space imagery technology.

**Product Substitution
and Contract
Noncompliance**

- The former vice president and chief executive officer of a Kansas Defense contractor was convicted and sentenced to 21 months incarceration, 36 months supervised release, and ordered to pay \$5,055,670 restitution to the Defense Logistics Agency for conspiracy, obstruction of justice, and perjury. An investigation determined that he had obstructed an investigation into allegations the contractor delivered defective O-Rings and seals used on military aircraft that caused an in-flight emergency involving a B-1B bomber.
- The director of a Florida Defense contractor was sentenced to 40 months incarceration, 3 years supervised release, and ordered to pay \$355,444 in restitution and a \$1,200 special assessment following a guilty plea to false statements and false claims for supplying nonconforming “breech locks” for the .50 caliber (M2) machine gun to the Defense Supply Center-Columbus.
- The president of an Oklahoma Defense contractor was sentenced to 4 months of incarceration and 4 months of home confinement, 3 years supervised release, and ordered to pay a fine of \$15,000 and a \$1,000 special assessment, following a guilty plea to false statements and wire fraud related to false certifications on the overhaul of jet engine combustion chambers used on military and civilian aircraft, including the DC-9 and the Boeing T-43 (737).
- A major Defense contractor in Pennsylvania paid \$4 million in a civil settlement to resolve allegations of presenting false certifications in two testing/processing procedures. This joint investigation revealed that the contractor was certifying that cast bars met contract specifications when, in fact, heat treatment test results were altered and welding of casting may have occurred in no-weld areas. The contractor’s actions affected over 700 Government purchase orders and approximately 300 military production part numbers. The company was a participant in the Department’s Voluntary Disclosure program.

- A Florida company and provider of parts for two major Defense aircraft, and its operations manager pled guilty to five counts of false statements and seven counts of false claims in Federal District Court. The operations manager was sentenced to 40 months imprisonment with 3 years of supervised release and ordered to pay \$355,444 in restitution and \$1,200 in special assessments. The contractor was improperly heat-treating parts and then selling them to the Government as meeting specifications. The company, debarred from government contracting, is no longer in business.
- A Texas company and its owner pled guilty to mail fraud for selling substandard aircraft parts and substandard oil tanks to the Department of Defense. An investigation revealed the dimensions of some parts were nonconforming and could create conditions for oil leaks, presenting flight safety concerns. The owner was sentenced to 5 years probation and ordered to pay \$115,000 in restitution and \$1,400 in fines and assessments. The Government debarred the company and four of its corporate officers for 3 years and suspended two former officers.

Computer Crime

- A former member of a hacker group pled guilty to computer fraud against DoD and was sentenced in Virginia to 27 months confinement, 3 years probation, and ordered to pay \$1,025 in restitution.
- A Nevada individual involved in the attempted “hacking” of DoD computer systems pled guilty to illegally distributing the copyrighted proprietary computer software known as “warez.” This individual was sentenced to 6 months home confinement, 4 years supervised probation, and ordered to pay a \$5,000 fine. To date, there have been a total of 21 convictions related to this investigation.

Financial Crime

- An audit review and information obtained from various Inspector General subpoenas resulted in a Defense shipbuilding company in Virginia entering into a civil settlement with the Department of Justice and returning \$18 million in profit to the Department of Defense and paying a \$3 million fine. An investigation showed that the company did not provide accurate and complete cost and pricing data during negotiations with the Defense Department to construct a major ship.

- A joint investigation, initiated as a result of a *qui tam* complaint, resulted in defective pricing charges against a New Jersey Defense contractor's president. The complaint alleged that the contractor's president submitted progress payment requests for inflated or non-existent work; falsified cost and pricing data; concealed information and provided false information to auditors; inflated overhead costs; and falsified information for the purpose of acquiring a corporate credit line. The president was ordered to pay \$22,800 in restitution and was sentenced to 3 years probation and 6 months home detention.
- A Defense management services contractor in Norfolk, Virginia, pled guilty and was ordered to pay a fine of \$8 million as a result of an investigation into corporate-wide fraudulent billing practices related to medical management, claims, and services affecting DoD and the U.S. Postal Service.
- A California Defense research contractor dropped its claims against the U.S., which exceeded \$15 million, and entered into a \$750,000 agreement to settle allegations it submitted false claims to the Government on a research and development contract specializing in rocket propulsion systems.

Public Corruption

- A U.S. District Court judge in New Jersey sentenced four present and former corporate officers and two employees of six DoD contractors and subcontractors pled guilty to violation of the Anti-Kickback Act in a kickback scheme primarily involving media graphics contractors. In total, they were sentenced to 41 months and 36 months incarceration to be served concurrently, 32 years probation, \$59,300 in fines, \$1,350 in special assessments, 180 hours of community service, and 15 months of home surveillance. DoD debarred nine individuals from doing business with the Federal government for up to 3 years. To date, there have been a total of 24 convictions related to this investigation.
- U.S. District Court judges in New York state sentenced the president of a DoD subcontractor to one year imprisonment, 3 years probation, and \$227,341 in restitution, and sentenced a manager to 5 years probation and \$25,259 in restitution, following an investigation of violations of the Davis-Bacon Act. These individuals previously pled guilty to Failure to File Annual Report under the Employee Retirement Income Security Program and Filing a Fraudulent Claim. In addition, the Department of the

Army suspended from contracting the company manager, the company president, and the company for an indefinite period of time.

- A U.S. District Court judge in Texas sentenced a former employee of a DoD contractor and two owners of a subcontractor after their guilty pleas for their involvement in a kickback scheme. The former employee was sentenced to 21 months imprisonment, 2 years of supervised release, and fined \$5,000; and the two owners were sentenced to a total of 6 years probation and ordered to pay a fine of \$500. All three were suspended by the Defense Logistics Agency from conducting further business with the Government.

Environmental Crimes

- A Virginia Defense contractor was ordered to pay a \$200,000 fine and was placed on 2 years probation after pleading guilty to making false statements in connection with a scheme to purchase fraudulent environmental training certificates regarding asbestos and lead abatement.
- A Kentucky Defense contractor and its president were found guilty and assessed fines and penalties totaling \$3,944,589 for providing nonconforming coal with respect to sulfur and ash limits on contracts for coal delivery to various DoD installations, the Savannah River Nuclear Weapons Facility, and on other Department of Energy contracts.
- A former manager of a Pennsylvania Defense subcontractor and his spouse were sentenced to a total of 8 months house arrest with electronic monitoring and 3 years probation after each pled guilty to making false statements and aiding and abetting a scheme to provide false asbestos removal certificates to employees of lead and asbestos remediation firms. The false training certificates were used on contracts for remediation of the former Philadelphia Naval Shipyard.

Medical Fraud

- The president of three healthcare corporations in Alabama, dealing in durable medical equipment and related pharmaceuticals, agreed to pay \$1 million in a settlement agreement to the U.S. Government to resolve allegations that the companies and their president submitted false claims for health care services.

- A U.S. District Court in Florida sentenced an individual to 20 years confinement, 36 months probation, and ordered him to pay restitution of \$1,009,661 after pleading guilty to violations of the Health Care Fraud Statute and the Drug Abuse Prevention and Control Statute. In addition, a Preliminary Order of Forfeiture was filed for real property, currency, and assets belonging to the individual.
- A Wisconsin U.S. District Court sentenced 2 individuals to 14 months incarceration followed by 3 years supervised release, and total restitution of \$209,073, after they pled guilty for their involvement in a scheme to defraud TRICARE of \$3 million by submitting false medical claims in the Philippines. To date, there have been a total of 15 convictions related to this investigation.
- A U.S. District Court judge sentenced a California doctor of osteopathy to 6 months incarceration and 3 years of supervised release subsequent to an earlier guilty plea to one count of mail fraud. The doctor agreed to pay criminal restitution of \$29,500. In addition, the doctor agreed to pay \$1,000,000 to resolve his civil liability under the False Claims Act and was excluded from federally funded health care programs for 10 years.
- A New York hospital entered into a \$165,000 civil settlement with the U.S. Government to resolve allegations that it up-coded emergency room billings. The hospital was one of several medical providers that billed TRICARE for unnecessary emergency room treatment.
- The owner of a South Carolina health care provider and another doctor were sentenced to a total of 15 years confinement, 6 years probation, and fines and restitution amounting to \$674,512 after they pled guilty for their involvement in a conspiracy to commit health care fraud.
- In Missouri, a university teaching hospital entered into a \$1.8 million civil settlement with the U.S. Government to resolve allegations it submitted fraudulent claims related to anesthesiology services, some of which were submitted to TRICARE.

**DIRECTORATE FOR
MILITARY REPRISAL
INVESTIGATIONS**

The OIG DoD Directorate for Military Reprisal Investigations conducts investigations and performs oversight reviews of investigations conducted by the Military Departments pertaining to:

- Allegations that unfavorable actions were taken against members of the Armed Forces, DoD nonappropriated fund employees, and Defense contractor employees in reprisal for making protected communications.
- Allegations that members of the Armed Forces were referred for mental health evaluations without being afforded the procedural rights prescribed in the DoD Directive 6490.1, “Mental Health Evaluations of Members of the Armed Forces,” and DoD Instruction.6490.4, “Requirements for Mental Health Evaluations of Members of the Armed Forces.”

**Whistleblower
Reprisal Activity**

During the reporting period, the DoD Inspector General and the Military Department Inspectors General received 294 new complaints of whistleblower reprisal. Of that number, 233 cases were closed during the period, and 163 cases were closed after preliminary analysis determined further investigation was not warranted. A full investigation was conducted for 70 cases. Of the 70 cases, 21 (30 percent) contained one or more substantiated allegations of whistleblower reprisal. Investigative results were referred to commanders and supervisors for corrective action.

**Examples of
Substantiated
Whistleblower
Reprisal Cases**

- An Army staff sergeant received an adverse noncommissioned officer evaluation report from his section chief, division chief, and battalion commander in reprisal for submitting allegations of theft and government equipment misuse to the Army Criminal Investigations Division.
- A Navy chief petty officer received a lowered enlisted performance report in reprisal for reporting an inappropriate relationship between his officer in charge and a female enlisted member.
- An Air Force test flight commander reprised against a subordinate major after the major's complaint against the commander resulted in his removal from command. The flight commander changed the major's rating chain to lower-ranking officers and provided false information to the flight surgeon that resulted in the major's temporary grounding.

Example of a Case Involving Restricting a Member to Contact an IG or Member of Congress

- A DoD contractor terminated an employee at an Air Force Hospital in reprisal for the employee’s protected disclosure regarding contract improprieties by his employer.
- An Air Force master sergeant violated provisions of Title 10, United States Code, Section 1034, “Military Whistleblower Protection Act,” and DoD Directive 7050.6, “Military Whistleblower Protection” that prohibit restricting members of the Armed Forces from making protected communications to Inspectors General and Members of Congress. The master sergeant sent an all-hands email to a security forces squadron that prohibited members from contacting any outside entity, including the Inspector General, without receiving prior approval from the squadron.

Oversight of U. S. Air Force Academy Cases (Alleged Reprisal for Reporting Sexual Assaults)

The DoD Inspector General and the Air Force Inspector General received 28 complaints regarding sexual assaults on current and former U.S. Air Force Academy cadets. Thirteen of the complaints contained allegations of reprisal for reporting the assaults. Currently, the DoD Inspector General is investigating 3 of the reprisal cases; the Air Force has completed 6 of the remaining 10 reprisal investigations.

Referrals for Mental Health Evaluations

Thirty-two cases involving allegations of improper referrals for mental health evaluations were closed during the reporting period. In 21 (66 percent) of those cases, commanders, first sergeants, and mental healthcare providers failed to follow the proper procedures for referring a service member for a mental health evaluation under DoD Directive 6490.1, “Mental Health Evaluations of Members of the Armed Forces.” In most cases, procedural violations occur because commanders and mental healthcare providers are not aware of their responsibilities when a member is command-directed to undergo mental health evaluation. We are working with the Departments to educate commanders and mental health providers regarding the procedural requirements of the Directive.

DIRECTORATE FOR CIVILIAN REPRISAL INVESTIGATIONS

In January 2004, the Inspector General of the Department of Defense created one of the first whistleblower affairs offices within a Federal agency. The Directorate for Civilian Reprisal Investigations (DCRI) was established under the Deputy Inspector General for Investigations. DCRI’s mission is to provide assistance to Department of Defense employees funded through Civilian Appropriated-Funds when those employees face alleged retaliation on the job after disclosing a violation of rule, law, and regulation.

The DCRI works parallel to, and in conjunction with, the U.S. Office of Special Counsel (OSC). OSC retains primary jurisdiction over the administration of the Whistleblower Protection Act of 1989.

DCRI's initial efforts have been organized to support ongoing investigations by the OIG DoD, with an added focus on the integrity of employee protections within the intelligence communities supervised by the Department of Defense. Because OSC generally does not have jurisdiction over the Defense Intelligence Agencies, employees of the National Security Agency and the Service intelligence communities who feel they have been the victims of reprisal have had limited recourse available to them.

SENIOR OFFICIAL INQUIRIES

The OIG DoD Directorate for Investigations of Senior Officials investigates allegations against senior military and civilian officials and oversees senior official investigations conducted by the Military Departments.

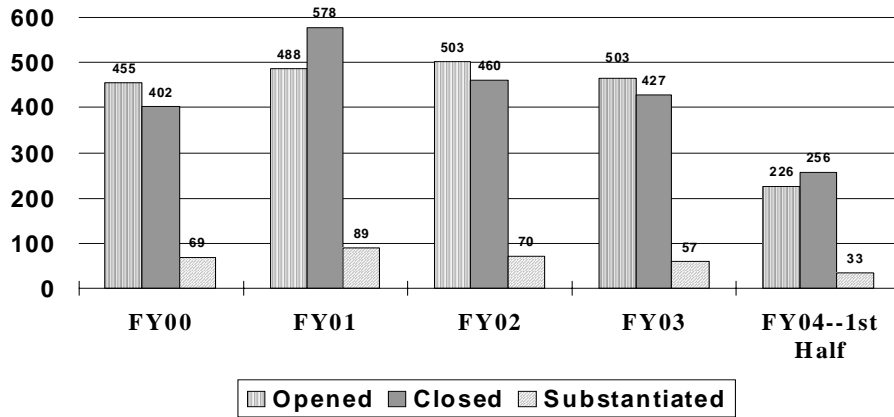
Figures 2 and 3 (page 12) display results of activity on senior official cases during the first 6 months of FY 2004. As of March 31, 2004, there were 263 open investigations into senior official misconduct throughout the Department, which represented a slight decrease from October 1, 2003, when we reported 275 open investigations. Over the past 6 months, the Department closed 256 senior official cases. Thirty-three (13 percent) of those closed cases contained substantiated allegations.

INSPECTIONS AND POLICY

Investigative Policy and Oversight

The Investigative Policy and Oversight (IPO) Office assists the OIG DoD in fulfilling its statutory responsibilities to prevent fraud, waste, and abuse by developing investigative policy for the Department and monitoring and evaluating the performance of more than 3,600 special agents and 48,000 law enforcement personnel in the Department. IPO evaluates investigative and law enforcement programs and organizations; reviews issues concerning individual investigations; develops Department-wide policy affecting the investigative and law enforcement community; coordinates on legislative proposals; and administers the OIG DoD Subpoena and Voluntary Disclosure programs. IPO provides oversight of the policies and operations of the

DoD Total Senior Official Cases FY 2000 - FY 2004



This chart shows the total number of senior official investigations conducted in DoD over the past four and one-half fiscal years.

Figure 2

Nature of Substantiated Allegations Against Senior Officials During 1st Half FY 04

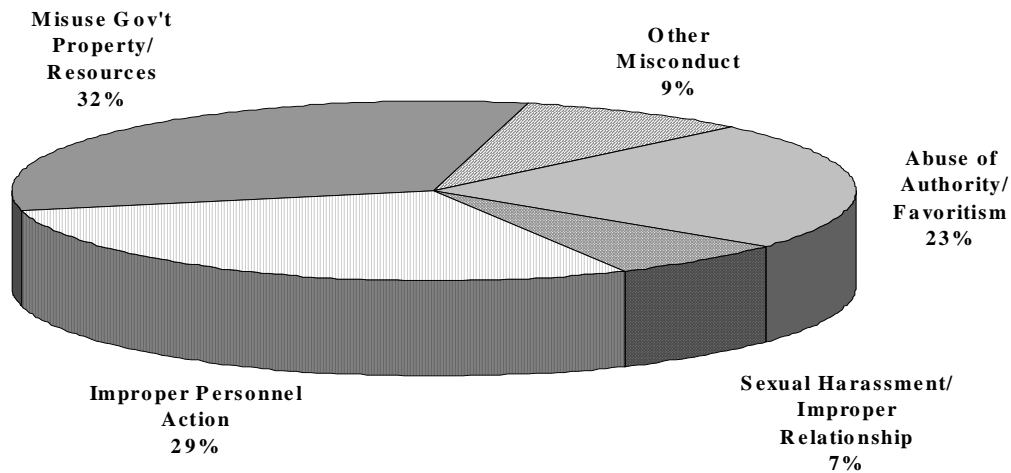


Figure 3

four DCIOs and other investigative organizations in the Department. Information on some of the IPO's actions and products follows.

On February 14, 2004, IPO released a Follow-Up Evaluation on the Defense Protective Service (DPS). (On May 3, 2002, the Pentagon Force Protection Agency was established and the DPS became a subordinate element.) The evaluation reviewed 27 recommendations in a May 14, 1999, report to improve DPS operations and management. The evaluation team determined that of the 27 original recommendations, the DPS had implemented only 5, one of which resulted in a significant pay increase for DPS police officers. One recommendation had been resolved without implementation. The team identified problems related to the implementation of the remaining 21 recommendations, some of which were critical to effective law enforcement operations. The report included recommendations to correct the deficiencies identified during the follow-on evaluation. A member of Congress identified additional areas of concern, which the team resolved.

During this reporting period, the U.S. Senate Armed Services Committee (SASC) asked the OIG DoD to expand an on-going evaluation of the Air Force's response to allegations of sexual assaults at the Air Force Academy. Specifically, the SASC requested that the OIG DoD address a recommendation by "The Panel to Review Sexual Misconduct Allegations at the U.S. Air Force Academy" (the Fowler Panel) to "conduct a thorough review of the accountability of Academy and the Air Force Headquarters leadership for the sexual assault problems at the Academy over the last decade" including the "actions of current as well as previous Air Force Leadership." The SASC request closely parallels a similar request by the Subcommittee on Total Force, House Armed Services Committee. The OIG DoD expanded its evaluation to include those accountability issues. Additionally, in response to requests of the Secretary of Defense and the Chairman of the SASC, the OIG DoD initiated sexual assault and leadership climate surveys at the three military service academies. The surveys were pending at the end of this period.

On January 1, 2003, the OIG DoD began collecting statistics regarding Defense Criminal Investigative Organization investigations of fraud involving the Government Purchase Card (GPC) Program. Seventy-two investigations, identifying various fraud schemes, have been initiated from that date to March 31, 2004. Misuse of the GPC for personal purchases and schemes regarding kickbacks and bribes continue to top the list of investigations. Of the 72 investigations, 57 are pending and 15

have been closed with various actions taken. Some of these cases resulted in fines of up to \$40,000 and Dishonorable and Bad Conduct discharges for military service members involved in the abuse of the cards.

Voluntary Disclosure Program

The 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 the Federal Acquisition Regulation. During this reporting period, the Government received two requests for admission to the program and recovered \$4.5 million in settlement of disclosures.

In one voluntary disclosure case, a company reported that it had failed to comply with certain quality and manufacturing procedures at a number of its facilities. In the second case, a company disclosed that one of its employees submitted fraudulent invoices to the Government while posing as an outside supplier.

Hotline

The OIG DoD Hotline continues to be a tool for DoD employees, military service members, and the public to report violations of ethical standards, including but not limited to fraud, waste, or abuse of authority, and potential leaks of classified information. During this reporting period, the OIG DoD Hotline received 7,363 contacts from the public and members of the DoD community and initiated 1,324 investigations and closed 1,534 cases. Investigations initiated by the OIG DoD Hotline returned \$774,515 to the Government during this reporting period. Additionally, the OIG DoD Hotline received 26 congressional inquiries during this reporting period.

Inspections and Evaluations

On September 8, 2003, the Inspector General of the Department of Defense established an Inspections and Evaluations Directorate within the Office of the Deputy Inspector General for Inspections and Policy. The programming plan to support this new Directorate was approved on March 15, 2004. In addition to monitoring compliance with law and DoD policy, the Directorate evaluates, reviews, and assesses DoD programs and activities to provide information and recommendations to managers for decision-making and to improve programs, policies, and procedures. Evaluators are selected based on their technical expertise and their experience in using different types of study methods and evaluation methodologies.

The Directorate has 20 people and is programmed to build to 50 military and civilian personnel by the end of fiscal year 2005. The organizational structure includes six divisions:

- Joint Operations, Military Departments, and Service Inspectors General
- Reserve Forces
- Homeland Defense
- Safety and Operational Health
- Engineering and Environment
- Special Projects and Technical Assistance

These divisions are designed to provide broad subject area expertise to address the President's Management Agenda, DoD top priorities, and OIG performance and management challenges for the Department of Defense.

**Support to
Inspectors General
of the Combatant
Commands**

On March 25, 2004, the Joint Operations Division, Inspections and Evaluations, completed a revision of DoD Directive 5106.4, "Inspectors General of the Combatant Commands," and a new Draft DoD Instruction 5106.4 to implement the directive. The Joint Staff and Combatant Command Inspectors General are conducting an informal review of these documents; the formal worldwide review will be completed on June 1, 2004. This policy will provide one comprehensive standard for Combatant Command IG operations and will serve as the baseline for the development of a Joint IG Training Course.

**Audit Policy and
Oversight**

In accordance with the Inspector General Act of 1978, as amended in 1982, the Office of Assistant Inspector General for Audit Policy and Oversight (APO), provides policy direction and oversight for audits performed by more than 6,500 DoD auditors, ensures appropriate use of non-Federal auditors and their compliance with auditing standards and ensures that contracting officials comply with statutory and regulatory requirements when resolving contract audit report recommendations in accordance with DoD Directive 7640.2, "Policy for Followup on Contract Audit Report." During the reporting period, APO issued or participated in oversight, quality control, special assistance reviews and Hotline reviews, as follows, and completed several other significant actions.

- Administrative Inquiry into Allegations Concerning the Defense Contract Audit Agency Alteration of Working Papers at the New York Branch Office (October 6, 2003)
- Defense Contract Audit Agency Quality Assurance Review of “All Other” Audits (D-2004-6-001, October 21, 2003)
- Quality Control Review of PricewaterhouseCoopers, LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audit Report of the MITRE Corporation, Fiscal Year Ended September 30, 2001 (D-2004-6-002, October 21, 2003)
- Quality Control Review of Defense Contract Audit Agency Audit Operations (D-2004-6-003, December 15, 2003)
- Review of Allegations Concerning NAVAIR Contracting Officer Actions (D-2004-6-004, December 5, 2003)

Other significant actions include:

- Updated and reissued DoD Directive 7600.2, “Audit Policies,” DoD Directive 7600.10, “Audits of States, Local Governments, and Non-Profit Organizations,” and DoD Instruction 7600.6, “Audit of Nonappropriated Fund Instrumentalities and Related Activities.”
- Trained more than 250 DoD auditors on the 2003 revision to Government Auditing Standards issued by the Comptroller General of the United States. Taped sessions of the training and facilitator documentation continue to provide training to more DoD auditors.
- Provided comments to Federal Acquisition Regulation revisions to 31.205-35, Relocation Costs, expressing concern that the proposed change would subject millions of dollars to subjective tests of reasonableness with no supporting documentation and would result in Government and contractor personnel expending significantly more resources in determining reasonableness and resolving disputes. The proposed change allowed contractors the option of claiming on a lump-sum basis employee relocation costs for costs of finding a new home, travel to a new location, and temporary lodging.

- Issued 199 memoranda to DoD Components on direct and systemic findings from single audit reports that may impact DoD programs in accordance with Office and Management Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, June 24, 1997, as revised.

AUDITING

The OIG DoD, the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency issued 251 reports, which identified the opportunity for nearly \$1 billion in monetary benefits. Appendices B and C, respectively, list OIG DoD reports with potential monetary benefits and statistically summarizes audit followup activity.

The Defense Contract Audit Agency (DCAA) provided financial advice to contracting officers in 17,753 reports issued during the period. Contract auditing resulted in approximately \$3,766.6 million in questioned costs and funds that could be put to better use. Further details are at Appendix D. Contracting officers disallowed \$111.1 million as a result of significant DCAA post-award contract audit reports closed during the period. Additional details on the status of actions taken on significant post-award contract audits are in Appendix E.

Acquisition Audits

The Department is the largest purchaser in the world; in fiscal year 2003, a total of \$231 billion was spent on acquisition. On an average working day, the Department issues more than 22,000 contract actions valued at \$841 million and makes more than 140,000 credit card transactions valued at \$37 million. The Department's challenge is to obtain the best value of quality and cost for a myriad of goods and services. During the reporting period, the Defense audit community issued 62 reports on acquisition matters.

Every acquisition dollar that is not prudently managed results in the unavailability of that dollar to fund the Secretary of Defense's top 10 priorities, such as the global war on terrorism and joint warfighting capabilities. For example, procedures for contracts awarded by the Defense Contracting Center-Washington in support of the Coalition Provisional Authority (CPA) needed improvement. An OIG DoD report showed that the Department did not plan for the acquisition support that the Office of Reconstruction and Humanitarian Assistance, subsequently replaced by the CPA, required to perform its mission. A review of 24 contracts, valued at \$122 million, showed that supplies and services were quickly acquired but that contracting rules were either circumvented or liberally interpreted. The contracting officers misused

the General Services Administration Federal Supply Schedules for 10 contracts, inappropriately awarded 10 personal services contracts, did not support price reasonableness determinations for 22 contracts, and performed little or no Government surveillance on 13 contracts. The report identified for possible recoupment about \$634,000 of contractor overpayments. The lack of attention to proper contracting procedures resulted in not obtaining the best contracting solution or price for post-war occupation and humanitarian relief operations. The report also included recommendations to correct the contracting problems and a recommendation to the Deputy Secretary of Defense to designate an office to study the existing DoD post-war strategy and establish responsibilities, policies, and procedures for acquisition of goods and services in support of future post-war occupations and relief operations.

The Department has about 1,500 weapon system acquisition programs valued at \$2.1 trillion over the collective life of the programs. OIG DoD audits of the CH-47F Improved Cargo Helicopter and the Joint Chemical Agent Detector demonstrated the need to update acquisition program baselines, test and evaluation plans, and life cycle cost estimates to effectively manage the program and facilitate investment decisions. Additionally, a Naval Audit Service review of processes and controls for cost estimating at the Naval Air Systems Command and the Naval Sea Systems Command concluded that because of a variety of internal and external factors, cost estimates increased an average of 21 percent for a total of \$15 billion during the life cycles of the 18 programs audited. Further, for the Global Hawk Unmanned Aerial Vehicle, the Air Force Audit Agency determined that program officials proactively transitioned the program from a traditional (single-step to full-capability) acquisition approach to an evolutionary acquisition strategy. However, improvements were needed to align key plans and related documents with the evolutionary acquisition strategy to facilitate the ability to obtain the maximum benefit from long-term baseline control, program continuity, and communication.

Another OIG DoD report identified a variety of shortcomings in the approach the Air Force used to reach a multi-billion dollar deal to acquire 100 Boeing KC-767A tanker aircraft and recommended various changes before DoD allows the program to proceed. Although the report did not recommend program cancellation, it did identify statutory requirements and other related issues pertaining to the current program structure and procurement strategy that required resolution before continuing with the acquisition.

In FY 2003, the Department contracted for \$123 billion in services. Annual procurement of services now exceeds the \$89 billion of purchases to acquire weapon systems and spare parts. An OIG DoD review of \$17.8 billion of purchases for professional administrative and management support services found that for 113 contracts, 98 percent had problems such as inadequate competition (28 percent), inadequate contract surveillance (67 percent), and inadequate basis for price reasonableness determinations (88 percent). The report pointed out that little had improved since a review in 2000 identified similar problems. The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Services responded by initiating numerous corrective actions to ensure that future acquisitions for services are properly awarded and administered.

Additionally, overpricing on spare parts purchased on a sole-source basis continues to be a problem that has been reported for 6 years. An OIG DoD report on purchases from AAR Defense Systems, an exclusive distributor for Hamilton Sundstrand, showed that the Army and the Defense Logistics Agency will pay about \$22 million more than the fair and reasonable price for the spare parts purchased. The problems existed because the Army and Defense Logistics Agency purchased the parts on a sole-source basis from the distributor instead of from the original equipment manufacturer without determining whether the distributor was adding sufficient value to cover pass-through costs. Also, contracting officers were not obtaining adequate cost or pricing data in order to determine price reasonableness.

Further, the Defense auditing community is heavily involved in helping the Department reduce its vulnerability to credit card misuse. The OIG DoD reported that controls over purchase card use were not properly implemented and were ignored by senior management at the Space and Naval Warfare Information Technology Center, New Orleans. The Center incurred about \$1.1 million of questionable purchases and exposed the Department to financial risk because monthly credit limits were \$31 million greater than needed. An example of unneeded purchases occurred in two shopping trips where the Director and Deputy Director purchased supplies worth \$4,600 that included luggage, personal finance software, binoculars, and a global positioning system that had no Government use. The Navy agreed to improve management controls, fill key oversight management positions, and perform a review of individuals involved in the purchases. Additionally, an OIG DoD audit of the Washington Headquarters Services revealed that agency employees made about \$1.7 million of fraudulent purchases and

\$201,000 of improper purchases with purchase cards to include computer games, coffee mugs, kitchen radios, and power tools. Proactive efforts of both the OIG DoD data mining group and the Department's purchase card program office increased senior leadership involvement and improved management controls over the purchase card program. In another example of weak management controls, the Naval Audit Service reported that selected Navy activities did not maintain adequate internal controls over their purchase card programs, did not maintain transaction files, and did not include the purchase card program in their management control program.

Human Capital Audits

The President's Management Agenda, the U.S. General Accounting Office (GAO), and the DoD continue to identify Human Capital as a top concern. The challenge in the area of Human Capital is to ensure that the DoD workforce of 1.5 million active duty, 1.5 million Guard and Reserve personnel, and 800,000 civilians are appropriately sized, well trained and motivated, held to high standards of integrity, encouraged to engage in intelligent risk taking, and thus capable of handling new technologies and threats. However, demographics are rapidly changing. By 2006, approximately 66 percent of the DoD civilian workforce will be eligible to retire. Without proper planning, DoD will not be able to recruit and retain employees with the necessary mix of skills to reflect and support tomorrow's changing missions. Although the number of youth in the country is growing, their propensity to enlist in the military is decreasing, and in the civilian workforce, this same youth expect new benefits and greater flexibilities in the workplace. During the reporting period, the Defense audit community issued 16 reports on Human Capital issues.

FY 2004 is an auspicious year for DoD in regard to Human Capital. Today's military is the best ready-to-fight force in our nation's history as proven by Iraqi Freedom. In addition, for the first time since the Civil Service Reform Act of 1978, major changes to the Department's personnel system will occur with the implementation of the National Security Personnel System (NSPS). The NSPS will allow DoD to develop a flexible and fair system to help attract, retain, reward, and grow its civilian workforce to meet national security demands. In addition to NSPS implementation, DoD has undertaken a number of initiatives to improve personnel management including the expansion of its Personnel and Readiness Strategic Plan through 2006 and identification of 51 performance measures in its Civilian Resources Strategic Plan that will fully support the new NSPS.

The defense audit community has also begun initiatives to strategically address the Human Capital issue. Specifically, the OIG DoD established a dedicated cadre of auditors to assess Human Capital issues and is developing a strategic audit plan to systematically prioritize and perform audits that will provide the Under Secretary of Defense for Personnel and Readiness and senior military officials with meaningful information on DoD Human Capital issues. The OIG DoD and the Service audit agencies also established a Human Capital Joint Audit Planning Group.

The OIG DoD report on the implementation of the DoD voting assistance program for 2003 stated that the Federal Voting Assistance Program Office provided a variety of valuable resources and assistance to voting assistance officers and uniformed absentee voters and their dependents. However, the DoD voting assistance programs could be improved. Specifically, DoD needs to expedite planned revisions to its voting assistance guidance. Additionally, the Services should provide command emphasis at all organizational levels and increase oversight to ensure effective program implementation. Frequent deployments, increased operational requirements, and worldwide commitments are compelling reasons for DoD to maximize the effectiveness of its program.

The Army Audit Agency reported that the Army has realistic goals for minimizing training-base and first-term soldier attrition. However, recruiters did not always require applicants to disclose medical conditions on prescreening forms, follow up on medical conditions disclosed on prescreening forms, or obtain the names of primary care physicians and medical insurance providers. Because of the absence or late disclosure of this information, medical examiners may not always have had the opportunity to follow up on existing medical conditions.

**Financial
Management Audits**

The Department's financial statements are the largest, most complex, and diverse in the world. The Department faces financial management problems that are complex, long-standing, pervasive, and deeply rooted in virtually all business operations Department-wide. These problems have impeded the ability to provide reliable, timely, and useful financial and managerial data to support operational, budget, and policy decisions. Because of these problems, the Department has been precluded from receiving an unqualified audit opinion on all but two of its financial statements. To date, only the Military Retirement Fund has received an unqualified audit opinion while the Medicare Eligible Retiree Health Care Fund received a qualified audit opinion for FY 2003.

The OIG DoD is working closely with the Department to address these long-standing financial management problems and supports the Department's goal of achieving a favorable audit opinion for the FY 2007 DoD financial statements. The Under Secretary of Defense (Comptroller)/Chief Financial Officer has directed an initiative to improve financial management in the Department of Defense with the stated objective of achieving an unqualified audit opinion on the Department's financial statements for FY 2007. As the Department's statutory auditor, this initiative will require the OIG DoD to conduct or contract for annual audits on about 65 financial statements and their associated financial systems. To accomplish the annual audits, the OIG DoD needs to hire about 300 additional audit personnel within the next 3 years to either conduct or oversee the conduct of these audits by independent public accounting and information technology firms. Specifically, we need significant numbers of additional personnel that already possess specialized skills and management experience in auditing financial statements and systems. The knowledge and experience needed by senior level personnel to manage audits of complex financial statements and a network of integrated systems can only be acquired through extensive, specialized work experience. Filling these positions is critical to the mission of the Inspector General because of the imminent need for such a large number of "experienced" and specialized audit staff within the next 3 years. Congressional approval is being sought to support the planned expenditures.

The DoD audit community issued 76 reports on Financial Management during the reporting period. The OIG DoD issued an audit report on contracts awaiting financial adjustment at the Defense Finance and Accounting Service Columbus. The report found that the Mechanization of Contract Administration Services system contained 1,084 contracts valued at \$2.9 billion that have remained open for more than 2 years and upwards of 9 years while awaiting financial adjustment. In addition, the OIG DoD issued a report on the management controls over DoD transit subsidies within the National Capital Region. The report found that controls over transit subsidy programs within the Army, Navy, Air Force, and the Defense Logistics Agency needed improvement.

The Naval Audit Service also found that management of the Navy Civilian Financial Management Career Program had not defined or ascertained the baseline level of professionalism for more than 8,100 Financial Management employees. As a result of audit recommendations, management took action to analyze, develop, and

establish meaningful metrics for commonality among the civilian community and specificity within the financial community.

Additionally, the Air Force Audit Agency reported that improvements were needed in system controls and implementation of all the applicable Federal accounting conformance requirements for the first increment of the Financial Information Resource System. These improvements should enable the increment, known as the Enterprise Data View, to achieve substantial Chief Financial Officers Act compliance and improve budgetary data reliability.

Homeland Security Audits

The ongoing mission of Operation Iraqi Freedom continues to elevate the level of threat from adversaries who may use nuclear, chemical, and biological weapons or weapons of mass destruction against the United States and its allies. The DoD audit community issued eight reports related to Homeland Security.

One activity integral to Homeland Security is the Cooperative Threat Reduction Program (CTRP). The CTRP was initiated to reduce the threat posed by weapons of mass destruction in the former Soviet Union. Under this program, the United States provides funds to build facilities and operate programs to safeguard, transport, and ultimately destroy chemical and nuclear weapons. The OIG DoD issued two reports addressing CTRP. One of the reports discussed projects for construction of facilities that will support the destruction of weapons and weapons material and the implementing agreements for those projects. The second report addressed the CTRP management structure and stated that the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics did not actively participate in planning, programming, and budgeting activities nor evaluate whether procurements should receive additional management attention.

The Army Audit Agency reported that the Army's plans for implementing an Installation Preparedness Program for Weapons of Mass Destruction were not adequate and plans related to first responders were substantially fragmented and ineffective. Also, the Army's plans to implement a standard package of equipment and training requirements for installations and to have installations program their own requirements were not fully effective. Additionally, key first responder roles and responsibilities were fragmented and key Army policy and guidance for the program was not fully effective. As such, senior Army management had no assurance that any initiatives would be sufficient to meet its overall vision of an installation preparedness program that

minimizes the effects of an incident involving weapons of mass destruction.

Information Security Audits

Information security is a cornerstone of Homeland Security. The information security threat to DoD systems and to other public and private sector systems, on which national security depends, is greater than ever. The DoD audit community issued 10 reports related to Information Security.

The OIG DoD issued two reports on information security controls at selected military treatment facilities and TRICARE contractor sites where electronic patient information is stored. The first report addressed improvements needed in storage, disposal, and accountability of information technology that contains electronic patient information and also identified personnel reliability and building security issues. The second report found that although TRICARE contractors had implemented extensive physical information security controls to protect electronic, patient-sensitive information, the contractors did not maintain records to document the sanitization process for information technology storage media that record, process, and store electronic, patient-sensitive information. As a result, inadequate sanitization records reduced the assurance that electronic, patient-sensitive information for more than 8.5 million beneficiaries was appropriately protected. Improving controls over patient information maintained in the Military Health System would reduce the risk of unauthorized access to and use of such information and facilitate compliance with requirements of DoD and the Health Insurance Portability and Accountability Act of 1996.

Logistics Audits

The OSD Strategic Logistics Plan states “The changing threat requires that logistics be flexible, mobile, integrated, compatible, and precise in targeting support to the point of need.” The OIG DoD logistics audits have focused on supporting this strategic plan. DoD spends more than \$80 billion a year on logistics support operations for supplies, transportation, and maintenance costs. Defense maintenance alone consumes an estimated \$50 billion annually. It is a business that involves nearly 700,000 active and reserve military personnel and DoD civilian personnel, as well as several thousand private-sector firms. Supported weapon systems include approximately 300 ships, 15,000 aircraft and helicopters, 900 strategic missiles, and 340,000 ground combat and tactical vehicles. Hundreds of thousands of additional mission support assets are also maintained. The DoD audit

community issued 40 reports on logistics issues during the reporting period.

The OIG DoD issued two reports during the period that typify the broad range of audits that contribute to assisting the Department in improving logistics operations. A report covering critical contractor logistics support provided in support of the 89th Airlift Wing at Andrews Air Force Base, Maryland, determined that the contractor was providing highly effective support. Another report substantiated a DoD Hotline allegation that the failure of the Defense National Stockpile Center to enforce contract terms and effectively control debt management resulted in the loss of about \$13.5 million on sales of surplus tin to a contractor.

Also, the Army Audit Agency reported that current user needs were being adequately met with the Tactical Quiet Generator program and future needs should be met with the Tactical Electric Power generator program. However, improvements were needed in accelerating procurement funding for the programs to allow for the timely fielding of more reliable and energy efficient generators and to allow the Army to realize a significant cost avoidance in reduced fuel and maintenance costs related to generators.

Additionally, the Air Force Audit Agency issued a report that concluded that all U.S. Air Force Europe C-130 aircraft engine maintenance should be accomplished at base-level, rather than shipping the engines to the servicing depot facility in the United States. This would reduce repair cycle time by 60 percent, reduce spare engine requirements by 7 engines, and save the Air Force more than \$2.5 million per year (\$15.3 million over the Future Years Defense Plan).

Export Controls

The annual statutorily required audit of export controls focused on the Department's policies and procedures related to preventing the transfer of technologies and technical information with potential military application to countries and entities of concern. An OIG DoD report stated that the Department does not have adequate processes to identify unclassified export-controlled technology and to prevent unauthorized disclosure to foreign nationals. Of the 20 contractors, universities, and Federally Funded Research and Development Center facilities reviewed, 15 relied on the contract to identify whether the technology was export controlled, and 4 were unaware of Federal export laws and regulations related to export-controlled technology. Department guidance did not delineate Components' responsibilities to identify export-controlled

technology. Further, the guidance did not provide sufficient policies and procedures to make sure that the contract included assurances that facilities obtained a license or prevented foreign nationals from unauthorized access to unclassified export-controlled technology. In addition, the Defense Federal Acquisition Regulation Supplement did not contain a standard clause that requires the facility to comply with Federal export laws and regulations related to export-controlled technology. As a result, at least two contractors and one university inadvertently granted foreign nationals access without proper authorization. A referral was made to the Deputy Inspector General for Investigations to investigate the unauthorized foreign national access of unclassified export-controlled technology .

SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 242 (95 percent) of the 256 OIG DoD audit recommendations made in the first 6 months of fiscal year 2004. Many recommendations require complex and time-consuming actions, but managers are expected to make reasonable efforts to comply with agreed-upon implementation schedules. Although most of the 946 open actions being tracked in the OIG DoD followup system are on track for timely implementation, there were 211 reports more than 12 months old, dating back as far as 1991, for which management has not completed actions to implement the recommended improvements.^{1/}

Significant open recommendations that have yet to be implemented include the following:

- Recommendations made in 2002 to develop and implement consistent guidance and a process to measure and assess interoperability and information assurance policies for the acquisition of DoD weapon systems. Applicable DoD policies are in the process of being revised.
- Recommendations made in 2002 to improve oversight and management controls and to develop training for the DoD

1. Section 6009 of the Federal Acquisition Streamlining Act, as amended, provides: "If the head of the agency fails to complete final action with regard to a management decision within the 12-month period, the inspector general concerned shall identify the matter in each of the inspector general's semiannual reports pursuant to section 5(a)(3) of the Inspector General Act of 1978 (5 U.S.C. App.) until final action on the management decision is completed." A list of OIG DoD reports on which management decisions have been made but final action has not been taken is contained in the Secretary of Defense Report issued pursuant to section 5(a) of the Inspector General Act.

purchase card program. A standardized training program for cardholders and billing officials has been developed. DoD policies and guidance on purchase card use and management controls are nearing completion.

- Recommendations made in 2002 and 2003 to negotiate amendments to CTRP agreements to use U.S.-provided assistance for intended purposes remain open. Related recommendations were made in 2004. Proposed CTRP agreement amendments to ensure that the Russian Federation will meet its commitments and also to provide access to and visibility over the use of U.S.-funded CTRP facilities are being coordinated among Russian Federation Ministries. Management is taking actions to reclaim facility components or use remaining assets for CTRP purposes and to avoid the pitfalls that resulted in construction of facilities that were not used as intended.
- Recommendations made in 2001 and subsequent years addressing financial systems deficiencies and the DoD Financial Management improvement plan. In response to recommendations made in 2003, efforts are underway to establish an integrated repository that will include existing relevant databases and will capture information technology systems and business systems, as well as budget data. Initiatives underway to correct financial systems deficiencies should enable the Department to provide accurate, timely, and reliable financial statements. However, at present this is not expected to occur until FY 2007.

INTELLIGENCE

The DoD Intelligence Community Inspectors and Auditors General continue to pursue a vigorous agenda of audits, evaluations, inspections, investigations, and special projects of importance to DoD and the congressional oversight committees. Eighty-eight reports were completed by the Office of the Inspector General of the DoD; the IGs of the Defense Intelligence Agency, National Geospatial-Intelligence Agency (formerly the National Imagery and Mapping Agency), National Reconnaissance Office, and National Security Agency; the Naval Audit Service; the Naval Criminal Investigative Service; the Air Force Audit Agency; the Army Audit Agency; and the Defense Contract Audit Agency. The reports are categorized into the areas shown in Figure 4 below.

See the Classified Annex to this report for a listing and highlights of the 88 reports.

Intelligence-Related Reports				
Area	IG DoD	Military Departments	Defense Agencies	Total
Joint Warfighting and Readiness	3	1	17	21
Homeland Security	3	4	0	7
Human Capital	0	0	6	6
Information Technology Management	1	0	5	6
Streamlined Acquisition Processes	1	2	3	6
Financial Management	3	1	10	14
Health Care	0	0	0	0
Logistics	0	0	0	0
Infrastructure and Environment	0	0	1	1
Other	0	0	27	27
Total Reports Issued	11	8	69	88

Figure 4

The Intelligence Community Inspectors and Auditors General continued to coordinate and share information to improve the effectiveness and efficiency of oversight of DoD intelligence activities. The Intelligence Community Inspectors General Forum serves as a mechanism for sharing information among Inspectors General whose duties include audit, evaluation, inspection, or investigation of programs and operations of Intelligence Community elements. The Information Assurance Working Group, established by the Intelligence Community Inspectors General Forum in 1999, monitors and evaluates the status of management policies and oversight of efforts to protect the Intelligence Community systems. Within DoD, the Joint Intelligence Oversight Coordination Group comprises senior representatives from the Office of the Secretary of Defense and Defense Intelligence Agency and Military Department audit, evaluation, and inspection organizations. The objectives of this group are to improve the effectiveness and efficiency of DoD oversight of intelligence activities by identifying areas needing more emphasis and deconflicting oversight programs.

See the Classified Annex to this report for information on meetings of these groups.

**COMMENTS ON
LEGISLATION/
TESTIMONY**

Section 4(a) of the Inspector General Act requires the Inspector General “to review existing and proposed legislation and regulations relating to the program and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” The OIG routinely receives legislation for review that has been referred to the Department of Defense for comment.

During the current reporting period, the following proposals recommended by the Inspector General were included in the Department of Defense FY 2005 legislative program and forwarded by the Department to Congress:

- Provide authority to the Secretary of Defense to purchase items of nominal value for recruitment purposes;
- Revise the requirement for annual audits of payments, obligations, reimbursements, and other uses of the Superfund by requiring audits be conducted periodically as appropriate to minimize the risk of mismanagement;
- Repeal the requirement for periodic audits by the Inspector General of undefinitized contractual actions and reports by the Secretary of Defense;
- Repeal the requirement for Inspector General reviews of waivers granted regarding advisory and assistance services contracts for weapons system test and evaluation; and
- Repeal the requirement for quarterly reports on the promptness of payments for District of Columbia water and sewer services.

Additionally, the Office of the Inspector General provides information to Congress by participating in congressional hearings.

On October 7, 2003, Mr. Shelton Young, Director, Readiness and Logistics Support Directorate, Office of the Deputy Inspector General for Auditing, testified before the House Government Reform Subcommittee on National Security, Emerging Threats, and International Relations on DoD Controls over Chemical and Biological equipment and material. Mr. Young’s testimony summarized

information contained in an August 2003 interagency report that examined security controls over biological agents. The interagency report consolidated issues identified in 27 reports published by the Inspectors General of the Departments of Agriculture, the Army, Defense, Energy, Health and Human Services, and Veterans' Affairs. The reports examined management controls in the following areas: physical security, personnel access, inventory accountability and controls, contingency plans, registration with Centers for Disease Control and Prevention, imports and exports of agents, safety and security training, management oversight, and policies and procedures. Mr. Young testified that corrective actions were initiated by the six agencies on recommendations contained in the individual agency reports.

The OIG also regularly reviews new and revised regulations proposed by the Department of Defense. During this reporting period the OIG reviewed 156 draft issuances or re-issuances of DoD directives, instructions, manuals, and other policy guidance.

APPENDIX A*
REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

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

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
(202) 433-5525

Air Force Audit Agency
(703) 696-8027
(703) 697-8014

**Summary of Number of Reports by Management Challenge Area
 October 1, 2003 - March 31, 2004**

	IG, DoD	Military Depts.	Total
Acquisition	21	41	62
Human Capital	1	15	16
Financial Management	23	53	76
Homeland Security	2	6	8
Information System Security	5	5	10
Logistics	5	35	40
Defense Infrastructure	0	8	8
Environment	1	5	6
Health Care	0	3	3
Information Technology Management	2	5	7
Joint Warfighting and Readiness	2	11	13
Export Controls	1	0	1
Other	0	1	1
Total	63	188	251

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

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

ACQUISITION

OIG DoD

D-2004-0001 Disclosure of Contractor Data for the Development of Night Vision and Display Systems (10/3/03)

D-2004-0006 Acquisition Management of the Army's All Source Analysis System (10 10 03)

D-2004-0008 Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems (10/15/03)

D-2004-0011 Government Source Inspections (10/15/03)

D-2004-0002 Selected Purchase Card Transactions at Washington Headquarters Services and Civilian Personnel Management Service (10/16/03)

D-2004-0012 Sole-Source Spare Parts Procured From an Exclusive Distributor (10/16/03)

D-2004-0015 Contracts for Professional, Administrative, and Management Support Services (10/30/03)

D-2004-0016 Purchase Card Use at the Space and Naval Warfare Systems Command, Information Technology Center, New Orleans, Louisiana (11 14 03)

D-2004-0022 Development Testing of Space Based Infrared System Mission-Critical Software (11/24/03)

D-2004-0025 Accounting for Pension Assets Under Advance Agreements with Northrop Grumman and Litton Industries, Inc. (11/25/03)

D-2004-0035 Major Range and Test Facility Base (12/10/03)

D-2004-0046 Acquisition of the CH-47F Improved Cargo Helicopter (1/21/04)

D-2004-0047 Implementation of the DoD Management Control Program for Army Acquisition Category II and III Programs (1/23/04)

D-2004-0049 Acquisition of the Airborne Mine Neutralization System (CLASSIFIED) (2/3/04)

D-2004-0054 Allegations of the Defense Contract Management Agency's Performance In Administering Selected Weapon Systems' Contracts (FOR OFFICIAL USE ONLY) (2 23 04)

D-2004-0055 DoD Source Approval Process for Service and Sales, Inc., a Small Business Manufacturer (2/25/04)

D-2004-0052 Sole Source Awards for Quick Disconnect Silencers (2/26/04)

D-2004-0056 Air Force Satellite Control Network Contract (3/10/04)

D-2004-0057 Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington (3/18/04)

D-2004-0064 Acquisition of the Boeing KC-767A Aerial Tanker Aircraft (3/29/04)

D-2004-0060 Acquisition of the Joint Chemical Agent Detector (FOR OFFICIAL USE ONLY) (3/30/04)

Army Audit Agency

A-2004-0024-IMO Privatization of Family Housing--Reinvestment Strategy, Fort Carson, Colorado (FOR OFFICIAL USE ONLY) (10/16/03)

A-2004-0026-AMA The Army's Purchase Card Program, Headquarters, III Corps and Fort Hood, Fort Hood, Texas (10 21 03)

A-2004-0030-AMA The Army's Purchase Card Program, U.S. Army Contracting Agency Northern Region, Directorate of Contracting, Fort Lewis, Washington (10/29/03)

A-2004-0044-AMW Aviation Acquisition Planning Process (11/24/03)

A-2004-0043-AMA The Army's Purchase Card Program, Dwight D. Eisenhower Army Medical Center and Southeast Regional Contracting Office (11/25/03)

A-2004-0062-AMA The Army's Purchase Card Program, Darnall Army Community Hospital and U.S. Army Dental Activity Fort Hood, Texas and Great Plains Regional Contracting Office Fort Sam Houston, Texas (11/28/03)

A-2004-0063-AMA The Army's Purchase Card Program, Office of the United States Property and Fiscal Officer, Texas Army National Guard (11/28/03)

A-2004-0050-IMH Contracting for Medical Goods and Services, Contract DADA10-02-F-0223, U.S. Army Medical Command, Health Care Acquisition Activity (12/3/03)

A-2004-0056-IMH Aircraft Maintenance and Repair Contract, Fort Bliss, Texas (FOR OFFICIAL USE ONLY) (12/4/03)

A-2004-0057-IMH Propriety of Fund Use--Aircraft Maintenance and Repair Contract, Fort Bliss, Texas (FOR OFFICIAL USE ONLY) (12/4/03)

A-2004-0089-IMT Contract Administration for the Directorate of Public Works Contract, Fort Stewart, Georgia (12/11/03)

A-2004-0100-AMM Tactical Software Maintenance, Office of the Program Executive Officer for Command, Control and Communications (Tactical), Office of the Program Executive Officer for Intelligence, Electronic Warfare and Sensors (12/23/03)

A-2004-0072-AMA Followup Audit of Integrated System Control (12/29/03)

A-2004-0097-AMA The Army's Purchase Card Program, U.S. Army Infantry Center and Fort Benning, Fort Benning, Georgia (12/31/03)

A-2004-0111-AMA Army Watercraft Program, Office of the Deputy Chief of Staff, G-4 and Office of the Deputy Chief of Staff, G-8 (1/22/04)

A-2004-0146-IMO Privatization of Family Housing, Fort Meade, Maryland (01 28 04)

A-2004-0131-FFP Government Purchase Card Management Controls, U.S. Army Contracting Command, Korea, Seoul, Korea (2/19/04)

A-2004-0156-IMU Operation Enduring Freedom—Logistics Civil Augmentation Program (12/27/04)

A-2004-0155-IMH Followup Issues, Linen Services Contract, Madigan Army Medical Center, Tacoma, Washington (2/6/04)

A-2004-0157-IMH Contracting for Medical Goods and Services, Contract DADA10-01-C-0007, U.S. Army Medical Command (2/26/04)

A-2004-0168-AMA The Army's Purchase Card Program (2/27/04)

A-2004-0199-AMA Joint Simulation System (3/16/04)

A-2004-0213-IMT Performance of the Post-Competition Most Efficient Organization for the Directorate of Logistics and Engineering, Fort Jackson, South Carolina (3/17/04)

Naval Audit Service

N2004-0005 Cost Estimating Requirements and Procedures for Department of the Navy Acquisition Programs (10 23 03)

N2004-0010 Independent Review of Base Support Services, Naval Surface Warfare Center, Carderock, MD (11 03 03)

N2004-0015 Digital Modular Radio Program Requirements (12/8/03)

N2004-0016 Independent Review of Streamlined Study on the Information Technology Functions at Puget Sound Naval Shipyard, Bremerton, WA (12 22/03)

N2004-0020 Independent Review of Naval Education and Training Command Base Operating Support, Navy Region South Texas, Corpus Christi, TX (1/09/04)

N2004-0022 Independent Review of Public Works Department and Fuel Storage and Distribution at Naval Air Station Joint Reserve Base, New Orleans, LA (1/15/04)

N2004-0028 Obligation and Deobligation of Funds Related to the Navy Marine Corps Intranet Contract (2/13/04)

N2004-0030 Government Commercial Purchase Card Program at Selected Activities (2/26/04)

N2004-0031 Service Contracts for Chartered Tugboats (3 16 04)

N2004-0033 Independent Review of The Public Works Department, United States Naval Academy, Annapolis, MD (3/22/04)

Air Force Audit Agency

F-2004-0001-FC1000 Base-Level Personnel Database Management and Base Enlisted Specialty Training, Royal Air Force Lakenheath and Royal Air Force Mildenhall (A-76 Direct Conversion) (10 6 03)

F-2004-0002-FC3000 Global Hawk Unmanned Aerial Vehicle Program (10/21/03)

F-2004-0002-FC1000 Air Combat Command, Meteorological Services, Langley AFB VA (A-76 Direct Conversion) (10/22/03)

F-2004-0003-FC3000 Simplified Acquisition of Base Engineering Requirements Contract Management (10 27 03)

F-2004-0003-FC1000 Edwards AFB Weather Services (A-76 Direct Conversion) (12/4/03)

F-2004-0004-FC3000 Deep STARE Program Acquisition Management (12/15/03)

F-2004-0004-FC1000 Base-Level Personnel Database Management and Base Enlisted Specialty Training, United States Air Forces in Europe, Ramstein Air Base, Germany (A-76 Direct Conversion) (1 22 04)

F-2004-0005-FC1000 Wright-Patterson AFB Personnel Systems Management (A-76 Direct Conversion) (1/22/04)

HUMAN CAPITAL

OIG DoD

D-2004-065 DoD Implementation of the Voting Assistance Program (3/31/04)

Army Audit Agency

A-2004-0001-IMH Financial Controls—Golf Course Operations, Fort George G. Meade, Maryland (10/1/03)

A-2004-0011-FFF Family Support for Reserve Component Soldiers in Extended Deployments (10/17/03)

A-2004-0031-FFG Independent Auditors' Report, American Red Cross Opinion (10/27/03)

A-2004-0007-FFF Legal Review of Test Procedures, Audit of Military Training Service Support Pilot Test Distribution (12/9/03)

A-2004-0049-IMU Allocation of Army Lodging Fund Common Overhead Support, 104th Area Support Group, Hanau, Germany (12/5/03)

A-2004-0085-FFF Military Training Service Support-Pilot Test, Fort Gordon, Georgia (12 18/03)

A-2004-0090-IMH Requested Followup—Morale, Welfare and Recreation Sustainment, Restoration and Modernization, U.S. Army Community and Family Support Center (12 18 03)

A-2004-0092-FFF Training-Base and First-Term Soldier Attrition (1/8/04)

Naval Audit Service

N2004-0002 Restored Annual Leave With Indefinite Expiration Dates (10/09/03)

N2004-0019 Department of the Navy Civilian Financial Management Career Program (12/31/03)

N2004-0025 Termination of Basic Allowance for Housing for Navy Personnel Residing in Government Family Housing in the New London, CT and Newport, RI Areas (2/09/04)

N2004-0034 Reducing Lost Work Time Due to On-the-Job Injuries at Navy and Marine Corps Commands (3/26/04)

Air Force Audit Agency

F-2004-0001-FB1000 Civilian Premium Payments (10/1/03)

F-2004-0001-FD4000 Civilian Personnel Fill Actions (12 19 03)

F-2004-0002-FD4000 Correctional Custody (3/8/2004)

FINANCIAL MANAGEMENT

OIG DoD

D-2004-0009 Allegation Concerning Controls over DoD Transit Subsidies Within the National Capital Region (10 14 03)

D-2004-0010 Promptness of FY 2004 First Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services (10/15/03)

D-2004-0004 Contracts Awaiting Financial Adjustments at the Defense Finance and Accounting Service Columbus (10/24/03)

D-2004-0014 Defense Hotline Allegation on the Sale of Tin and the Removal of Asbestos at the Defense National Stockpile Center (10/27/03)

D-2004-0017 Reliability of Construction-in-Progress in the US Army Corps of Engineers, Civil Works, Financial Statements (11/7/03)

D-2004-0023 Corps of Engineers Financial Management System Accounting Processes (11 18 03)

D-2004-0028 Independent Auditor's Report on the Army General Funds Fiscal Year 2003 Principal Financial Statements (12/3/03)

D-2004-0029 Independent Auditor's Report on the Army Working Capital Fund Fiscal Year 2003 Principal Financial Statements (12/3/03)

D-2004-0030 Independent Auditor's Report on the Department of the Navy General Fund Fiscal Year 2003 Principal Financial Statements (12/3/03)

D-2004-0031 Independent Auditor's Report on the Department of the Navy Working Capital Fund Fiscal Year 2003 Principal Financial Statements (12/3/03)

D-2004-0032 Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, Fiscal Year 2003 Principal Financial Statements (12/3/03)

D-2004-0026 Independent Auditor's Report on the Air Force General Funds Fiscal Year 2003 Principal Financial Statements (12/4/03)

D-2004-0027 Independent Auditor's Report on the Air Force Working Capital Fund Fiscal Year 2003 Principal Financial Statements (12/4/03)

D-2004-0036 Independent Auditor's Report on Department of Defense, Fiscal Year 2003 Principal Financial Statements (12/10/03)

D-2004-0042 Controls Over Obligations at the National Geospatial-Intelligence Agency (CLASSIFIED) (1/14/04)

D-2004-0043 Promptness of FY 2004 Second Quarter DoD Payments to the Department of the Treasury for District of Columbia Water and Sewer Services (1/15/04)

D-2004-0044 Subsidiary Ledgers at the U.S. Army Corps of Engineers (1/16/04)

D-2004-0045 Coalition Support Funds (U) (CLASSIFIED) (1 16/04)

D-2004-0051 DoD Payroll Withholding Data For FY 2003 (2/6/04)

D-2004-0053 Defense Threat Reduction Agency Relocation Costs (2/19/04)

D-2004-0058 Early Payment of Invoices by the Defense Finance and Accounting Service Columbus (3/12/04)

D-2004-0059 Assets Depreciation Reported on the U.S. Army Corps of Engineers FY 2002 Financial Statements (3/16/04)

D-2004-0063 Controls Over U.S. Army Corps of Engineers Buildings and Other Structures (3/26/04)

Army Audit Agency

A-2004-0033-IMU Management of Resources, Army Forces–Turkey (10/23/03)

A-2004-0006-FFG General Fund Followup Issues (10 29 03)

A-2004-0040-FFG Review of the Army Management Control Process (Fiscal Year 2003) (10 29/03)

A-2004-0023-AMW Depreciation Charges, Blue Grass Army Depot (10/30/03)

A-2004-0054-IMO Audit of the Financial Statements for the Period Ended June 30, 2002 for the Ogden City Local Redevelopment Authority No-Cost Economic Development Conveyance (FOR OFFICIAL USE ONLY) (11/10/03)

A-2004-0055-AMW Army Working Capital Fund Followup, Statement of Budgetary Resources Journal Vouchers, Defense Finance and Accounting Service (12/2/03)

A-2004-0075-FFG Validation of Property Book and Unit Supply Enhanced System (12 5 03)

A-2004-0081-IMT Pay and Travel Operations, U.S. Property and Fiscal Office for California (12/10/03)

A-2004-0082-IMT Financial and Accounting Operations, U.S. Property and Fiscal Office for California (12/10/03)

A-2004-0087-IMH Army Lodging Overhead Costs, Fort Sam Houston, Texas (12/18/03)

A-2004-0088-IMH Army Lodging Overhead Costs, Fort Gordon, Georgia (12/18/03)

A-2004-0103-AML Audit of the Recapitalization Program Efficiency (12/18/03)

A-2004-0076-IMH Controls Over the Army and Air Force Exchange Service (12/19/03)

A-2004-0105-FFG Review of the Army Management Control Process (Fiscal Year 2003), Deputy Chief of Staff, G-1 (1/12/04)

A-2004-0091-FFF Followup Audit of Funding of Aviation Training, U.S. Army Aviation Center and Fort Rucker (1/15/04)

A-2004-0118-FFG Review of The Army Management Control Process (Fiscal Year 2003), Office of the Administrative Assistant to the Secretary of the Army, Headquarters, DA (1/21/04)

A-2004-0127-IMU Allocation of Army Lodging Fund Common Overhead Support Costs, 26th Area Support Group, Heidelberg, Germany (1/21/04)

A-2004-0143-IMH Army Lodging Overhead Costs, Fort Leonard Wood, Missouri (1/21/04)

A-2004-0119-FFG Review of The Army Management Control Process (Fiscal Year 2003), Deputy Chief of Staff, G-3 (1/22/04)

A-2004-0149-FFG Review of the Army Management Control Process (Fiscal Year 2003), U.S. Army Infantry Center, Fort Benning, Georgia (2/4/04)

A-2004-0165-FFG Review of the Army Management Control Process (Fiscal Year 2003), U.S. Army Signal Center, Fort Gordon, Georgia (2/10/04)

A-2004-0115-FFB Review of the Army Management Control Process (Fiscal Year 2002), Colorado Army National Guard (2/19/04)

A-2004-0150-IMO DOD Support to the 2002 Olympic and Paralympic Winter Games (2/20/04)

A-2004-0171-FFG U.S. Debit Card Pilot Program, U.S. Southern Command Miami, Florida (2/26/04)

A-2004-0187-IMH Followup Audit of Management Controls for Reimbursable Orders, U.S. Army Garrison, Fort Sam Houston, Texas (2/26/04)

A-2004-0192-AMW Followup Review of Consigned Inventory, Army Working Capital Fund (3/11/04)

A-2004-0190-AMA Realignment Phase 2 Field Operating Agencies, Army National Guard Readiness Center (3/12/04)

A-2004-0210-IMO No-Cost Economic Development Conveyance Financial Statements, Massachusetts Development Finance Agency, Devens, Massachusetts (FOR OFFICIAL USE ONLY) (3/12/04)

A-2004-0207-IMT Distribution and Allocation of Funds, U.S. Army White Sands Missile Range, New Mexico (3/16/04)

A-2004-0196-AML Training Resource Model Efficiencies Process (3/17/04)

A-2004-0212-FFB Education Services Obligation Practices, Colorado Army National Guard (3/18/04)

A-2004-0104-AML Audit of the Direct Support Plus Conversion Program Efficiency (3/22/04)

A-2004-0209-FFF Management Controls Over Travel, Leave, and Pay Transactions, U.S. Army Reserve, 99th Regional Readiness Command (3/24/04)

A-2004-0153-AMW Depreciation Charges, U.S. Army Materiel Command (03/31/04)

Naval Audit Service

N2004-0003 Naval Audit Service Opinion on Proposed Fiscal Year 2003 Annual Statement of Assurance (10/15/03)

N2004-0018 Reimbursable Funding of Core Supervisor of Shipbuilding, Conversion, and Repair Functions (12/30/03)

N2004-0024 Spare Parts for the Department of the Navy Flying Hour Program (1/30/04)

N2004-0032 The Department of the Navy's Execution of Military Construction, Navy Appropriation 17x1205 (3/16/04)

Air Force Audit Agency

F-2004-0001-FB3000 Selected Aspects of Unliquidated Obligations (10/1/03)

F-2004-0001-FC3000 Acquisition Management Using Military Interdepartmental Purchase Requests (10/1/03)

F-2004-0002-FB3000 Air Force Direct Financing Provided by The Government of Japan (10/21/03)

F-2004-0003-FB3000 Selected Aspects of Air Force Liability Reporting (10/22/03)

F-2004-0004-FB3000

Memorandum Report, Air Force Working Capital Fund, Materiel Support Division Overhead Record Balances (11/3/03)

F-2004-0005-FB3000 Air Force Working Capital Fund Supply Management Activity Group Capital Purchase Program (11/3/03)

F-2004-0006-FB3000 Accounting for Unclassified Off-Line Supply Accounts (11/10/03)

F-2004-0002-FD2000 Controls Over the Army and Air Force Exchange Service (12/19/03)

F-2004-0002-FB1000 Air Force Receiving Report Procedures (1/26/04)

F-2004-0001-FB2000 Automated Budget Interactive Data Environment System Funds Management System Controls (2/2/04)

F-2004-0002-FB2000 Combat Ammunition System 1.0 Controls and Accounting Conformance (2/17/04)

F-2004-0006-FC1000 Follow-up Audit, Foreign Military Sales Travel Requirements (2/17/04)

F-2004-0003-FD2000 Air Force Services Information, Tickets, and Travel Office Control of Entertainment Tickets (2/17/04)

F-2004-0003-FB1000 Follow-up Audit, Proportional Per Diem Payments (3/8/04)

F-2004-0003-FB2000 Financial Information Resource System Controls (3/15/04)

HOMELAND SECURITY**OIG DoD**

D-2004-0039 Cooperative Threat Reduction Construction Projects (1/12/04)

D-2004-0050 Management Structure of the Cooperative Threat Reduction Program (2/5/04)

Army Audit Agency

A-2004-0093-IME Installation Preparedness for Weapons of Mass Destruction (12/16/03)

A-2004-0133-FFC Security of Civil Works Water Resources Infrastructure, U.S. Army Engineer District, Little Rock (1/12/04)

Naval Audit Service

N2004-0004 Department of the Navy Antiterrorism Risk Assessment Management Approach for Navy Region Southwest (FOR OFFICIAL USE ONLY) (10/20/03)

N2004-0006 Emergency Action Plans at Naval Security Group Facilities (CLASSIFIED) (10/23/03)

Air Force Audit Agency

F-2004-0003-FB4000 Air Education and Training Command Information Security Program and Practices (FOR OFFICIAL USE ONLY) (1/8/04)

F-2004-0004-FB4000 Air National Guard Information Security Program and Practices (FOR OFFICIAL USE ONLY) (2/17/04)

INFORMATION SYSTEM SECURITY**OIG DoD**

D-2004-0013 Security Controls Over Patient Information at Selected Military Treatment Facilities (FOR OFFICIAL USE ONLY) (10/14/03)

D-2004-0019 Report on Defense Logistics Agency Information Assurance Investment Initiative (11/12/03)

D-2004-0038 Information Assurance Challenges - A Summary of Results Reported from August 1, 2002 through July 31, 2003 (FOR OFFICIAL USE ONLY) (12/22/03)

D-2004-0040 Information Security Controls at Selected TRICARE Contractor Facilities (FOR OFFICIAL USE ONLY) (12/31/03)

D-2004-0041 The Security of the Army Corps of Engineers Enterprise Infrastructure Services Wide-Area Network (FOR OFFICIAL USE ONLY) (12/26/03)

Army Audit Agency

A-2004-0014-AMA G-2 Foreign Intelligence Support to Acquisition (10/31/03)

A-2004-0045-AMI Intelligence Contingency Funds, Forces Command (12/12/03)

A-2004-0101-AMI Information Systems Security, U.S. Army Special Operations Command, Fort Bragg, North Carolina (FOR OFFICIAL USE ONLY) (2/27/04)

A-2004-0170-AMI Information Systems Security in the Army Special Operations Forces Community, Office of the Secretary of the Army (FOR OFFICIAL USE ONLY) (2/27/04)

Air Force Audit Agency

F-2004-0007-FB3000 General Accounting and Finance System (GAFS/BQ) Access Controls (12/16/03)

LOGISTICS

OIG DoD

D-2004-0018 Defense Logistics Agency Processing of Other Nonrecurring Requirements (11/7/03)

D-2004-0021 Effectiveness of Maintenance Work Performed Under Contract FA4452-01-C-0001 at Andrews Air Force Base (11/19/03)

D-2004-0024 Defense Logistics Agency Cost to Maintain Inactive National Stock Number Items (11/19/03)

D-2004-0037 Defense Reutilization and Marketing Services Commercial Venture Contracts for Privatization of the DoD Surplus Sales Program (FOR OFFICIAL USE ONLY) (12/30/03)

D-2004-0048 Allegations Concerning Management Practices at Defense Distribution Depot Susquehanna, Pennsylvania (1/26/04)

Army Audit Agency

A-2004-0013-IMU Audit of Operation Enduring Freedom—Class IX Aviation Spare Parts (10/7/03)

A-2004-0003-FFP Operational Projects, Project PLU (Inland Petroleum Distribution System), Eighth U.S. Army (10/8/03)

A-2004-0004-FFP Operational Projects, Projects PBO/PCH (Hot/Cold Weather Clothing), Eighth U.S. Army (10/8/03)

A-2004-0010-FFG Asset Visibility of Apache Helicopters A/D-Models During Conversions, U.S. Army Aviation and Missile Command (10/23/03)

A-2004-0052-FFP Operational Projects, Projects PLF, PCJ, and PF7, (Receiving, Staging, Onward Movement and Integration; Containerized Chapels; and Collective Support Systems), Eighth U.S. Army (11/19/03)

A-2004-0034-IMU Consolidation of Maintenance Activities, U.S. Army Installation Management Agency, Europe Region (12/5/03)

A-2004-0053-IMU Operation Enduring Freedom—Management of Class I Supplies (12/5/03)

A-2004-0079-AML Audit of Reporting Combat/Tactical Systems Usage Data, Office of the Deputy Assistant Secretary of the Army (Cost and Economics) (12/8/03)

A-2004-0080-AML Audit of Reporting Combat/Tactical Systems Usage Data, Office of the Deputy Chief of Staff, G-4 (12/8/03)

A-2004-0066-IMU Operation Enduring Freedom—Management and Use of Shipping Containers (12/9/03)

A-2004-0078-AML Reporting Combat and Tactical Systems Usage, U.S. Army Forces Command, Fort McPherson, Georgia (12/19/03)

A-2004-0109-AMW Aviation Spare Parts Requirements, Supply Control Studies, U.S. Army Aviation and Missile Command (12/31/03)

A-2004-0125-AMW Aviation Tracked Components, U.S. Army Aviation and Missile Command (1/28/04)

A-2004-0141-AMM Sustainment Planning for Maintenance Support – Comanche (1/28/04)

A-2004-0158-AMM Specialized Repair Authority, U.S. Army Communications-Electronics Command (2/4/04)

A-2004-0147-AMM Specialized Repair Authority, U.S. Army Training and Doctrine Command (2/9/04)

A-2004-0148-AMM Specialized Repair Authority, U.S. Army Forces Command (2/13/04)

A-2004-0162-AMW Aviation Spare Parts Requirements, Compressor Blade, U.S. Army Aviation and Missile Command (2/20/04)

A-2004-0163-AMM Specialized Repair Authority, U.S. Army Aviation and Missile Command (2/20/04)

A-2004-0164-AMM Specialized Repair Authority, U.S. Army Tank-Automotive and Armaments Command (2/20/04)

A-2004-0172-AMW Selected Stock Funded Depot Level Repairable Requisitions, Office of the Project Manager, Apache Attack Helicopter (2/27/04)

A-2004-0183-AMA Generators, Office of the Project Manager Mobile Electric Power (3/12/04)

A-2004-0179-AMM Specialized Repair Authority (3/19/04)

A-2004-0215-IMU Nontactical Vehicle Damages, U.S. Army Installation Management Agency, Europe Region (3/19/04)

A-2004-0188-AMM Followup on Process for Determining Source of Depot Level Maintenance (3/22/04)

A-2004-0223-FFG Asset Visibility of Bradley Vehicles During Conversion Programs, U.S. Army Tank-Automotive and Armaments Command (3/30/04)

Naval Audit Service

N2004-0001 Navy Input to the Joint Strategic Capabilities Plan (CLASSIFIED) (10/02/03)

N2004-0009 Inventory Requirements Determination Process for F-14 Program (10/29/03)

N2004-0014 Inventory Requirements Determination Process for the Marine Corps 5-Ton Truck (12/08/03)

N2004-0029 Aircraft Engine/Module Containers (2/18/04)

Air Force Audit Agency

F-2004-0001-FC4000 Credit Returns Management (10/22/03)

F-2004-0002-FC4000 Standard Base Supply System Pricing Data Accuracy (10/23/03)

F-2004-0003-FC4000 Propulsion Requirements System Computation Accuracy (11/12/03)

F-2004-0001-FC2000 Follow-up Audit, Aircraft Maintenance Training Within Active Duty Units (12/22/03)

F-2004-0002-FC2000 C-130 Aircraft Engine (T56) Maintenance Support Operations in United States Air Forces in Europe (3/9/04)

DEFENSE INFRASTRUCTURE

Army Audit Agency

A-2004-0068-FFP Lessons Learned from an Energy Savings Performance Contract, U.S. Army Garrison, Alaska (12/10/03)

A-2004-0218-IMO Recycling Operations, Fort Hood, Texas (3/31/04)

Naval Audit Service

N2004-0011 Inventory Requirements Determination Process for Decommissioning Ships (11/07/03)

N2004-0021 Followup Audit of Navy Management Heavy Equipment (1/12/04)

Air Force Audit Agency

F-2004-0001-FD1000 Fiscal Year 2004 Military Construction Projects (11/20/03)

F-2004-0002-FD1000 Energy Management Program (12/15/03)

F-2004-0001-FB4000 2005 Base Realignment and Closure - Air Force Internal Control Plan (FOR OFFICIAL USE ONLY) (12/29/03)

F-2004-0003-FD1000 Residual Value of Facilities at Overseas Bases (1/7/04)

ENVIRONMENT

OIG DoD

D-2004-0034 Defense Hotline Allegations Regarding the Environmental Compliance Assessment Process at U.S. Army Corps of Engineers, Portland District (12/4/03)

Army Audit Agency

A-2004-0005-IME Management of Active Army Reactor Facilities, U.S. Army Test and Evaluation Command (10/3/03)

A-2004-0069-FFC Permit Process for Central and South Florida, U.S. Army Corps of Engineers, Jacksonville District (12/3/03)

A-2004-0083-FFC Sponsor Contributions, Central and South Florida Projects, U.S. Army Corps of Engineers, U.S. Army Engineer District, Jacksonville (12/17/03)

A-2004-0137-IMO Military Construction, National Environmental Policy Act Administrative Costs, Office of the Assistant Chief of Staff for Installation Management (1 23 04)

A-2004-0173-IME Land Use Controls and Monitoring at Formerly Used Defense Sites, U.S. Army Corps of Engineers Baltimore District (2/19/04)

HEALTH CARE

Army Audit Agency

A-2004-0002-IMH Followup Issues, Joint Support Agreement for Healthcare Services, William Beaumont Army Medical Center, El Paso, Texas (10/1/03)

Air Force Audit Agency

F-2004-0001-FD2000 Primary Care Managers' Productivity (12/4/03)

F-2004-0003-FD4000 Environmental, Safety, and Occupational Health Program Costs (3/15/04)

INFORMATION TECHNOLOGY MANAGEMENT

OIG DoD

D-2004-0020 Allegations Concerning Improprieties in Awarding National Guard Contracts (11/18/03)

D-2004-0033 Terrorism Information Awareness Program (12/12/03)

Army Audit Agency

A-2004-0022-AMA Followup Audit of Rechargeable Batteries for Communications and Electronics Systems (10/31/03)

A-2004-0217-FFB Army Knowledge Management Goal 1 Resource Control Process for Non-Programmed Information Technology Investments, Chief Information Officer/G-6 (3 22 04)

Naval Audit Service

N2004-0008 Information Technology Certification and Accreditation Process (10 28 03)

N2004-0012 Navy Marine Corps Intranet Implementation (FOR OFFICIAL USE ONLY) (11/13/03)

Air Force Audit Agency

F-2004-0002-FB4000 Cellular Telephone Management (12 29 03)

JOINT WARFIGHTING AND READINESS

OIG DoD

D-2004-0003 Decontamination Operation Preparedness of Continental U.S.-Based Navy and Air Force Units (U) (CLASSIFIED) (10/8/03)

D-2004-0007 Force Protection in the Pacific Theater (U) (CLASSIFIED) (10/14/03)

Army Audit Agency

A-2004-0067-AML Audit of Operational Project Stocks – Phase II, U.S. Army Forces Command and Third U.S. Army (11/24/03)

A-2004-0077-FFF Validation of Material Weakness – Automated Mobilization System, National Guard Bureau (12/16/03)

A-2004-0073-FFF Operational Facility Requirements Rules (1 15/04)

A-2004-0108-AML Operational Project Stocks Phase II, Headquarters, Department of the Army (2 12 04)

Naval Audit Service

N2004-0007 Navy Joint Quarterly Readiness Review Execution and Support (10 27 03)

N2004-0013 Verification of the Reliability and Validity of Navy Integrated Training Resources Administration System Data (FOR OFFICIAL USE ONLY) (11/13/03)

N2004-0017 Readiness Reporting of the Navy Fleet Hospital Program (12/30/03)

N2004-0026 Management of Department of the Navy Monthly Manpower Readiness Reports (2/11/04)

N2004-0027 Supervisor of Shipbuilding, Conversion and Repair Manning Requirements (2/12/04)

Air Force Audit Agency

F-2004-0001-FD3000 Air and Space Expeditionary Force Readiness Reporting (U) (CLASSIFIED) (11/5/03)

F-2004-0002-FD3000 Air Reserve Component Personnel Mobilization and Demobilization (11/25/03)

EXPORT CONTROLS

OIG DoD

D-2004-0061 Export-Controlled Technology at Contractor, University, and Federally Funded Research and Development Center Facilities (3/25/04)

OTHER

Army Audit Agency

A-2004-0202-AMA Interceptor Body Armor, Office of the Inspector General (3/17/04)

APPENDIX B*
OIG DOD AUDIT REPORTS ISSUED CONTAINING
QUANTIFIABLE POTENTIAL MONETARY BENEFITS

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs ¹	Funds Put to Better Use
D-2004-002 Selected Purchase Card Transactions at Washington Headquarters Service and Civilian Personnel Management Service (10/16/03)	N/A	\$1,741,816
D-2004-012 Sole-Source Spare Parts Procured From an Exclusive Distributor (10/16/03)	N/A	22,200,000
D-2004-016 Purchase Card Use at the Space and Naval Warfare Systems Command, Information Technology Center, New Orleans, Louisiana (11/14/03)	N/A	90,000
D-2004-021 Effectiveness of Maintenance Work Performed Under Contract FA4452-01-C-0001 at Andrews Air Force Base (11/19/03)	N/A	18,603
D-2004-025 Accounting for Pension Assets Under Advance Agreements with Northrop Grumman and Litton Industries, Inc. (12/30/03)	N/A	13,062,022
D-2004-037 Defense Reutilization and Marketing Services Commercial Venture Contracts for Privatization of the DoD Surplus Sales Program (12/30/03)	N/A	29,030,000
D-2004-057 Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington (3/18/04)	N/A	634,834
D-2004-058 Early Payment of Invoices by the Defense Finance and Accounting Service Columbus (3/12/04)	N/A	1,500,000
Totals		\$68,277,275
¹ There were no OIG audit reports during the period involving disallowed costs.		

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

APPENDIX C*
FOLLOWUP ACTIVITIES

DECISION STATUS OF INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (\$ in thousands)		
Status	Number	Funds Put to Better Use¹
A. For which no management decision had been made by the beginning of the reporting period.	26	\$6,974,200
B. Which were issued during the reporting period.	64	68,278
Subtotals (A+B)	90	7,042,478
C. For which a management decision was made during the reporting period.	67	6,998,251
(i) dollar value of recommendations that were agreed to by management		
- based on proposed management action		20,509
- based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management		6,977,742 ²
D. For which no management decision has been made by the end of the reporting period.	23	44,227
Reports for which no management decision was made within 6 months of issue (as of March 31, 2004).	1 ³	0
¹ There were no OIG DoD audit reports issued during the period involving "disallowed costs." ² On one audit report with total of potential funds put to better use of \$6,900 million, management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed. ³ OIG DoD Report No. D-2003-096, "Protection of the European Theater's Nuclear Command and Control System and Capabilities Against Radio Frequency Threats," issued June 6, 2003, had no management decision as of March 31, 2004, but was decided April 1, 2004.		

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

APPENDIX D
CONTRACT AUDIT REPORTS ISSUED¹
(\$ in millions)
October 1, 2003 through March 31, 2004

Type of Audit ²	Reports Issued	Amounts Examined	Questioned Costs ³	Funds Put to Better Use
Incurring Costs, Ops Audits, Special Audits	11,733	\$53,704.7	\$321.1	\$48.6 ⁴
Forward Pricing Proposals	4,789	\$83,933.0	--	\$3,359.5 ⁵
Cost Accounting Standards	1,028	\$121.2	\$12.7	--
Defective Pricing	203	(Note 6)	\$24.7	--
Totals	17,753	\$137,758.9	\$358.5	\$3,408.1

¹This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended March 31, 2004. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for the DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

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

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

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

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

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

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

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

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

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

APPENDIX E
STATUS OF ACTION ON SIGNIFICANT POST-AWARD CONTRACT AUDITS¹
(\$ in millions)
Period ending March 31, 2004

	Number of Reports	Costs Questioned	Disallowed Costs ⁶
Open Reports:			
Within Guidelines ²	262	\$309.3	N/A ⁷
Overage, greater than 6 months ³	282	\$720.1	N/A
Overage, greater than 12 months ⁴	245	\$511.8	N/A
In Litigation ⁵	187	\$2,253.8	N/A
Total Open Reports	976	\$3,795.0	N/A
Closed Reports	287	\$263.3	\$111.1 (42.20%)
All Reports	1,263	\$4,058.3	N/A

¹This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, and noncompliance with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, and TRICARE. Contract audit followup is reported in accordance with DoD Directive 7640.2, "Policy for Followup on Contract Audit Reports." Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.

²These reports are being processed within the time frames established by OMB Circular A-50, Audit Followup, and DoD Directive 7640.2.

³OMB Circular A-50 requires that audit reports be resolved (the contracting officer decides on a course of action) within 6 months after report issuance.

⁴DoD Directive 7640.2 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with contractor, or the report is superseded.

⁵Of the 187 reports in litigation, 62 are under criminal investigation.

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

⁷N/A (not applicable)

Waivers of Advisory and Assistance Service Contracts

A review is made of each waiver granted by the Department for advisory and assistance services contracts related to testing support. This review is required by Section 802, Defense Authorization Act for Fiscal Year 1990.

The Department made no waivers during the period and therefore, no reviews were made by the OIG.

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Friedrich Wilhelm Augustus von Steuben was the Inspector General of the Continental Army and served under General George Washington. He is recognized as the "Father of the Inspector General System" of the United States Military.



Inspector General Department of Defense



This report, as well as audit report and testimony text, are available on the Internet at: www.dodig.osd.mil
Additional information on or copies of this report may be obtained by writing or contacting:

Office of the Inspector General of the Department of Defense
Office of Communications and Congressional Liaison
400 Army Navy Drive, Arlington, VA 22202-4704
Mr. John R. Crane 703-604-8324; DSN 664-8324

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AND A REGULAR STATEMENT AND ACCOUNT OF THE RECEIPTS AND EXPENDITURES OF ALL PUBLIC MONEY SHALL BE
PUBLISHED FROM TIME TO TIME. U.S. CONSTITUTION - ARTICLE 1, SECTION 9.