

# Inspector General

United States  
Department of Defense



## Semiannual Report to the Congress

October 1, 2006 - March 31, 2007

Required by Public Law 95-452



# OFFICE OF THE INSPECTOR GENERAL DEPARTMENT OF DEFENSE



## VISION STATEMENT

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

## MISSION STATEMENT

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

### CORE VALUES

*Accountability • Integrity • Efficiency*

*Goal 1* Improve the economy, efficiency, and effectiveness of Department of Defense personnel, programs, and operations.

*Goal 2* Eliminate fraud, waste, and abuse in the programs and operations of the Department.

*Goal 3* Improve the efficiency and effectiveness of Inspector General products, processes, and operations.





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We are pleased to present the Department of Defense Inspector General (DoD IG) Semiannual Report to the Congress for October 1, 2006 to March 31, 2007. This report summarizes our significant activities and our recommendations to help the Department improve its programs and operations.

Our most notable audit and investigative work is summarized on the statistical highlights page. Over the last six months, the DoD IG has issued 77 audits that identified \$589.8 million in achieved monetary benefits and \$65.9 million on recommendations made on funds put to better use. Investigative activities resulted in 190 indictments and 155 convictions, as well as returned \$303.9 million to the U.S. Government.

The Department continues to face many challenges in the Global War on Terror (GWOT). The DoD IG has identified priorities based on those challenges and established the following goals: expand the DoD IG presence in Southwest Asia; increase coverage of GWOT-related contracting, programs, and operations; and increase our support to the Joint Terrorism Task Forces and Project Shield America activities. The first chapter of this report provides examples of how we are pursuing those goals through audits, inspections and investigations that focus on preventing and detecting fraud, waste and abuse that diverts funds from supporting critical mission areas such as military readiness and the acquisition of equipment and services.

This Semiannual Report also includes chapters highlighting our oversight efforts regarding Hurricane Katrina, Financial Management, and Acquisition Process and Contract Management. Significant accomplishments of the IG, as well as DoD audit, investigative, and inspection communities are based on management challenge areas identified by the IG and are discussed in this report. The duties and roles of each DoD IG component are highlighted in the final chapter. A separate classified annex discusses our intelligence-related oversight.

We will continue to work with the Department and Congress to identify and address significant issues. I look forward to my new responsibilities as the DoD Inspector General and the opportunity to continue to serve this nation.

A handwritten signature in black ink, reading "Claude M. Kicklighter".

Claude M. Kicklighter  
Inspector General

# Department of Defense Inspector General

## Statistical Highlights



The following statistical data highlights Department of Defense Inspector General activities and accomplishments during the October 1, 2006 to March 31, 2007 reporting period.

### Investigations<sup>1</sup>

Total returned to the U.S. Government.....	\$303.9 Million
Seizures and Recoveries.....	\$1.7 Million
Civil Judgments.....	\$170 Million
Criminal Judgments.....	\$119.9 Million
Administrative Judgments.....	\$12.4 Million
Investigative Cases	
Indictments.....	190
Convictions.....	155
Suspensions.....	19
Debarments.....	47

### Audit

Audit Reports Issued.....	77
Monetary Benefits	
Recommendations Made on Funds Put to Better Use.....	\$65.9 Million
Achieved Monetary Benefits (Funds Put to Better Use).....	\$589.8 Million

### Hotline Activities

Contacts.....	6,455
Cases Opened.....	837
Cases Closed.....	1,107

<sup>1</sup> Includes investigations conducted jointly with other federal and Defense Criminal Investigative Organizations.

# Table of Contents

CHAPTER 1 — GLOBAL WAR ON TERROR	1
CHAPTER 2 — HURRICANE KATRINA	27
CHAPTER 3 — FINANCIAL MANAGEMENT	31
CHAPTER 4 — ACQUISITION PROCESS AND CONTRACT MANAGEMENT	39
CHAPTER 5 — SIGNIFICANT ACCOMPLISHMENTS	45
Joint Warfighting and Readiness	46
Human Capital	51
Information Security and Privacy	52
Financial Management	53
Acquisition Process and Contract Management	53
Health Care	54
CHAPTER 6 — OIG COMPONENTS	59
Deputy Inspector General for Auditing	60
Deputy Inspector General for Investigations	61
Deputy Inspector General for Intelligence	64
Deputy Inspector General for Policy and Oversight	65
Office of Communications and Congressional Liaison	67
APPENDICES	
Appendix A — Reports Issued by Central DoD Internal Audit Organizations	69
Appendix B — DoD OIG Audit Reports Issued Containing Quantifiable Potential Monetary Benefits	78
Appendix C — Followup Activities	79
Appendix D — Contract Audit Reports Issued	81
Appendix E — Status of Action on Significant Post-Award Contract Audits	82
Appendix F — Status of OIG Reports More Than 12 Months Old With Final Action Pending	83
Appendix G — Defense Criminal Investigative Organizations Statistics	106
Acronyms	107

# Department of Defense Inspector General Reporting Requirements



IG Act References	Reporting Requirements	Page
Section 4(a)(2)	“review existing and proposed legislation and regulations...make recommendations...”	67-68
Section 5(a)(1)	“description of significant problems, abuses, and deficiencies...”	45-58
Section 5(a)(2)	“description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies...”	45-58
Section 5(a)(3)	“identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed...”	60-61
Section 5(a)(4)	“a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted...”	45-58
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.	69-77,78
Section 5(a)(7)	“a summary of each particularly significant report...”	45-58
Section 5(a)(8)	“statistical tables showing the total number of audit reports and the total dollar value of questioned costs...”	79
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...”	79
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...”	79
Section 5(a)(11)	“a description and explanation of the reasons for any significant revised management decision...”	N/A
Section 5(a)(12)	“information concerning any significant management decision with which the Inspector General is in disagreement...”	N/A
Section 5(a)(13)	“information described under Section 804 [sic] of the Federal Financial Management Improvement Act of 1996...” (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(b)(2)	“statistical tables showing the total number of audit reports and the dollar value of disallowed costs...”	80
Section 5(b)(3)	“statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision...”	80
Section 5(b)(4)	“a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year...”	83-105
Section 8(f)(1)	“information concerning the number and types of contract audits...”	81



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# lobal War on Terror

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# GWOT Goals

A look at the Global War on Terror goals of the  
Department of Defense Inspector General

The DoD IG is committed to supporting the GWOT and the needs of the men and women fighting this war. The DoD IG has established the following goals:

## GOAL 1

Expand the DoD IG presence in Southwest Asia (SWA) to work on priority issues directly supporting efforts for Operation Enduring Freedom and Operation Iraqi Freedom.

## GOAL 2

Increase coverage of DoD GWOT-related contracting, programs, and operations, including issues such as healthcare for the warfighter.

## GOAL 3

Increase support to the Joint Terrorism Task Forces and increase Project Shield America activities.





The DoD IG is supporting GWOT and the warfighter by conducting audits, inspections, and investigations that seek to detect and prevent fraud, identify funds that can be used more effectively, and improve the management of DoD programs.

# Expanding the DoD IG Presence

A look at increasing the oversight presence of the Department of Defense Inspector General in Southwest Asia

Goal 1



## INCREASING SOUTHWEST ASIA PRESENCE

To provide a more effective and efficient oversight role, the DoD IG continues to move forward in establishing key in-theater presence. Key placement of DoD IG personnel will facilitate timely reviews and reporting of results in-theater and minimize disruption to command.

The DoD IG has already established an audit field office in Qatar as an in-theater base of operations. The staff in the Qatar office conducts audits as required in Iraq, Afghanistan, and Kuwait. Additionally, the DoD IG has a forward deployed presence in Iraq and Kuwait, and is in the process of establishing a field office at Camp Victory, Baghdad. The DoD IG is also in the process of initiating efforts to establish a forward deployed presence in Afghanistan.

### QATAR FIELD OFFICE

The DoD IG established a field office in Qatar collocated with U.S. Central Command Air Forces (CENTAF) on Al Udeid Air Base, Qatar. The Qatar field office is staffed with up to eight auditors at a time, on a rotational basis, serving tours of 4 to 6 months. The Qatar field office is responsible for performing audits and other reviews as required throughout the CENTCOM area of responsibility. Auditors from the Qatar field office have traveled to Iraq and Afghanistan to perform specific reviews, such as the Audit of Potable and Non-Potable Water in Iraq. Additionally, Qatar field office auditors facilitate and may augment other teams that require temporary travel in theater to conduct specific reviews.

### IRAQ – A FORWARD DEPLOYED PRESENCE

In coordination with the Commanding General, Multi-National Force-Iraq, the DoD IG is establishing a field office at Camp Victory, Baghdad. Currently, the DoD IG has forward deployed 8 audit, inspection, and investigative personnel in Baghdad, and has another 4 auditors in Iraq performing audits.

### OTHER PLANNED SWA PRESENCE

To maintain a more effective and efficient oversight role in Afghanistan, the DoD IG is in the planning stages to establish a forward deployed presence. Additionally, the Defense Criminal Investigative Service currently is collocated with Army Criminal Investigation Command in Kuwait.

# Increasing GWOT Oversight

A look at increasing coverage of DoD GWOT-related contracting, programs, and operations.

Goal 2

GWOT continues to be the top priority of the DoD IG and its four operational components (Audit, Investigations, Policy and Oversight, and Intelligence) have 105 ongoing or completed projects; 29 in Audit, 65 in Investigations, 6 in Policy and Oversight, and 5 in Intelligence.

Those 105 projects provide oversight and probe in various functions and activities such as readiness, contracts, logistics, contract fraud, theft, corruption, and intelligence efforts. DoD IG has completed or is conducting oversight efforts that cover approximately \$75 billion related to DoD GWOT efforts.

AUDITS	INVESTIGATIONS	INSPECTIONS	INTELLIGENCE
29	65	6	5

| DoD IG audit team in Qatar



| DoD IG audit team with Iraqi security forces at Um Qasr



| General David Petraeus visits DoD IG audit team in Iraq



| DoD IG team in Afghanistan



# Joint Terrorism Task Forces and Project Shield America

A look at increasing support to the Joint Terrorism Task Forces and Project Shield America activities.

Goal 3

## JOINT TERRORISM TASK FORCES



The Defense Criminal Investigative Service (DCIS) continues to actively support Joint Terrorism Task Forces (JTTFs) throughout the country. DCIS currently staffs 40 JTTFs on a full-time or part-time basis. A full-time DCIS representative is also assigned to the National Joint Terrorism Task Force located at the National Counterterrorism Center, McLean, VA.

The mission of the JTTF is to organize Federal, state, and local law enforcement agencies in a coordinated manner for the purpose of detecting, preventing and responding to domestic and international terrorist organizations that may threaten U.S. citizens or interests. JTTFs also address any threats or incidents involving Weapons of Mass Destruction which could be utilized against the population or interests of the United States.

Creation of JTTFs involves a costly investment of personnel and equipment; however, this initiative realizes qualitative benefits in the form of improvements to interagency coordination and cooperation, sharing of intelligence and in obtaining arrests and convictions in counterterrorism investigations. DCIS will continue to support JTTFs in an effort to reduce the threat of terrorist acts against Department of Defense interests.

## PROJECT SHIELD AMERICA



DCIS continues to work in conjunction with other Federal, state and local law enforcement agencies to protect our nation's technology from falling into the wrong hands. DCIS works in conjunction with the Department of Homeland Security's Immigration and Customs Enforcement (ICE) on various industry outreach projects, such as ICE's Project Shield America, to prevent the illegal export of sensitive U.S. munitions and strategic technology to terrorists, criminal organizations, and foreign adversaries.

Through such outreach programs, DCIS, ICE, the U.S. Department of Commerce, the Defense Security Service, and other law enforcement partners work in conjunction with U.S. companies that manufacture, sell, or export strategic technology and munitions to uncover potential illegal activity. Project Shield America targets those who attempt to compromise U.S. security or interests by violating export laws, sanctions or embargoes.

DCIS also works in conjunction with ICE's Arms and Strategic Technology Investigations unit to combat the trafficking in Weapons of Mass Destruction and their components, as well as the trafficking in conventional weapons and controlled technology.

# GWOT Highlights

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The GWOT continues to be the top priority of the DoD IG. Meeting the challenges of combating terrorism and upholding our commitment to support the warfighter will continue to place stress on budgetary, manpower, and materiel resources for both the IG and the Department.

Through mid-fiscal year 2007, Congress has appropriated more than \$463 billion to DoD for the GWOT. Each dollar not prudently spent results in a dollar unavailable for GWOT priorities. Additionally, on February 26, 2007, the DoD established a GWOT Cost of War Senior Steering Group that works across the Department to improve and standardize cost of war reporting. The DoD IG is an invited observer to the steering group meetings.

The DoD IG is highlighting the following efforts made during this reporting period to support the GWOT:

- › SOUTHWEST ASIA LEADERSHIP VISITS
- › SOUTHWEST ASIA JOINT PLANNING GROUP
- › CONGRESSIONAL TESTIMONY





# SOUTHWEST ASIA

## Leadership Visits

Department of Defense Acting Inspector General Thomas F. Gimble traveled to Iraq and Qatar in November 2006, where he visited with senior military leaders as well as with DoD IG personnel stationed there. This visit focused on Iraq and Qatar to obtain more input from senior leaders to provide increased support for the GWOT.

Senior officials Mr. Gimble visited with while in Iraq included:

- Amb. Daniel Speckhard, Deputy Chief of Mission, U.S. Embassy, Baghdad
- Amb. Chase Untermeyer and Country Team, Qatar
- Lt. Gen. Martin Dempsey, USA, Commander, Multi-National Security Transition-Iraq
- Maj. Gen. Thomas Moore, USMC, Multi-National Forces-Iraq Chief of Staff
- Maj. Gen. Kenneth Hunzeker, USA, Commander, Civilian Police Assistance Training Team
- Maj. Gen. Timothy F. Ghormley, USMC, USCENTCOM Chief of Staff
- Brig. Gen. Don Campbell, USA, Multi-National Corps-Iraq Chief of Staff
- Brig. Gen. Tim Rush, USAF, Deputy Commander, Doha Asian Games Task Force
- Brig. Gen. Charles Shugg, Commander, 379th Air Expeditionary Wing, Southwest Asia
- Ms. Ginger Cruz, Deputy Inspector General, Special Inspector General for Iraq Reconstruction
- Iraqi Inspectors General for the Ministry of Defense, the Ministry of the Interior and the Ministry of Public Health



Amb. Chase Untermeyer, U.S. Embassy Qatar



Maj. Gen. Timothy F. Ghormley, USMC, Chief of Staff, USCENTCOM



Maj. Gen. Thomas Moore, USMC, Chief of Staff, Multi-National Forces-Iraq



Amb. Daniel Speckhard, Deputy Chief of Mission, U.S. Embassy, Baghdad, Iraq

SOUTHWEST ASIA

Joint Planning Group



The DoD IG is establishing a Joint Planning Group on oversight activities in the Southwest Asia region so that oversight work by the Military Inspectors General and Auditors General, the Inspectors General of State and the Agency for International Development, the Special Inspector General for Iraq Reconstruction and Relief, and the Combatant Commands Inspectors General can better coordinate and deconflict oversight activities in the region.

It is our intent that this joint planning group will enhance supportive dialogue and minimize or eliminate operational constraints in gaining access to the theater of operation, which may potentially delay delivery of results of high-level interest.

To minimize the impact on forward command operations, deconflict overlapping and duplicative oversight requests, and facilitate the exchange of oversight information in Iraq, the DoD IG also participates in the Iraq Inspectors General Council chaired by the Special Inspector General for Iraq Reconstruction.



Special Inspector General for Iraq Reconstruction (SIGIR)



## OVERSIGHT

# Congressional Testimony

During this reporting period, the DoD IG has testified three times before Congress regarding its GWOT related oversight efforts. Specifically:

- January 2007, before the House Armed Services Committee on “Approaches to Audit of Reconstruction and Support Activities in Iraq”
- February 2007, before the Senate Armed Service Committee on “Office of Special Plans”
- March 2007, before the Senate Committee on the Judiciary on “Combating War Profiteering: Are We Doing Enough to Investigate and Prosecute Contracting Fraud and Abuse in Iraq.”

March 20, 2007, Mr. Thomas F. Gimble, Acting Inspector General Department of Defense testified before the Senate Judiciary Committee regarding combating war profiteering in Iraq.



## INSPECTOR GENERAL

Since October 1, 2006, Department of Defense Inspector General (DoD IG) components increased their coverage of DoD Global War on Terror (GWOT) related efforts. The DoD IG scope of oversight authority encompasses all DoD funded operations and activities in Iraq and for the GWOT, which today amount to approximately \$463 billion in supplemental appropriations. The DoD IG and its four components (Audit, Investigations, Policy and Oversight, and Intelligence) have 105 ongoing or completed oversight projects and investigations: 29 in Audit, 65 in Investigations, 6 in Policy and Oversight, and 5 in Intelligence. Those 105 actions provide oversight and probe various functions and activities such as readiness, principled governance, capacity building, contracts, logistics, contract fraud, corruption, theft, and intelligence efforts.



DoD IG team in Afghanistan.

The DoD IG continues to sustain an ongoing effort to mentor, assist, and train the Iraqi Inspectors General within various Iraq Ministries. The 65 ongoing GWOT-related investigations include projects in Iraq, Kuwait, and Germany as well as in the continental United States (CONUS). The Defense Criminal Investigative Service has representatives assigned to 40 Joint Terrorism Task Forces.

The DoD IG is committed to supporting the GWOT efforts and ensuring the effective use of resources to support U.S. Forces in Southwest Asia. To uphold our commitment to support the warfighter, we have established a forward presence in Qatar and Iraq to conduct and facilitate necessary oversight functions. Further, to reduce

the impact on the warfighter, we leverage our existing forward presence personnel to support other GWOT related projects that require information from within the region instead of deploying additional personnel. We also leverage other oversight organizations to coordinate oversight and to avoid duplicative efforts.

Audit, Investigations, Policy and Oversight, and Intelligence have 105 ongoing completed oversight projects and investigations

To maintain a forward presence, the deployment and redeployment of our personnel will continue to be a critical issue warranting additional management attention and efforts.

### AUDIT

The DoD IG completed 7 GWOT-related audits since October 1, 2006, and has 22 ongoing GWOT related audit projects as of March 31, 2007. The audits address issues related to acquisition and contracting, readiness, humanitarian and reconstruction relief, funds management, equipping the warfighter, and information operations. Of the 22 ongoing audit projects, 8 cover about 567 Iraq-related contract/purchase requests, with a total contract value of approximately \$10.4 billion. The remaining 14 audit projects pertain to other GWOT funds used for Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF), but may not involve specific reviews of Iraq related contracts.

As of March 31, 2007, the DoD IG had 13 auditors deployed in Qatar and Iraq. The Qatar field office, collocated with the United States Central Command (CENTCOM) Forward and the Iraq field office, is responsible for performing audits and other reviews as required throughout the CENTCOM area of responsibility (AOR), which covers most of Southwest Asia.

### COMPLETED AUDITS

The seven completed GWOT-related audit projects have resulted in findings involving critical issues in readiness, information operations, humanitarian and reconstruction relief, and financial management. A brief overview of each audit is listed as follows:

**Implementation of the Commanders' Emergency Response Program in Afghanistan:** The DoD IG determined that controls over the Commanders' Emergency Response Program in Afghanistan were established; however, not all controls were effective. Specifically, auditors found that most pay agents did not have appropriate physical security for storing cash, and some pay agents inappropriately disbursed cash. Some of the projects reviewed by the DoD IG did not fully achieve the intent of the program, and weaknesses in administrative processes led to inconsistent program implementation, unnecessary requirements, and insufficient documentation.



DoD IG audit team at Um Qasr.

**Management of the Iraq Security Forces Fund in Southwest Asia—Phase I:** The DoD IG concluded that the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Assistant Secretary of the Army (Financial Management and Comptroller) properly distributed and transferred the \$5.7 billion in compliance with applicable appropriations law and the 14 provisions of Public Law 109-13.

**Management of the Iraq Security Forces Fund in Southwest Asia—Phase II:** The DoD IG reviewed the Multi-National Security Transition Command-Iraq (MNSTC-I) use of \$5.2 billion from an emergency supplemental. The review examined randomly selected obligations, valued at \$3.3 billion, made by the MNSTC-I to provide equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction. The DoD IG determined that the obligations complied with the intent of Public Law 109--13.

**Equipment Status of Deployed Forces within the U.S. Central Command:** Based on responses from approximately 1,100 service members deployed to Iraq or Afghanistan, the DoD IG determined members experienced shortages of force-protection equipment, such as up-armored vehicles, electronic countermeasure devices, crew-served weapons, and communications equipment.

**Acquisition of the Pacific Mobile Emergency Radio System (PACMERS):** The DoD IG determined that the PACMERS program office improperly used potentially \$4.6 million of GWOT funds in development of the system, and as a result, those funds were unavailable to support the warfighter in Afghanistan or Southwest Asia.

**The Army Small Arms Program That Relates to Availability, Maintainability, and Reliability of the Small Arms Support for the Warfighter:** The DoD IG reported that although forces deployed in support of OIF were equipped with the correct amount and type of small arms, they did so only after obtaining them from other sources, such as nondeployed forces. As a result, nondeployed forces face a potential shortage of small arms that could affect their ability to train and maintain equipment and personnel readiness at an acceptable level.

**Information Operations Activities in Southwest Asia:** The DoDIG concluded that Multi-National Force-Iraq and Multi-National Corps-Iraq complied with applicable laws and regulations. The review also concluded that adequate acquisition, oversight, and disbursement documentation for the related contract was not maintained, and therefore did not allow us to conclude whether the contract was properly awarded.

## ONGOING AUDITS

The 22 ongoing GWOT-related audit projects address critical readiness issues that directly impact the warfighter, such as personal and operational equipment readiness, potable and non-potable water quality concerns, the acquisition of medium tactical vehicle programs, and resetting ground vehicles within the U.S. Army commands. The DoD IG is also focused on the oversight of funds and evaluation of internal controls relating to cash disbursement for the Army, Navy, and Air Force

general funds, as well as the diligent execution of FY 2006 supplemental funds to equip and train the Afghanistan security forces.

The ongoing projects include a number of audits initiated at Congress' request after issues were brought to their attention, such as concerns with the water quality for U.S. forces in Southwest Asia and the procurement policies for armored vehicles. Additionally, the DoD IG works with the military service audit agencies to leverage audit efforts and to ensure that projects are coordinated to avoid duplication and minimize impact to command operations. A brief overview of each audit is listed as follows:

**Management of the Iraq Security Forces Fund in Southwest Asia—Phase III:** This is the final part of a three-phase review. The first phase addressed the distribution of funds. The second phase addressed the obligation of funds. The third phase addresses whether the goods and services purchased for Iraq security forces were properly accounted for and whether the delivery of goods and services were properly made to the Iraq security forces.



Meeting with ISFF-Phase III team before departure to Iraq.

**Internal Controls Over Army General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States:** The DoD IG is reviewing whether internal controls for Army General Fund, Cash and Other Monetary Assets held outside of the continental United States are effectively designed and operating to adequately safeguard, account, and report Cash and Other Monetary Assets.

**DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom:** The DoD IG is reviewing whether U.S. ground forces supporting OIF are receiving training necessary to meet operational requirements. Specifically, auditors will determine whether requirements reflect the training necessary in the area of operation and verify whether the ground forces are receiving the required training. In addition, the auditors will evaluate whether the training is meeting the needs of ground forces supporting OIF.

**Supplemental Funds Used for Medical Support for the GWOT:** The DoD IG is evaluating whether supplemental funds for the medical mission were properly justified and sufficient controls on their use were implemented as directed by DoD and military department guidelines. The DoD IG is initially focusing on the Defense Health Program portion of supplemental funding for the medical organizations that supported medical backfill and pre- and post-deployment.

**Procurement, Distribution, and Use of Body Armor in DoD:** The DoD IG is conducting the audit in response to a congressional request. The DoD IG is reviewing DoD procurement policies and practices for acquiring body armor and the effectiveness of body armor acquired and used in support of GWOT operations.

**Hiring Practices of the Coalition Provisional Authority in Iraq:** The DoD IG is conducting the audit in response to a congressional request. The DoD IG is evaluating the hiring practices that DoD used to staff personnel to the provisional authorities supporting the Iraqi government from April 2003 to June 2004. Specifically, the auditors are reviewing the process DoD used to assign personnel to the Office of Reconstruction and Humanitarian Assistance (ORHA) and the Coalition Provisional Authority (CPA) in Iraq.

**Inspection Process of the Army Reset Program for Equipment for Units Returning from Operation Iraqi Freedom:** The DoD IG is examining the Army Reset Program for equipment of units that return from OIF to determine the effectiveness of the inspection process. The scope of the project was expanded to include missiles, tracked vehicles, wheeled vehicles, communications, and small arms.



funds were placed on contracts and used for purposes stipulated in the GWOT supplemental funding approved by Congress.

**Conditional Acceptance and Production of Army Medium Tactical Vehicles in Support of the Global War on Terror:** The DoD IG is evaluating whether the Army is adequately protecting the Government's interest when it includes conditional acceptance provisions in production contracts for the Family of Medium Tactical Vehicle Program. In addition, the DoD IG is evaluating whether management is cost-effectively producing the Family of Medium Tactical Vehicles as funded in support of the GWOT.

**U.S. Transportation Command Compliance with DoD Policy on the Use of Commercial Transport:** The DoD IG is conducting the audit in response to a Defense Hotline allegation regarding the use of commercial sealift services. The DoD IG is reviewing whether the U.S. Transportation Command is complying with DoD policy on the use of commercial transport during wartime and whether those policies effectively provide optimal and cost-effective logistics to the warfighter.

**Potable and Non-Potable Water in Iraq:** The DoD IG is conducting the audit in response to a congressional request. The DoD IG is evaluating the contractor's water quality testing processes for effectiveness and reviewing whether internal controls enable safe, non-potable water to be provided to U.S. forces in Iraq. The DoD IG is also reviewing whether the processes for providing potable and non-potable water to U.S. forces are adequate.

**Management of Pre-positioned Munitions:** The DoD IG is evaluating management of pre-positioned munitions in the U.S. European Command and, specifically, the impact that the DoD transformation and the GWOT have had on the readiness of pre-positioned munitions.

**DoD Use of Global War on Terror Supplemental Funding Provided for Procurement and Research, Development, Test, and Evaluation:** The DoD IG is evaluating the adequacy of DoD financial controls over use of GWOT supplemental funding provided for procurement and research, development, test, and evaluation. The DoD IG is also evaluating whether

**Procurement Policy for Armored Vehicles:** The DoD IG is conducting the audit in response to a congressional request. The DoD IG is reviewing DoD procurement policies for armored vehicles. Specifically, the DoD IG is reviewing the procurement history for armored vehicle contracts to Armor Holdings, Inc., and Force Protection, Inc., in support of GWOT.

**Internal Controls Over Out-Of-Country Payments:** The DoD IG is evaluating whether internal controls over out-of-country payments supporting GWOT provide reasonable assurance that payments are properly supported and recorded.

DoD IG is reviewing DoD procurement policies for armored vehicles

**DoD Support to the NATO International Security Assistance Force:** The DoD IG is evaluating DoD support to the NATO International Security Assistance Force in Afghanistan. Specifically, auditors are reviewing DoD support in areas that include, but are not limited to, training, communications, and interoperability.

**Internal Controls Over Navy General Fund, Cash and Other Monetary Assets Held Outside of the Continental United States:** The DoD IG is reviewing whether internal controls for Department of the Navy, General Fund, Cash and Other Monetary Assets held outside of the continental United States are effectively designed and operating to adequately safeguard, record, account, and report Cash and other Monetary Assets.

## INVESTIGATIONS



**Internal Controls Over Air Force General Fund, Cash and Other Monetary Assets:** The DoD IG is reviewing whether internal controls over Air Force General Fund Cash and Other Monetary Assets are effectively designed and operating to adequately safeguard, account for, and report Cash and Other Monetary Assets.

**Distribution of Funds and the Validity of Obligations for the Management of the Afghanistan Security Forces Fund—Phase I:** The DoD IG is reviewing whether the distribution of the \$1.9 billion from the Afghanistan Security Forces Fund was obligated in accordance with the legislative intent and applicable appropriations law.

**Supply Chain Management of Clothing, Individual Equipment, Tools, and Administrative Supplies:** The DoD IG is evaluating the supply chain management of clothing and textile (Class II) items to determine whether they were being efficiently and effectively obtained. Specifically, the DoD IG is reviewing the requirements determination, the acquisition of selected Class II items, and supply responsiveness (whether soldiers receive Rapid Fielding Initiative before they deploy).

### OTHER ON-GOING EFFORTS

**Research on DoD Contracting Issues Related to the GWOT:** The DoD IG is examining DoD GWOT funding for contracts and issues surrounding those contracts. In addition, the project will also include research of military construction issues pertaining to the GWOT.

**Research on DoD Contracts Awarded to Parsons Corporation and its Subsidiaries:** The DoD IG is reviewing which DoD entities have contracted with Parsons Corporation, the scope of the work being contracted, and the amount of funds under contract. The information gathered during this research project may be used for selecting specific contracts to review more thoroughly.

**Antideficiency Act Investigation of the Operation and Maintenance Appropriation Accounts 2142020 and 2152020:** The DoD IG is conducting this audit at the request of the Army IG because of funding and contracting actions associated with the construction of internment facilities at Camp Bucca, Iraq. The DoD IG is reviewing whether an Antideficiency Act violation occurred in appropriation accounts 2142020 and 2152020.

In an October 26, 2001 speech, President George W. Bush declared that, “Countering and investigating terrorist activity is the number one priority for both law enforcement and intelligence agencies.” Various Executive Department policy decisions

implemented by DoD, the U.S. Department of State, and the U.S. Department of Commerce have also prioritized efforts involving counter proliferation and reducing illicit transfer of DoD technology (especially nuclear, biological and chemical weapons, and other Weapons of Mass Destruction) to countries and subversive groups that could potentially utilize DoD technology against our own forces.



DCIS special agents conducting operations in Iraq.

### DCIS NATIONAL SECURITY PROGRAM

As the criminal investigative arm of the DoD IG, the Defense Criminal Investigative Service (DCIS) continues to “Protect America’s Warfighters” by conducting investigations in support of crucial national defense priorities. DCIS investigates terrorist threats and other criminal activities that potentially impact our nation’s security, to include investigations involving illegal diversion, transfer or movement of DoD-related strategic technologies, U.S. Munitions List items, and Weapons of Mass Destruction to proscribed groups and nations.

In concert with DCIS' focus upon critical national security-related issues, the DCIS National Security Program was established in February 2003 to provide oversight of DCIS' homeland security efforts and technology protection efforts. The primary goal of the National Security Program is to oversee investigations conducted by DCIS field elements, and to conduct liaison with Federal, state, and local agencies that share investigative jurisdiction over these matters to promote interagency cooperation and the exchange of criminal intelligence.

### DCIS GWOT INVESTIGATIONS

DCIS has been engaged in investigating DoD matters pertaining to the Iraqi theater, to include Kuwait since the start of the war. From May 2003 through October 2004, DCIS had teams of two to three agents deployed to Baghdad. In addition, from October 2004 to present, the DCIS European office as well as multiple CONUS DCIS offices have continued to investigate Iraq-related matters. In September 2006, DCIS re-deployed four special agents to the theater; two special agents are assigned to Iraq and two special agents are assigned to Kuwait. Both offices are conducting criminal investigations pertaining to the Department.

DCIS Investigations: Operation Enduring Freedom & Operation Iraqi Freedom	
Open Investigations	65
DCIS Special Agents assigned to Southwest Asia Investigations	43
Special Agents in Iraq	2
Special Agents in Kuwait	2

*\*As of March 31, 2007*

DCIS seeks to protect America's warfighters by assuring the readiness of U.S. and coalition forces through the vigorous investigation of alleged criminal activity. Investigations involve bribery, public corruption, anti-trust violations, false statements/false claims, defective or non-conforming products, terrorism, technology transfer, and other breaches of public trust that can adversely impact programs and services with critical security applications. The investigation of criminal activity in Iraq involves members of the U.S. Armed Forces, U.S. contractor

personnel, and indigenous and foreign contractor personnel. In January 2004, an investigation was initiated on information from the Defense Contract Audit Agency (DCAA) concerning allegations of kickbacks and gratuities solicited and/or received by Kellogg, Brown & Root (KBR) employees and KBR overcharging for food, meals, and fuel.

Since the referral, a Federal investigative task force was formed at Rock Island, Illinois, comprised of DCIS, the U.S. Army Criminal Investigation Command (CID), the Federal Bureau of Investigation (FBI), the Internal Revenue Service (IRS), and the Office of the U.S. Attorney for the Central District of Illinois. The task force continues to examine criminal allegations involving the execution of the U.S. Army's Logistics Civil Augmentation Program (LOGCAP) III contracted by KBR. Some prosecutions have occurred and others are anticipated.

### DCIS AND THE INTERNATIONAL CONTRACT CORRUPTION TASK FORCE

As a result of the magnitude of alleged criminal activity within the Iraqi theater, a group of Federal agencies has formalized their partnership to combine resources to investigate and prosecute cases of contract fraud and public corruption related to U.S. government spending in Iraq reconstruction. The participating agencies in the International Contract Corruption Task Force (ICCTF) are DCIS, CID, FBI, the Special Inspector General for Iraq Reconstruction, the Agency for International Development Office of the Inspector General, and the Department of State Office of the Inspector General. The main goal of the ICCTF is to serve as a force multiplier for all federal agencies engaged in investigating complex matters in combat and austere outside Continental United States (OCONUS) environments.

### DCIS AND THE JOINT OPERATIONS CENTER

The ICCTF has staffed and operates a Joint Operations Center (JOC). The JOC is responsible for the deconfliction and dissemination of investigative information and providing analytic support to agencies responsible for investigating fraud matters with respect to U.S. Government funding to GWOT. In addition,

the JOC will allow DCIS special agents OCONUS to work in concert with prosecutors in CONUS to reduce travel time and expense, eliminate case overlap, find prosecutorial jurisdiction, and provide valuable analytical case support.

## DFAS-ROME

DCIS has initiated a project and committed resources to review documents associated with payments made by the U.S. Army in Iraq. Payment records are currently stored at the Defense Finance & Accounting Service, Rome, New York (DFAS-Rome). The DCIS project is designed to detect fraud involving payments made by the U.S. Army to support the war effort in Iraq. This is expected to be a long-term effort and DCIS is working with the FBI and coordinating its activities with the U.S. Attorney's Office, Northern District of New York. The Deputy Inspector General for Auditing is conducting a concurrent review of the records. While this project is still in its beginning stages, several questionable transactions have been discovered and referred for further investigation.

## DCIS JOINT TERRORISM TASK FORCE PARTICIPATION

Critical to DCIS' efforts in the national security arena are a cadre of DCIS special agents assigned to Federal Bureau of Investigation-led Joint Terrorist Task Forces located throughout the country. DCIS' involvement in JTTFs is necessary to DoD and the DoD Inspector General in order to use all means and methods available to conduct criminal investigations, conduct threat assessments, and have access to JTTF information relating to DoD operations, programs, and personnel. DCIS agents assigned to JTTFs investigate DoD-related leads, gather evidence, make arrests, provide security for DoD special events, conduct training, collect and share intelligence, and respond to threats and incidents pertaining to DoD at a moment's notice. DCIS agents assigned to JTTFs ensure that issues which have the potential to impact the safety of DoD employees or may interfere with the operations or administration of DoD programs are adequately investigated. JTTFs throughout the country are considered the nation's front line in battling terrorism, and have been instrumental in breaking up terrorist cells such as the "Portland Seven," the "Lackawanna Six," and the Northern Virginia jihad.

JTTFs coordinate their efforts through the interagency National Joint Terrorism Task Force (NJTTF), located at the National Counterterrorism Center, McLean, Virginia. The NJTTF ensures that information and intelligence flows freely among the local JTTFs. DCIS has a Headquarters DCIS asset assigned to the NJTTF. DCIS fills a unique role within these task forces, and oftentimes functions as a "one stop" shop for JTTF representatives requiring intelligence or assistance relating to the DoD. DCIS also benefits from its unique status as an independent agency within DoD. At present, DCIS has 40 special agents assigned to JTTFs throughout the country.



A DCIS special agent in Camp Victory, Iraq.

## INTELLIGENCE

The DoD IG's Office of the Deputy Inspector for Intelligence completed and is conducting several reviews of high-profile issues related to the GWOT. A brief overview of each report is listed as follows:

### COMPLETED REPORTS

**Review of the Pre-Iraqi War Activities of the Office of the Under Secretary of Defense for Policy (formerly reported as Office of Special Plans):** On February 9, 2007, the DoD IG published a report addressing allegations that the personnel assigned to the Office of Special Plans (OSP) conducted unauthorized, unlawful, or inappropriate intelligence activities. The review did not substantiate the allegation that personnel assigned to the OSP conducted unauthorized, unlawful, or inappropriate intelligence activities. However, their actions were

inappropriate given that the intelligence assessments were intelligence products and did not clearly show the variance with the consensus of the intelligence community.

**Review of Congressional Concerns Regarding The Rendon Group:** On March 6, 2007, DoD IG published a report addressing allegations that DoD hired The Rendon Group to deliberately create conditions that would convince the American people and Congress that Iraq was an imminent threat. The review found no evidence to support the allegations.

## ONGOING REPORTS

**U.S. Government's Relationship with the Iraqi National Congress:** The objective is to respond to direction from the House Appropriations Committee through the Office of the National Counterintelligence Executive to review the U.S. Government's Relationship with the Iraqi National Congress. On June 12, 2006, the DoD IG published a report on Phase One of the project. The report on Phase Two is expected to be published during the 3rd Quarter of FY 2007.

**Intelligence Support to U.S. Central Command and U.S. Special Operations Command in Operation Enduring Freedom and Operation Iraqi Freedom:** The DoD IG is performing an evaluation of the intelligence support to CENTCOM and SOCOM in OEF and OIF. The overall objective is to evaluate the effectiveness and efficiency of DoD intelligence collection support to CENTCOM and SOCOM in OEF and OIF. Specifically, the evaluation will examine the combatant command's intelligence collection requirement system and the DoD intelligence collection community's responsiveness to CENTCOM and SOCOM requirements.



DoD IG auditors in Iraq.

## PLANNED REPORTS

**Utilization and Training of Signals Intelligence Analysts for Counterterrorism Missions:** The overall objective will be to evaluate how well the National Security Agency is utilizing signals intelligence analysts for counterterrorism missions. Specifically, the audit will assess the effectiveness and efficiency of signals intelligence analyst training, assignments and utilization.

## POLICY AND OVERSIGHT

The DoD IG's Office of Policy and Oversight has played a key role in ongoing efforts in Southwest Asia to develop and promote the establishment of effective oversight and security organizations in Afghanistan and Iraq. Some of those projects have been conducted jointly with the Department of State (DoS) and the Department of Justice and have provided critical assessments and detailed recommendations aimed at helping the fledgling democracies in those countries to counter crime, corruption, human rights abuses, and other threats to include terrorism. A brief overview of each project is listed as follows:

**Support to Inspectors General of the Iraqi Security Forces:** The DoD IG provides two full-time advisors to the Multi-National Security Transition Command-Iraq (MNSTC-I) Transition Team in Baghdad, which support the Inspectors General of the Iraqi Security Forces (ISF), which includes the Ministry of Defense (MoD), Joint Headquarters (JHQ), and the Ministry of Interior (MoI). In addition to the DoD IG personnel, the transition teams have nine other inspector general advisors—a combination of military officers and contractors. The transition teams are charged to assist the ISF ministries build capacity and self-sustaining institutions.

During this reporting period, the DoD IG advisors collaborated with the DoS Inspector General and the SIGIR to assist the Iraqi IGs implement the IG Campaign Plan. The current version of the plan includes the establishment of the Joint Anti-Corruption Council (JACC). Chaired by the Iraqi Prime Minister, the JACC is organized to coordinate the efforts of the Iraqi anti-corruption pillars, which include the Iraqi IG system, the Commission on Public Integrity, the Board of Supreme Audit, and the Central Court System.

The senior DoD IG advisor is assisting embassy officials in the establishment of the Office of Accountability and Transparency (OAT). The OAT will coordinate and integrate U.S. advisory, support and mentoring activities to help the Iraqi anti-corruption pillars. One of the goals of the OAT is to assist the Government of Iraq (GoI) establish a principled governance institution that would provide training in anti-corruption and rule of law specialties. The U.S. Government has pledged \$7 million and the GoI has pledged \$10 million toward the educational institution and has created a project management team to implement the initiative.

the MNSTC-I Training Team advisors conducted a three week training course for 52 Iraqi military officers from all services

Furthermore, the DoD IG advisors provided assistance in the following areas:

- Assisted the Iraqi IGs in planning and conducting inspections of the offices of IGs at 10 ministries. Those inspections were used to assess the performance of their respective IGs, staffs, and organizations.
- Coordinated initiatives to improve the management of detainee issues including case adjudications, overcrowded facilities, accommodating increase of detainees as a result of surge operations, transfer of detainees from MoD to Ministry of Justice facilities, and the creation of the Iraqi Detainee Operations Committee.
- Supported the development of MoD's JHQ IG organization. The JHQ Inspector General system has a military IG, and IGs for each of the three services as well as several of the Army divisions. Eventually, all Iraqi Army divisions will have an IG function. In November 2006, the MNSTC-I Training Team advisors conducted a three week training course for 52 Iraqi military officers from all services. In March 2007, selected graduates from that course helped conduct a subsequent training session for 44 Iraqi officers to help build an understanding of the role and functions of a military IG. In late summer 2007, the U.S. Army IG School will host an intensive 3-week train-the-trainer session for the Iraqi IG instructors.

**Follow-up Evaluation of the Department of State/Department of Defense Interagency Assessment of Iraq Police Training Program Report:** The implemented recommendations are improving the overall quality of the program. For example, basic training courses have been expanded and advanced training programs institutionalized. Other improvements include transfer of recruiting and vetting responsibilities to the MoI, improved administrative processes and procedures, selection policies for officer training, and implementation of a Readiness Reporting System. One of the shared recommendations requiring centralized administrative procedures and development of standard operating procedures has been implemented, while the second shared recommendation is deferred until a new National Security Presidential Directive replaces NSPD-36, "United States Government Operations in Iraq."



Policy and Oversight team assesses Afghanistan Police Training.

**Department of State/Department of Defense Interagency Assessment of Afghanistan Police Training:** In November 2006, the DoS IG and DoD IG published the results of a review of the United States Government (USG)-funded programs to train and equip the Afghanistan National Police. Issues addressed in the final report included: recruiting and vetting programs, sustaining institutions and organizations, roles and responsibilities, oversight and internal control mechanism, security challenges, interagency collaboration and cooperation indicators, and support contract. Of the 12 recommendations to improve the overall quality of the program, DoD is responsible for implementing 3 recommendations and DoS is responsible for implementing 9 recommendations.

DoD IG team working on the Interagency Care Transition Project



**DoD/Department of Veterans Affairs (VA) Inspectors General Interagency Care Transition Project:** Requested by the Under Secretary of Defense for Personnel and Readiness, the DoD and VA IGs partnered together to evaluate care transition laws, regulations, and policies and will recommend process improvements to provide effective, transparent, and expeditious access to health care and other benefits when wounded service members are identified for separation or retirement.

**Interagency Department of Defense/Department of State/Department of Justice Assessment of the Counter Narcotics Program in Afghanistan:** The interagency IG assessment of the USG-funded counter narcotics program in Afghanistan was announced in September 2006. The team used the USG's Five Pillar Strategy for the Afghan Counter Narcotics Program as a framework for the assessment and specifically examined the following areas:

- Conception, conduct, and management of the USG funded counter narcotics program in Afghanistan.
- Organization, coordination, and direction of interagency participation.
- Interaction with the Afghan government on counter narcotics issues.
- Impact, effectiveness, and prospects of counter narcotics actions and programs.

The Inspector General for the U.S. Agency for International Development also provided collateral support for the evaluation. The final report is scheduled for release in April 2007.



Photos above show the following:

- 1 A DCIS special agent in Iraq.
- 2 DoD IG team members working with coalition forces in Afghanistan.
- 3 DoD IG team members travel to Southwest Asia aboard a C-130.

## U.S. ARMY

ARMY CRIMINAL INVESTIGATION  
COMMAND

The United States Army Criminal Investigation Command (CID) provides critical felony criminal investigations, actionable criminal intelligence, logistical security, and protective services to a joint and expeditionary force globally postured in direct support of the GWOT. CID special agents are deployed around the world, assigned to major units in the GWOT. Currently, 125 special agents are deployed to Iraq and 8 to Afghanistan; 6 personal security officers are embedded into OIF and OEF for high risk personnel; 7 civilian Major Procurement Fraud Unit special agents work on the Joint Major Fraud Task Force in Iraq; and 3 military special agents work on the Joint Improvised Explosive Device (IED) Detection Task Force.



Army CID special agents conduct security operations in Iraq.

These CID special agents investigate detainee abuse; investigate and interrogate suspected terrorists to gather physical and testimonial evidence needed for successful judicial prosecutions; investigate contract fraud and public corruption of Congressional interest; and provide protective service for ambassadors, dignitaries of U.S. cabinet rank in forward deployed environments, foreign heads of defense, and in the highest terrorist threat environments, the Special Representative to the United Nations Secretary General in Iraq.

CID special agents are deployed around the world, assigned to major units in the GWOT

CID also provides command and control leadership to the Criminal Investigation Task Force (CITF), a joint enterprise composed of criminal investigators from the Air Force Office of Special Investigations (AFOSI), the

## ARMY AUDIT AGENCY

During the 6-month reporting period, the Army Audit Agency (AAA) published several reports. A brief overview of two reports are listed as follows:

**Medical Funding for the GWOT, U.S. Army Medical Command:** The three medical activities reviewed by the AAA appropriately used GWOT funds with some exceptions. The medical activities also properly recorded and accounted for almost all transactions. About 86 percent of the \$61.7 million in transactions reviewed were valid and supported use of GWOT funds and about 97 percent were properly recorded. However, the medical activities received reimbursements totaling about \$8.5 million for GWOT expenditures that were not supported. AAA identified valid GWOT obligations totaling about \$1.6 million that the activities charged to core funds. The Medical Command took immediate corrective actions.

**Followup Audit of Generators:** The AAA followup audit found that the project manager for Mobile Electric Power implemented the recommended actions in the prior report and accelerated funding for replacing older and obsolete generators with more energy efficient and reliable generators. The accelerated funding during FYs 2004 through 2006 allowed the project manager to realize approximately \$186 million in monetary benefits—about twice the amount estimated in their prior report. Further, the audit contributed to the Department of Army decision to reduce generator funding in FYs 2008 through 2011 by about \$157 million. That enabled the Department of Army to fund higher priority needs related to GWOT.

Naval Criminal Investigative Service (NCIS), and the Army CID. That unit investigates terrorism by collecting evidence and developing prosecutable packets against international terrorists held at Guantanamo Bay, Cuba. CITF special agents in Iraq actively and aggressively support the Central Criminal Court of Iraq by investigating and supporting the resolution of international terrorist cases through prosecution in the Iraqi judicial system. To date, their efforts have resulted in 195 successful prosecutions, including 16 death sentences and 60 life sentences.

Joining with other federal law enforcement agencies, DoD agencies, and the national intelligence community, CID supports the FBI regional and national Joint Terrorism Task Forces in combating terrorism in CONUS by fusing Army criminal intelligence with other all source processed intelligence, thus presenting a better operating picture of domestic terrorism. Their specific efforts are designed and focused to eliminate, mitigate, or apply countermeasures that serve to protect DoD people and other valuable resources.

CID special agents help streamline information sharing between national intelligence and law enforcement agencies by contributing to the Antiterrorism Operations and Intelligence Cell at the Army Operations Center; the DoD Counterintelligence Field Activity; the National Joint Terrorism Task Forces; and the Global Situation Awareness Facility, Office of the Secretary of Defense. The CID provides Criminal Activity Threat Estimates and Criminal Activity Threat Assessments to protect, defend and harden mission essential vulnerability areas and human resources.

CID special agents renewed their emphasis on providing logistical security (LOGSEC) by focusing on the integrity of the logistics pipeline associated with deployments/redeployments and contingency operations. Special emphasis is given to prevention, detection and investigation of criminal acts committed by either terrorists or criminal elements anytime from within the factory to use in the foxhole. Designed to prevent supply diversion, theft, destruction, product substitution,



NCIS special agent in Najaf, Iraq

or the sabotage of supplies during in transit movement from force provider to war fighter in a combat theater of operation, those LOGSEC efforts draw on the vigilance of every CID military and civilian member. Increasing and rapidly emerging asymmetric threats create a demand to grow an elite force to cover the expanding number of high risk personnel requiring a protective service entourage. Through the executive protection coverage, CID keeps DoD senior executives safe from assassination attempts and kidnapping, and from becoming targets of opportunity.



U.S. NAVY AND MARINE CORPS

## NAVAL AUDIT SERVICE

The Naval Audit Service (NAVAUDSVC) supports the Department of the Navy (DoN) GWOT goals by auditing selected policies, procedures, and activities to ensure that they achieve the stated objectives and maximize efficiencies. The Naval Inspector General publishes a Department of the Navy Risk Assessment annually. The NAVAUDSVC includes in its audit plan topics based on the risks and areas of vulnerability identified in the risk assessment with respect to GWOT. The NAVAUDSVC is continuing a series of audits on anti-terrorism and force protection as well as auditing intelligence-related contracting and classified financial reporting.

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

The Naval Criminal Investigative Service (NCIS) actively supports the GWOT through a number of unique efforts. Since January 2006, NCIS operates a forensic laboratory

in Camp Fallujah, Iraq (LPL-CF), processing nearly 30,000 individual items and resulting in more than 300 identifications of suspected insurgents and other persons of interest. A dozen of those identifications resulted in criminal prosecution in the Central Criminal Court of Iraq. The LPL-CF plans to process 100,000 items this calendar year.

Another unique program, the NCIS Law Enforcement Information Exchange (LInX) program, continues nationwide as a state of the art law enforcement information sharing system between federal, state, and local law enforcement agencies. In the October 2006 issue of Homeland Security Today, the FBI's former Deputy Director of Counterintelligence lauded LInX's effectiveness by stating, "LInX is a great example of a successful model of an information system that addresses the technical and governance issues plaguing information sharing. LInX-supplied data has been instrumental in providing critical leads in homicides, burglaries, and drug trafficking cases. It should be replicated across the United States.

NCIS supports efforts aimed at detecting, deterring and disrupting terrorism against DoN personnel and assets worldwide. The Combating Terrorism Directorate brings a wide array of offensive and defensive capabilities to the mission of combating terrorism. Offensively (counterterrorism), NCIS conducts investigations and operations aimed at interdicting terrorist activities. Defensively (antiterrorism), NCIS supports key DoN leaders with protective services and performs vulnerability assessments of military installations and related facilities to include ports, airfields, and exercise areas to which naval expeditionary forces deploy.

Deployed around the globe, NCIS special agents support counterterrorism efforts. A brief overview of efforts listed as follows:

Thirty-four special agents including counterintelligence (CI) special agents, polygraph examiners and cyber forensics experts supported the Multi-National Forces Strategic Counterintelligence Directorate – Iraq by fulfilling operational and strategic counterintelligence requirements and providing counterintelligence support to the unified and special commands. Additionally, an NCIS special agent currently fills the operations chief position.

Thirty-six special agents provided criminal investigative support for the Marine Expeditionary Forces – Iraq. Two additional special agents served as special counterintelligence officers on Marine Expeditionary Forces staff.



Six special agents provided assistance with sensitive site exploitations, collection of evidence, interrogations of detainees and other counterintelligence related matters for the Navy Special Warfare program.

Six special agents worked with agents from the FBI; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the Drug Enforcement Agency; Immigration and Customs Enforcement; the Air Force Office of Special Investigations; and the U.S. Marine Corps (USMC), as part of the Interagency Investigations Team collecting case facts and evidence on non-US high value suspects for prosecution by the Central Criminal Court of Iraq.

Twenty-seven special agents, six intelligence analysts, and two mobilized United States Navy Reserve intelligence specialists supported the USMC Joint Prosecution and Exploitation Center –Iraq in conducting criminal investigations and analyzing evidence on non-US suspects for prosecution by the Central Criminal Court of Iraq.

Twelve special agents including CI trained special agents, polygraph examiners, and cyber forensics experts fulfilled operational and strategic counterintelligence requirements and provided counterintelligence support to the unified and specified commands in Afghanistan. An NCIS special agent currently fills the Operations Chief billet.

Four NCIS polygraph examiners supported detention center interrogations, and other special missions to validate operational and strategic counterintelligence requirements for CENTCOM and component commanders in Afghanistan.

Ten special agents, deployed to Guantanamo Bay, Cuba, conducted detainee interviews and prepared trial reports concerning the detainees' involvement in war crimes within the CENTCOM AOR.

Nine special agents supported Coalition Forces Land Component Command force protection missions in Kuwait.

Three special agents and one mobilized USNR intelligence officer provided manning for counterintelligence and force protection responsibilities within the area of responsibility of the NCIS Resident agent in Kuwait.

Ten special agents support the Criminal Investigations Task Force (CITF), Fort Belvoir, investigating war crimes within the CENTCOM AOR.

Ten special agents afloat performed aboard the following Navy combatants: USS Enterprise, USS Iwo Jima, USS Dwight D. Eisenhower, USS Boxer, USS Bon Homme Richard, USS Mount Whitney, USS Kitty Hawk, USS Blue Ridge, and USS John C. Stennis.

The NCIS Protective Operations Department maintains 14 personnel security details on DoN "High Risk" billets worldwide. Additionally, the department assisted the U.S. Army in providing protective services support for Office of the Secretary of Defense and Joint Chiefs of Staff principals during 25 missions in 9 stateside locations and 13 foreign countries. Additionally, tasked by the Defense Foreign Liaison Office and the Navy Foreign Liaison Office, the Department provided security for visiting dignitaries from 10 foreign governments.

The NCIS Directorate of Intelligence, by monitoring classified threat streams relating to terrorism, issued 257 threat assessments directly to DoN deployed assets to assist in force protection planning; 4 reports regarding locations where DoN assets have an operational interest; and 69 daily threat summaries.

The NCIS Polygraph Services Division conducted 3600 counterintelligence scope polygraph (CSP) examinations which have identified numerous serious security issues and thwarted at least one recruitment attempt by a foreign intelligence service.

During this period, the NCIS Cyber Division - Iraq prepared for three separate major wrongful death cases involving terabytes of media taken from suspects and witnesses, while the Afghanistan division refined its closed forensics network for electronic media extraction and analysis.

## MARINE CORPS CRIMINAL INVESTIGATION DIVISION

The United States Marine Corps Criminal Investigation Division (USMC CID) supports the Marine Corps garrison and field commands in the GWOT. Through rapid deployments, USMC CID responds to all investigative requests and requirements not assumed by the NCIS and/or at the combat and garrison commander's request. USMC CID provides investigative support, Sensitive Site Exploitation training to operating forces, and prosecutorial support to the Joint Prosecution and Exploitation Centers (JPEC) throughout the Iraqi theater.

USMC CID reviewed, prepared, and forwarded detainee packages and evidence for prosecution/release of current detainees

In Iraq, during this reporting period, the USMC CID:

- Deployed two teams of 10 agents in support of JPEC. The initial team was instrumental in the initiation and enhancement of the JPEC.
- Reviewed, prepared, and forwarded detainee packages and evidence for prosecution/release of current detainees in country.
- Devised and conducted training to operating forces on preserving, gathering, and documenting evidence.
- Prepared, forwarded, and executed high value target packages in conjunction with other agencies.

Aside from CID detachment operations in Iraq, agents also deployed as individual augmentees to sister service units operating in Afghanistan in support of special operations. They also conducted protective service operations worldwide in support of combatant commanders and high risk events.



## AIR FORCE AUDIT AGENCY

During the reporting period, the Air Force Audit Agency (AFAA) completed one audit indirectly related to the GWOT and has seven ongoing GWOT-related audits being conducted in the United States Central Command Air Forces (CENTAF) overseas AOR. Of those seven ongoing GWOT-related projects, four ongoing audits were requested by CENTAF officials. In addition, AFAA has three ongoing GWOT related audits, not conducted in the AOR.

### COMPLETED AUDIT NOT IN THE AOR

**Civilian Deployments:** The AFAA disclosed that Air Force personnel did not execute a viable emergency-essential (E-E) civilian program to support unit deployment taskings. Specifically, during Air and Space Expeditionary Force Cycle 5, planners did not identify more than 14,000 potentially eligible civilians to support more than 29,000 related military deployment taskings reviewed. In addition, supervisors did not sufficiently indoctrinate or provide required medical screening for 84 percent of the E-E civilians at 24 locations reviewed. Auditors also identified at 8 of the locations reviewed 42 reservists with dual commitments of occupying E-E positions and recallable reserve positions concurrently. Properly identifying, preparing, and assigning civilians to E-E positions could (a) reduce military personnel deployment tempo between 20 and 22 percent and lower deployments in stressed career fields by as much as 17 percent and (b) improve readiness, enhance the safety

and well-being of deployed personnel, and prevent the disruption or early termination of deployments.

### ONGOING AUDITS IN THE AOR

**U.S. Central Command Air Forces Area of Responsibility Contract Management:** The AFAA is assessing base operating support contracts in the CENTAF AOR. Specifically, the auditors will determine whether contracts are updated in a timely manner, properly managed, and necessary to complete mission requirements.

**U.S. Central Command Air Forces Area of Responsibility Ground Fuel Management:** The AFAA is assessing Air Force ground fuel management in the CENTAF AOR. Specifically, auditors will determine whether AOR officials properly account and bill for ground fuel.

**U.S. Central Command Air Forces Government Purchase Card Program:** The AFAA is determining whether Air Force personnel effectively managed the government purchase card program in the AOR. Specifically, the AFAA will determine whether (a) financial management officials implemented adequate and effective government purchase card program internal controls, and (b) transactions were authorized, appropriate, and made in accordance with established criteria.

**U.S. Central Command Air Forces Cryptographic and Secured Communications Equipment:** The AFAA is determining whether Air Force personnel effectively manage cryptographic and secured communication equipment in the CENTAF AOR. Specifically, the AFAA will determine whether CENTAF AOR personnel properly account for and control cryptographic and secured communication equipment.

**Patient Movement Items (PMI) Program:** The AFAA is assessing whether medical officials properly manage the Patient Movement Items program. Specifically, auditors will determine whether medical officials properly account, track, and maintain patient movement items.

**Predator Asset Accountability and Maintenance:** The AFAA is determining whether Air Force personnel effectively manage the MQ-1 Predator Unmanned Aerial System. Specifically, auditors will determine whether Air Force personnel (a) properly maintain program asset accountability, (b) timely accomplish and accurately

record maintenance actions, and (c) develop and maintain program unit type codes addressing current and projected mission needs.

**Prepositioned Mobility Bags:** The AFAA is determining whether Air Force personnel effectively manage the mobility bag program. Specifically, auditors will determine whether CENTAF personnel (a) properly account for and control mobility bag inventories, and (b) effectively manage shelf life items. Further, the AFAA will determine whether Air Force personnel accurately computed requirements after pre-positioning mobility bags in the CENTAF AOR.

## ONGOING AUDITS NOT IN THE AOR

**Air National Guard Emergency Response Teams:** The AFAA is assessing whether Air National Guard officials properly managed the Chemical, Biological, Radiological, Nuclear, or high yield Explosive (CBRNE) Enhanced Response Force Package (CERFP) program. Specifically, auditors will determine whether CERFP program personnel requirements are valid, required training is accomplished, and sufficient supplies and equipment are identified and funded.

**Readiness Training for Deployable Communication Packages:** The AFAA is determining whether the Air Force effectively managed crew position training and assignments for deployable network control centers. Specifically, auditors will determine whether communications squadron personnel received crew position training for network control center deployments and assigned appropriate personnel to support network control center deployments.

**Follow-up Audit, Weapons of Mass Destruction Emergency Response Equipment:** The AFAA is determining the effectiveness of management actions in response to AFAA Report of Audit F2004-0008-FD3000, Weapons of Mass Destruction Emergency Response Equipment; September 7, 2004.

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

The Air Force Office of Special Investigations (AFOSI) conducts complex felony-level investigations and provides affected military commanders and agencies with vital intelligence needed to successfully conduct and sustain

military operations in support of the GWOT. During this reporting period, in-garrison and deployed AFOSI personnel completed numerous significant investigative activities and operations which saved lives and vital resources, while simultaneously working to maintain the integrity, health, and readiness of military personnel worldwide. Those activities and operations included the assignment or deployment of 391 personnel to various positions located in the Gulf State Region. The vast majority of those positions are dedicated to generating real-time intelligence used by battlefield commanders to successfully execute all-service military operations in support of OIF and OEF. AFOSI personnel participated in a variety of exercises and operations such as New Horizons, Cope Tiger, Eastern Falcon, Rivet Joint, Terminal Fury and the Doha Asian Games.



An airman with the AFOSI conducting operations in Afghanistan

AFOSI personnel executed 3,199 source meets and conducted 967 combat sorties; produced 1,716 intelligence and threat reports; identified 2,206 insurgent, terrorist, group and foreign intelligence threats; conducted 305 protective service operations; and conducted 42 polygraph examinations in support of GWOT.

AFOSI has 22 agents assigned to the Criminal Investigation Task Force (CITF), where they serve jointly with criminal investigators from the NCIS and Army CID. Established in response to a Presidential military order, CITF is tasked with capturing and bringing to trial non-US citizen terrorists that were affiliated with Al Qaeda. CITF has conducted more than 14,000 interviews of suspected terrorists, completed 63 combat crime scene exams, and obtained more than 200 convictions in Iraq before the Iraqi Central Criminal Court with resultant sentences ranging from death, life imprisonment, and/or confinement from 6 months to 20 years.



# Hurricane Katrina

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On August 29, 2005, Hurricane Katrina devastated the Gulf Coast states of Louisiana, Mississippi, Alabama, and Florida with Category IV winds and torrential rain. Over the next several months, Air Force personnel rescued more than 5,500 people, airlifted more than 36,000 passengers and 11,000 tons of cargo, and provided medical support to 31,000 victims. In accordance with the Stafford Act, the Federal Emergency Management Agency (FEMA) requested Department of Defense (DoD) support for security, medical assistance, evacuation, rescue operations, and other recovery tasks exceeding state capabilities. For reimbursable support provided to FEMA, the Under Secretary of Defense (Comptroller) designated the Associate Deputy Assistant Secretary of the Air Force, Financial Operations and Technology, as the DoD Financial Manager Katrina (FM Katrina). In turn, FM Katrina established a financial working group representing all affected DoD organizations to address and resolve funding issues as they occurred. As of January 2006, Air Force personnel spent more than \$27 million on FEMA-related reimbursable relief efforts.



By September 9, 2005, Congress passed legislation that provided more than \$63 billion for disaster relief. DoD was initially appropriated \$2.3 billion of the \$63 billion for its Hurricane Katrina recovery efforts, emergency repairs of storm damaged areas and flood control, and hurricane shore protection projects in the affected Gulf States. In addition to that funding, DoD and the U.S. Army Corps of Engineers received about \$6 billion more through FEMA Mission Assignments for Hurricane Katrina. Subsequently, DoD and the U.S. Army Corps of Engineers were appropriated approximately \$12.9 billion for additional recovery efforts to include flood control and coastal emergency efforts. The total cost of federal response and recovery efforts could reach as much as \$200 billion. The amount of money and the urgency to make funds available as quickly as possible increase the opportunity for fraud, waste, and mismanagement. The work of the Inspector General (IG) community was critical in minimizing the risk to taxpayers' dollars.

The IG community quickly established effective mechanisms to mobilize and coordinate audit and investigative resources in response to Hurricane Katrina. The DoD IG closely coordinated with other Inspectors General through the President's Council on Integrity and Efficiency (PCIE) Homeland Security Roundtable on Hurricane Katrina and the Hurricane Katrina Fraud Task Force to ensure effective use of DoD resources in the relief and recovery efforts. This fiscal year the PCIE Homeland Security Roundtable on Hurricane Katrina became the PCIE Homeland Security Disaster Relief Working Group. The DoD IG continues to actively participate in the Disaster Relief Working Group and subgroups under that Working Group. The overall goal of the Disaster Relief Working Group is to continue to develop agency and program improvements and recommendations that will result in improved Inspector General coverage of disasters and will track the solutions that implement those recommendations. The DoD IG is also actively participating with representatives from other Inspectors General offices on various subgroups relating to Disaster Acquisition, Duplicate Programs, and Disaster Audit Response Plan. In addition, the DoD IG participated in the "Auditor's Forum on Katrina Relief on the Mississippi Gulf Coast" with other federal and state auditors which focused on auditor response and responsibilities in Katrina relief.

The DoD IG, the Army Audit Agency (AAA), the Naval Audit Service (NAVAUDSVC), the Air Force Audit Agency (AFAA), the Defense Contract Audit Agency (DCAA), and the Defense criminal investigative organizations employed a cadre of more than 150 auditors, investigators, and inspectors who provided immediate and professional oversight of DoD contracts and operations related to Hurricane Katrina relief efforts. Within DoD, we leveraged resources by coordinating among the DoD IG, Service audit and investigative agencies, and other federal agencies to avoid possible duplication of efforts and to ensure broad coverage.

## AUDIT

The DoD audit efforts cover the main contracting areas that the U.S. Army Corps of Engineers is primarily responsible for under the 2004 National Response Plan, namely the Emergency Support Function No. 3 Public Works and Engineering. To further emphasize the importance of Hurricane Katrina, the DoD audit community's efforts specifically covered high-risk areas such as funding,

purchase cards, and contracts. To fulfill statutory oversight responsibilities, DoD IG has performed or is performing audits related to Hurricane Katrina that cover:

- Contracts on ice delivery, the “Operation Blue Roof” Program, emergency water, subsistence, and construction capabilities.
- Expanded micro-purchase authority for purchase card transactions.
- Effects on information technology resources in affected areas.
- Accounting and oversight of obligations and expenditures related to DoD Hurricane Katrina efforts.
- The use of DoD resources supporting recovery and relief efforts.

By the end of FY 2006, the DoD IG had completed and issued final reports on four audits on contracts for ice (about \$152.6 million reviewed) and water (about \$135 million reviewed); expanded micro-purchase authority for purchase card transactions (purchase card transactions valued at about \$18.5 million reviewed); and financial management of Hurricane Katrina efforts at selected DoD Components (about \$310.5 million in billings reviewed). The DoD IG identified contract administration issues as a result of the congressional requests and has initiated further audit work on the emergency water and ice delivery.

The DoD IG is currently performing additional audit work on contracting issues related to emergency ice delivery, “Operation Blue Roof,” and additional work in the financial management area. The DoD IG announced an audit in January 2007 titled, “Audit of the Mission Assignment Process during the Gulf Coast Hurricane Relief Efforts.” The DoD IG is reviewing the process for receiving mission assignments, delegating mission assignments to the appropriate components, and the subsequent reconciliation of mission assignments.

The AAA is performing an audit at the request of the Assistant Secretary of the Army (Financial Management and Comptroller) on the Army fund accountability for Hurricane Katrina. The objective is to evaluate the Army’s processes and procedures to account for funds used to support Hurricane Katrina relief efforts and whether the Army obtained proper reimbursement for the expenses incurred. As of 20 March 2006, the Army received about \$532.3 million from the DoD emergency supplemental appropriations and about \$115.6 million in reimbursable funding authority from the Federal

Emergency Management Agency (FEMA). In addition, the AFAA has two ongoing projects that will determine if Air Force Personnel effectively managed \$412 million in Hurricane Katrina supplemental funds and whether Air Force Personnel implemented effective planning measures for future hurricanes.

The DoD IG and the service audit agencies issued a total of eight audit reports since the beginning of FY 2007.

The DoD IG reported that a contractor was not always able to deliver emergency water within the terms of the contract. The audit also identified approximately \$8.2 million in potential monetary benefits because payments were made that were not properly documented.

The DoD IG determined that, generally, contracts issued for the Army Corps of Engineers’ “Operation Blue Roof” project were awarded properly. Opportunities for small business concerns existed but the contracts were awarded to larger businesses because of technical proficiency. The audit also identified some performance issues on the contracts.

The DoD IG review of the effects of Hurricane Katrina on the Defense Information Systems Agency continuity of operations and test facility showed that testing was halted for about 3 weeks after the disaster began. Real-time logistics data were also lost for that time period. The delays could have been mitigated with better continuity planning.

The DoD IG reported that one component in the disaster area lost communication capabilities for a 24-hour period causing delayed supply operations to Southeast Asia for 4 days. No major impact was evident from that delay. That function was transferred to other components, and internal controls were strengthened as a result of the outage.

The DoD IG stated that U.S. NORTHCOM should improve planning and coordination with DoD components and federal agencies in support of the National Response Plan including:

- Planning and coordinating military support to civilian authorities.
- Developing a plan for using joint military forces.
- Standardizing communication architectures.
- Training between DoD and federal agencies.

The AAA stated that before Hurricane Katrina, the Army Corps of Engineers did not have an acquisition strategy in place to deal with a major disaster. The Corps awarded four post-Katrina debris removal contracts based on unclear requirements, which later drove the need to renegotiate prices under unfavorable circumstances. The Corps took steps to comply with the intent of public laws by establishing subcontracting goals for small and disadvantaged businesses, and encouraging prime contractors to subcontract with businesses in hurricane-affected areas.

The NAVAUDSVC stated that opportunities existed to improve internal controls over accountability of hurricane relief funds. Those improvements include creating standard operating procedures and procedures for reconciling supplementary funds; special codes for identifying and communicating contingency funds; training personnel; and developing effective procedures to record, distribute, and report funds. Improvement opportunities existed because commands did not have emergency standard operating procedures and guidance was not issued until 3 weeks after the disaster began.

Navy and Marine Corps activities in the Gulf Coast region sustained varying amounts of damage and mission degradation because of Hurricane Katrina. Internet access and communications failed and reconstitution of services was slow. The audit objectives were to verify that: (1) information system restoration and data recovery efforts in the aftermath of Hurricanes Katrina and Rita were effective; and (2) internal controls were in place to ensure those efforts were executed in accordance with laws and regulations and were adequate to prevent or promptly detect errors or irregularities. The audit revealed that 12 of 14 commands that should have executed Continuity of Operations Plans had not prepared them as required by Defense and Department of the Navy guidance. As a result, DON commands' missions were detrimentally affected.

The AFAA stated that overall, the Financial Manager-Katrina took substantial actions to establish and implement adequate management controls over DoD FEMA funding. Air Force personnel used funds for valid hurricane efforts. However, opportunities existed to improve future DoD and Air Force controls over funding relief efforts.

DCAA supported both FEMA and the Army Corps of Engineers in their Hurricane Katrina recovery efforts.

DCAA's support to FEMA focused on FEMA's four largest reconstruction contractors: Bechtel, CH2M Hill, Fluor Federal, and Shaw Environmental. The audit effort included forward pricing reviews, reviews of costs billed under government contracts and pre-award accounting system surveys, as well as support of Source Selection Evaluation Boards. DCAA also provided direct support to the Corps emergency response mission. DCAA provides professional advice on accounting and financial matters to assist in the negotiation, award, administration, re-pricing, and settlement of contracts. DCAA was primarily involved in the Corps missions related to installation of temporary roofing and debris removal (Debris Mission).

## INVESTIGATIONS

As of February 21, 2007, the Defense Criminal Investigative Service (DCIS) has received 27 criminal allegations related to Hurricanes Katrina and Rita. DCIS agents have initiated ten investigations concerning bribery, kickbacks, false claims, and possible product substitution. One of the open investigations, previously reported, resulted in judicial action.

As part of its continuing mission to combat fraud and corruption, DCIS conducted 42 mission and fraud awareness briefings at the U.S. Army Corps of Engineers debris collection and Blue Roof distribution sites. Government and contractor employees were informed of potential fraud, bribery, and kickback schemes; advised that law enforcement officials monitor illegal activity; and provided a point of contact to report suspected fraud.

In regard to the Hurricane Katrina Fraud Task Force (HKFTF), DCIS attends bi-weekly meetings at the Task Force Command Center to brief other task force members on investigative efforts. DCIS also serves as the liaison between law enforcement and the U.S. Army Corps of Engineers. DCIS continues to monitor electronic contractual data and coordinates findings with the HKFTF. DCIS has five agents working Hurricane Katrina-Rita related investigations.

In summary, the attention given to Hurricane Katrina efforts by the DoD oversight community resulted in a much larger awareness of what constitutes fraud, resulted in improved procedures over contracting, and increased the use of small and local contractors for future emergency response efforts.



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# Financial Management

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

## AUDIT

In December 2005, the Department published the initial version of its Financial Improvement and Audit Readiness (FIAR) Plan with the intent to provide an incremental approach to resolving its problems through the use of a single, comprehensive, and integrated plan to organize and efficiently manage financial management improvement.

### DOD FINANCIAL IMPROVEMENT AND AUDIT READINESS (FIAR) PLAN

The FIAR Plan identifies critical activities for improving internal controls, resolving auditor identified weaknesses, optimizing fiscal stewardship, and achieving audit readiness. It targets problems arising from such things as weak or nonexistent internal controls, incomplete and inaccurate information, or systems that cannot properly process data and information.

Milestones for resolving problems and achieving success are established and monitored so that decision makers can explore a broader range of options with greater confidence. The FIAR Plan principles include:

- Instituting one DoD financial improvement plan with tiered component plans and accountability.
- Employing a collaborative management process.
- Using a prioritized, incremental approach.
- Integrating transformation programs in components.
- Optimizing performance through standardized processes, controls, and systems.
- Learning from each other's approaches, challenges, and successes.

DoD is using this incremental approach to improve its financial management processes with the ultimate goal of obtaining an unqualified audit opinion on its principal financial statements. In addition, the DoD Comptroller's Office has established business rules that focus efforts on improving the underlying financial management for various line items. According to the business rules, once management identifies and corrects financial management deficiencies then management conducts a validation to determine whether the corrections have effectively resolved the problem. If the validation confirms that sufficient improvement has been made to correct the deficiencies then management asserts that the line item is ready for audit. Subsequently, the IG or an independent public accounting firm will audit the line item to determine whether it is materially correct. The five-phased process is outlined in the chart below.

### THE FIVE-PHASED APPROACH

Discovery & Correction	Validation	Management Assertion	Assessment	FS Audit
<p>The discovery, correction, and validation work is the responsibility of the DoD Component.</p> <p>Prior to assertion, Service auditors, or an independent public accounting firm engaged by the DoD entity, should validate that deficiencies in a line item or financial statement that were identified in the discovery phase have been corrected and the area is ready for audit.</p>	<p>The Service or Agency tells the DoD (Comptroller) they are ready for audit on a line item or financial statement and provides the DoD (Comptroller) and DoD IG auditors with the management assertion package describing reasons a line item or financial statement is ready for assessment.</p> <p>The DoD (Comptroller) determines if the line item or financial statement is ready for assessment or audit.</p>	<p>DoD IG provides oversight of the independent public accounting firm work to ensure assessment work will lead to a favorable audit opinion; if not, work on the contract is stopped.</p> <p>Once the assessment work is completed without identifying material deficiencies, an audit will be initiated.</p>	<p>The DoD IG or the independent public accounting firm contracted by the DoD IG will undertake a financial statement audit after successful completion of an assessment, or granting of a waiver to an assessment by the DoD (Comptroller), in conjunction with the DoD IG.</p>	

## THE DOD IG ROLE IN THE FIAR PLAN

The DoD IG has been and will continue to be involved throughout the entire financial improvement process. As an advisor to the FIAR process, the DoD IG highlights areas of concern and provides realistic timeframes for audits. By communicating audit results, the DoD IG assists DoD components in identifying control weaknesses that need to be addressed in the components validation process.

To successfully complete financial statement audits, it is important that auditors are able to assess the reliability of the systems that produce financial data. The DoD IG provides advice and guidance about system requirements to financial statement audit teams and works with those teams in performing the systems portion of the audits. IG auditors also continue to work with the Office of the Secretary of Defense to devise a plan for a systematic review of DoD financial systems that are material to the financial statements. As those systems are identified, the DoD IG conducts compliance and control audits to help the Components while they prepare their assertion packages in support of a financial statement audit. Those compliance and control audits test general and application controls as well as compliance with laws and regulations.

The DoD IG conducts a variety of other financial audit services in addition to financial statements and financial system audits. Through those audits, IG auditors identify material issues that impact the quality of the Department's financial reporting process and its ability to record and report reliable, accurate, and timely financial information.

## AUDIT WORK COMPLETED DURING THIS REPORTING PERIOD

The DoD IG completed audits of financial statements, financial systems, and financial-related information during this reporting period. The results of that work are discussed in the sections below.

### FINANCIAL STATEMENT AUDITS

In April 2006; after the U.S. Army Corps of Engineers' (USACE) December 2005 assertion that its financial statements were fairly presented and ready for audit; the DoD IG contracted with PricewaterhouseCoopers, LLC,

an independent public accounting (IPA) firm, to audit the USACE financial statements as of September 30, 2006 and 2005.

The audit team provided oversight of the IPA and maintained sole responsibility for issuing an opinion on the USACE FY 2006 financial statements. That project represented the first Department of Defense stand alone entity that had gone to audit. The DoD IG had performed limited audit testing on the U.S. Army Corps of Engineers financial statements for several years, always reporting a disclaimer of opinion.

In November 2006, the DoD IG issued a disclaimer of opinion on the USACE Principal Financial Statements because time constraints precluded the performance of sufficient audit work to complete the audit within established timeframes and auditors were unable to determine whether material amounts on the financial statements were fairly presented.

Based on additional audit work since November, auditors identified a departure from generally accepted accounting principles and scope limitations related to supporting documentation for Property, Plant and Equipment (PP&E) sample items that caused uncertainty with the PP&E beginning balance. Until those issues are resolved to the auditor's satisfaction, the current disclaimer will not be changed.

### FINANCIAL SYSTEMS AUDITS

The DoD IG reported that the Defense Information Systems Agency's (DISA) Center for Computing Services, which supports all unclassified systems for which DISA manages the operating systems, made significant progress in standardizing and documenting its controls.

However, additional work is still needed to ensure that all key internal controls are adequately designed and operate effectively. Once the controls are operating effectively, auditors should be able to rely on the general controls at DISA and concentrate on the application and user controls that support the financial system being audited.

IG auditors also reported that the Defense Finance and Accounting Service (DFAS) did not implement sufficient controls to ensure that adequate documentation supported the modernization decision for the Integrated Accounts

Payable System (IAPS). As a result, DFAS approved the modernization for \$759,000 based on unsupported information. Standard procedures and controls for modernizations under \$1 million would prevent DFAS from approving procurements that are not adequately supported and reviewed.

## FINANCIAL-RELATED AUDITS

Throughout the reporting period, the DOD IG has conducted financial-related audits in the areas of internal controls over business processes and cash, improper payments, prompt payment, nonappropriated fund instrumentalities, military pay appropriations, and Military Interdepartmental Purchase Requests (MIPRs). The following concerns were reported:

- Government and contractor personnel did not properly perform physical inventory counts during the execution of statistical sampling plans to measure accuracy of dollar value and supply records; the Distribution Standard System contained inaccurate inventory information for individual storage locations; depot personnel did not complete research of inventory discrepancies in a timely manner, retain adequate supporting documentation, or use the proper error codes to identify underlying causes; and accountable officers did not perform consistent or adequate quality checks of completed inventory counts.
- Effective internal controls were not in place to ensure that DoD matched commercial payment requests to the corresponding obligation and that, once prevalidated, the disbursement transaction correctly posted in the official accounting records without manual intervention.
- The Defense Finance and Accounting Service Indianapolis (DFAS-IN) did not have effective controls in place to account for, research, and collect permanent change of station (PCS) travel advances paid from the military personnel, Army (MPA) appropriation. The lack of effective processes and controls resulted in DFAS-IN writing off travel advance accounts with a net balance of

\$27 million when it closed the MPA appropriations for FYs 1997 through 2000. In addition, DFAS-IN did not collect about \$3 million owed by Army soldiers related to PCS advances made in FYs 2001 through 2004.

- Internal and physical controls over Army cash accounted for in the Continental United States were inadequate to ensure that cash transactions were recorded, accumulated, and reported properly and that cash was adequately safeguarded.

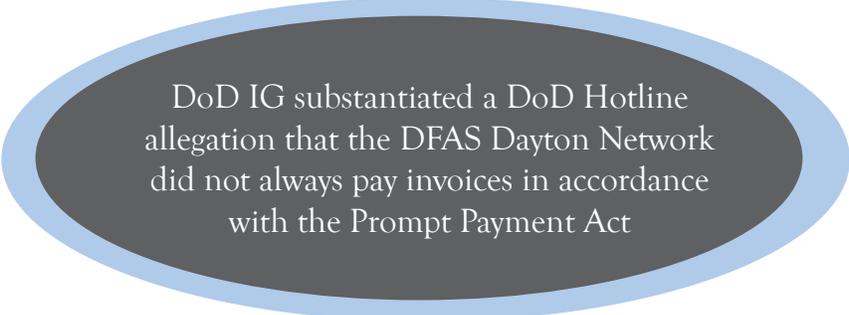
- DoD did not fully comply with the requirements of the Improper Payments Information Act of 2002, Public Law 107-200, and subsequent Office of Management and Budget guidance. Although DoD received a score of “yellow” signaling mixed results for their implementation of the provisions under the Improper Payments Act, an item on the President’s Management Agenda, DoD took

steps to resolve some previously identified issues regarding the methodologies and processes used to identify and report on improper payments.

- The DoD IG

substantiated a DoD Hotline allegation that the DFAS Dayton Network did not always pay invoices in accordance with the Prompt Payment Act. DFAS Dayton Network offices did not always use the proper payment information, including the receipt date and the proper payment terms that are required by the Prompt Payment Act. As a result, the DFAS Dayton Network offices made \$91,673 of interest errors. The errors were related to interest lost when DFAS Dayton Network made payments earlier than allowable by the Prompt Payment Act and when it overpaid or underpaid contractors’ interest for late payments.

- The Army was not accounting for construction-in-progress as an asset, but was expensing the costs instead. The Army and Marine Corps did not follow generally accepted accounting principles for eliminating entry transactions between headquarters and installations or regions and among headquarters funds. For prior-period adjustments (equity transactions), in some cases, the Reports properly disclosed the material adjustments submitted to the Policy Office, but the Army, Navy, and



Marine Corps were distorting their income statements by charging current year operating expenses to equity.

- Air Force military members had been drawing Basic Allowance for Housing while residing in military family housing. As a result, the Air Force spent about \$947,000 on Basic Allowance for Housing for members who were not entitled to receive it.
- The Army did not have adequate internal controls over purchases from governmental sources. Specifically, Army internal controls did not ensure that outgoing MIPRs were properly initiated, prepared, executed, and monitored and that incoming MIPRs were properly accepted. The Army could not ensure that the purchases were in the best interest of the Government and properly monitored and tracked. In addition, the Army had limited assurance that Army organizations complied with federal laws and DoD regulations and conformed to federal appropriations law.
- The Navy did not have adequate internal controls over governmental purchases because the Navy did not follow guidance. Additionally, the existing guidance from the Under Secretary of Defense (Comptroller)/Chief Financial Officer were unclear. As a result, Navy violated public law and did not comply with federal, DoD, and Navy regulations.
- The National Geospatial-Intelligence Agency could not demonstrate that its use of MIPRs complied with DoD and other federal regulations governing interagency agreements. The lack of adequate internal controls and supporting documentation significantly increased the risk that 58 sampled MIPRs issued to acquire \$180.8 million in goods and services did not satisfy bona fide needs, were not based on best value, and did not comply with appropriation laws, and thus could have violated the Antideficiency Act.

## THE WAY FORWARD

While the Department continues to be challenged by the complexity, number, and internal control weaknesses of its financial systems, initiatives such as the FIAR plan and the Comptroller's business rules focus the efforts of the Department to reach a common goal. However, as with any successful plan, there needs to be the flexibility to consider new options and approaches to achieve the financial management goals of the Department. For that

reason, the DoD IG is encouraged that the Comptroller continues to consider new approaches to assist in the achievement of auditable financial statements. To better utilize valuable resources, the Comptroller is considering a proposal to revise the current approach and instead focus primarily on overall audit readiness rather than concentrating efforts on audits of specific line items. The proposal also introduces more rigor into DoD management's validation process to better ensure that validated line items are ready for audit. The line item audit approach may also be revised under that proposal to use performance audits to test resolution of critical issues such as key internal controls, alternative valuation techniques, and inadequate financial systems that might cause management to materially misstate the account balances. While that new approach is being considered, the DoD IG continues its role as the auditor and overseer of financial statement audits for the Department and stands ready to assist the Department in fulfilling its responsibility to provide accurate fiscal accountability and to sustain accurate financial reporting. Accurate accounting and reporting is dependent on the integration of underlying financial systems and internal controls.

## ARMY AUDIT AGENCY

When U.S. Army Installation Management Agency (now known as U.S. Army Installation Management Command or IMCOM) stood up in October 2002, it was tasked with managing Army installations and providing base services and facilities to all activities and tenants on the installation. However, several "special" Army installations had base support services funded primarily from other than Operations and Maintenance, Army, funds. The majority of those generally small, industrial-based special installations belonged to U.S. Army Materiel Command (AMC), which retained command, control, personnel, and funding. The Deputy Undersecretary of the Army asked AAA to identify the organizational structure and funding for base support functions at AMC installations and to evaluate the relationship of AMC installations with IMCOM. The organizational structure of AMC installations generally focused on supporting AMC-specific missions and that the installations used a variety of funds (primarily the Army Working Capital Fund) to finance base operations. AMC installations generally had smaller populations (and less military personnel authorized traditional base operations services such as family housing and morale, welfare, and recreation) than

traditional IMCOM installations. The AMC special installations' relationship to IMCOM was best defined in those traditional IMCOM-funded areas. Also, the AMC installations we visited were concerned that they might not be able to compete for funding with larger IMCOM installations and that IMCOM would not be as responsive to their unique needs. A memorandum of agreement between one IMCOM region and a major subordinate command under AMC was approved on September 22, 2006 and addressed some of those relationship issues.

AAA reviewed IMCOM's method for ensuring the delivery of high-quality base operations support services within the funds available to the Army. We found that the methodology was effective for developing common levels of support (CLS). The timeline appeared reasonable for implementing CLS. Although the planned performance measures or metrics as of December 2004 were not reasonable to assess the benefits and effectiveness of CLS, IMCOM was working to resolve the conditions related to the issues we identified. As of February 2007 IMCOM was planning on fully implementing CLS version 3.0 by the end of FY 07. According to IMCOM, version 3.0 provides greater flexibility to separate low- and high-priority components and funding at an affordable level acceptable to the customer.

## NAVAL AUDIT SERVICE

The Ordnance Information System (OIS) is the Navy's system for reporting ordnance inventory on its financial statement. In 2005, the ordnance amount reported on the FY 2005 financial statement Inventory and Related Property line item totaled \$29 billion. NAVAUDSVC determined that the system may not be fully compliant with financial management laws and regulations when fully implemented and that financial reporting and information assurance controls needed to be improved.

## AIR FORCE AUDIT AGENCY

The Improper Payments Information Act (IPIA) of 2002 requires that the Air Force annually estimate and report erroneous travel payments processed through the Reserve Travel System (RTS). Specifically, AFAA found opportunities existed to improve the methodology used to estimate RTS erroneous payment amounts and the accuracy of and support for RTS payments. Specifically,

Air Force Accounting and Finance Office personnel developed and used a methodology that did not meet IPIA requirements to statistically estimate RTS erroneous payment amounts. Further, RTS payments were not always accurately computed or properly supported. AFAA review of 334 travel payments revealed 65 (19 percent) had computation, lack of support, or lack of authorization errors. Based on those results, AFAA statistically projected the FY 2005 erroneous payment amount to be at least \$25.3 million. In addition, 76 of 334 (23 percent) travel payments reviewed were not properly supported with complete documentation at the Denver Federal Records Center as required.

Headquarters Air Force portfolio consisted of 923 open MORDs totaling at least \$828 million in gross obligations

Title 31, United States Code 1501, states only those transactions that meet specified standards for legitimate obligations are recorded. In addition to contractual documents, managers can use Miscellaneous Obligation/Reimbursement Documents (MORDs) to record obligations in accounting records. As of January 2006, the Headquarters Air Force (HAF) portfolio consisted of 923 open MORDs totaling at least \$828 million in gross obligations. AFAA found that existing processes and internal controls over MORDs needed strengthening. Specifically, HAF portfolio fund holders did not validate unliquidated MORD balances. Deobligating no longer needed unliquidated MORD balances would allow Air Force officials to use \$44 million for other valid requirements. Also, fund holders did not retain supporting documentary evidence for obligations recorded in the accounting system. Deobligating MORDs no longer needed could allow Air Force officials to use approximately \$7.8 million for other valid requirements.

AFAA concluded that although depot maintenance personnel properly inducted workload with fully funded Project Orders, Air Force personnel did not effectively monitor or maintain appropriate Project Order funding. As a result, Project Orders contained over \$45 million in excess depot repair obligations that could be returned to customers for use on other valid requirements. In addition, auditors found \$8.6 million in recording errors.

AFAA determined Air Force civil engineering project managers did not exercise effective control over military construction (MILCON) funds for construction projects transferred to the Army Corps of Engineers and Naval Facilities Engineering Command as the construction agents to carry out its MILCON requirements. Specifically, Air Force project managers at 11 of 12 audited locations did not monitor funds and initiate prompt action to identify and request available/excess funds for 161 (\$8.9 million) of 502 (\$15.6 million in funds remaining) construction projects. As a result, major command officials did not effectively use their annual budget authority and make unused funds available to satisfy unfunded Air Force requirements. By having construction agents return excess MILCON funds, the Air Force could provide at least \$8.9 million for other unfunded MILCON requirements.

## INVESTIGATIONS

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

General Electric Company Aircraft Engines, a major contractor, entered into a settlement agreement and paid \$11.5 million in restitution to the US Government. A qui tam complaint alleged that General Electric and its subsidiaries, under an Army contract, manufactured and delivered defective T700 jet engines and components for use on Blackhawk, Apache and Cobra helicopters. The joint investigation was conducted by the CID, DCIS, AFOSI, NCIS, DoJ, DoT, and FBI.

As a result of a joint AFOSI, DCIS and FBI investigation, Research and Development Laboratories (RDL) was convicted of making false statements to the Government and sentenced to 3 years probation. Additionally, as a result of a civil settlement, RDL agreed to pay \$1.4 million and not to bill the government an additional \$1.8 million. The investigation found that RDL over billed the Air Force approximately \$1.9 million. Suspension and debarment action is pending against the company.

Electrolyzing Corporation of Ohio (ECO), a DoD subcontractor, paid \$1.5 million as part of a civil settlement agreement to settle allegations of conspiracy to defraud the U.S. Government, making false statements and making false claims. An officer of ECO who had not been charged criminally, agreed to pay \$10,000. A investigation by the DCIS and NCIS, demonstrated that ECO and the employee submitted, or caused to be submitted, false testing, certifications, and claims for payment involving contracts for performing nickel electrolysis plating on control drive mechanisms on water jackets used in nuclear reactors onboard U.S. Navy ships and submarines. Because of the false testing and certifications, the U.S. Government bore the cost of expensive and time-consuming engineering evaluations and special testing to ensure that the falsified certifications would not cause equipment failure.

DCIOs have partnered with acquisition and financial agencies to proactively identify areas of vulnerability

As a result of an investigation conducted by the CID, NCIS, AFOSI, DCIS, FBI, and NASA, six carbon fiber manufacturers and suppliers agreed to a negotiated settlement to resolve allegations of conspiracy and false claims and were ordered to make restitution of over \$35.7 million to the U.S. Government. The investigation found that Toray Carbon Fibers (America), Hexcel Composites, Toho Carbon Fibers Inc., Mitsubishi Rayon America Inc., Hercules Inc., and BP Amoco Polymers, Inc., conspired and submitted false claims based on illegally fixed and inflated carbon fiber and pre-impregnated costs for use on US Army helicopters. The negotiated settlements based on restructuring of firms resulting from the investigation equated to Mitsubishi Rayon et al paying \$10 million; Toray Carbon and Hexel paying \$9.75 million; Toho Carbon Fibers paying \$8.75 million; and their subsidiaries paying \$7.25 million.

Booz, Allen and Hamilton, Inc. (BAH), a major contractor, negotiated a settlement for the amount of \$3.4 million to settle allegations of civil false claims and false statements. A joint CID, DCIS, FBI, DoT, and DoE investigation found that BAH, who provided federal travel agency and credit card services, entered into separate agreements with external travel agencies and credit card firms to receive monetary rebates on travel expenses which BAH failed to credit to US Government clients.

The University of Connecticut entered into a negotiated settlement with the U.S. Government in the amount of \$2.5 million to settle allegations of false claims and false statements. A CID and DCIS joint investigation found that the University's Office of Sponsored Programs and Office of Cost Analysis, recipient of US Government and Department of Army grants, knowingly used improper overhead and labor rates on grants provided by multiple agencies.

A joint CID and DCIS investigation, based on a qui tam complaint, found that American Amicable Insurance used fraudulent insurance forms to file false claims through the Defense Finance and Accounting Service on approximately 57,000 service members. The company entered into a \$10 million civil settlement from which some 53,000 current and former policy holders will have increased value under existing policies up to \$60 million.

American Amicable Insurance used fraudulent insurance forms to file false claims through the Defense Finance and Accounting Service on approximately 57,000 service members

Molex Caribe, Inc., and BAE Systems Controls reached an \$86,529 administrative settlement with the Government after a joint AFOSI and DCIS investigation found the companies manufactured and installed parts that did not meet USAF specifications on the C-17 aircraft. The investigation began after Boeing, the prime contractor on the C-17 Aircraft Program, discovered and disclosed to the USAF a problem with the Environmental System Fire Detection Control Panel (ESP) and the Fuel System Panel (FSP) during testing at their facility. C-17 aircraft were grounded due to malfunctioning connectors in the ESP and the FSP. BAE, a contractor working on the C-17 Program, installed the defective connectors into ESP and FSP boxes manufactured at their plant. The cause of the discrepancy was tied exclusively to Molex, a BAE subcontractor, relocating their connector manufacturing to an offshore location. All aircraft connectors and stockpiled connectors were retested, and all identified non-conforming connectors were removed from inventory. The Air Force is considering suspension and debarment action against the two companies.

As a result of a joint DCIS, AFOSI, and DoE investigation, M&M International Aerospace Metals (M&M) and

several of its executives either pled guilty or were sentenced for their involvement in conspiracy, and making false statements and claims on parts used in the production of strategic weapons. In February 2007, a man and woman, former owners and officers of M&M, received sentences and fines after earlier entering guilty pleas to conspiracy, and making false claims and false statements to the Government. The man was sentenced to 27 months in prison, followed by 24 months supervised release, and the woman was sentenced to 24 months in prison, followed by 24 months of supervised release. They each were ordered to pay \$10,000 in criminal fines and \$300 special assessments. In December 2006, a former M&M administrative employee, was sentenced to 90 days home detention and 24 months probation release. During this reporting period, two other employees entered guilty pleas in the case. Another former M&M administrative employee, pled guilty to making false statements, and a former M&M sales manager, pled guilty to conspiracy and making false statements. Their sentencing has not taken place. The investigation found that M&M employees were directed by management to change labels on test reports, certifications and/or mill reports to falsely reflect that non-conforming metals met the specifications called for under various Government contracts. The acceptance of these materials by the Government agencies, including DoD, facilitated payment to M&M by wire transfer.

The owner of Miles Aviation is awaiting sentencing after being convicted of 13 counts of making materially fraudulent representation concerning the condition of aircraft parts in violation of the Aircraft Safety Act. The owner, who had won numerous Defense contracts, purchased parts on the open market, and falsely certified that the parts were new or new surplus when in fact they were used parts. The DCIS, AFOSI and Department of Transportation Office of the Inspector General jointly investigated the case.

A commissioned employee of 1 Nation Technology Corporation, a major contractor, was convicted of wire fraud charges, sentenced to 5 months confinement and 3 years supervised release, and debarred from Government contracting, as a result of a joint AFOSI and DCIS investigation. Civil actions are pending against 1 Nation. AFOSI was alerted after a Defense Supply Center Columbus quality assurance inspector identified non-conforming substituted parts from 1 Nation on seven work orders. The parts were primarily microcircuits, resolvers and other electronic components.



# A

# cquisition Process and Contract Management

4

The Department continues its distinction as the world's largest purchaser of goods and services, but with that distinction comes the difficult challenge of fully equipping the warfighter with high performing products and services at the right time, in the right quantity, and at a reasonable price. Balancing the service to the warfighter against the service to the taxpayer becomes increasingly difficult as the quantity of procurement actions and amount of dollars spent continues to grow while the procurement workforce has remained largely unchanged.

## AUDIT

FY 2006 procurement spending of more than \$304 billion was 112.6 percent higher than amounts spent as recently as FY 2000. However, the increase in procurement actions was even more dramatic during this same period. Procurement actions have increased more than 600 percent for actions in excess of \$25,000. In FY 2000, there were approximately 328,000 actions in that category, but by FY 2005 the number had increased to almost 2.4 million actions.

Adding to the difficulty in acquiring goods and services is the decline in the acquisition workforce that oversees the Department's procurement process. In the past decade, DoD procurement staff was cut by 10 percent to 26,000 personnel according to the Pentagon. The workforce from a decade ago oversaw Defense procurement of approximately 258,000 transactions in excess of \$25,000 and total DoD spending on procurement of \$132 billion.

DoD IG works with the military service audit agencies to leverage audit efforts and to ensure that projects are coordinated

With the smaller workforce, procurement and program officials looked for innovative ways to handle the additional workload and increasingly turned to interagency procurements to conduct acquisitions. The reduced workforce was also stretched thin when performing acquisition oversight required by the DoD 5000 series of guidance.

In addition, changes such as the Federal Acquisition Streamlining Act and the Clinger-Cohen Act while intending to promote acquisition reform and flexibility have inhibited contracting officers' abilities to use truth in negotiation protections, especially in regard to items considered to be commercial acquisitions. Changes in the Clinger-Cohen Act allowed items to be classified as commercial if they were "of a type" or were merely offered to the public. The Act eliminated the need to establish that a commercial market even existed. By imposing additional regulatory constraints upon contracting officials in areas such as obtaining information from contractors, those reforms have reduced contracting officials' effectiveness.

During the past 6 months, audits have focused extensively on interagency procurements, oversight of acquisition programs, and inappropriate use of commercial item procurement procedures. The DoD IG works with the military service audit agencies to leverage audit efforts and to ensure that projects are coordinated to avoid duplication and minimize impact to operations.

The DoD IG conducted a series of audits of FY 2005 Department purchases made through four agencies. The DoD sent over \$5.4 billion to the General Services Administration (GSA), the National Aeronautics and Space Administration, the Department of Treasury, and the Department of Interior (DoI) to award procurement actions for the Department. Those audits found a number of procurement problems related to the interagency purchases. DoD and the other agency officials did not comply with laws and regulations when using these agreements.

Recurring themes within the task orders the DoD IG reviewed were lack of competition or unjustified sole source selections, inadequate justification of price reasonableness, and surveillance deficiencies. For 143 of 193 task orders reviewed (74 percent) at the 4 agencies, the DoD IG found that procurements were either awarded to a contractor without competition or when documentation was inadequate to ensure adequate competition occurred. Two of the agencies did not adequately justify that the price was reasonable for 77 of 110 task orders (70 percent). In addition, more than 90 percent (123 of 136) of the task orders reviewed at 3 agencies either did not show that the Government had adequate surveillance or had adequate surveillance plans.

Surveillance is especially important under cost type contracts because the contractor has no incentive to control costs, yet that important control was missing for all but 13 task orders. In one particularly poor example of contracting, the DoI accepted a purchase request to fund the leasing of office space for the Counterintelligence Field Activity. The 10 year, \$100 million lease violated a myriad of laws and circumvented required congressional review of leases of that size. The action may potentially violate the Antideficiency Act and could cost up to \$2.7 million more of taxpayers' money annually.

Based on the DoD IG audit results, in December 2006, DoD and GSA signed a 24-point memorandum of agreement aimed at bridging the differences in policy, training, and perceived responsibilities. So far, the agencies have completed actions on half of the areas. DoD is also in the process of establishing agreements with the other agencies involved.

Several DoD IG audits also found problems with program office adherence to the DoD 5000 series of guidance. On the acquisition of the Precision Guided Mortar Munition Program, the DoD IG found that the program office did not require the contractor to design Increment I of the munition program to meet a key performance parameter specified in the operational requirements document.

of problems because program officials did not treat the radio system as an acquisition system as defined in DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003. Those problems included the failure to properly perform test and evaluation or to obtain certification and accreditation of the system. Also, the system was procured under a task order with the GSA and exhibited many of the same problems found on our series of interagency purchase audits. Neither GSA nor DoD program officials adequately justified price reasonableness for \$44.3 million of the \$52.3 million awarded on the task order, and surveillance over the program was lacking. In addition, program officials for the PACMERS–Hawaii program also entered into leases that wasted \$14.1 million by leasing radio equipment instead of buying it and by allowing a buyout option to be removed in the renegotiated leases.

Two DoD IG audits also found problems with commercial contracting practices similar to problems found on prior audits of the C-130J Aircraft and the 767 Tanker Program. On the audit of Commercial Contracting for the Acquisition of Defense Systems, 83 percent of the 42 contracts valued at \$4.4 billion reviewed by the IG DoD showed that the contracting officers did not adequately justify the commercial nature of the items being procured.



*Precision Guided Mortar Munition*

As a result, the Army increased the risk of program reevaluation, reassessment, or termination by not satisfying the warfighter requirement.

The audit also found that the Army did not adequately justify the warfighter's need for the program's Increment II to extend the operational range and may unnecessarily incur programmed costs of at least \$26 million while delaying the development of the program's full-range operational capability needed for Increment III.

On the acquisition of the Pacific Mobile Emergency Radio System (PACMERS), the DoD IG found a number

of problems because program officials did not treat the radio system as an acquisition system as defined in DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003. Those problems included the failure to properly perform test and evaluation or to obtain certification and accreditation of the system. Also, the system was procured under a task order with the GSA and exhibited many of the same problems found on our series of interagency purchase audits. Neither GSA nor DoD program officials adequately justified price reasonableness for \$44.3 million of the \$52.3 million awarded on the task order, and surveillance over the program was lacking. In addition, program officials for the PACMERS–Hawaii program also entered into leases that wasted \$14.1 million by leasing radio equipment instead of buying it and by allowing a buyout option to be removed in the renegotiated leases.

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As a result, Truth in Negotiation Act protections and other oversight requirements were not applied to these contracts. Similarly, on the audit of the Commercial Contract for Noncompetitive Spare Parts with Hamilton Sundstrand Corporation, the DoD IG found that the Air Force used questionable commercial item determinations that exempted the corporation from the requirement to submit cost or pricing data. The expanded definition of commercial items removed the burden from contractors to show that they sold the items to customers in the general public.

As an example of an inadequate commercial market, Hamilton Sundstrand had insufficient commercial sales to establish fair and reasonable prices from marketplace pricing for terminal boards (NSN 5940-00-856-0853). The price was established through price analysis of commercial sales even though commercial sales were almost nonexistent. Commercial market sales were not for substantial quantities with an average buy quantity of 1.29 units and total commercial sales over 4 years (2000 through 2003) of only 27 units. In comparison, DoD purchased terminal boards in significantly higher quantities with an average buy quantity of 116.75 units and total purchases over 6 years (2000 through 2005) of 467 units.



*Terminal Board, NSN 5940-00-856-0853*

Also regarding commercial item procurements, the DoD IG noted that in October 2006, the Air Force signed a modification to the contract for the C-130J aircraft to convert the contract from a Federal Acquisition Regulation (FAR) Part 12, “Acquisition of Commercial Items,” contract to a FAR Part 15, “Contracting by Negotiation,” contract. The modification included a downward price adjustment of approximately \$364 million as a result of the conversion. A July 2004, DoD IG report that found the C-130J commercial acquisition strategy to be flawed was the catalyst for the contract conversion.

The Army Audit Agency (AAA) reported that four of five product offices usually retained spare parts that were excess to program needs instead of transferring them to the supply system for reuse. Retaining the spare parts occurred because product office personnel didn’t regularly review parts stored in a special materiel account or coordinate with item managers to identify available spare parts. The Army could save about \$11.2 million if it used the 3,588 spare parts the AAA identified to fill valid customer demands.

The AAA reported that the Army’s aviation community generally fell short in meeting the intent of the top-down capabilities identification process. Although the community prepared the required Joint Capabilities Integration and Development System (JCIDS) documentation and received approvals, the documents portrayed an Army-focused approach to satisfy Army capability needs. The community believed it satisfied the intent of the JCIDS process when staffing JCIDS documents. In addition, during 2006 the Army began contracting out the medical support mission at installations where aviation units normally performed that mission. Therefore, the AAA recommended that the aviation community reduce the total requirement for light utility helicopters by 48 aircraft (valued at about \$274 million), an action that would enable it to use the \$274 million to meet other aviation needs.

The AAA performed a multilocation audit that evaluated the Department of the Army’s implementation of performance-based logistics (PBL) as a product support strategy. The implementation process used didn’t facilitate meeting DoD’s stated objectives, didn’t make sure project managers used a business case analysis as the basis for selecting and designing support strategies, and didn’t make sure reliable information on PBL implementation was reported to DoD. The Assistant Secretary of the Army (Acquisition, Logistics and Technology) agreed to take all recommended corrective actions.

The AAA reported that Aviation and Missile Life Cycle Management Command didn’t develop accurate procurement lead times to determine missile spare parts requirements because they often didn’t use correct historical data and follow Army guidance. Consequently, the command overstated requirement projections by about \$12.7 million for the missile spare parts reviewed.

The AAA performed a series of audits which focused on two opportunities early in the system life cycle when the materiel developer should consider maintenance support strategies: the capability documents that should address supportability from a requirements perspective and the supportability strategy that should outline the path for pursuing support of the weapon system. The AAA focused on the overall strategy for three major end items and on the sustainment of tactical software managed by 13 program managers. Managers did not routinely perform required analyses, rely on available expertise, or begin planning

early in the acquisition process. The Assistant Secretary of the Army (Acquisition, Logistics and Technology) agreed to take all recommended corrective actions.

The Naval Audit Service (NAVAUDSVC) concluded that the Naval Supply Systems Command and its Consolidated Card Program Management Division are taking adequate action to improve the awareness of those responsible for reviewing purchase card transactions of potential “ghost” vendors and “ghost” transactions. “Ghost” vendors are fictitious entities created for the sole purpose of committing fraud. “Ghost” transactions are those purposely made with real or shell companies for goods never delivered and/or services not performed with the intent to defraud the government.

The NAVAUDSVC determined that Earned Value Management (EVM), a primary DoD internal management control process for managing cost, schedule, and performance of acquisition programs; has not functioned as intended. EVM was not effectively implemented and overseen on Naval Acquisition programs and the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)) did not clearly identify the roles and responsibilities or define accountability for the key players involved in the implementation of EVM. Additionally, USD (AT&L) did not ensure that the Defense Contract Management Agency (DCMA), as the designated executive agent for EVM, adequately performed its executive agent responsibilities. Consequently, Department of the Navy (DON) decision makers do not have reasonable assurance that reported EVM information is accurate, reliable, complete, or used for decision-making purposes, increasing DON’s vulnerability to fraud, waste, and abuse. The Naval Audit Service recommended and the Assistant Secretary of the Navy, Research, Development, and Acquisition concurred to advise and request USD (AT&L) establish: (1) policy and procedures identifying roles and responsibilities of all organizations involved in effectively implementing, coordinating, and overseeing EVM with Department of Defense; and (2) uniform policy outlining enforcement actions to be taken when Project Managers and contractors do not comply with EVM policy and procedures and contractual requirements.

The Air Force Audit Agency (AFAA) initiated an audit due to the \$14.4 billion cost growth in the Evolved Expendable Launch Vehicle (EELV) program, a major

defense acquisition program to develop a national launch capability that satisfies the Government’s National Launch Forecast requirements. The audit determined that the FY 2007 President’s Budget submission was not always supported or accurate, and EELV procurement obligations were correctly supported and accurate. Specifically, Launch and Range Systems Program Office personnel did not base the launch service budget estimates on the independent cost estimate. As a result, the EELV FY 2007 budget submission was overstated. Reducing unsupported budget estimates makes \$242 million available through the Future Years Defense Program to fund other valid requirements. Conversely, only \$0.147 million of \$23.997 million (0.6 percent) of FY 2004 unliquidated obligations required deobligation. Management took action to deobligate \$0.147 million during the audit.

Although the Air Force is authorized under the Security Assistance Training Program to provide training for foreign personnel, the Arms Export Control Act, as amended, requires that Foreign Military Sales (FMS) training be provided at no cost to the United States Government, except as authorized by law. The AFAA disclosed that Air Force personnel did not properly identify and include required cost elements in the FMS flying training tuition rate calculation and consistently applied FMS flying training tuition pricing factors and methods. Specifically, Air Force financial managers did not properly account for \$24 million of FMS flying training costs and adequately consider all cost elements when computing FY 2005 FMS flying training tuition rates. Nor did they apply consistent tuition pricing factors and methods to compute FMS flying training tuition rates for FY 2005. As a result, military and civilian personnel-related cost pools for FY 2005 FMS flying training were erroneous, resulting in a net understatement of \$7 million. Further, the Air Force FMS financial community did not establish consistent flying training tuition rates.

Overall, the AFAA found that program personnel were successful in implementing core, network, and desktop services. However, program personnel could improve the network/server consolidation program by implementing additional server consolidation, developing and implementing program performance metrics, monitoring new server acquisition, and improving Information Technology (IT) asset accountability. Specifically, the Air Force could save at least \$1.1 million over the Future Years

Defense Program (FYDP) by consolidating 141 additional servers and redistribute manpower to other critical areas. In addition, the lack of metrics reporting hindered Air Force management from accurately assessing program progress and benefits and making effective management and budgetary decisions.

Further, program personnel did not effectively continue the consolidation program for servers purchased on or after October 1, 2002. They lost the opportunity to consolidate an additional 290 servers with an estimated savings of at least \$2.3 million over the FYDP or realize the productivity increases associated with the reduced number of servers. Finally, installation-level personnel did not maintain accurate IT asset accountability records or properly dispose of excess servers. By accurately recording the status codes for 3,770 servers, the Air Force could avoid budgeting for at least \$33.1 million to purchase replacements of those assets no longer needed and improve visibility over IT assets.

## INVESTIGATIONS

The DCIOs devote substantial resources toward the prevention, detection, investigation, and prosecution of crimes involving the acquisition and contract management processes, which impact DoD programs. Such crimes include: defective pricing; cost and labor mischarging; progress payment fraud; Fast Pay fraud; Government Purchase Card fraud; Anti-Trust Act violations; and economic espionage. Several investigative efforts are highlighted below.

A DCIS, NCIS, and FBI investigation found that Air Cargo Expeditors Inc. submitted inflated quotes to the Government

Analytical Laboratories and AAR Contractor Inc. Environmental Services were ordered to pay \$22.9 million in restitution after being convicted of making false statements and claims; violating the Clean Air Act; and engaging in racketeering. They were also debarred from future Government contracting. An investigation, conducted jointly by CID, IRS, and EPA, found that the companies committed the offenses while working on asbestos removal contracts.

KBR, Incorporated (KBR), a major Defense contractor, agreed to pay the Government \$8 million as a result of a civil settlement to resolve allegations of false claims; conspiracy; false statements; falsely making, altering, forging documents; theft of Government funds; violations of the anti-Kickback Act; bid rigging; and product substitution. The settlement resulted from a DCIS and CID joint investigation that found KBR over billed the Government for logistical services the company performed under Army contracts in the Balkans.

AIT Worldwide Logistics, Inc. (AIT) agreed to pay a civil settlement of \$4.2 million to resolve allegations in a qui tam complaint. A joint DCIS, NCIS, and FBI investigation found that Air Cargo Expeditors Inc. (Air Cargo), an independent contractor of AIT, submitted inflated quotes to the Government that were not based on their lowest applicable tenders, and AIT benefited financially from the business generated by Air Cargo.

A man and two women were sentenced to a total of 76 months in prison and ordered to pay \$1.55 million in penalties and restitution after pleading guilty to charges including conspiracy to submit false claims and tax evasion. A joint DCIS, CID, IRS and General Services Administration (GSA) Inspector General investigation found that two individuals, both former GSA employees, used their positions to arrange no-show, no-work jobs for the third individual with two companies that held GSA contracts to provide information technology-related support services to the Army.

As a result of a joint investigation conducted by the DCIS, CID, NCIS, FBI, and IRS, a major Defense contractor and two of its employees pled guilty in connection with a scheme to defraud the Department of Defense. Ace and Company, Inc., pled guilty to wire fraud in the scheme and the company owner pled guilty to failure to file a tax return. The owner was ordered to serve 6 months in prison and 3 years supervised release, and to pay a \$30,000 fine and \$196,322 in restitution. The owner and Ace also have reached an agreement in principle to settle civil false claims totaling \$300,000. A company employee, pled guilty to wire fraud and failure to file a tax return. He awaits sentencing. The investigation revealed that Ace Inc. had not performed the tests, and had fabricated test results for the purpose of obtaining DoD contracts and subcontracts.



S

# Significant Activities

5

## JOINT WARFIGHTING AND READINESS

This chapter highlights significant accomplishments of the Inspector General (IG) as well as the Department of Defense (DoD) audit, investigative, and inspections communities. Significant accomplishments are based on management challenge areas identified by the IG. The IG annually assesses the most crucial management and performance challenges faced by the DoD based on the findings and recommendations of audits, inspections, and investigations conducted during the year. Our significant accomplishments help the Department focus their efforts on mitigating management challenges identified by the IG. The Inspector General Summary of Management Challenges is included in the DoD Performance and Accountability Report. For the Fiscal Year 2006 Performance and Accountability Report, the following challenges were identified:

- Joint Warfighting and Readiness
- Human Capital
- Information Security and Privacy
- Financial Management (Chapter 3)
- Acquisition Process and Contract Management (Chapter 4)
- Health Care

The DoD IG works with the Military Service audit agencies to leverage audit efforts and to ensure that projects are coordinated to avoid duplication and minimize impact to operations.

The Defense Criminal Investigative Organizations (DCIOs)—comprised of the Defense Criminal Investigative Service; the U.S. Army Criminal Investigation Command; the Naval Criminal Investigative Service; and the Air Force Office of Special Investigations – and the United States Marine Corps Criminal Investigation Division, support each of the Secretary of Defense Management Challenges with highly trained special agents, forensic experts, analysts, investigators, and support personnel who protect the military and civilian men and women of the Department by combating crimes, both domestically and overseas.

Chapters 3 and 4 address the management challenge areas of financial management and acquisition process and contract management.

The challenge of Joint Warfighting and Readiness is to provide the right force, personnel, equipment, and supplies in the right place at the right time and in the right quantity, across the full range of military operations. To meet that challenge, the Department is transforming its logistics capabilities to support fully integrated, expeditionary, networked, decentralized, and adaptable forces. The Department is also transforming its infrastructure through base realignment and closures to an efficient, cost-effective structure. In making recommendations for realignment and closure, the Department gave priority consideration to military value, particularly mission capability and the impact on operational readiness, joint warfighting, and training.

### AUDIT

In addition to the joint warfighting and readiness audits previously discussed in the GWOT chapter, the Department of Defense audit community issued other reports on joint warfighting and readiness, logistics, and base realignment and closure. Some of those reports are discussed below.

The DoD IG issued a report that discusses National Guard and Reserve controls over recruitment incentives. That report addresses whether controls over recruitment incentives were sufficient. The National Guard and Reserves offer cash incentives to Service members who identify and aid in enlisting new recruits. As of October 31, 2006, the Army received 16,203 referrals and paid 260 sponsors. As a result of new legislation, the amount of the referrals was increased from \$1,000 to \$2,000. Although the report identified that the controls were adequate at the time of the review, the Army agreed to a recommendation to review the adequacy of the controls as a result of increases in the amount of the incentive and an increase in the pool of eligible personnel to submit a request for the incentive.

The DoD IG issued a report that discusses transportation policies, procedures, and processes implemented to meet DoD customer demands. The report discusses whether DoD customers were following policies and procedures

for requesting supplies and whether DoD transportation managers were using the most effective transportation mode to meet customer requests. In summary, while Army customers generally followed policies and procedures outlined in DoD and Army guidance, the DoD IG identified three areas where the Army could improve procedures in the requisition process. Army guidance was not updated to accurately reflect responsibilities for oversight of the Army requisition process. In addition, the Army used air transportation to repetitively ship some supplies to the U.S. Central Command Area of Responsibility. Finally, procedures for shipping supplies to units with an air line of communication designation did not follow Army guidance. Actions taken by the Army should improve the processes so that the most effective mode of transportation is used to meet customer requests.

The DoD IG issued three reports that discuss force structure changes in the U.S. Pacific Command (PACOM). The first report discusses war reserve materiel at Andersen Air Force Base. Quality assurance evaluators were not assigned to provide oversight of critical war reserve materiel as required by Air Force instruction. The second report discusses programming for increased annual costs. The Navy, Air Force, and Marine Corps must identify and plan for increased annual costs that will result from the planned changes to the force structure in the Pacific in order to present adverse effects on the quality of life for Service members and dependents and the readiness of U.S. forces in PACOM. The third report discusses roles and responsibilities of headquarters and support functions. PACOM and the Services had not reduced or eliminated redundancies and unnecessary roles and functions that were the result of force reductions, installation closures, and restructured command and control functions that may have eliminated the need for some headquarters and support functions. PACOM and its sub unified commands continue to undergo significant changes in force structure. Eliminating unnecessary functions will benefit PACOM and the Services by providing more effective command and control, use of human resources, and support to the warfighter.

The DoD IG issued a letter that discussed the 2005 Defense Base Closure and Realignment Commission's Report Recommendation No. 193 regarding Cecil Field, Florida. The citizens of Jacksonville, Florida voted against returning Cecil Field to the military and therefore the State of Florida was not able to pursue the Navy's return

to Cecil Field by taking the designated actions in Recommendation No. 193. The DoD IG letter to the President cited that because Florida did not take actions required in the recommendation, the IG was not able to certify compliance with the Base Realignment and Closure Commission's criteria.



The Army Audit Agency (AAA) issued a classified report that identified process weaknesses in how the Army allocated capabilities or units to the weapons of mass destruction (WMD) consequence management mission. It also identified systemic shortfalls in how the Army measured the readiness of units assigned to Homeland Defense missions. The Army should define the process it would follow for allocating units and capabilities to the WMD mission and change the readiness reporting process to better assess the preparedness of units for Homeland Defense missions.

An AAA audit concluded that the U.S. Army, Europe and Seventh Army needed to identify military and contracted personnel and funding required to complete maintenance requirements for 1st Infantry Division at the direct support and below maintenance levels. In addition, 1st Infantry Division units needed to improve the processes for prioritizing, executing, and monitoring reconstitution maintenance requirements at the direct support and below maintenance levels. Because of the overall lack of management direction, 1st Infantry Division did not meet the 180 day timeframe to complete reconstitution.

The Army's project manager for Reset needed to improve forecasting of requirements and funding of reset sites. The project manager overstated FY 2005 reset requirements for U.S. Army, Europe and Seventh Army and the 1st Cavalry Division by 60 and 43 percent, respectively, and funded reset sites using Army wide average costs instead of site historical costs. As a result, some sites received funding that was not commensurate with requirements. Also, the Army could reduce contract reset costs by establishing benchmarks and advising commands to have their subordinate units dedicate teams of military mechanics to support reset efforts for specified time periods. That action could save as much as \$42 to \$58 million over the next 2 fiscal years.

To augment Senior Focus Group efforts underway to optimize energy usage, the Air Force Under Secretary requested the Air Force Audit Agency (AFAA) determine whether the Air Force had an effective aviation fuel optimization program. Auditors concluded the Air Force could better optimize aviation fuel use through centralized visibility and implementation of a formalized fuels management program with clearly defined policies and procedures, goals, metrics, and incentives. By establishing an overarching program, the Air Force could reasonably achieve a 5 percent reduction in the first year, providing \$250 million in annual savings and \$1.5 billion over the Future Years Defense Program. In addition, although accurate data are essential for establishing baselines and measuring program results, the Air Force did not have an effective method to obtain reliable and consistent aviation fuel consumption data. Air Force management agreed potential monetary benefits will occur, but determined the amount to be \$600 million because of cultural differences between the Air Force and the airline industry and delay in completing technological enhancements in Air Force aircraft.

The AFAA disclosed that propulsion managers did not accurately compute TF39 engine repair requirements and properly identify spare engines in the Propulsion Requirements System so that excess engines could be used to reduce engine repairs. Specifically, propulsion managers did not use correct flying hours, offset depot repairs with on-hand serviceable engines, and adjusts estimates when actual data were available. As a result, propulsion managers overestimated TF39 repairs by 249 engines valued at approximately \$606 million for FYs 2005 through 2012. In addition, Propulsion Requirements System calculations included invalid engine locations, inaccurate maintenance rates, and incorrect repair times resulting in 37 excess spare engine requirements. Properly computing spare engines could reduce future repair requirements by an additional \$84 million.

Although Rapid Engineer Deployable Heavy Operational Repair Squadron Engineer (RED HORSE) officials appropriately rented vehicles for training and home station use, the AFAA disclosed they did not appropriately equip squadrons for wartime, training, and non-war operations, or position mobility kits to best support the RED HORSE mission. Specifically, RED HORSE units (a) had 2,290 excess equipment items (\$29.1 million) and 700 equipment shortages (\$6.1 million) required

for mobility, (b) had 36 excess and 52 duplicate vehicles (\$9.3 million) for deployment or base support, and (c) did not have 128 other vehicles (\$16.2 million) required for deployment. Deleting authorizations and redistributing excess equipment would result in a potential monetary benefit of \$8.5 million for equipment and \$5.4 million for vehicles currently in a buy position. The remaining equipment and vehicles could be redistributed to future RED HORSE locations, reducing start-up costs by up to \$24.5 million for equipment and vehicles.

In addition, RED HORSE units positioned unneeded mobility kits in the Continental United States (CONUS), maintaining old, outdated, unreliable, and immobile equipment in kits. Further, the Air Force did not have plans to deploy CONUS RED HORSE items with units, and units did not typically deploy items with each unit rotation. Finally, mobility kit equipment was not sufficiently used for deployment or training. Reducing CONUS deployment packages from six to three, and positioning these packages for deploying RED HORSE squadrons would eliminate the need for support equipment and vehicles valued at \$5.7 and \$48.7 million, respectively. Distributing the excess and deleting authorizations for equipment and vehicles currently in a buy position would result in a potential monetary benefit of \$24.7 million. The remaining assets could be redistributed to any future RED HORSE locations.

The AFAA determined that Air Force personnel did not adequately account for deployed assets or report accurate information in supply systems. The auditors estimated that activities Air Force-wide lost accountability for 5,800 assets valued at \$108.0 million, reported incorrect deployed locations for 15,373 assets valued at \$213.2 million, and incorrectly reported the deployment status of 2,689 assets valued at \$104.7 million. Also, personnel were not properly assigned as accountable and responsible officials and did not adequately account for equipment and vehicles at deployed locations. During FYs 2004 and 2005, personnel recorded inventory adjustments for more than 7,700 lost, damaged, or destroyed assets valued at \$68 million. Finally, Air Force personnel did not establish allowance standards and authorizations or properly validate vehicle requirements at deployed locations. As a result, over \$81 million was spent in FYs 2004 and 2005 to lease vehicles with no assurance that only the minimum numbers of vehicles necessary to support the mission were leased.

## INVESTIGATIONS

DCIS works to ensure that our warfighters have the equipment necessary to effectively accomplish their mission by focusing significant resources on the theft, diversion, and illegal transference of Defense technology and other property through their DCIS Technology Protection Program. This program currently oversees investigations involving the illegal diversion of strategic technologies and U.S. Munitions List items, some of which have been targeted by proscribed nations and terrorist organizations that pose a threat to national security. Technology protection investigations have grown to encompass approximately 15 to 20 percent of DCIS' active caseload. The Department of Homeland Security, FBI, and various members of the Intelligence Community recognize DCIS as a significant partner in the on-going battle against counter-proliferation and illicit technology transfer.

The DCIS Product Substitution Program investigates the introduction of counterfeit material and other forms of unauthorized product substitution or non-conforming products into the procurement system. Those cases continue to be DCIS' highest priority for deterrence, investigation, and prosecution. Product substitution investigations currently comprise approximately 15 percent of the DCIS active case inventory. An area of increased emphasis is readiness enhancement through vigorous detection and investigation of defective or substituted products that involve either safety of flight issues or have a critical application.

Some DCIO cases impacting joint warfighting and readiness follow.



| A DCIS special agent conducting an investigation

Following a joint investigation by DCIS and Immigration and Customs Enforcement (ICE), ITT Corporation, Night Vision Division (ITT-NV), pled guilty to one count each of Export of Defense Articles Without a License and Omission of Statements of Material Facts in Arms Exports Reports, both violations of the Control of Arms and Exports and Imports Act. The company agreed to a \$100 million settlement, which included a \$2 million criminal fine, \$28 million forfeiture, \$20 million Arms Export Control Act penalty; and \$50 million suspended fine for corrective and remedial actions related to research and development for next generation of night vision capabilities. According to information obtained during the investigation, ITT-NV exported or caused to be exported defense-related technical data to the People's Republic of China and the United Kingdom without first obtaining a license or written approval from the U.S. Department of State. The data included information about a laser countermeasure, known as a "light interference filter," for military night vision goggle systems.

SIGNIFICANT ACCOMPLISHMENTS



U.S. Attorney and DCIS SAC brief at a press conference regarding the ITT Corporation case.

A joint DCIS and CID investigation, initiated based on allegations of false claims by American President Lines (APL), found the company over billed the Government in connection with Surface Deployment and Distribution Command (SDDC) contracts for port storage, reefer plug-in charges, and reefer maintenance charges in Afghanistan and Pakistan. Based on its own calculation of amounts over billed, the company agreed to reimburse SDDC \$5.58 million to resolve all allegations.



DCIS special agents conducting an investigation.

Two former government contractor employees received prison sentences and were ordered to pay fines and restitution after entering guilty pleas in charges resulting from an investigation conducted jointly by the DCIS, CID, FBI and the IRS. A former KBR, Inc., procurement manager was sentenced to a year in prison and three years supervised release. He also was ordered to pay \$380,130 in restitution. He previously pled guilty to wire fraud and conspiracy to launder money related to the award of two subcontracts valued at \$21.8 million to Tamimi Global Company (Tamimi), a KBR subcontractor. A former Tamimi director of operations, who previously pled guilty for his role in the scheme, was sentenced to 51 months imprisonment, and ordered to pay \$133,860 in restitution, and a \$10,000 fine. The investigation was based on allegations of kickbacks and gratuities solicited and/or received by KBR employees under an Army contract awarded to KBR for logistical support of military operations in Iraq.

As a result of a joint DCIS and ICE investigation, an Indonesian businessman and three co-conspirators pled guilty to charges of conspiracy to violate the Arms Export Control Act. The individuals attempted to purchase

various Defense items, including radar and guidance parts for military aircraft, and smuggle those items to Indonesia. Additionally, the individuals tried to purchase and illegally export machine guns, sniper rifles, and other weapons worth more than \$1 million. They also inquired about purchasing Sidewinder missiles and strafing ammunition. One of the co-conspirators agreed to the forfeiture of \$600,480 that was seized during the investigation and is awaiting sentencing. Another was sentenced to 8 months imprisonment and deportation upon release. The remaining two are awaiting sentencing.

A Defense Reutilization and Marketing Service (DRMS) area manager received a prison sentence, was ordered to pay restitution, and lost his federal position after being convicted of one count of conspiracy to violate the Arms Export Control Act and the International Traffic in Arms Regulations and one count of conspiracy to defraud the United States. The area manager for Red River Army Depot was sentenced to 18 months in prison and 36 months of supervised release for the first conviction. He was also sentenced to 15 months in prison, 36 months of supervised release, and payment of restitution to the United States in the amount of \$108,692 for the second conviction. He will serve the sentences concurrently. A joint investigation conducted by the DCIS, ICE, and the Defense Logistic Agency's Criminal Investigations Activity found that the area manager conducted an unauthorized sale during an authorized auction of sensitive and restricted military technology, to include High Mobility Multi-wheeled Vehicles, as well as other weapons and equipment, to foreign nationals. The incident occurred at Camp Doha, Kuwait.

Two Indonesian nationals pled guilty to and are awaiting sentencing on violations of conspiracy to violate the Arms Export Control Act and the International Traffic in Arms Regulations and Laundering Monetary Instruments. A joint DCIS and ICE investigation revealed that the two acquired sensitive military technology from an undercover business that was being run by federal agents. They also obtained a night vision device and holographic weapons sights for the Liberation Tamil Tigers Elam a Sri Lankan Rebel/terrorist group. Three other defendants face federal charges in the case.

A Chinese national was sentenced to 14 months in prison and forfeiture of \$17,130 in connection with his guilty plea to a single count of Smuggling Goods Out of the

United States. He was arrested following his meeting with an undercover agent during which he purchased over \$17,000 worth of Generation III night vision equipment and combat optics, all represented by the agent as stolen from the US Military. He then attempted to smuggle the equipment out of the country. DCIS and ICE conducted the investigation.

Al Riyadh Laboratories & Electric Company, Advanced Company for Trading and Contracting, the Fadan Contracting Company, Ahmed Dayekh, and six other individuals associated with the above three companies were debarred from contracting with the U.S. Government for a period of three years as a result of submitting false claims, totaling \$114,000 for the lease of vehicles at Balad Air Base Iraq. An AFOSI investigation found that, on three separate occasions, the subjects submitted false claims for repairs on leased vehicles that were allegedly damaged through negligence by service members. Subsequent independent inspections on the leased vehicles revealed no damages existed and no repairs were accomplished.

A security guard employed by L-3 Communications, a logistics support contractor for the Special Operations Forces Support Activity in Lexington, Kentucky, pled guilty to theft of Government property and was sentenced to 8 months in prison and ordered to pay a \$20,000 fine. A DCIS investigation revealed that the security guard stole military equipment, including AN/PRC-112 and AN/PRC-90 radios, military rifle scopes, binoculars, global positioning equipment, and cameras. He then sold the property, worth approximately \$85,000, on eBay.

## HUMAN CAPITAL

Challenges for the DoD's Human Capital area include making sure that the military and civilian workforce are appropriately sized, well trained, well supported operationally, and capable of supporting current and future needs.

### AUDIT

The Naval Audit Service issued a report on the validation of Navy civilian educational credentials. That report followed up on Office of Personnel Management (OPM) guidance addressing the critical issues surrounding the use

of credentials from so-called "diploma mills." Diploma mills are nontraditional schools that are not accredited by organizations recognized by the U.S. Department of Education. For those individuals sampled and reviewed, the Naval Audit Service validated all degrees claimed. The Naval Audit Service found, however, that Office of Civilian Human Resources needed to improve controls on documentation contained in official personnel folders to ensure that degrees are being validated with each change in employment status as required by OPM.

making sure the military and civilian workforce are appropriately sized, well trained, well supported operationally

The AFAA determined that the Air Force did not always properly use Air Reserve Component (ARC) personnel (Air National Guard [ANG] and Air Force Reserve) to train active duty personnel consistent with Title 10 and Title 32 requirements. Specifically, training provided by 8 of 11 ARC units was not for the primary benefit of the reserve component involved in a common mission, incidental to the primary purpose of training ARC personnel, or necessary to maintain instructor capability for a Title 10 training mission. Although Air Force use of ARC forces to train active duty personnel took advantage of an experienced and stable cadre of instructors and resulted in training efficiencies, using ARC forces in that manner could violate public law. On October 17, 2006, the President signed into law House Resolution 5122, the "John Warner National Defense Authorization Act for Fiscal Year 2007," which authorized the use of Active Guard and Reserves (AGRs) and Technicians to provide training to other components, civilians, and foreign military personnel. Although the Air Force received legislative relief, auditors recommended Air Force management to formalize unit federal training missions.

### INVESTIGATIONS

The DCIOs undertook several initiatives to raise community awareness of fraud, waste, and abuse against the DoD, and take proactive approaches to detect public corruption, internal weaknesses, and systemic failures in an effort to combat corruption in the Department. They also investigate crimes against persons.

## INFORMATION SECURITY AND PRIVACY



The Department of Defense continues to be challenged by the need to provide a robust information security program for its data, systems, operations, and initiatives. The DoD has not adopted National Institute of Standards and Technology (NIST) standards or NIST guidelines established in Special Publications, nor has it issued updated DoD Directives and Instructions to reflect those standards and guidelines. Further, it does not yet have a comprehensive, enterprise-wide inventory of information systems, to include warfighting mission area systems, nor has it yet settled on a standard working definition of “system” for purposes of management oversight and congressional and Office of Management and Budget (OMB) reporting. Lack of progress in meeting these challenges severely hampers the ability of the DoD to protect operational information for the warfighter and privacy data for all employees, as well as perform basic fiduciary responsibilities and oversight for DoD information technology expenditures.

### AUDIT

The DoD IG issued a report that discusses information assurance of Missile Defense Agency (MDA) information systems. MDA did not accurately report the security status of information systems or include required supporting documentation for the certification and accreditation of the Ballistic Missile Defense System (BMDS) Security Authorization Agreement. MDA officials did not

accurately report the number of employees required to receive or complete information assurance awareness training in its FY 2005 Federal Information Security Management Act (FISMA) responses. As a result, DoD, OMB, and congressional committees may make management and budgetary decisions about technology operations and security based on erroneous information reported in the DoD annual FISMA response.

The Naval Audit Service verified that management controls over protected personal information (PPI) were adequate within Naval District Washington (NDW) operations and systems to reduce the risk of unauthorized disclosure. The Naval Audit Service found that the NDW Privacy Act (PA) Coordinator did not administer the NDW PA Program in accordance with Department of Navy (DoN) guidance. Additionally, NDW program offices did not always properly use, collect, safeguard, and dispose of PPI; nor were there contingency plans in place to address the compromise of information. Those weaknesses primarily existed because NDW personnel did not adhere to established guidance, priority was given to PA requests and responses rather than the overall management of PPI, and the NDW PA Coordinator did not provide proper oversight. Improperly managing PPI increases the risk of violation of individual privacy rights by wrongful disclosure or transmission, which could result in legal and monetary liability for DON, and subject employees and contract personnel to the risk of identity theft. Recommendations were made to the Commandant, Naval District Washington who agreed to take corrective action.

The Naval Audit Service issued two audit reports on disposal of protected personal information in the San Diego, California, area. At both locations audited, the Naval Audit Service found that material sent to recycling facilities contained protected personal information. The Naval Audit Service recommended that each location render protected personal information unrecognizable prior to releasing it for recycling.

The AFAA determined that Air Force officials could improve the management of the Theater Deployable Communications (TDC) Program in four of five critical areas. Specifically, personnel could not provide supporting documentation to validate requirements for 38 TDC packages valued at more than \$75.8 million, and personnel at one unit stated they had no mission requirement for

modules authorized but not on hand, valued at \$556,831; units did not maintain the required TDC equipment to accomplish their mission; and personnel did not ensure all units assigned TDC equipment also received the proper readiness spares package. In addition, unit personnel did not record all TDC equipment valued at over \$7.9 million in the appropriate Air Force systems. Further, TDC users did not always record and program personnel did not fully evaluate maintenance data to identify the operational readiness and effectiveness of TDC equipment. Finally, Air Force personnel did not effectively track field change orders through completion making systems potentially vulnerable to obsolete or incompatible software or hardware, as well as safety issues from improperly functioning equipment. Conversely, while documentation supporting TDC modifications was not always adequate, Air Force personnel generally performed adequate evaluations of TDC equipment modification proposals.

## INVESTIGATIONS



DCIOs special agents investigate computer intrusions involving DoD systems, as well as denial of service attacks, virus and worm activity, and misuse that adversely affect DoD's Global Information Grid. They regularly coordinate and train with other national intelligence and law enforcement agencies involving counterintelligence, criminal and fraud computer-evidence processing, analysis, and diagnosis in computer investigations and computer forensics. Several examples of Information Technology investigations follow.

The president and vice president of EGLOBE Solutions, Inc., were charged with conspiracy, mail fraud, and counterfeit trademark for their role in the sale of counterfeit and non-conforming CISCO Systems, Incorporated, and

networking equipment to the Departments of Energy and Defense. They are awaiting trial in the Western District of Washington. According to information found during a joint investigation by the DCIS, AFOSI, NCIS, and the Department of Energy Office of Inspector General, EGLOBE Solutions, Inc., intentionally substituted non-certified Sun computer servers, and sold CISCO Systems computers equipment to the DoD from unauthorized distribution channels, without valid software licenses or warranties. Loss to the Government totaled over \$788,000.



DCIS special agents conduct information security training.

As a result of a joint investigation by DCIS; Bureau of Alcohol, Tobacco, Firearms and Explosives; the FBI; and the New York State Police, a former Marine was sentenced to 210 months imprisonment and 20 years supervised release after pleading guilty to the transportation of child pornography and possession of ammunition by a prohibited person. The man, who was previously discharged from the Marines for wrongful disposition of U.S. Government property, was discovered distributing child pornography over the internet. During a search of his residence, he was found to illegally possess explosives and ammunition.

## FINANCIAL MANAGEMENT

See Chapter 3 for Financial Management significant accomplishments.

## ACQUISITION PROCESS AND CONTRACT MANAGEMENT

See Chapter 4 for Acquisition Process and Contract Management significant accomplishment.

## HEALTH CARE

The Military Health System (MHS) must provide quality health care for approximately 9.2 million eligible beneficiaries within fiscal constraints while facing growth pressures, legislative imperatives, and inflation. The MHS challenge is magnified because it must provide health support for the full range of military operations and sustain the health of all those entrusted to its care.



A major challenge to the Department is sufficient oversight of the growing cost of health care. The frequency and duration of military deployment further stresses the MHS in both Active and Reserve Components. The DoD Budget for health care costs in FY 2007 is \$39.4 billion, including \$21.2 billion in the Defense Health Program appropriation, \$6.6 billion in the Military Departments' military personnel appropriations, \$.4 billion for military construction, and \$11.2 billion for the contributions to the DoD Medicare Eligible Retiree Health Care Fund to cover future costs of health care for Medicare eligible retirees, retiree family members, and survivors. Part of the challenge in delivering health care is combating fraud.

As of March 31, 2007, health care fraud constituted 8 percent of the 1,543 DCIS Open Cases.

The MHS completed the Medical Readiness Review in January 2007. The Under Secretary of Defense for Personnel and Readiness and the Director for Program Analysis and Evaluation established a medical readiness review (MRR) to provide a comprehensive evaluation of DoD's medical readiness posture. Specifically, the MRR evaluated medical readiness capabilities, casualty estimates and medical risks, medical capability needs, and medical readiness resources. The MRR developed an inventory of current medical readiness capabilities and identified capabilities required for supporting various mission scenarios. The MRR also developed FYs 2008 through 2013 manpower projections for medical readiness.

### AUDIT

DoD IG resources focused on cost and quality issues. The DoD IG continued audits of the Controls Over the TRICARE Overseas Program, the Third Party Collection Program, and the Supplemental Funds Used for Medical Support for the GWOT (GWOT). The DoD IG also completed an audit that focused on the process used to report adverse events involving DoD beneficiaries in the military treatment facilities.

During the second phase of the TRICARE Overseas Program project the audit team provided significant support to an ongoing DCIS health care investigation. Phase one focused on program controls in the Philippines; phase two of the project is focusing on the accuracy of TRICARE overseas claim payments made to providers in countries other than the Philippines and the potential need for worldwide implementation of price caps for health care services provided overseas.

The Assistant Secretary of Defense for Health Affairs requested an audit of the Third Party Collection Program. The program allows DoD to collect for health care provided to beneficiaries with health insurance other than TRICARE. A statistical sample of outpatient care showed that MHS administrators could improve collections with additional focus on procedures to identify patients' insurance status and to submit and follow up on insurance claims. The DoD IG is conducting the audit jointly with AAA.

Medco Health Solutions (Medco) agreed to pay the United States \$155 million plus interest to settle allegations that the company submitted false claims to the Government

The Deputy Assistant Secretary of Defense for Clinical and Program Policy asked the DoD IG to audit the Quality Assurance Review Procedures in the DoD Healthcare System. The DoD IG reported that each of the seven military treatment facilities visited maintained certification from the Joint Commission on Accreditation of Healthcare Organizations and had active and ongoing programs for patient safety and risk management. However, healthcare managers in the health system did not have sufficient visibility of medical incident events. Improved guidance as well as consistent implementation and reporting from the patient safety and risk management programs will help military health system managers monitor and improve the quality of medical care in the military health system and mitigate the risk of financial loss.

AAA issued a report on contracts for medical goods and services for the Army's Western Regional Medical Command. Four contracts reviewed had requirements that were valid and justified, and Madigan Army Medical Center used the services performed under each contract as intended. Western Regional Medical Command used a unique team process that engaged the customer, command, and the contracting office to identify the requirements and determine whether the deliverables were valid. In our opinion, the Position Management Review Team process used by command was the essential key to ensuring the validity of the contracts.

The AFAA disclosed that military treatment facility commanders could provide effective medical library services at less cost by promoting and expanding the Air Force Medical Service virtual (on-line) library and closing existing physical libraries. Closing the 13 physical libraries and maximizing virtual library usage will allow the Air Force to achieve a cost savings of approximately \$12.5 million over the Future Years Defense Program by reducing library personnel costs and eliminating redundant material requirements.

The AFAA determined that the Air Force Surgeon General oversight of medical off-duty employment needed improvement. Specifically, an analysis of calendar years

2003 through 2005 TRICARE claims data disclosed that private sector employers improperly billed TRICARE for medical services provided to military beneficiaries by off-duty Air Force health care providers. By law, TRICARE cannot reimburse for medical treatment rendered by active duty health care providers while in an off-duty status (either acting as a sole proprietor or employed in a medical practice or hospital). Implementing controls to identify erroneous claims will provide in excess of \$572,000 in monetary savings over the Future Years Defense Program.

## INVESTIGATIONS

The DCIOs conduct significant investigations involving TRICARE, a managed healthcare insurance program administered by the Assistant Secretary of Defense (Health Affairs) that provides health care to active duty and retired military personnel and their family members. To ensure that DoD provides quality patient care to DoD beneficiaries, the DCIOs have aggressively pursued health care investigations involving "harm to patient," corruption, kickbacks, and allegations with significant TRICARE impact. Some investigations highlighting their success follow.

Medco Health Solutions (Medco) agreed to pay the United States \$155 million plus interest to settle allegations that the company submitted false claims to the Government; solicited and accepted kickbacks from pharmaceutical manufacturers to favor their drugs; and paid kickbacks to health plans to obtain business. Medco, the nation's second largest pharmacy benefit management company, manages the prescription drug benefits of over 60 million Americans, including TRICARE beneficiaries. The settlement resulted from a DCIS, Department of Health and Human Services Office of the Inspector General (HHS OIG), and Office of Personnel Management Office of the Inspector General investigation.

Crawford and Company, Incorporated, a major healthcare management services contractor, agreed to pay the Government \$1.4 million as a result of a civil settlement to resolve allegations of filing false claims. An investigation found that Crawford submitted false claims for payment for healthcare management, vocational rehabilitation, employment, and related worker's compensation services provided in the context of federal employees injured on the job and veterans referred for such services. The

investigation, conducted by DCIS, AFOSI, Department of Labor Office of the Inspector General, US Postal Service Office of the Inspector General, US Postal Inspection Service, and the State of New York, was initiated based on previous investigations that established that Crawford officials routinely directed its employees to fraudulently bill customers.

Comprehensive Cancer Centers, Inc. (CCC) entered into a civil agreement to pay the Government \$900,000 to resolve a qui tam complaint alleging that CCC knowingly submitted false claims to TRICARE, Medicare, and other federal health insurance programs. CCC managed an outpatient cancer center known as the Comprehensive Cancer Center at Desert Regional Medical Center (DRMC) pursuant to an agreement between CCC and Tenet Health Systems, Inc. (Tenet). DRMC is a medical facility owned and operated by Tenet. DCIS and HHS OIG investigated the allegations.

## OTHER SIGNIFICANT ACCOMPLISHMENTS

### TRAFFICKING IN PERSONS

**combat organized crime syndicates trafficking in persons**

Be a voice...

sex slaves and child prostitutes - human faces of modern day slavery

Photographs Courtesy of the Department of Justice, The Promotions Project at Johns Hopkins University - SAZL, and the United Nations Office on Drugs and Crime.

**report human trafficking**

e-mail us at [hotline@dodig.mil](mailto:hotline@dodig.mil)

"There's a special evil in the abuse and exploitation of the most innocent and vulnerable. The victims of sex trade see little of life before they see the worst of life - an underground of brutality and lonely fear. Those who patronize this industry debase themselves and deepen the misery of others. And governments that tolerate this trade are tolerating a form of slavery."

President George W. Bush  
September 23, 2003

hotline To report fraud, waste, mismanagement, and abuse of authority within the Department of Defense.  
Send written complaints to: Defense Hotline, The Pentagon, Washington, D.C. 20301-1900  
800.424.9098 Commercial: 703.604.8799 www.dodig.mil/hotline

**Evaluation of DoD Efforts to Combat Trafficking in Persons (TIP):** In response to the National Security Presidential Directive-22, the Secretary of Defense and Deputy Secretary of Defense TIP policy memoranda, and congressional interests, the Inspections and Evaluations directorate evaluated the effectiveness of DoD efforts to successfully combat trafficking in persons. The report was published in November 2006 and made 14 major recommendations in the areas of coordination, training, policy, and metrics. As a result of the recommendations and IG work in that area, the Department published DoD Instruction 2200.01, "Combating Trafficking in Persons (CTIP)," February 16, 2007, incorporating all appropriate recommendations. In addition, the Defense Federal Acquisition Regulation (DFAR) was modified to provide additional controls involving DoD contracts performed outside the United States. Those controls also apply to subcontracts.

### CORPORAL TILLMAN REVIEW



On March 26, 2007, at simultaneous briefings with the family, Congress, and the press, the IG released a "Review of Matters Related to the Death of Corporal Patrick Tillman, U.S. Army." The review, conducted by the DoD IG Investigative Policy and Oversight (IPO) directorate, responded to an Army Inspector General request, based on Congressional and family interest, and involved the actions taken by the chain of command following the friendly fire death of Corporal Tillman in Afghanistan on April 22, 2004. IPO scoped their review to determine whether investigations were adequate, whether Army notification of next of kin complied with regulations and whether documentation to justify the posthumous award of the Silver Star was accurate.

During the review, the DoD IG found that Corporal Tillman's chain of command made critical errors in reporting his death and in assigning investigative jurisdiction in the days following his death, resulting in the chain of command bearing ultimate responsibility for the inaccuracies, misunderstandings, and perceptions of concealment which led to the review. Those errors, in part, contributed to omissions and inadequacies in the three command investigations that followed Corporal Tillman's death.

Additionally, the review concluded that Army officials failed to properly update family members when an investigation was initiated into Corporal Tillman's death and that the justification for his Silver Star contained inaccuracies.

The DoD IG recommended that the Acting Secretary of the Army consider appropriate corrective action with respect to nine officials, including four generals, identified as accountable for the regulatory violations and errors in judgment. Additionally, IPO recommended that the Army initiate a review of the Silver Star award to ensure it meets regulatory requirements. Prior to the review's release, the Army changed policy to include a delay in the approval of posthumous valor awards until completion of pending investigations, and strengthened guidance concerning next of kin notification.

The U.S. Army Criminal Investigation Command concurrently released the results of their investigation to determine if there was any criminality involved in the death of Corporal Tillman and the Afghanistan soldier killed with him, and in the wounding of two additional U.S. soldiers. Their investigation, with which the IG concurred, concluded that the deaths and woundings were accidental and the results of friendly fire. Additionally, they found no ill will towards Corporal Tillman by other members of his platoon.



## PRESIDENTIAL RANK AWARDS

The President has publicly recognized two senior executives within the Department of Defense Inspector General for "long term accomplishments" and selected them to receive 2006 Presidential Rank Awards.

Recipients of the award are "nominated by their agency heads, evaluated by boards of private citizens, and approved by the President." Winners are recognized as strong leaders, professionals...who achieve results and consistently demonstrate strength, integrity, industry, and a relentless commitment to excellence and service.

Acting DoD Inspector General Thomas F. Gimble received the Presidential Rank Award for Distinguished Executive. Mr. Paul Granetto, Assistant Inspector General and Director, Defense Financial Auditing Service, received the Presidential Award for Meritorious Senior Professional.



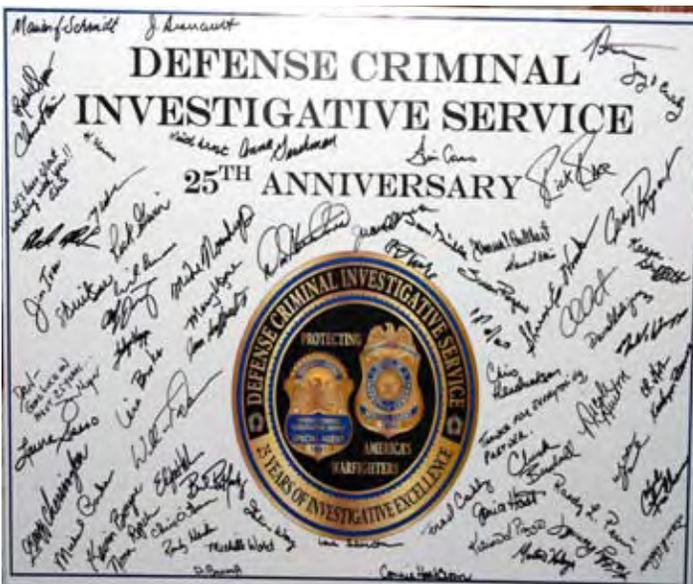
Acting Principal Deputy Inspector General Richard T. Race presents the Presidential Rank Awards.

# Defense Criminal Investigative Service Turns 25

SIGNIFICANT ACCOMPLISHMENTS



The Defense Criminal Investigative Service recognized its 25th anniversary during this reporting period. DCIS has 325 special agents. DCIS devotes investigative resources to terrorism, product substitution, computer crimes, illegal technology transfers, and public corruption.





# Inspector General Components

6

This chapter describes the DoD IG organizational structure and the duties and roles of each component.

## DEPUTY INSPECTOR GENERAL FOR AUDITING

The Office of the Deputy Inspector General for Auditing (ODIG-AUD) conducts audits on all facets of Department of Defense (DoD) operations. The work results in recommendations for reducing costs, eliminating fraud, waste, and abuse of authority, improving performance, strengthening internal controls, and achieving compliance with laws, regulations, and policies. Audit topics are determined by law, by requests from the Secretary of Defense and other DoD leadership, by Hotline allegations, congressional requests, and internal analyses of risk in DoD programs.

## DOD AUDIT COMMUNITY

The defense audit community consists of the DoD Inspector General (IG), the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency. As a whole, the organizations issued 220 reports, which identified the opportunity for almost \$2.15 billion in monetary benefits. Appendix A lists reports issued by central DoD internal audit organizations. Appendix B lists DoD IG reports with potential monetary benefits, and Appendix C statistically summarizes audit follow-up activity.

The Defense Contract Audit Agency (DCAA) provided financial advice to contracting officers in 14,760 audits during the period. The contract audits resulted in over \$7.4 billion in questioned costs and funds that could be put to better use. Appendix D contains the details of the audits performed. Contracting officers disallowed \$140.3 million (45.6 percent) of the \$307.7 million questioned as a result of significant post-award contract audits during the period. The contracting officer disallowance rate of 45.6 percent represents a significant increase from the disallowance rate of 13.5 percent for the prior reporting period. However, the number of audits exceeding the guidelines has increased by 33.6 percent to \$2.6 billion in costs questioned overage and not resolved and dispositioned. Additional details of the amounts disallowed are found in Appendix E.

## SIGNIFICANT OPEN RECOMMENDATIONS

Managers accepted or proposed acceptable alternatives for 99 percent of the 279 DoD IG audit recommendations rendered in the first 6 months of FY 2007. 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 1,127 open actions on DoD IG audit reports being monitored in the follow-up system are on-track for timely implementation, there were 214 reports more than 12 months old, dating back as far as 1994, for which management did not complete actions to implement the recommended improvements. Significant open recommendations that have yet to be implemented are listed below.

- Recommendations made in 1997 and subsequent years to make numerous revisions to the DoD Financial Management Regulations; clarify accounting policy and guidance; improve accounting processes, internal controls over financial reporting, and related financial systems compliance; and develop a plan for performance characteristics and training requirements for the DoD financial management workforce have resulted in initiatives that are underway to correct financial systems deficiencies and enable the Department to provide accurate, timely, and reliable financial statements. Also, a June 2006 audit report stated that implementation of Army accounting systems needed to eliminate more than \$72.2 billion in unsupportable accounting adjustments and \$1.2 trillion in unresolved abnormal balances has been delayed for the second year. Originally scheduled for implementation in September 2005, the Defense Departmental Reporting System – Budgetary (part of the Business Enterprise Information Services) now has an October 2007 estimated completion date for parallel testing with the legacy system and validation to ensure that abnormal balances and year-end balances are correctly processed and reported.
- Recommendations from multiple reports in the high-risk area of personnel security. Some of the most significant recommendations include: development of a prioritization process for investigations; establishment of minimum training and experience requirements and a certification program for personnel granting security clearances; issuance of policy on the access by all contractors, including foreign nationals, to unclassified

but sensitive DoD Information Technology (IT) systems; establishment of policy on access reciprocity and a single, integrated database for Special Access Programs; implementation of steps to match the size of the investigative and adjudicative workforces to the clearance workload; development of DoD-wide backlog definitions and measures; monitoring the backlog using the DoD-wide measures; and improvement of the projections of clearance requirements for industrial personnel. Progress on the unprecedented transformation of the personnel security program is slow but steady. Issues are being actively addressed by interagency working groups.

- Recommendations made in 2004 to define network centric warfare and its associated concepts; formalize roles, responsibilities, and processes for the overall development, coordination, and oversight of DoD network centric warfare efforts; and develop a strategic plan to guide network centric warfare efforts and monitor progress. DoD guidance was updated to reflect relevant definitions that were developed. Limitations in funding have necessitated deferring revisions to the applicable DoD Directive and Instruction until FY 2008, and ongoing experiments delayed development of the strategic plan.

- Recommendations made in 2004 to clarify guidance on the differences between force protection and antiterrorism in DoD policies and procedures. DoD revised its applicable guidance in October 2006. The Services are now in process of updating their corresponding guidance.

- Recommendations made in 2003, 2004, and 2005 to address issues regarding information systems security, including completion of the information security certification and accreditation process for various DoD systems and development of an adequate Plan of Action and Milestones to resolve critical security weaknesses. Those actions need to be completed to address requirements of the Federal Information Security Management Act and related OMB guidance. Although some actions were initiated, they are not adequate to correct the identified deficiencies, nor were they adequately incorporated in the revision to the applicable instruction.

- Recommendations made in 2004 in the Health Care issue area. Those include improvements in the acquisition of direct care medical services such as: an initiative to more effectively and efficiently employ contract medical personnel throughout the Military Health System, and

award a pharmaceutical returns contract that will ensure the costs for services provided are reasonable and the credits received are complete, and trends are analyzed to determine whether to modify inventory levels or ordering practices. Implementation of the improvements is ongoing.

- Recommendations made in 2004, 2005 and 2006 regarding the Performance-Based Logistics Program (PBL) that include: refining a process for the PBL process for reporting and institutionalizing a common data collection and reporting system to include Life Cycle Sustainment Metrics and Special Interest Items; development of PBL strategies to balance logistics support and improvements in cost effectiveness of logistics products and services; establishing management and oversight written procedures for PBL contracts; and ensuring PBL initiatives are fully implemented for weapon systems. Progress is being made but the actions are not complete.

## DEPUTY INSPECTOR GENERAL FOR INVESTIGATIONS

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

## DEFENSE CRIMINAL INVESTIGATIVE SERVICE

DCIS is tasked with the mission to protect America's warfighters by conducting investigations in support of crucial national defense priorities. DCIS conducts investigations of suspected major criminal violations focusing mainly on terrorism, product substitution/defective parts, cyber crimes/computer intrusion, illegal technology transfer, and other crimes involving public integrity including bribery, corruption, and major theft. DCIS also promotes training and awareness in all elements of the DoD regarding the impact of fraud on resources and programs by providing fraud awareness presentations.

## REPORTABLE JUDGMENTS



During this reporting period, investigations conducted by the Defense Criminal Investigative Service returned over \$158 million to the U.S. Government through criminal, civil, and administrative judgments.

Reportable judgments on health care investigations accounted for over \$135 million. These judgments resulted from a total of five investigations involving individual health care providers, hospitals and health care systems, and pharmaceutical companies. One single investigation accounted for \$132.4 million.

Public corruption investigations accounted for over \$12 million of the returned monies. One single investigation accounted for \$8 million.

Financial crime and procurement fraud, to include defective products, accounted for over \$11 million of the returned monies. One single investigation accounted for \$5.6 million.

### NATIONAL PROCUREMENT FRAUD TASK FORCE

DCIS continues to play an extremely active role in the National Procurement Fraud Task Force (NPFTF). NPFTF was created by Deputy Attorney General Paul J. McNulty on October 10, 2006, to promote the prevention, early detection and prosecution of procurement fraud. "Procurement fraud cheats American taxpayers and harms the government's efforts to obtain the goods and services needed for its mission," said Deputy Attorney General McNulty when the Task Force was formed. "At a time of heightened concern for our nation's security, every tax dollar is precious. We simply cannot tolerate fraud and abuse in government contracting."

The Task Force is chaired by the Assistant Attorney General for the Criminal Division, and currently includes DCIS, the Military Criminal Investigative Organizations, the FBI, numerous Inspectors General throughout government, federal prosecutors from United States Attorneys offices across the country and representatives from the Criminal, Civil, Antitrust and Tax Divisions of the Department of Justice. A primary goal of the

Task Force is to increase civil and criminal enforcement where it can have the greatest effect, including defective pricing, product substitution, misuse of classified and procurement sensitive information, false claims, grant fraud, labor mischarging, fraud involving foreign military sales, ethics and conflict of interest violations, and public corruption associated with procurement fraud. The Task Force also focuses on maximizing information sharing amongst enforcement agencies tasked with investigating fraud, waste, and abuse.

### DIRECTORATE FOR INVESTIGATIONS OF SENIOR OFFICIALS

The DoD IG Directorate for Investigations of Senior Officials conducts investigations into allegations against senior military and civilian officials and performs oversight of senior official investigations conducted by the military departments.

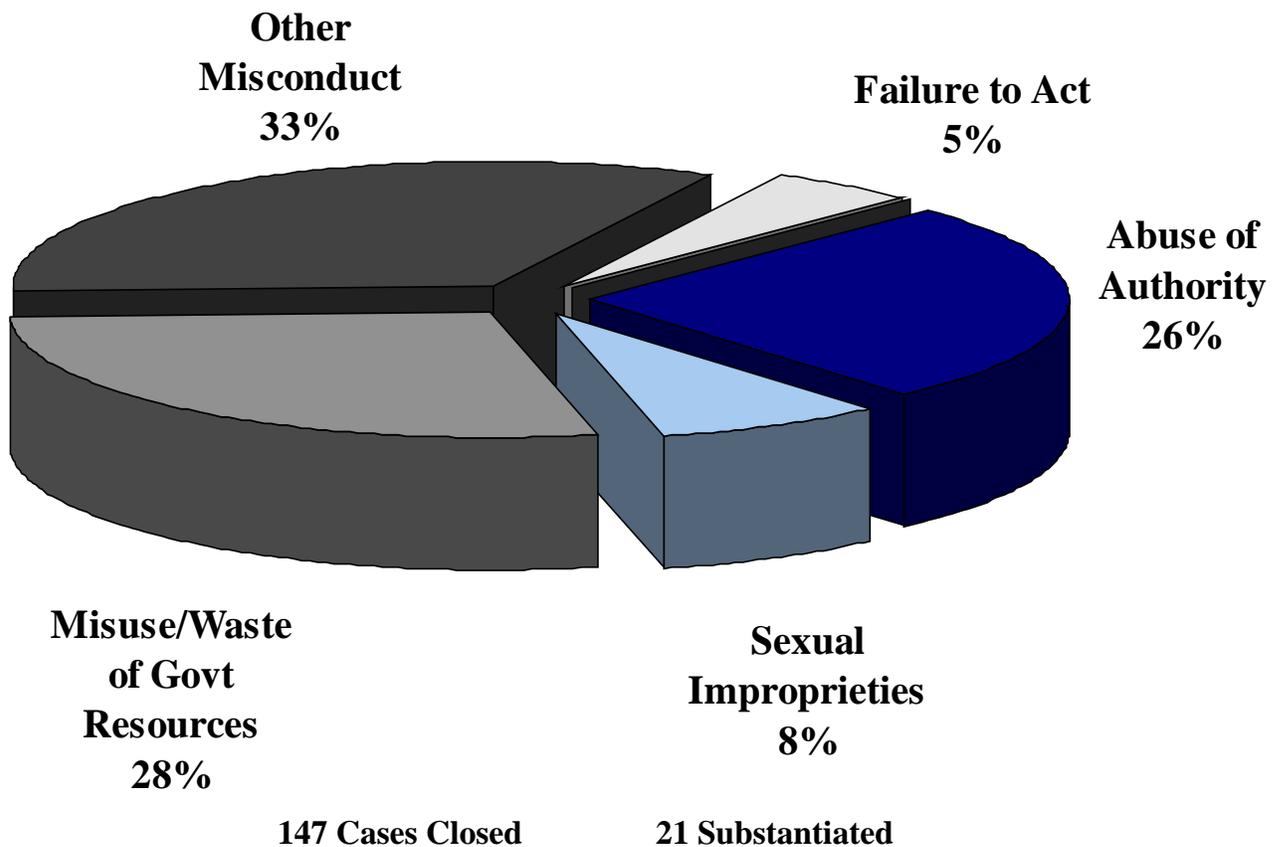
Figures 1 and 2 (page 63) show results of activity on senior official cases during the first 6 months of FY 2007. On April 1, 2007, there were 183 ongoing investigations into senior official misconduct throughout the Department, representing a slight decrease from September 30, 2006, when we reported 186 open investigations. Over the past 6 months, the Department closed 147 senior official cases, of which 21 (14 percent) contained substantiated allegations.

### DIRECTORATE FOR MILITARY REPRISAL INVESTIGATIONS

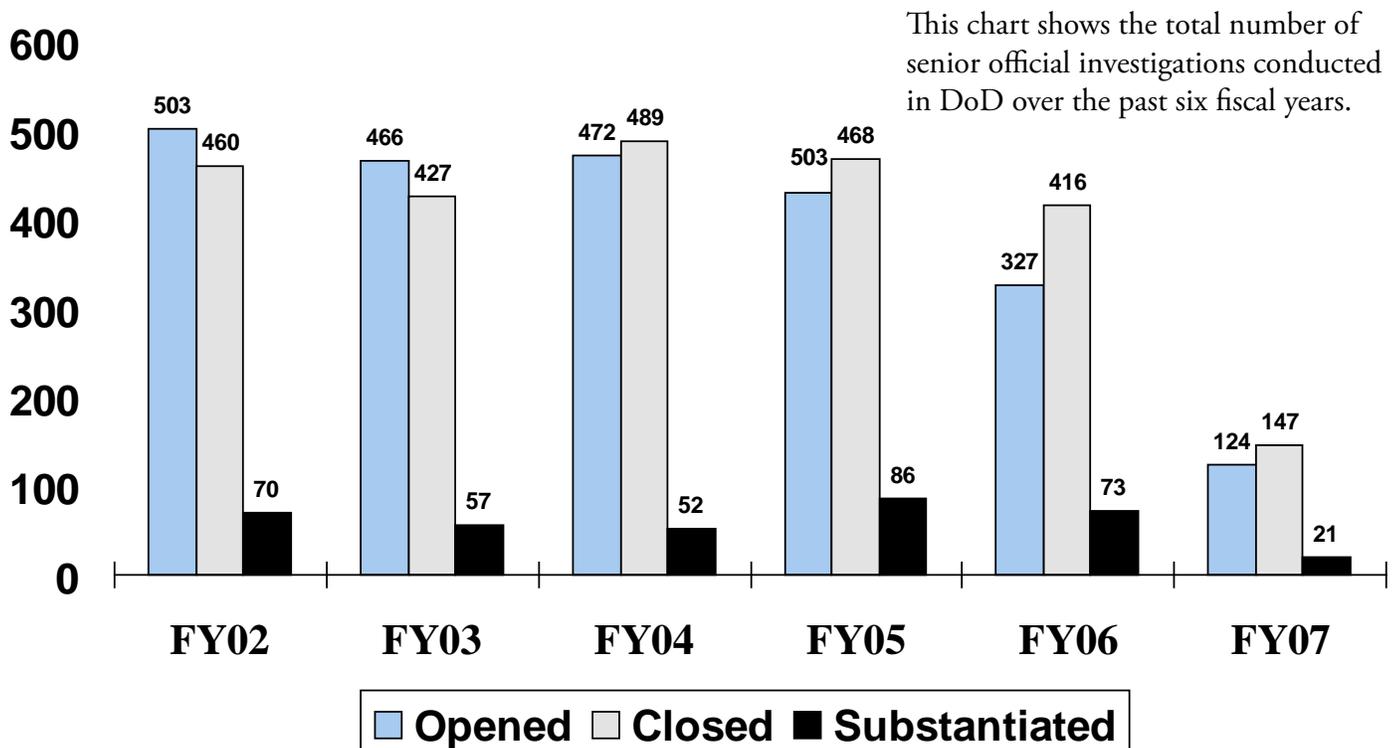
The DoDIG Directorate for Military Reprisal Investigations (MRI) conducts investigations and performs oversight of investigations conducted by the Military Department and Defense Agency Inspectors General (IGs). Those investigations pertain to:

- Allegations that unfavorable actions were taken against members of the Armed Forces, non-appropriated 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 and Instruction.

**FIGURE 1: NATURE OF SUBSTANTIATED ALLEGATIONS AGAINST SENIOR OFFICIALS DURING 1ST HALF FY 07**



**FIGURE 2: DOD TOTAL SENIOR OFFICIAL CASES FY 2002 - FY 2007**



## WHISTLEBLOWER REPRISAL ACTIVITY

During the reporting period, MRI and the Military Department IGs received 243 complaints of whistleblower reprisal. We closed 216 cases during this period. Of those cases, 143 were closed after preliminary analysis determined further investigation was not warranted. Full investigations were conducted for 73 cases, resulting in 12 substantiated cases.

The MRI and the Military Departments currently have 338 open cases involving allegations of whistleblower reprisal.

## EXAMPLES OF SUBSTANTIATED WHISTLEBLOWER REPRISAL CASES

An Army National Guard sergeant alleged that in reprisal for making EO, IG and Congressional complaints, he was issued an unfavorable evaluation report, not recommended for an award for service in Iraq and was restricted from contacting a member of Congress. After an Army investigation substantiated the sergeant's reprisal allegation, a supervisor received a letter of reprimand.

A major in the Air National Guard alleged that her commander, who suspected she made an IG complaint, relieved her of her duties and restricted her from making protected communications outside her chain of command. An Air Force investigation substantiated the allegation against the commander. Corrective action is pending.

An Air Force staff sergeant alleged he received a Letter of Admonishment and an unfavorable evaluation report in reprisal for reporting faulty aircraft maintenance to his chain of command. An Air Force investigation substantiated the staff sergeant's allegations. Corrective action is pending.

## REFERRALS FOR MENTAL HEALTH EVALUATIONS

We closed 27 cases involving allegations of improper referrals for involuntary mental health evaluations during the reporting period. In 18 of those cases, we substantiated that command officials and mental health care providers failed to follow the procedural requirements under DoD Directive 6490.1, "Mental Health Evaluations of Members of the Armed Forces." We did not substantiate

allegations that service members were referred for mental health evaluations in reprisal for making protected communications.

## DIRECTORATE FOR CIVILIAN REPRISAL INVESTIGATIONS

The mission of the Civilian Reprisal Investigations Directorate (CRI) is to conduct and oversee allegations of whistleblower reprisal made by DoD civilian employees and submitted to the DoD IG. CRI also provides support to DoD component Inspectors General regarding civilian reprisal cases, ensures DoD IG compliance with the Office of Special Counsel's Section 2302(c) whistleblower protection certification program, and conducts outreach to stakeholders of DoD's whistleblower protection program.

## DEPUTY INSPECTOR GENERAL FOR INTELLIGENCE

The Office of the Deputy Inspector General for Intelligence (ODIG-INTEL) audits, evaluates, monitors, and reviews the programs, policies, procedures, and functions of Intelligence Community, Special Access Programs, and Nuclear Surety issues within the DoD. The ODIG-INTEL oversees the intelligence-related activities within the DoD Components, primarily at the DoD, Service, and Combatant Command levels, ensuring that intelligence and intelligence-related resources are properly, effectively, and efficiently managed. The ODIG-INTEL also conducts oversight of Service and Defense agency reviews of security and counterintelligence within all DoD test and laboratory facilities. The Office of Deputy Inspector General for Intelligence is a center of excellence dedicated to enhancing the capabilities of the DoD intelligence activities through an informed and authoritative oversight program.

The DoD IG, the IGs of the Department of the Air Force, Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office, and National Security Agency/ Central Security Service; the Army Audit Agency; the Naval Audit Service; the Air Force Audit Agency; the Naval Criminal Investigative Service, and the Defense Contract Audit Agency completed 113 intelligence-related and other classified and sensitive reports. The reports are categorized into the

**FIGURE 3: INTELLIGENCE RELATED REPORTS**

DoD Management Challenge Area	DoD IG	Defense Agencies	Military Departments	Total
Joint Warfighting and Readiness	0	32	1	33
Human Capital	0	10	1	11
Information Security and Privacy	0	3	3	6
Acquisition Processes and Contract Management	1	8	4	13
Financial Management	2	9	3	14
Health Care	0	0	0	0
Other	3	23	10	36
<b>Total</b>	<b>6</b>	<b>85</b>	<b>22</b>	<b>113</b>

areas shown in Figure 3 (above). A listing and highlights of the 113 reports can be found in the Classified Annex to this report and a summary of the each report is included in the Classified Annex.

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. Within the intelligence community, 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 Forum met on December 17, 2006, and March 27, 2007. See the Classified Annex to this report for information on those meetings.

Within DoD, the Joint Intelligence Oversight Coordination Group comprises senior representatives from the Office of the Secretary of Defense, the inspectors general of the Defense intelligence agencies, and military department audit, evaluation, and inspection organizations. The objectives of the Group are to improve the effectiveness and efficiency of DoD oversight of intelligence activities by identifying areas needing more emphasis and deconflicting oversight programs. The Group held its quarterly meeting December 9, 2006. See the Classified Annex to this report for information on the meeting.

## DEPUTY INSPECTOR GENERAL FOR POLICY AND OVERSIGHT

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

### AUDIT POLICY AND OVERSIGHT

The Office of Assistant Inspector General for Audit Policy and Oversight (APO) provides policy direction and oversight for audits performed by over 6,500 DoD auditors in 24 DoD organizations, ensures appropriate use of non-federal auditors and their compliance with auditing standards and ensures that contracting officials comply with statutory and regulatory requirements when resolving contract audit reports. During the reporting period, APO completed three hotline reviews on contract audit issues related to progress payment reviews, Earned Value Management System reviews, incurred cost audits,

and time and attendance; one contract audit followup hotline review on TRICARE failing to comply with Federal Acquisition Regulation (FAR) requirements for a sole source award; one follow-up review to determine if a Certified Public Accounting firm we referred to the American Institute of Certified Public Accountants for inadequate work had corrected a Single Audit Act compliance review; and one quality control review of an internal review audit organization.

APO staff also participated on six DoD and Government-wide working groups that address significant issues impacting DoD audit and accountability professionals; provided DoD comments on three draft auditing and accounting standards and policy documents to ensure policy guidance for all DoD auditors and accountants focus on accountability and transparency; coordinated the IG review of 19 revisions to the procurement regulations, commenting on four to ensure the revisions do not adversely impact DoD; and provided training to internal auditors on how to perform peer reviews in accordance with the President's Council on Integrity and Efficiency guidance, and on the revisions to Government Auditing Standards to ensure an understanding of the changes to assist in proper and timely implementation by the over 6,500 DoD auditors.

## REPORT FOLLOWUP AND GAO LIAISON DIRECTORATE

The Report Followup and GAO Liaison Directorate monitors the progress of agreed-upon corrective actions taken by DoD managers in response to IG and GAO report recommendations. The Directorate obtains and evaluates documentation of progress and completion of corrective actions, and maintains a complete record of actions taken. During this 6-month period, final corrective action was completed on 87 reports and 336 recommendations. The Directorate also oversees a process to facilitate mediation of disputes regarding IG recommendations to achieve agreement.

The Directorate also serves as the DoD central liaison with GAO on matters concerning GAO reviews and reports regarding DoD programs and activities. That includes monitoring ongoing reviews to facilitate appropriate DoD actions. That also includes monitoring and facilitating the preparation of DoD responses to GAO reports to ensure the responses are appropriately

coordinated before release. The Directorate distributes information regarding GAO activities to DoD auditing and other oversight organizations to facilitate identifying unnecessary overlap or duplication. During this 6-month period, the Directorate processed 87 reviews and 144 draft and final reports.

## DATA MINING DIRECTORATE

The DoD IG Data Mining Directorate continues its primary mission of expanding and enhancing the use of data mining with computer assisted auditing techniques as analysis tools to combat fraud, waste and abuse in DoD programs.

During this reporting period, the DoD IG Data Mining Directorate worked jointly:

- DoD IG and the Service Audit communities on 23 audit reports covering various topics within the DoD community;
- DoD IG and the Service MCIO communities on 85 investigations involving criminal activity.

In addition, the Data Mining Directorate supported four Government IGs in setting up their own data mining efforts.

## DoD HOTLINE



The DoD IG hotline continues its primary mission of providing a confidential and reliable means for DoD civilian and contractor employees, military service members, and the public to report fraud, waste, mismanagement, abuse of authority, threats to homeland security and leaks of classified information for the Department of Defense.

Also, we continued an aggressive marketing campaign that has included responding to 397 requests from DoD contractors and the military services for DoD IG Hotline fraud, waste and mismanagement posters.

During this reporting period, the DoD IG hotline received 6,455 contacts from the public and members of the DoD community, initiated 837 investigations and closed 1,107 cases. We received 26 Congressional inquiries and 119 investigative referrals from the Government Accountability Office.

In an effort to increase the ability of our military, contractors, and civilians in the Southwest Asia region to report allegations of fraud, waste, and abuse, the DoD IG established a special toll-free Defense Hotline number, which is accessible from Qatar, Afghanistan, and Iraq. The DoD IG developed three Southwest Asia specific hotline posters and began distribution to major military units and commands throughout the theater during this reporting period.

## INSPECTIONS AND EVALUATIONS DIRECTORATE

The Office of the Assistant Inspector General for Inspections and Evaluations conducts objective and independent customer-focused management and program inspections addressing areas of interest to Congress and the DoD, and provides timely findings and recommendations leading to positive change in programs.

## INVESTIGATIVE POLICY AND OVERSIGHT DIRECTORATE

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

## QUANTITATIVE METHODS DIRECTORATE

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

## TECHNICAL ASSESSMENT DIRECTORATE

The Technical Assessment Directorate provides technical advice to the DoD and conducts assessments to improve the economy, efficiency, and effectiveness of Defense programs, operations, and oversight. The directorate focuses on acquisition, program management, engineering, and information technology issues. During the reporting period, the Directorate provided technical expertise and assessments that expanded the audit coverage of systems engineering and information assurance. As a result, Defense programs for systems engineering and information security are improved in audited systems.

## OFFICE OF COMMUNICATIONS AND CONGRESSIONAL LIAISON

The Office of Communications and Congressional Liaison (OCCL) supports the DoD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG Public Affairs Office. The OCCL also includes the Freedom of Information Act Requester Service Center/Privacy Act (FOIA/PA) Office.

In addition, the OCCL provides staff support and serves as the liaison for the DoD IG to the President's Council on Integrity and Efficiency (PCIE) and the Defense Council on Integrity and Efficiency (DCIE).

In January 2007, the DoD IG became the Chairman of the newly established PCIE Information Technology Committee. OCCL also supports the DoD IG participation in the PCIE by publishing the Journal of Public Inquiry.

OCCL organizes and supports meetings of the DCIE, which are also chaired by the DoD IG. The DoD IG holds quarterly DCIE meetings. DCIE meetings are used as a forum to discuss issues related to oversight within DoD. During the last reporting period the DCIE discussed many topics including information technology security, evaluating emergency preparedness, the timeliness of military criminal investigations, the Federal Equal Employment Opportunity complaint program, and DoD purchase made through other agencies. In addition, at each meeting different member organizations provide mission briefings which enable the DCIE members to

better understand how their oversight roles are related within the Department. During this reporting period the briefings were provided by the National Guard Bureau, National Security Agency, and National Reconnaissance Office.

## 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 programs and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” The DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings.

On March 20, 2007, Mr. Thomas F. Gimble, Acting Inspector General Department of Defense testified before the Senate Judiciary Committee regarding “Combating War Profiteering: Are We Doing Enough to Investigate and Prosecute Contracting Fraud and Abuse in Iraq.” Mr. Gimble described the current efforts of the Defense Criminal Investigative Service (DCIS), the criminal investigative arm of the DoD Inspector General. Specifically Mr. Gimble detailed how the IG was engaged in investigating DoD-related matters pertaining to the Iraqi theater, to include Kuwait, since the start of the war.

On January 18, 2007, Mr. Thomas F. Gimble, Acting Inspector General Department of Defense, testified before the House Armed Services Committee regarding the “Audit of Reconstruction and Support Activities in Iraq.” Mr. Gimble discussed the IGs efforts to (1) establish an in-country oversight presence, (2) expand oversight coverage of funds that are predominantly being executed in the United States, and (3) improve interagency coordination and collaboration to minimize duplicative efforts within the oversight community.

On January 17, 2007, Mr. Thomas F. Gimble, Acting Inspector General Department of Defense, testified before the Subcommittee on Readiness, Senate Committee

on Armed Services regarding “Department of Defense contracting for services and inter-Agency contracting.” Mr. Gimble addressed the findings from joint audits completed at four agencies: GSA, the Department of the Interior, the Department of the Treasury, and the National Aeronautics and Space Administration. Collectively, those agencies awarded 54,022 contract actions valued at about \$5.4 billion for DoD during FY 2005. To conduct the audits, the DoD IG reviewed 352 contract actions valued at about \$1.0 billion.

On November 11, 2006, Mr. Thomas F. Gimble, Principal Deputy Inspector General, Department of Defense, testified before the Permanent Subcommittee on Investigations Senate Committee on Homeland Security and Governmental Affairs regarding IG audit report, “Management and Use of the Defense Travel System.” Mr. Gimble discussed the audit findings. Specifically, the Department could not provide supporting documentation to substantiate all DTS and legacy system cost data. As a result, it was not possible for the IG to determine whether DTS was the most cost-effective way to meet the Department’s travel management needs or even to fully quantify cost savings that might have been realized by using DTS.

The DoD IG sponsored a legislative proposal for the National Defense Authorization Act for FY 2008 that would require federal contractors to inform their employees in writing of their whistleblower rights. In addition, the DoD IG also regularly reviews new and revised regulations proposed by the Department of Defense. During this reporting period, the DoD IG reviewed 108 draft issuances or re-issuances of DoD directives, instructions, manuals, and policy guidance.



# APPENDIX A

## REPORTS ISSUED BY CENTRAL DOD INTERNAL AUDIT ORGANIZATIONS

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

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

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

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

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

Air Force Audit Agency  
(703) 696-7904  
[www.afaaf.hq.af.mil](http://www.afaaf.hq.af.mil)

### SUMMARY OF NUMBER OF REPORTS BY MANAGEMENT CHALLENGE AREA OCTOBER 1, 2006 TO MARCH 31, 2007

	DoD OIG	Military Depts.	Total
Joint Warfighting and Readiness	11	33	44
Human Capital	-	17	17
Information Security and Privacy	8	11	19
Acquisition Processes/Contract Management	17	37	54
Financial Management	38	32	70
Health Care	1	5	6
Other	2	8	10
Total	77	143	220

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)

## JOINT WARFIGHTING AND READINESS

### DoD IG

D-2007-001 Information Operations Activities in Southwest Asia (CLASSIFIED) (10/06/2006)

D-2007-002 Use of DoD Resources Supporting the Hurricane Katrina Disaster (10/16/2006)

D-2007-010 The Army Small Arms Program That Relates to Availability, Maintainability, and Reliability of the Small Arms Support for the Warfighter (11/02/2006)

D-2007-034 Transportation Policies, Procedures, and Processes Implemented to Meet DoD Customer Demands (12/14/2006)

D-2007-049 Equipment Status of Deployed Forces Within the U.S. Central Command (CLASSIFIED) (01/25/2007)

D-2007-051 Department of Defense Inspector General's Report on the 2005 Defense Base Closure and Realignment Commission's Report Recommendation #193 Regarding Cecil Field, Florida (01/25/2007)

D-2007-064 Implementation of the Commanders' Emergency Response Program in Afghanistan (02/28/2007)

D-2007-068 Force Structure Changes in the U.S. Pacific Command – Andersen Air Force Base War Reserve Materiel (03/12/2007)

D-2007-069 Force Structure Changes in the U.S. Pacific Command – Programming for Increased Annual Costs (03/12/2007)

D-2007-070 Force Structure Changes in the U.S. Pacific Command – Roles and Responsibilities of Headquarters and Support Functions (03/12/2007)

D-2007-076 Force Structure Changes in the U.S. Pacific Command – Guam (CLASSIFIED) (03/26/2007)

### ARMY AUDIT AGENCY

A-2007-0002-ALA Army Aviation Capabilities (10/16/06)

A-2007-0005-FFP Logistics Support for Operation Enduring Freedom—Philippines (10/12/06)

A-2007-0015-ALE Maintenance of Left Behind Equipment in U.S. Army, Europe and Seventh Army (10/31/06)

A-2007-0027-FFE Followup Audit of Installation Preparedness for Weapons of Mass Destruction (11/29/06)

A-2007-0047-ALR Tracked and Wheeled Vehicle Assets, U.S. Army TACOM Life Cycle Management Command (01/25/07)

A-2007-0048-FFF Reserve Component Soldier Mobilization Accountability—Material Weakness, Deputy Chief of Staff, G-3/5/7 (01/09/07)

A-2007-0052-ALE Reconstitution—Direct Support and Below Maintenance in U.S. Army, Europe and Seventh Army (01/17/07)

A-2007-0053-ALE Reconstitution—Supply Management Operations in U.S. Army, Europe and Seventh Army (01/19/07)

A-2007-0054-ALR Followup Audit of Aviation Tracked Components, U.S. Army Aviation and Missile Life Cycle Management Command (01/16/07)

A-2007-0061-ALL Asset Visibility in Support of Operation Iraqi Freedom and Operation Enduring Freedom—Army Reserve Equipment, Fort McCoy and Fort Dix Mobilization Stations (01/30/07)

A-2007-0070-FFE Followup Audit of Range Inventory, Deputy Chief of Staff, G-3/5/7 (02/06/07)

A-2007-0071-ALE Reconstitution of Secondary Items, U.S. Army, Europe and Seventh Army (02/12/07)

A-2007-0075-ALL Asset Visibility in Support of Operation Iraqi Freedom and Operation Enduring Freedom, 3d Infantry Division, Fort Stewart (02/15/07)

A-2007-0088-ALE Reset of Aviation Assets, U.S. Army Aviation and Missile Life Cycle Management Command (03/08/07)

A-2007-0093-ALL Cost-Effectiveness of Transitioning Selected Functions Performed at the Theater Distribution Center (Task Order 87) from Contingency to Sustainment Contracting, Audit of

LOGCAP Operations in Support of Operation Iraqi Freedom (03/09/07)

A-2007-0095-FFH FY 06

Supplemental Funding for the Global War on Terrorism, U.S. Army Medical Command (03/08/07)

A-2007-0104-ALL Cost-Effectiveness of Transitioning Work Under the Logistics Civil Augmentation Program Contingency Contract to Sustainment Contracting, Audit of LOGCAP Operations in Support of Operation Iraqi Freedom (03/23/07)

### NAVAL AUDIT SERVICE

N2007-0022 Naval Coastal Warfare Active/Reserve Rebalancing Plan (CLASSIFIED) (03/26/07)

### AIR FORCE AUDIT AGENCY

F-2007-0001-FC2000 Commercial Maintenance for Exchangeable Assets (11/20/2006)

F-2007-0002-FC2000 Distribution of Depot Maintenance Workload, Fiscal Years 2005 - 2007 (11/20/2006)

F-2007-0004-FD1000 Rapid Engineer Deployable Heavy Operational Repair Squadron Engineer Equipment (11/20/2006)

F-2007-0001-FD2000 Medical Personnel Readiness Training (11/20/2006)

F-2007-0001-FD3000 F-15 Flying Hour Program (11/20/2006)

F-2007-0003-FC2000 Crash Damaged or Disabled Aircraft Recovery Program (11/27/2006)

F-2007-0001-FC4000 Termination of Purchases for Excess On-Order Parts (12/12/2006)

F-2007-0004-FC2000 Aircraft Bills of Material (12/29/2006)

F-2007-0006-FC2000 Communication, Navigation, Surveillance/Air Traffic Management Modification (01/05/2007)

F-2007-0003-FC4000 Government Furnished Materiel (01/26/2007)

F-2007-0004-FC4000 Deployed Assets (01/26/2007)

F-2007-0008-FC2000 TF39 Depot Engine Repair Requirements (02/02/2007)

F-2007-0002-FD3000 Cryptologic Linguist Force Management (CLASSIFIED) (02/02/2007)

F-2007-0004-FD3000 Space Range and Ground Systems Asset Management (03/07/2007)

F-2007-0008-FB1000 Aviation Fuel Optimization (03/09/2007)

### HUMAN CAPITAL

### ARMY AUDIT AGENCY

A-2007-0043-FFH Capital Purchases and Minor Construction, Fort Belvoir (01/10/07)

A-2007-0049-FFF Soldier Assignment Procedures for Lifecycle Management, Deputy Chief of Staff, G-1 (01/17/07)

A-2007-0050-FFM Independent Auditors Report for FY 06 American Red Cross Financial Statements (03/19/07)

### NAVAL AUDIT SERVICE

N2007-0003 Validation of Navy Civilian Educational Credentials (10/31/06)

### AIR FORCE AUDIT AGENCY

F-2007-0001-FB2000 Military Personnel Data System Controls (11/20/2006)

F-2007-0001-FD1000 Air Force Materiel Command Base Realignment and Closure Requirements Planning (11/20/2006)

F-2007-0002-FD1000 Air Force Space Command Base Realignment and Closure Requirements Planning (11/20/2006)

F-2007-0003-FD1000 Base Realignment and Closure Disposition Planning (11/20/2006)

F-2007-0005-FC2000 Selected Aspects of Fiscal Year 2004 Planned Labor Application (12/29/2006)

F-2007-0002-FD4000 External Fill Actions (01/05/2007)

F-2007-0003-FD4000 Air Reserve Component Aviation Incentive Pay (01/19/2007)

F-2007-0006-FD1000 Air Mobility Command and Air Force District of Washington Base Realignment and Closure Requirements Planning (01/19/2007)

F-2007-0004-FD4000 Selective Reenlistment Bonus (02/02/2007)

F-2007-0003-FD3000 Use of Air Reserve Component Forces to Train Active Duty Personnel (02/02/2007)

F-2007-0005-FD4000 Advanced Distributed Learning (03/07/2007)

F-2007-0006-FD4000 Civilian Deployments (03/15/2007)

F-2007-0007-FD4000 Ancillary Training (03/15/2007)

## INFORMATION SECURITY & PRIVACY

### DOD IG

D-2007-006 Hurricane Katrina Disaster Recovery Efforts Related to Army Information Technology Resources (10/19/2006)

D-2007-022 Defense Information Systems Agency Controls of the Center for Computing Services Placed in Operation and Tests of Operating Effectiveness for the Period December 1, 2005, through July 31, 2006 (11/15/2006)

D-2007-024 Management and Use of the Defense Travel System (11/13/2006)

D-2007-025 Acquisition of the Pacific Mobile Emergency Radio System (FOR OFFICIAL USE ONLY) (11/22/2006)

D-2007-031 The Effects of Hurricane Katrina on the Defense Information Systems Agency Continuity of Operations and Test Facility (12/12/2006)

D-2007-039 Information Assurance of Missile Defense Agency Information Systems (FOR OFFICIAL USE ONLY) (12/21/2006)

D-2007-040 The General and Application Controls over the Financial Management System at the Military Sealift Command (01/02/2007)

D-2007-056 Integrated Accounts Payable System Compliance with the Defense Business Transformation System Certification Criteria (2/07/2007)

### ARMY AUDIT AGENCY

A-2007-0067-FFI Long-Haul Communication Requirements and Funding Process, U.S. Army Reserve Command (02/14/07)

A-2007-0068-FFI Long-Haul Communication Requirements and Funding Process, Army National Guard (02/15/07)

### NAVAL AUDIT SERVICE

N2007-0004 Management of Privacy Act Information at Naval District Washington (11/21/06)

N2007-0012 Interim Report – Disposal of Protected Personal Information at Naval Base San Diego, CA (02/02/07)

N2007-0014 Interim Report – Disposal of Protected Personal Information at Marine Corps Base, Camp Pendleton, CA (02/15/07)

N2007-0016 Information Systems Restoration and Data Recovery Related to Hurricane Katrina (02/23/07)

N2007-0018 Interim Report – Disposal of Protected Personal Information at Naval District Washington, DC (03/01/07)

### AIR FORCE AUDIT AGENCY

F-2007-0001-FB4000 Selected Aspects of Computer Network Intrusion Detection (FOR OFFICIAL USE ONLY) (12/12/2006)

F-2007-0002-FB4000 Selected Aspects of Theater Deployable Communications (02/02/2007)

F-2007-0003-FB4000 Follow-up Audit, Air Education and Training Command Information Security Program and Practices (02/02/2007)

F-2007-0004-FB4000 Security of Remote Computer Devices (FOR OFFICIAL USE ONLY) (03/13/2007)

### ACQUISITION PROCESS/ CONTRACT MANAGEMENT

### DOD IG

D-2007-005 Army Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs (10/12/2006)

D-2007-007 FY 2005 DoD Purchases Made Through the General Services Administration (10/30/2006)

D-2007-008 Acceptance and Surveillance of F 16 Mission Training Center Simulation Services (11/01/2006)

D-2007-023 FY 2005 DoD Purchases Made Through the National Aeronautics and Space Administration (11/13/2006)

D-2007-026 Competition of the 5.56-Millimeter Carbine (FOR OFFICIAL USE ONLY) (11/22/2006)

D-2007-032 FY 2005 DoD Purchases Made Through the Department of the Treasury (12/08/2006)

D-2007-033 The Requirements Process for the Army Multi-Mission Radar and the Marine Corps Multi-Role Radar System (12/14/2006)

D-2007-036 Contracting Practices at the Major Range and Test Facilities Base (12/27/2006)

D-2007-038 U.S. Army Corps of Engineers' "Operation Blue Roof" Project in Response to Hurricane Katrina (12/22/2006)

D-2007-042 Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies (01/02/2007)

D-2007-043 Controls Over the Army, Navy, and Air Force Purchase Card Programs (01/10/2007)

D-2007-044 FY 2005 DoD Purchases Made Through the Department of the Interior (01/16/2007)

D-2007-045 Acquisition of the Precision Guided Mortar Munition Program (FOR OFFICIAL USE ONLY) (01/10/2007)

D-2007-047 Air Force Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs (01/23/2007)

D-2007-055 Contract Administration of the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers (02/05/2007)

D-2007-062 Department of the Navy Purchases for and from Governmental Sources (02/28/2007)

D-2007-066 Navy Acquisition Executive's Management Oversight and Procurement Authority for Acquisition Category I and II Programs (03/09/2007)

## ARMY AUDIT AGENCY

A-2007-0004-ALM Depot-Level Maintenance Workload Reporting—Fiscal Year 2004 (10/12/06)

A-2007-0006-ALL Offline Purchases, Fort Bliss Training Activities (10/19/06)

A-2007-0012-ALR Purchase of Modern Burner Units, Office of the Product Manager, Force Sustainment Systems (10/26/06)

A-2007-0020-ALA Followup Audit of Generators, Office of the Project Manager, Mobile Electric Power, Fort Belvoir (01/10/07)

A-2007-0029-FFE Monitoring and Oversight of Formerly Used Defense Sites, U.S. Army Corps of Engineers (12/01/06)

A-2007-0032-ALI Quality Improvement Support System (12/07/06)

A-2007-0034-ALL Cost of Maintenance on Watercraft Equipment in Army Prepositioned Stocks, U.S. Army Sustainment Command, Rock Island (12/05/06)

A-2007-0035-FFP Logistics Support Contract—Maintenance of High Mobility Multipurpose Wheeled Vehicles and Heavy Expanded Mobility Tactical Trucks, Eighth U.S. Army (01/10/07)

A-2007-0037-FFP Followup Audit of Government Purchase Card Management Controls, U.S. Army Contracting Command, Korea (12/14/06)

A-2007-0038-FFP Contract Modifications, Area III, U.S. Army Installation Management Agency, Korea Region Office (12/15/06)

A-2007-0040-ALL Procedures for Managing the Overage Repairable Items List at the Tactical Wheeled Vehicle Refurbishment Center (01/16/07)

A-2007-0041-FFH Government Purchase Card, Red River Army Depot (12/20/06)

A-2007-0046-ALM Sustainment Planning for Maintenance Support (02/02/07)

A-2007-0051-FFH Capital Purchases and Minor Construction Projects, Fort Bliss (01/11/07)

A-2007-0058-ALM Depot-Level Maintenance Workload Reporting—FY 05, Office of the Deputy Chief of Staff, G-4 (03/08/07)

A-2007-0059-ALC U.S. Army Center of Military History Contract Management, Office of the Director of the Army Staff (01/31/07)

A-2007-0063-FFE Use of Performance-Based Contracting for Environmental Cleanup (01/26/07)

A-2007-0069-ALM Followup Audit of Depot-Level Maintenance for Secondary Items Phase I—Repair Versus Procurement Decisions, U.S. Army Communications-Electronics Life Cycle Management Command (03/07/07)

A-2007-0072-ALM Army's Process and Controls for Effectively Implementing Performance-Based Logistics, Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (02/09/07)

A-2007-0073-ALR Followup Audit of Management of Consigned Inventory, Office of the Deputy Chief of Staff, G-4 (02/07/07)

A-2007-0077-FFH Capital Purchase and Minor Construction Projects for Category C Activities (02/21/07)

A-2007-0082-ALR Procurement Lead Times—Missiles, U.S. Army Aviation and Missile Life Cycle Management Command (02/22/07)

A-2007-0083-FFS Strategic Management System Contract (03/01/07)

A-2007-0084-FFE Reduction of Contaminated Waste at Army Depots (02/22/07)

A-2007-0096-FFH Proper Use of Non-DOD Contracts, U.S. Army Medical Command (03/22/07)

### NAVAL AUDIT SERVICE

N2007-0001 Department of the Navy Controls to Ensure Vendor Legitimacy (10/16/06)

N2007-0002 Oversight of Earned Value Management for Naval Acquisition Programs (10/24/06)

N2007-0007 Diminishing Manufacturing Sources and Material Shortages for Selected Major Platforms at Program Executive Office (Submarines) and Program Executive Office (Integrated Warfare Systems) (12/05/06)

N2007-0010 Sustaining the Acquisition Workforce (01/19/07)

N2007-0020 Department of the Navy Contracts with Colleges and Universities (03/16/07)

### AIR FORCE AUDIT AGENCY

F-2007-0002-FB2000 Network/Server Consolidation (11/20/2006)

F-2007-0001-FD4000 T-3A Aircraft Management (11/20/2006)

F-2007-0003-FB2000 Microsoft Enterprise License Agreement (11/27/2006)

F-2007-0001-FC1000 Foreign Military Sales F-16 Aircraft Regeneration (11/27/2006)

F-2007-0001-FC3000 Wind Corrected Munitions Dispenser Program Management (12/12/2006)

F-2007-0002-FC1000 Foreign Military Sales Tuition Rate Determination (01/26/2007)

F-2007-0006-FB1000 Evolved Expendable Launch Vehicle Fiscal Year 2007 President's Budget Submission and Current Obligations (02/02/2007)

### FINANCIAL MANAGEMENT

### DOD IG

D-2007-003 Internal Controls over the Army General Fund, Note 3, "Fund Balance With Treasury," Disclosures (10/10/2006)

D-2007-004 Accounting for Department of the Navy General Fund Accounts Receivable (10/12/2006)

D-2007-009 Internal Controls Over Inventory Stored at Defense Logistics Agency Distribution Depots (11/01/2006)

D-2007-011 Independent Auditor's Report on the FY 2006 Department of the Navy General Fund Financial Statements (11/08/06)	D-2007-021 Independent Auditor's Report on the DoD FY 2006 Special-Purpose Financial Statements (11/08/06)	D-2007-048 Reporting of Navy Sponsor Owned Material Stored at the Space and Naval Warfare Systems Centers (01/26/2007)
D-2007-012 Independent Auditor's Report on the FY 2006 Navy Working Capital Fund Financial Statements (11/08/06)	D-2007-027 Vendor Pay Disbursement Cycle, Air Force General Fund Payments to Vendors (11/24/06)	D-2007-052 Independent Auditor's Report on the DoD FY 2006 Detailed Report of the Funds Obligated for National Drug Control Program Activities (01/29/2007)
D-2007-013 Independent Auditor's Report on the FY 2006 Army Working Capital Fund Financial Statements (11/08/06)	D-2007-028 Controls Over Army Cash and Other Monetary Assets (11/24/06)	D-2007-053 National Guard and Reserve Controls Over Recruitment Incentives (01/31/2007)
D-2007-014 Independent Auditor's Report on the FY 2006 Air Force General Fund Financial Statements (11/08/06)	D-2007-029 Auditability Assessment of the Defense Intelligence Agency Business Processes for the Identification, Documentation, and Reporting of Property, Plant, and Equipment (11/30/06)	D-2007-057 Use and Controls over Military Interdepartmental Purchase Requests at the National Geospatial-Intelligence Agency (02/13/07)
D-2007-015 Independent Auditor's Report on the FY 2006 Air Force Working Capital Fund Financial Statements (11/08/06)	D-2007-030 Management of the Iraq Security Forces Fund in Southwest Asia - Phase I (12/08/06)	D-2007-058 Controls over the Army, General Fund, Fund Balance With Treasury Journal Voucher Adjustments (02/08/07)
D-2007-016 Independent Auditor's Report on the FY 2006 U.S. Army Corps of Engineers, Civil Works, Financial Statements (11/08/06)	D-2007-035 FY 2006 Air Force Basic Allowance for Housing (12/14/2006)	D-2007-059 Vendor Pay Disbursement Cycle, Air Force General Fund: Financial Accounting (02/09/07)
D-2007-017 Endorsement of Qualified Opinion on the FY 2006 Medicare-Eligible Retiree Health Care Fund Financial Statements (11/08/06)	D-2007-037 Endorsement of the Management Letter on Internal Controls over Financial Reporting for the FY 2006 DoD Medicare-Eligible Retiree Health Care Fund Financial Statements (FOR OFFICIAL USE ONLY) (12/19/2006)	D-2007-060 Management of the Iraq Security Forces Fund in Southwest Asia - Phase II (02/12/2007)
D-2007-018 Independent Auditor's Report on the FY 2006 Army General Fund Financial Statements (11/08/06)	D-2007-041 Navy General Fund Vendor Payments Processed by Defense Finance and Accounting Service (01/02/2007)	D-2007-061 Defense Finance and Accounting Service Dayton Network Compliance with the Prompt Payment Act (03/01/07)
D-2007-019 Endorsement of the Unqualified Opinion on the FY 2006 Military Retirement Fund Financial Statements (11/08/06)	D-2007-046 Independent Auditor's Report on the Department of Defense FY 2006 Application of Agreed-Upon Procedures (01/16/07)	D-2007-063 Agreed Upon Procedures Covering the Financial Reporting for Nonappropriated Fund Instrumentalities and Related Activities (03/01/07)
D-2007-020 Independent Auditor's Report on the FY 2006 DoD Agency-Wide Financial Statements (11/08/06)		

D-2007-065 Controls Over the Prevalidation of DoD Commercial Payments (03/02/07)

D-2007-071 Air Force General Fund Disbursements as Reported in the Statement of Budgetary Resources (03/15/2007)

D-2007-072 Attestation of the Defense Logistics Agency's Contingent Legal Liability Audit Readiness Assertion (03/20/2007)

D-2007-073 Financial Data Processed by the Medical Expense and Performance Reporting System (03/21/2007)

D-2007-074 Endorsement of the Deloitte & Touche LLP Management Letter on FY 2006 Military Retirement Fund Financial Statements (FOR OFFICIAL USE ONLY) (03/21/2007)

D-2007-075 Department of the Army Purchases from Governmental Sources (03/22/2007)

D-2007-077 Timeliness of Payments for Reenlistment Bonuses in the Army (03/28/2007)

## ARMY AUDIT AGENCY

A-2007-0024-FFH Attestation Review of Army and Air Force Exchange Service Employee Benefits (11/29/06)

A-2007-0025-ALO Mission Requirements for U.S. Army Installation Management Command (11/22/06)

A-2007-0026-FFD Regional Overhead Rates, Headquarters, U.S. Army Corps of Engineers (11/30/06)

A-2007-0028-ALO Common Levels of Support, U.S. Army Installation Management Command (12/07/06)

A-2007-0033-FFH Medical Funding for the Global War on Terrorism, U.S. Army Medical Command (12/07/06)

A-2007-0039-FFP Global War on Terrorism Supplemental Funding, Tripler Army Medical Center (12/21/06)

A-2007-0042-ALR Followup Audit of Materiel Returns, U.S. Army Materiel Command (12/20/06)

A-2007-0045-FFM Global Combat Support System—Army (Field Tactical) Financial Requirements (01/05/07)

A-2007-0060-FFP Review of the Army's Management Control Process FY 06, Eighth U.S. Army (01/24/07)

A-2007-0062-ALO Followup Audit of Funding Execution Task Force Sinai, XVIII Airborne Corps and Fort Bragg (01/25/07)

A-2007-0087-ALE Attestation Examination of Suggestion Number EUHD06017C Under the Army Suggestion Program (02/22/07)

A-2007-0098-ALC Followup Audit of Realignment Phase 2 Field Operating Agencies, U.S. Army Center of Military History (03/16/07)

## NAVAL AUDIT SERVICE

N2007-0008 Auditor General Advisory – Summary of Department of the Navy Government Commercial Purchase Card Program Controls (12/15/06)

N2007-0009 Auditor General Advisory – Department of the Navy's Use of Hurricane Katrina Relief Funds (01/03/07)

N2007-0017 Ordnance Information System (02/28/07)

## AIR FORCE AUDIT AGENCY

F-2007-0001-FB1000 Office of Special Investigations Confidential Investigative Contingency Funds (11/20/2006)

F-2007-0002-FB1000 Improper Payments Information Act of 2002 - Travel Payments (11/20/2006)

F-2007-0003-FB1000 Hurricane Katrina Federal Emergency Management Agency Reimbursements (11/20/2006)

F-2007-0001-FB3000 Operations Support Systems Accounts Payable (11/27/2006)

F-2007-0005-FD1000 Utilities Privatization Economic Analysis - Second Phase Fiscal Year 2006 (11/27/2006)

F-2007-0002-FB3000 Operations Support Systems Customer Agreements (12/29/2006)

F-2007-0002-FC4000 Equipment Transformation Initiative (12/29/2006)

F-2007-0003-FB3000 Military Equipment Baseline - Electronic Pods (01/19/2007)

F-2007-0007-FC2000 Organic Project Order Management (01/26/2007)

F-2007-0004-FB3000 Operations Support Systems Operating Costs (02/02/2007)

F-2007-0005-FB1000 Follow-up Audit, Civilian Premium Payments (02/02/2007)

F-2007-0007-FB1000 Cancellation of Unused Airline Tickets (02/16/2007)

F-2007-0005-FB3000 Financial Recording of Heritage Assets and Stewardship Land (03/09/2007)

F-2007-0007-FD1000 Construction Funds (03/13/2007)

F-2007-0009-FB1000 Headquarters Air Force Resource Management - Miscellaneous Obligation/ Reimbursement Documents (03/13/2007)

F-2007-0006-FB3000 Air Force Working Capital Fund Fiscal Year 2005 Accounting Adjustments (03/15/2007)

## HEALTH CARE

DoD IG

D-2007-054 Quality Assurance in the DoD Healthcare System (02/20/2007)

## ARMY AUDIT AGENCY

A-2007-0022-FFH Contracts for Medical Goods and Services, Western Regional Medical Command (11/22/06)

## AIR FORCE AUDIT AGENCY

F-2007-0002-FD2000 Follow-up Audit, Primary Care Managers' Productivity (11/27/2006)

F-2007-0003-FD2000 Military Treatment Facility Referral Management Services (11/27/2006)

F-2007-0004-FD2000 Management of Medical Library Services (01/05/2007)

F-2007-0005-FD2000 Medical Off-Duty Employment (02/16/2007)

## OTHER

DoD IG

D-2007-050 Interagency Review of U.S. Export Controls for China, (01/31/2007)

D-2007-067 DoD Initiatives for Combating Weapons of Mass Destruction (FOR OFFICIAL USE ONLY) (03/30/2007)

## NAVAL AUDIT SERVICE

N2007-0005 Implementation of Documented Environmental Management Systems at Selected Navy and Marine Corps Facilities (11/30/06)

N2007-0006 Selected Military Construction, Navy Projects Proposed for Fiscal Year 2008 (12/04/06)

N2007-0011 Interim Report – Internal Controls Over the Base Operating Support Contract at Naval Air Station Pensacola, FL (01/31/07)

N2007-0013 Auditor General Advisory – Relocation of the Office of the Commander, Navy Installations Command (02/06/07)

N2007-0015 Southwest Region Fleet Transportation (02/21/07)

N2007-0019 Quality Control Review – Academic Degrees and Certifications Reported in the Defense Audit Management Information System for Selected Naval Audit Service Personnel (03/06/07)

N2007-0021 Hurricane Relief Funds for Military Family Housing Construction at Gulfport and Stennis Space Center, Mississippi (03/27/07)

N2007-0023 Improving the Navy's Environmental Assessment Process Under the National Environmental Policy Act (03/27/07)

# APPENDIX B

## DOD IG AUDIT REPORTS ISSUED CONTAINING QUANTIFIABLE POTENTIAL MONETARY BENEFITS

Audit Reports Issued	Potential Monetary Benefits	
	Disallowed Costs <sup>1</sup>	Funds Put to Better Use
D-2007-025 Acquisition of the Pacific Mobile Emergency Radio System (11/22/2006)	N/A	\$ 6,500,000
D-2007-032 FY 2005 DoD Purchases Made Through the Department of the Treasury (12/08/06)	N/A	\$19,600,000
D-2007-035 FY2006 Air Force Basic Allowance for Housing (12/14/2006)	N/A	\$5,600,000
D-2007-045 Acquisition of the Precision Guided Mortar Muniton Program (1/10/2007)	N/A	\$26,000,000
D-2007-055 Contract Administration of the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers (2/05/2007)	N/A	\$8,189,000
D-2007-061 Defense Finance and Accounting Service Dayton Network Compliance with the Prompt Payment Act (3/01/2007)	N/A	\$18,760
<b>Totals</b>		<b>\$65,907,760</b>

<sup>1</sup> There were no DoD IG audit reports during the period involving disallowed costs.

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

# APPENDIX C

## FOLLOWUP ACTIVITIES

### DECISION STATUS OF DOD OIG ISSUED AUDIT REPORTS AND DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE (\$ in thousands)

Status	Number	Funds Put To Better Use <sup>1</sup>
A. For which no management decision had been made by the beginning of the reporting period.	36	\$123,100
B. Which were issued during the reporting period.	81	\$65,908
Subtotals (A+B)	117	\$189,008
C. For which a management decision was made during the reporting period.	68	\$92,400
(i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management.		\$92,400 <sup>2</sup>
D. For which no management decision has been made by the end of the reporting period.	49	\$96,608
Reports for which no management decision was made within 6 months of issue (as of March 31, 2006).	10 <sup>3</sup>	\$56,700

1 There were no DoD OIG audit reports issued during the period involving "questioned costs."  
 2 On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.  
 3 DoD OIG Report Nos. D-2005-054, "DoD Information Technology Security Certification and Accreditation Process," April 28, 2005; D-2005-094, "Proposed DoD Information Assurance Certification and Accreditation Process," July 21, 2005; D-2005-099, "Status of Selected DoD Policies on Information Technology Governance," August 19, 2005; D-2006-039, "Internal Controls Over the Compilation of the Air Force, General Fund, Fund Balance With Treasury for FY 2004," December 22, 2005; D-2006-041, "Operational Mobility: Gap-Crossing Resources for the Korean Theater," December 26, 2005; D-2006-042, "Security Status for Systems Reported in DoD Information Technology Databases," December 30, 2005; D-2006-044, "Controls Over the Export of Joint Strike Fighter Technology," January 11, 2006; D-2006-055, "Audit of Spare Parts Procurements from Transdigm, Inc.," February 23, 2006; D-2006-072, "Internal Controls Related to Department of Defense Real Property," April 6, 2006; and, D-2006-112, "Selected Controls over the Military Personnel, Army Appropriation," September 22, 2006, had no management decision as of March 31, 2007, but action to achieve a decision is in process.

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

# FOLLOWUP STATUS REPORT\*

STATUS OF ACTION ON CENTRAL INTERNAL AUDITS		
Period ending March 31, 2007		
(\$ in thousands)		
Status	Number	Funds Put to Better Use <sup>1</sup>
OIG DoD		
Action in Progress - Beginning of Period	249	\$2,100
Action Initiated - During Period	68	92,400
Action Completed - During Period	72	589,753
Action in Progress - End of Period	245	2,100 <sup>2</sup>
Military Departments		
Action in Progress - Beginning of Period	632	1,691,999
Action Initiated - During Period	174	1,254,774
Action Completed - During Period	199	1,523,630
Action in Progress - End of Period	607	2,221,668
<p>1 There were no OIG DoD audit reports issued during the period involving “questioned costs.”</p> <p>2 On certain reports (from prior periods) with audit estimated monetary benefits of \$6,628 million, we agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.</p>		

\* Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(b)(2) & (3).

# APPENDIX D

## CONTRACT AUDIT REPORTS ISSUED<sup>1</sup> (\$ IN MILLIONS) OCTOBER 1, 2006 THROUGH MARCH 31, 2007

TYPE OF AUDIT <sup>2</sup>	REPORTS ISSUED	EXAMINED	QUESTIONED COSTS <sup>3</sup>	FUNDS PUT TO BETTER USE
Incurring Costs, Ops Audits, Special Audits	9,466	\$67,141.8	\$503.8	\$64.9 <sup>4</sup>
Forward Pricing Proposals	3,899	\$100,979.2	---	\$6,760.1 <sup>5</sup>
Cost Accounting Standards	1,270	\$194.6	\$89.2	---
Defective Pricing	125	(Note 6)	\$25.6	---
<b>Totals</b>	<b>14,760</b>	<b>\$168,315.6</b>	<b>\$618.6</b>	<b>\$6,825.0</b>

### NOTES

Note 1. This schedule represents Defense Contract Audit Agency (DCAA) contract audit reports issued during the 6 months ended March 31, 2007. This includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to Congress. Both "Questioned Costs" and "Funds Put to Better Use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

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

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 Supplement, and provisions of the contract. Also included under incurred cost audits are Operations Audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and Special Audits, which include audits of terminations and claims.

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

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

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

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

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

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

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

# APPENDIX E

## STATUS OF ACTION ON SIGNIFICANT POST-AWARD CONTRACT AUDITS<sup>1</sup> PERIOD ENDING MARCH 31, 2007 (\$ IN MILLIONS)

	Number of Reports	Costs Questioned	Disallowed Costs <sup>6</sup>
<b>Open Reports:</b>			
<b>Within Guidelines<sup>2</sup></b>	261	\$502.0	N/A <sup>7</sup>
<b>Overage, greater than 6 months<sup>3</sup></b>	685	\$1,661.2	N/A
<b>Overage, greater than 12 months<sup>4</sup></b>	356	\$892.6	N/A
<b>In Litigation<sup>5</sup></b>	89	\$1,494.8	N/A
<b>Total Open Reports</b>	1,391	\$4,550.6	N/A
<b>Closed Reports</b>	265	\$307.7	\$140.3 (45.6%)
<b>All Reports</b>	1,656	\$4,858.3	N/A

<sup>1</sup> This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliances with the Cost Accounting Standards as reported by the Army, Navy, Air Force, Defense Contract Management Agency, and TRICARE. Contract audit follow-up is reported in accordance with DoD Directive 7640.2, "Policy for Follow-up 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.

<sup>2</sup> These reports are within the time frames established by OMB Circular A-50, "Audit Follow-up", and DoD Directive 7640.2 as described in footnotes 3 and 4 below.

<sup>3</sup> OMB Circular A-50 requires that audit reports be resolved within 6 months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.

<sup>4</sup> DoD Directive 7640.2 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor, or the contracting officer issues a final decision pursuant to the Disputes Clause.

<sup>5</sup> Of the 89 reports in litigation, 3 are under criminal investigation.

<sup>6</sup> Disallowed costs are costs sustained by the contracting officer in negotiations with contractors.

<sup>7</sup> N/A (not applicable)

# APPENDIX F

## STATUS OF DOD OIG REPORTS MORE THAN 12 MONTHS OLD WITH FINAL ACTION PENDING <sup>1,2</sup> (AS OF MARCH 31, 2007)

Report Number/Title/Date	Description of Action	Reason Action Not Completed	Principle Action Office
94-062, Financial Status of Air Force Expired Year Appropriations, 3/18/1994	Changes to policy guidance to include refunds receivable arising from matters in litigation.	Coordination issues within DoD continue to be addressed.	USD(C)
96-156, Implementation of the DoD Plan to Match Disbursement to Obligations Prior to Payment, 6/11/1996	Implement system changes to correct weaknesses in the automated prevalidation process.	Correction of this material weakness involves a long-term effort.	DFAS
97-112, Air Mobility Command (AMC) Financial Reporting of Property, Plant, and Equipment (PP&E), 3/19/1997	AMC is to develop a methodology for keeping PP&E current and providing accurate and useful information to DFAS for preparation of financial statements.	Competing management priorities.	USTRANSCOM DFAS
97-134, Disposal of Munitions List Items in the Possession of Defense Contractors, 4/22/1997	Change regulations to advance identification of munitions list items to the early stages of the acquisition process.	Action had to be turned over to a support contractor for implementation.	USD(AT&L), DLA
98-049, DoD Sensitive Support Focal Point System (U), 1/20/1998	Report is classified.	Extensive time required to revise guidance	USD(I)
98-052, Defense Logistics Agency Past Due Federal Accounts Receivable, 1/22/1998	Issue accounting and billing policy for requisitions under the Shelter for the Homeless Program. Chapter 5 of DoD FMR Volume 11B is being revised to implement the guidance.	Publication of the DoD FMR revision has been delayed pending the resolution of significant policy issues.	USD(C)
98-063, Defense Logistics Agency Product Quality Deficiency Program, 2/5/1998	Revisions to DLA Instruction 4155.24, "Quality Assurance Program for DLA Inventory Control Points."	A decision was made to combine the draft directive and instruction back into a single regulation format.	DLA
98-067, Access Reciprocity Between DoD Special Access Programs, 2/10/1998	Standardize Special Access Program (SAP) eligibility implementing criteria and develop a centralized SAP database.	Competing management priorities and extensive time to revise DoD publications.	USD(I), Army, Navy, AF

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

98-100, Fund Balance With Treasury Account in the FY 1996 Financial Statements of the Defense Business Operations Fund, 4/2/1998	Issue Standard Operating Procedures to the DFAS centers for reporting undistributed balances in the monthly Accounting Report 1307.	Implementation strategy changes and unique reporting issues caused delays. DFAS revised the format for the report, but the related DoD FMR guidance has not been finalized.	DFAS
98-116, Accounting for Defense Logistics Agency Supply Management Receivables, 4/20/1998	Revise procedures for handling accounts receivable. Implement standard general ledger in accounting systems.	Competing management priorities.	DFAS
98-124, Department of Defense Adjudication Program, 4/27/1998	Implement peer review program and establish continuing education standards and a program for the professional certification for adjudicators.	Competing management priorities and extended time needed to coordinate and issue DoD policy. Impacted by transformation of the personnel security program.	USD(I)
99-102, Chemical and Biological Warfare Defense Resources in the U.S. European Command (U), 3/4/1999	Report is classified.	Lack of management responsiveness	Army
99-159, Interservice Availability of Multiservice Used Items, 5/14/1999	Revise Joint Service Regulation to require consistent item management wherever economical and safe. Services provide training on disposal authority for multi-service used items and requirements related to excess assets quantities.	Delays have been experienced in coordinating and issuing policy.	Army
99-186, DoD Export Licensing Processes for Dual-Use Commodities and Munitions, 6/18/1999	Develop a process for identifying and establishing assessment priorities related to the cumulative effect of technology transfers.	Delays in coordinating and issuing policy.	USD(P)
D-2000-110, Export Licensing at DoD Research Facilities, 3/24/2000	Improve guidance regarding the determination of the need for "deemed" export licenses in the event of foreign national visits to, or assignments to, DoD research facilities.	Delays in coordinating and issuing policy.	USD(P), USD(AT&L)
D-2000-111, Security Clearance Investigative Priorities, 4/5/2000	Establishment of time frames to expedite investigative priorities.	Corrective action delayed by the transfer of the personnel security investigative function from DSS to OPM. Awaiting funding for new electronic capability and issuance of policy guidance.	USD(I), DSS

D-2000-134, Tracking Security Clearance Requests, 5/30/2000	The current database will be modified to retain all pertinent historical information (including dates/times for every occurrence -- e.g., deletions, case type, changes, cancellations, duplicates, conversions, reinstatements, etc.)	Extensive time/resources needed to modify an automated system. Impacted by transformation of the personnel security program.	DSS
D-2000-139, Controls Over the Integrated Accounts Payable System, 6/5/2000	Awaiting revisions to the Financial Management Regulation, Volume 10, Chapters 7 and 12.	Delays in coordinating and issuing policy.	USD(C)
D-2000-140, Compilation of the FY 1999 Department of the Navy Working Capital Fund Financial Statements, 6/7/2000	DFAS is working with the Navy to reconcile inventory-related general ledger account balances to supporting records.	Delays in coordinating and issuing policy, and extensive time needed for system changes.	DFAS
D-2000-153, Compilation of the FY 1999 Financial Statements for Other Defense Organizations (ODO) - General Funds, 6/23/2000	DFAS is implementing procedures to remove duplicate and abnormal balances. Any remaining abnormal balances are to be accompanied by footnotes that fully disclose the causes for these balances. DFAS is documenting the processes used to compile the ODO financial statements.	Uncorrected and unexplained abnormal balances have continued to be submitted for the preparation of the ODO financial statements.	DFAS
D-2000-177, Revaluation of Inventory for the FY 1999 Department of the Navy Working Capital Fund Financial Statements, 8/18/2000	USD(C) evaluating policy and systems changes to implement and support a latest acquisition cost valuation method and a direct cost historical valuation method. These would be long-term solutions for improving the financial presentation of net inventory.	Delays in coordinating and issuing policy.	USD(C)
D-2001-018, Management and Oversight of the DoD Weather Program, 12/14/2000	Army assumed responsibility to update Joint Instruction AR 115-10/ AFI 15-157, to require coordination of meteorological, oceanographic, and space weather requirements across all Military Departments to promote interoperability and avoid duplication.	Coordination and staffing issues continue.	Army
D-2001-037, Collection and Reporting of Patient Safety Data Within the Military Health System, 1/29/2001	Develop, test and deploy Patient Safety Reporting Program.	Additional time required to obtain operational capabilities.	ASD(HA)

D-2001-059, Armed Service Blood Program Readiness, 2/23/2001	Actions are underway to improve the Defense Blood Standard System (DBSS) to ensure that the system meets all user and mission needs, ensures asset accountability and inventory accuracy. Also actions are underway to ensure consistent deployment and use of DBSS throughout DoD.	Extensive time needed to establish policy and implement other changes.	Army, Navy, AF
D-2001-065, DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service, 2/28/2001	Identify and process additional adjudicative resources for Defense Industrial Security Clearance Office (DISCO). Establishment of continuing education standards to facilitate the certification of professional adjudicators. Issue guidance on professional certification and continuous training program for all adjudicators.	Extensive time required to update DoD guidance.	DSS, USD(I)
D-2001-071, Navy Financial Reporting of Government-Owned Material Held by Commercial Shipyard Contracts, 3/2/2001	Revise the Defense FAR Supplement to include the updated DoD property accountability procedures.	Delays in coordinating and issuing policy.	USD(AT&L)
D-2001-081, Financial Reporting at the Washington Headquarters Services, 3/15/2001	Modify the Washington Headquarters Services Allotment Accounting System to correctly post prior period adjustments. Also, develop query interfaces for each general ledger account that can be used to research detailed transactions supporting account balances.	Extensive time required for system changes.	WHS
D-2001-099, Use of Contract Authority for Distribution Depots by the Defense Logistics Agency, 4/16/2001	Modify the Financial Management Regulation, Volume 11B, to include procedures that require that all use of contract authority is adequately posted and liquidated in the DoD working capital fund accounting records at the activity group level.	Extensive time required for changes to financial policies.	USD(C)
D-2001-109, DoD Payroll Withholding Data for FY 2000, 4/27/2001	Develop the capability to maintain, and query, historical payroll data.	Management stated that the recommended action was too costly. Alternative long-term action is being taken.	DFAS
D-2001-124, U.S. Special Operations Command Use of Alternative or Compensatory Control Measures (U), 5/18/2001	Report is classified.	Extensive time required for coordination and publication of DoD document. Awaiting copy of finalized documents.	JS
D-2001-129, Contracting Officer Determinations of Price Reasonableness When Cost or Pricing Data Were Not Obtained, 5/30/2001	Implement procedures to better assess price reasonableness and institute corrective actions for future contracts.	Funding shortages and a reassessment of the planned corrective actions.	DLA
D-2001-135, Prevalidation of Intergovernmental Transactions, 6/6/2001	Develop cost-effective automated methods to expand prevalidation.	Correction of this material weakness involves a long-term effort.	DFAS

D-2001-141, Allegations to the Defense Hotline on the Defense Security Assistance Management System, 6/19/2001	Amend DoD 5200.2-R to address security investigation requirements for foreign national contractor employees.	Delays continue in preparation and coordination of DoD guidance.	USD(I), DSCA
D-2001-148, Automated Transportation Payments, 6/22/2001	Issue policy to address information assurance requirements for commercial automated processes.	Personnel turnover has delayed issuing and implementing policy.	ASD(NII), USD(C)
D-2001-153, Pentagon Reservation Maintenance Revolving Fund, 7/2/2001	Forms are to be developed to identify the appropriate construction costs to be used in transferring completed projects from the construction in progress account to the real property accounts.	Implementation has been delayed by higher management priorities.	WHS
D-2001-155, Compilation of the FY 2000 Navy Working Capital Fund Financial Statements, 7/3/2001	Maintain standard operating procedures and documentation to provide an audit trail, and maintain complete documentation and audit trails for budgetary information.	Corrective actions are being verified during an on-going audit.	DFAS
D-2001-158, Compilation of the FY 2000 Army General Fund Financial Statements at the Defense Finance and Accounting Service Indianapolis (Sustaining Forces), 7/13/2001	Management will establish an action plan to meet revised requirements for reconciling suspense accounts.	Management corrective actions on schedule.	DFAS
D-2001-163, Accounting Entries Made in Compiling the FY 2000 Financial Statements of the Working Capital Funds of the Air Force and Other Defense Organizations, 7/26/2001	Revise FMR, Volume 11B, Chapter 5 to reflect changes to inventory valuation and reporting; and revise DoD FMR, Volume 4, Chapter 3 to require the recoding of accounts receivable for credits due when DoD working capital fund supply activities return inventory items that do not conform to the purchase agreement or contract.	Publication of the DoD FMR revisions has been delayed due to significant policy issues.	USD(C)
D-2001-164, Implementation of a Cost-Accounting System for Visibility of Weapon Systems Life-Cycle Costs, 8/1/2001	USD(AT&L) define and build a financial architecture that incorporates cost accounting requirements for weapon system life cycle costs.	Organizational realignment of program has delayed actions.	USD(AT&L)
D-2001-170, U.S. Transportation Command's Reporting of Property, Plant, and Equipment Assets on the FY 2000 DoD Agency-wide Financial Statements, 8/3/2001	Develop system changes to differentiate among USTRANSCOM, Air Mobility Command (AMC), and Defense Courier Service (DCS) assets. Reconcile all system records for USTRANSCOM, AMC and DCS against actual assets, and make a prior period adjustment. Create electronic interfaces between the logistics and the accounting systems for transferring data.	Management corrective actions on schedule.	USTRANSCOM

D-2001-189, Multiple Award Contracts for Services, 9/30/2001	Reemphasize the need to ensure competition on multiple award tasks and delivery order contracts.	Management actions are delayed pending an audit of GSA contracts awarded for DoD.	USD(AT&L)
D-2002-004, Import Processing of DoD Cargo Arriving in the Republic of Korea, 10/4/2001	Revise USFK Regulation 55-72 to update requirements and implement a cost-efficient system for the automated processing of customs forms using an electronic data interchange.	Management response delayed due to key personnel involvement in annual RSO&I exercise.	USFK
D-2002-008, Controls Over the Computerized Accounts Payable System (CAPS) at Defense Finance and Accounting Service Kansas City (DFAS-KC), 10/19/2002	Improve guidance on criteria for proper and accurate receipt and invoice documentation; improve organizational structures to provide better internal controls.	Delays in coordinating and issuing policy.	USD(C)
D-2002-010, Armed Services Blood Program Defense Blood Standard System, 10/22/2001	Establish a plan, controls, assessment requirements and training related to the Defense Blood Standard System (DBSS) upgrade. Also, establish procedures to ensure effective deployment of those DBSS upgrades.	Long-term corrective action on schedule.	Army, Navy, AF, ASD(HA)
D-2002-024, Navy Fleet Hospital Requirements (U), 12/12/2001	Report is classified.	Corrective actions are delayed by changing requirements.	Navy, PACOM
D-2002-035, Protection of Strategic Systems Against Radio Frequency Threats (U), 1/4/2002	Report is classified.	Extensive time required for coordination of DoD publications.	ASD(NII)
D-2002-056, Controls Over Vendor Payments Made for the Army and Defense Agencies Using the Computerized Accounting Payable System (CAPS), 3/6/2002	Revise the Financial Management Regulation to incorporate the requirements of 5 CFR 1315.	Delays in coordinating and issuing policy.	USD(C)
D-2002-060, Management of Terminal Items at the Defense Logistics Agency, 3/13/2002	Revise procedures to review terminal items with no registered users in the Defense Inactive Item Program (DIIP), for obsolescence, and quantify the number of terminal National Stock Numbers (NSNs) that are determined to be obsolete after NATO and foreign governments review the NSNs.	Original action is no longer the optimum solution, alternative action is being taken.	DLA

D-2002-073, Financial Management Ending Balance Adjustments to General Ledger Data for the Army General Fund, 3/27/2002	Use transactional data from a centralized database to populate general ledger accounts in the Defense Departmental Reporting System (DDRS) Budgetary and continue efforts to analyze and correct causes for current adjustments; Use transactional data to generate a general ledger data file for DDRS Budgetary.	Slow system development process.	DFAS
D-2002-075, Controls Over the DoD Purchase Card Program, 3/29/2002	Strengthen controls to modify contract with banks to prevent accounts from being reopened after notification to close, and provide reports on oversight reviews.	Corrective action requires long-term development of risk-assessment tools.	USD(AT&L)
D-2002-076, Funding Invoices to Expedite the Closure of Contracts Before Transitioning to A New DoD Payment System, 3/29/2002	Revise Financial Management Regulation, Chapter 10, Appendix B, number 7, "Accounting Requirements for Expired and Closed Accounts, " to require that the DoD activity to which a program has transferred be responsible for providing current-year funding.	Delays in coordinating and issuing policy.	USD(C)
D-2002-088, Acquisition of the Joint Service Lightweight Standoff Chemical Agent Detector, 5/10/2002	Implement improvements in defining operational requirements, evaluating production readiness, and test planning.	Delays caused by successive program restructures and need to reevaluate technology maturity.	USD(AT&L)
D-2002-091, Accountability and Control of Materiel at the Corpus Christi Army Depot, 5/21/2002	Comply with guidance for storage of maintenance materiel and the preparation and submission of management reports for review; perform annual physical inventory and quarterly reviews of materiel.	Lack of management responsiveness.	Army
D-2002-103, Certification of the Reserve Component Automation System (RCAS), 6/14/2002	Through a contractor/government teaming effort, establish functional performance measures to better assess both the initial and future impact of RCAS on supported functionalities.	Service desk ticketing procedures had to be revamped resulting in rework of existing performance indicators.	Army, NGB
D-2002-108, Standard Procurement System Certification and Accreditation Process, 6/19/2002	Report is FOUO.	Draft DIACAP policy coordination continues.	ASD(NII)

D-2002-109, Army Claims Service Military Interdepartmental Purchase Requests, 6/19/2002	Modify Chapters 1 and 3 of DoD FMR Volume 11A to include specific guidance for congressionally enacted pilot programs that authorize interagency orders, other than those used in the performance of Economy Act orders and project orders.	Extended time required to develop and coordinate new guidance.	USD(C)
D-2002-117, Review of FY 2001 Financial Statement for the Defense Intelligence Agency (U), 6/25/2002	Report is classified.	Competing management priorities.	DIA
D-2002-122, Environmental Community Involvement Program at Test and Training Ranges, 6/28/2002	Develop a more detailed DoD instruction on Sustainable Ranges Outreach. Continue work on implementation of the new Directive and development of the new instruction.	Extended time required to develop and coordinate the new DoD Instruction.	USD(P&R)
D-2002-127, Audit Report on DoD Compliance with Internal Use Software Accounting Standards, 7/9/2002	Implement a system to capture material internal software costs; identify the appropriate actions needed to properly value and support all financial statement amounts and publish these actions in financial improvement plans; update DoD FMR Volume 4, Chapter 6; and develop a strategy and a Key Milestone Plan.	Long-term process to develop and implement guidance; and slow system development process.	DFAS
D-2002-131, Terminal Items Managed by the Defense Logistics Agency for the Navy, 7/22/2002	DLA will modify the existing stock retention policy to review terminal items that are excluded from the Defense Inactive Program (DIIP). In addition, plan to complete a new study to quantify the costs of inactive items.	Original action is no longer the optimum solution, alternative action is being taken.	DLA
D-2002-140, Measurement of Water Usage by DoD Components Served by the DC Water and Sewer Service, 8/20/2002	Establish and implement procedures to verify that the DCWASA routinely inspects and reports results of inspections for DoD-owned water meters; develop and implement effective controls and procedures to verify that the DCWASA accurately reads water meters; establish and implement a maintenance program.	Delays were caused by installation and program compatibility issues and other technical difficulties, and contract terminations.	Army, Navy, AF, WHS
D-2002-153, Reprocessed Medical Single-Use Devices in DoD, 9/30/2002	Services issue SUD guidance (based on recently reissued ASD (HA) guidance) on the reuse of single-use devices (SUD).	Significant time required to develop Service-level guidance.	Army, Navy, AF

D-2003-001, DoD Integrated Natural Resource Management Plans, 10/1/2002	Develop integrated natural resource management plans for military installations and coordinate the plans with the other Federal and State agencies involved in the process.	The plans for two installations have been held up pending the resolution of litigation and coordination issues.	Army, Navy, AF
D-2003-018, Validity of Registration in the Central Contractor Registration (CCR) Database, 10/30/2002	Establish procedures to withhold payments to contractors and vendors until they are properly registered with a valid Tax Identification Number in the CCR database.	Action is being taken by management to implement a manual, rather than an automated solution.	DFAS
D-2003-021, Export Controls Over Biological Agents (U), 11/12/2002	Report is confidential.	Extensive time is needed to coordinate and issue policy guidance.	USD(P), USD(AT&L), DATSD(C/BD)
D-2003-030, Financial Reporting of Deferred Maintenance Information on Air Force Weapons Systems for FY 2002, 11/27/2002	Revise DoD FMR to allow the Air Force to present all material categories of deferred maintenance as major asset classes in accordance with Federal accounting requirements.	Publication of the DoD FMR revisions has been delayed due to significant policy changes resulting from OMB A-136 revisions.	USD(C)
D-2003-034, Adjustments to the Intergovernmental Payments Account, 12/10/2002	Revise the Financial Management Regulation to specify the documentation required to support adjustments from account F3885, 'Undistributed Intergovernmental Payments,' to closed appropriations.	Extensive time required for changes to financial policies.	USD(C)
D-2003-056, Public/Private Competition for the Defense Finance and Accounting Service Military Retired and Annuitant Pay Functions, 3/21/2003	AT&L is working with OMB to address any overhead ambiguities in OMB Circular A-76, proposing additional guidance to clarify costing policies, and providing definitions for direct and indirect costs as well as a revised definition for overhead.	Corrective actions are on schedule.	USD(AT&L)
D-2003-067, Recoveries of Prior Year Obligations, 3/21/2003	Revise the Financial Management Regulation to be consistent with recovery reporting guidance issued by the OMB and the Department of the Treasury; and program the DFAS accounting systems to properly capture, record, and report recoveries of prior year obligations.	Extensive time required for changes to financial policies.	USD(C), DFAS
D-2003-0071, Acquisition of Marine Corps Aircraft Simulators (U), 4/2/2003	Report is classified.	Guidance is in second staffing.	MC
D-2003-072, DoD Compliance with the Uniformed and Overseas Citizens Absentee Voting Act, 3/31/2003	AF is updating guidance to be consistent with DoD level guidance.	Publication of AF Instruction was delayed to include pending revision of DoD guidance.	AF

D-2003-073, Reliability of the FY 2002 National Imagery and Mapping Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/2/2003	Report is classified.	Corrective actions are on schedule.	NGA
D-2003-074, Reliability of the FY 2002 Defense Intelligence Agency Financial Statements and Adequacy of Related Procedures and Controls (U), 4/7/2003	Report is classified.	Competing management priorities.	DIA
D-2003-076, Document Automation and Production Service Public/Private Competition, 4/8/2003	Report is FOUO.	Corrective actions are on schedule.	DLA
D-2003-081, DoD Explosives Safety Program Oversight, 4/24/2003	Restructure the DoD Explosives Safety Board and revise DoD guidance to accurately reflect the Board's roles and responsibilities. Develop a safety management strategy that requires a comprehensive DoD explosives safety program.	Management corrective actions on schedule.	USD(AT&L)
D-2003-085, International DoD Air Freight Tenders, 4/30/2003	AMC International Publication (AITP) No. 1 developed to articulate the air transportation service needs of the DoD for movement of its international freight traffic.	Alternative action is being pursued. Policy is being issued as an AMC International Publication.	USTRANSCOM
D-2003-091, Reliability of the FY 2002 National Security Agency Financial Statement and Adequacy of Related Procedures and Controls (U), 5/14/2003	Report is classified.	Corrective actions are on schedule.	NSA
D-2003-095, Accounting for Reimbursable Work Orders at Defense Finance and Accounting Service Charleston, 6/4/2003	Develop business practices for Navy fund administrators to properly account for reimbursable work orders. Develop a methodology and provide guidance to prevent Navy fund administrators from over obligating at the segment level. Establish edit checks that align with the business practices of the Navy.	Long-term process to develop and implement improved business practices, methodologies, and guidance.	DFAS, Navy
D-2003-096, Protection of European Theater Systems Against Radio Frequency Threats (U), 6/4/2003	Report is classified.	Long-term corrective action on schedule.	Army, Navy, AF, JS, ASD(NII)

D-2003-098, Follow-Up Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations, 6/5/2003	Ensure that depot-level repair inventory at commercial contractors and at a DLA storage facility is properly accounted for.	Lack of management responsiveness.	Army
D-2003-105, Management of Developmental and Operational Test Waivers for Defense System, 6/20/2003	Report is FOUO.	Lack of management responsiveness.	USD(AT&L)
D-2003-106, Administration of Performance-Based Payments Made to Defense Contractors, 6/25/2003	The Director, Defense Procurement and Acquisition Policy (DPAP), will conduct an assessment of the benefits of expanded performance-based payments implementation. It will address contracting officer compliance with FAR Part 32.10, and whether any changes are needed to those policies, the Performance-Based Payments User's Guide, or training resources.	Corrective actions are on schedule. Normal time required to update the FAR and DFARS.	USD(AT&L)
D-2003-110, Information Technology Management: Defense Civilian Personnel Data System Functionality and User Satisfaction, 7/27/2003	System enhancements to correct deficiencies are in process.	Extended time needed to develop system enhancements.	USD(P&R)
D-2003-115, Allegations Concerning the Administration of Contracts for Electronic Flight Instruments, 6/30/2003	Air Force will prepare an acquisition strategy addressing logistics support for the 550-series Electronic Flight Instruments (EFI) that address sustainment and spare parts. DCMA (at Lockheed Martin, Fort Worth, TX) will perform a Contractor Purchasing System Review (CPSR).	Pursuing partnership to achieve SORAP decision.	AF, DCMA
D-2003-119, Controls Over DoD Medicare Eligible Retiree Health Care Fund Investments, 7/31/2003	Comply with DoD investment policy for the DoD Medicare Eligible Retiree Health Care Fund; issue oversight procedures to ensure that the DFAS complies with the investment policy for the DoD Medicare Eligible Retiree Health Care Fund.	Long-term corrective action on schedule.	USD(C)
D-2003-122, Financial Management: Closing the Army's 1985 M1a1 Tank Contract (Contract DAAE07-85-C-A043), 8/13/2003	Issue guidance for unreconcilable contracts; update the DoD FMR to specifically address the requirement to maintain vouchers and supporting documentation to facilitate complete contract reconciliations.	Guidance delayed due to re-writing and coordination issues, and competing priorities.	USD(C)
D-2003-128, The Chemical Demilitarization Program: Increased Costs for Stockpile and Non-Stockpile Chemical Disposal Programs, 9/4/2003	As directed by USD(AT&L), Army develop and prioritize a plan for the disposal of buried chemical warfare materiel. Upon receipt of the Army plan, USD(AT&L) determine which DoD component should be assigned to implement the plan.	Lack of management responsiveness.	USD(AT&L), Army

D-2003-133, Report on Controls Over DoD Closed Appropriations, 9/15/2003	Emphasize the importance of controls over the use of closed appropriations and monitor compliance with applicable laws and regulations. DFAS establish specific standard procedures to ensure that accounting personnel approve only legal and proper adjustments to closed appropriations, and validate the canceled balances and report any potential Antideficiency Act violations.	Extensive time required for changes to financial policies.	USD(C), DFAS
D-2003-134, System Security of the Army Corps of Engineers Financial Management System, 9/15/2003	Report is FOUO	Lack of management responsiveness	Army
D-2004-002, Acquisition: Selected Purchase Card Transactions at Washington Headquarters Services and Civilian Personnel Management Service, 10/16/2003	Review conducted and new standard operating procedures developed and implemented. Administrative instructions are being rewritten.	Normal time to write, coordinate, approve, and implement guidance.	WHS
04-INTEL-02, DoD Security Clearance Adjudication and Appeals Process (U), 12/12/2003	Disparities between the contractor and military/civilian personnel adjudicative process will be eliminated with the pending revision to the DoD Regulation 5200.2-R.	Extensive time required to update DoD Regulations.	USD(I)
D-2004-003, Decontamination Operation Preparedness of Continental U.S. Based Navy and Air Force Units (U), 10/8/2003	Report is classified.	Extensive time required to coordinate and issue policy.	Navy, AF
D-2004-007, Force Protection in the Pacific Theater (U), 10/14/2003	Report is classified.	JS, AF, Navy, USMC, PACOM are in process of updating their guidance based on DoD guidance published on 10/30/06. Army delay attributed to lack of management responsiveness.	Army, AF, Navy, JS, PACOM, MC
04-INTEL-07, Audit of the Physical Security of Nuclear Weapons (U), 5/3/2004	Report is classified.	Long term corrective actions on schedule.	ATSD(NCB)
D-2004-008, Implementation of Interoperability and Information Assurance Policies for Acquisition of Army Systems, 10/15/2003	Update Army Regulations 70-1and 71-9 to require combat developers to identify interoperability and supportability requirements in requirements documents and update the requirements throughout the life of the systems, as necessary, in accordance with DoD Directive 4630.5 and to require program managers to obtain the Joint Staff J6 certifications for interoperability in accordance with Chairman of the Joint Chiefs of Staff Instruction 6212.01B.	Coordination on issuance of numerous related guidance.	Army

D-2004-009, Allegations Concerning Controls Over DoD Transit Subsidies Within the National Capital Region, 10/14/2003	Develop policies and procedures requiring the reconciliation of all transit subsidy billings received from the Department of Transportation.	Continuous coordination of draft policy and procedures.	Army
D-2004-012, Sole-Source Spare Parts Procured From an Exclusive Distributor, 10/16/2003	Report is FOUO. Corrective actions are complete on all but 1 of the report's 8 recommendations.	Corrective actions are on schedule.	Army
D-2004-020, Allegations Concerning Improprieties In Awarding National Guard Contracts, 11/18/2003	Implement a formal acquisition policy that integrates the existing roles of various Army National Guard and Federal communication and IT groups. Develop a process with measurable IT standards and defined business processes. Coordinate the requirements for help desk support to eliminate duplicate contract costs.	Delay in obtaining legal approval.	NGB
D-2004-023, Financial Management: Corps of Engineers Financial Management System Accounting Processes, 11/18/2003	USACE is to prepare an information paper to outline a plan to address account phase general ledger correlation related weaknesses and system deficiencies, including a monthly status report that shows the progress in correcting these problems.	Lack of management responsiveness.	Army
D-2004-034, Environment: Defense Hotline Allegations Regarding the Environmental Compliance Assessment Process at U.S. Army Corps of Engineers, Portland District, 12/4/2003	Clarify requirements for internal assessments.	The Corps of Engineers guidance update is on hold pending the revision of a higher level Army regulation.	Army
D-2004-039, Cooperative Threat Reduction Construction Projects, 12/18/2003	Negotiate a transparency agreement that will allow US verification of the quantity and quality of the material stored in the fissile material storage facility. Undertake sufficient activities to come into compliance with Russian environmental requirements for water discharge rates.	Significant time is required for negotiations with sovereign nations.	USD(P), DTRA
D-2004-041, The Security of the Army Corps of Engineers Enterprise Infrastructure Services Wide-Area Network, 12/26/2003	Report is FOUO.	Lack of management responsiveness.	Army
D-2004-047, Implementation of the DoD Management Control Program for Army Category II and III Programs, 1/23/2004	Program Managers will be able to store acquisition documents in Virtual Insight (VIS) so the Milestone Decision Authority can review document status from development to document approval. Army Regulations will be updated to reflect new reporting procedures.	Initial testing and evaluation date delayed due to technical issues. Testing now complete and new milestones created.	Army
D-2004-050, Management Structure of the Cooperative Threat Reduction Program, 2/5/2004	Revised DoD guidance to clarify the roles of responsible offices for the Cooperative Threat Reduction Program.	Extensive time required to coordinate and issue guidance.	DAM

D-2004-053, Defense Threat Reduction Agency Relocation Costs, 2/19/2004	Develop detailed guidance on what should be considered when determining whether the relocation cost cap in section 8020 of the FY 2004 Appropriation Act has been, or will be, exceeded.	Extensive time required to coordinate and issue guidance.	WHS
D-2004-055, DoD Source Approval Process for Service & Sales, Inc., a Small Business Manufacturer, 2/25/2004	Develop guidance for the reevaluation of critical application item sources.	Change in strategy and extended time needed to coordinate and issue policy.	DLA
D-2004-057, Acquisition: Contracts Awarded for the Coalition Provisional Authority by the Defense Contracting Command-Washington, 3/18/2004	Conduct a study on existing DoD post-war strategy and establish responsibilities, policies, and procedures for the rapid acquisition of necessary goods and services in support of any future post-war occupation or relief operations.	Management corrective actions on schedule.	USD(AT&L)
D-2004-059, Financial Management: Assets Depreciation Reported on the U.S. Army Corps of Engineers FY 2002 Financial Statements, 3/16/2004	Determine the appropriate useful life for all USACE-owned assets. Request a waiver from the DoD FMR based on USACE-unique mission requirements.	Long-term corrective action on schedule.	Army
D-2004-061, Export Controls: Export Controlled Technology at Contractor, University and Federally Funded Research and Development Center Facilities, 3/25/2004	Expand DoD guidance to encompass all export-controlled technology and enumerate the roles and duties of responsible personnel. Ensure incorporation of appropriate export compliance clauses into solicitations and contracts.	Extensive time required to coordinate and issue policy guidance.	USD(P), USD(AT&L)
D-2004-063, Financial Management: Controls Over U.S. Army Corps of Engineers (USACE) Buildings and Other Structures, 3/26/2004	Improve the financial accountability for buildings and other structures owned by USACE.	Management corrective actions on schedule.	Army
D-2004-064, Acquisition: Acquisition of the Boeing KC-767A Tanker Aircraft, 3/29/2004	Report is FOUO.	Followup was held in abeyance until Analysis of Alternatives was completed. Now extended time will be needed to complete planning for a competitive acquisition.	USD(AT&L)
D-2004-065, DoD Implementation of the Voting Assistance Program, 3/31/2004	Revise Voting Assistance Program guidance to reflect recent changes to DoD guidance. Improve monitoring of voting assistance program and training of service members and spouses. Establish civilian position for Service Voting Action Officer.	Publication of AF Instruction was delayed to include pending revision of DoD guidance.	AF
D-2004-068, Global Command and Control System-Korea (U), 4/6/2004	Report is classified.	Long term corrective action on schedule pending document review.	USFK

D-2004-074, Reliability of the Automated Cost Estimating Integrated Tools Software Model, 4/23/2004	The Army and the Air Force agreed to jointly verify, validate, and accredit the next major release of software,	Long-term corrective action on schedule. The Test Plan continues to be refined as new features are introduced and existing features are improved.	Army, AF
D-2004-078, Summary Report on the Military Departments' Transition of Advanced Technology Programs to Military Applications, 4/29/2004	The Director supports using technology transitioning as a performance rating criteria for science and technology personnel that manage technologies that are more advanced in development.	Actions delayed due to several issues unrelated to Environmental Liabilities.	USD(AT&L)
D-2004-079, Reliability of the Defense Intelligence Agency FY 2003 Financial Statements (U), 4/29/2004	Report is classified.	Competing management priorities.	DIA
D-2004-080, Environmental Liabilities Required to be Reported on Annual Financial Statements, 5/5/2004	Implement guidance to improve the development, recording, and reporting of environmental liabilities. Establish a quality control program to assess environmental liability processes and controls. Issue guidance requiring that future environmental liability electronic cost estimating system efforts comply with Defense Environmental Restoration Program Management Guidance.	The update to DoD guidance has been delayed due to several issues unrelated to Environment Liabilities.	USD(AT&L)
D-2004-082, DoD Installation Disaster Preparedness and Consequence Management in the U.S. European Command (U), 5/24/2004	Report is classified.	Long-term corrective actions on schedule (EUCOM). Extended time needed to coordinate and issue policy (Navy, AF). Other implementation action delayed by change in related guidance (Navy).	EUCOM, Navy
D-2004-084, Antideficiency Act Investigation of the Research, Development, Test and Evaluation Defense-Wide, Appropriation Account 97 FY 1989/1990-0400, 5/28/2004	Allocate all undistributed disbursements to fund holders of DoD closed fixed-term appropriations at statutory time of closing or provide alternate procedures that will provide positive assurance against future potential violations.	Management corrective actions on schedule.	DFAS
D-2004-087, Health Care: DoD Management of Pharmaceutical Inventory and Processing of Returned Pharmaceuticals, 6/17/2004	ASD (HA), in coordination with the Military Surgeons General, develop standard policies and procedures for pharmaceutical inventory management at the Military Treatment Facilities (MTFs) and also require MTFs to use a pharmaceutical returns company.	Extended time needed for update of publications and contract award.	Army, AF, ASD(HA)
D-2004-089, Acquisition of the MH-47G Helicopter Service Life Extension Program, 6/14/2004	The U.S. Army Special Operations Command (USASOC) will produce and Information Support Plan (ISP), in concurrence with the Joint Staff. In addition, USASOC will submit a request for a one-year Interim Certificate to Operate.	Lack of management responsiveness.	Army

D-2004-091, Management of Network Centric Warfare Within the Department of Defense, 6/22/2004	Report is FOUO.	Funding limitations delay policy revisions.	ASD(NII)
D-2004-093, Acquisition and Management of Specialized Shipping and Unit-Owned Containers and Related Accessories, 6/30/2004	The DLA will initiate a new fully competitive acquisition for the containers. The Army and the Air Force will improve controls over the acquisition and management of specialized shipping and unit-owned containers.	Normal time needed for implementation.	Army, AF, DLA
D-2004-094, Acquisition: Direct Care Medical Services Contracts, 6/24/2004	Develop a process for future payments of FICA tax for individual set-aside contracts. Establish a pilot program for the acquisition of direct care medical services.	Normal time needed for implementation.	USD(C), ASD(HA)
D-2004-099, Reliability of National Security Agency FY 2003 Financial Statements (U), 7/15/2004	Report is classified.	Corrective actions are on schedule.	NSA
D-2004-104, Purchase Card Use and Contracting Actions at the U.S. Army Corps of Engineers, Louisville District, 7/27/2004	Recommended actions are designed to provide guidance and strengthen controls over use of the Government Purchase Card at the Louisville District and at USACE Headquarters levels.	Corrective actions are on schedule.	Army
D-2004-106, Selected Controls Over Army Fund Balance With Treasury at Defense Finance & Accounting Service Indianapolis, 8/5/2004	Update the performance metric on suspense accounts to track the progress for reconciling the field accounting records of suspense account balances with the summary Fund Balance With Treasury balance.	Management corrective actions on schedule.	DFAS
D-2004-110, The Military Departments' Implementation of Performance-Based Logistics in Support of Weapon Systems, 8/23/2004	USD (AT&L) has undertaken several initiatives related to Performance Based Logistics (PBL). The Services will issue policies and procedures for implementation of PBL.	Normal time needed for implementation.	USD(AT&L), Army, Navy
D-2004-114, The Followup on the Government Accountability Office and U.S. Army Audit Agency Recommendations for the U.S. Army Corps of Engineers, 9/21/2004	Report is FOUO.	Lack of management responsiveness.	Army
D-2004-115, The Followup on the Government Accountability Office and U.S. Army Audit Agency Recommendations for the U.S. Army Corps of Engineers, 9/21/2004	Report is FOUO.	Lack of management responsiveness.	Army

D-2004-117, Defense Hotline Allegations Concerning the Collaborative Force-Building, Analysis, Sustainment, and Transportation System, 9/24/2004	Develop management control documentation for the Collaborative Force-Building, Analysis, Sustainment, and Transportation System (CFAST).	Staffing delays.	JS
D-2004-118, Army General Fund Controls Over Abnormal Balances for Field Accounting Activities, 9/28/2004	Update the DoD FMR to require the disclosure of unresolved abnormal balances for all proprietary and budgetary general ledger accounts in the footnotes to the financial statements. Identify abnormal conditions impacting both budgetary and proprietary account balances; notify accounting activities of abnormal proprietary balances and require explanations of corrective actions; and resolve abnormal balances in the budgetary accounts.	Long-term corrective action on schedule.	USD(C), DFAS
D-2005-009, Pueblo Chemical-Agent-Destruction Pilot Plant Project, 11/1/2004	Report is FOUO.	Extensive time required to complete facility redesign.	USD(AT&L), Army
05-INTEL-13, Incident Reporting and Forensic Capabilities (U), 5/27/2005	Report is classified.	Normal time needed for implementation.	ASD(NII)
05-INTEL-19, Nuclear Command and Control, 6/30/2005	Report is classified.	Long-term corrective actions on schedule.	ATSD(NCBD)
D-2005-020, Defense Logistics Agency Processing of Special Program Requirements, 11/17/2004	DLA is identifying cost savings realized for the Special Program Requirements (SPR) Support Program.	Normal time needed to determine the full scope of realized monetary benefits.	DLA
D-2005-022, Financial Management: Contract Classified as Unreconcilable by the Defense Finance and Accounting Service, 12/2/2005	The contract has been logged and assigned to a contractor supporting the Commercial Pay Services Contract Reconciliation office for reconciliation. Based on the reconciliation, recovery actions will be initiated for any identified overpayments made to the contractor.	Reconciliation work continues.	DFAS
D-2005-023, Information Systems Security: Assessment of DoD Plan of Action and Milestones Process, 12/13/2004	Report is FOUO.	Held in abeyance. POA&M process is not correctly incorporated in the DIACAP. Related to mediation cases D-2005-054/94.	ASD(NII)
D-2005-024, Management of Navy Senior Enlisted Personnel Assignments in Support of Operation Iraqi Freedom, 12/15/2004	Update Navy manpower and personnel guidance to clearly define acceptable senior enlisted manning levels by establishing a minimum senior enlisted manning level as the baseline for identifying senior enlisted manning deficiencies that would require immediate action.	Deployment of Total Force Authorization and Requirements System (TFARS) delayed due to large discrepancies reported during testing.	Navy

D-2005-026, Financial Management: Reliability of U.S. Army Corps of Engineers, Civil Works, Fund Balance With Treasury and Unexpended Appropriations, 12/28/2004	USACE is implementing system changes to improve the reliability of recording and reporting Fund Balance With Treasury and Unexpended Appropriations accounts.	Management corrective actions on schedule.	Army
D-2005-028, DoD Workforce Employed to Conduct Public Private Competitions Under the DoD Competitive Sourcing Program, 2/1/2005	Establish minimum training standards for competition officials and DoD functional and technical experts assigned to work on public-private competitions, and advise the DoD component competitive sourcing officials concerning defining and documenting minimum education and/or experience requirements.	Corrective actions are on schedule.	USD(AT&L)
D-2005-033, Acquisition: Implementation of Interoperability and Information Assurance Policies for Acquisition of Navy Systems, 2/2/2005	Prepare and staff a DoD directive that specifies the types of systems and system information capability requirements to be included in the inventory for Global Information Grid assets; and the responsibilities of DoD Components in populating and maintaining the inventory for Global Information Grid assets.	Related to mediation case D-2005-099.	ASD(NII)
D-2005-034, Implementation of Interoperability and Information Assurance Policies for Acquisition of Air Force Systems, 2/2/2005	Issue policy to require program managers to prepare information support plans and obtain supportability certifications before milestone decisions for system acquisition programs.	Extensive time needed for coordination and issuance of policy	AF
D-2005-035, Existence of U.S. Army Corps of Engineers Buildings and Other Structures, 2/15/2005	USACE-wide implementation of corrective actions regarding Buildings and Other Structures is being performed.	Management corrective actions on schedule.	Army
D-2005-037, Implementation of Performance Based Logistics for the Javelin Weapon System, 3/7/2005	Army is developing policy for Performance Based Agreements policy and automated tools.	Normal time needed for implementation.	Army
D-2005-045, FY 2004 Emergency Supplemental Funding for the Defense Logistics Agency, 5/9/2005	DLA establish and distribute standard operating procedures for calculating and reporting incremental cost information.	Normal time for implementation.	DLA
D-2005-046, Financial Management: Independent Examination of the Rights to U.S. Army Corps of Engineers Buildings and Other Structures, 3/25/2005	Correct the identified errors and perform a review of other leased and transferred structures for similar types of rights errors; review and update policies and procedures to prevent future errors; and provide and document training to consistently implement the new policies and procedures.	Long-term corrective action on schedule.	Army
D-2005-051, Independent Examination of the Land Assets at the U.S. Army Corps of Engineers, Civil Works, 4/6/2005	USACE will establish an oversight process that provides periodic reviews by Civil Works headquarters of land asset transactions at the activity level.	Corrective actions are on schedule.	Army

D-2005-056, Reliability of the FY 2004 Financial Statements for the National Geospatial-Intelligence Agency (U) 4/29/2005	Report is classified.	Corrective actions are on schedule.	NGA
D-2005-069, Audit of the General and Application Controls of the Defense Civilian Pay System, 5/13/2005	Report is FOUO.	Corrective actions are on schedule.	DFAS
D-2005-074, Support for Reported Obligations for the National Security Agency (U), 6/28/2005	Report is classified.	Corrective actions are on schedule.	NSA
D-2005-078, Audit of the Extended Range Guided Munitions Program, 6/15/2005	Ensure that ERGM program provides for appropriate validation, testing, and funding of requirements.	Long-term corrective action on schedule.	Navy
D-2005-093, Information Technology Management: Technical Report on the Standard Finance System, 8/17/2005	Report is FOUO.	Corrective actions are on schedule	DFAS, DISA
D-2005-096, DoD Purchases Made Through the General Services Administration, 7/29/2005	DoD is establishing new policies and revising the DoD FMR to improve intergovernmental transactions, the use of Military Departmental Purchase Requests (MIPR), and assisted acquisitions.	Corrective actions are being implemented	USD(AT&L), USD(C)
D-2005-097, Auditability Assessment of the Financial Statements for the Defense Intelligence Agency (U), 8/18/2005	Report is classified.	Competing management priorities.	DIA
D-2005-103, Development and Management of the Army Game Project, 8/24/2005	Develop new controls and fully implement existing controls to ensure that all resources are safeguarded; and revise Navy guidance on accountability over pilferable property to be consistent with the DoD guidance.	Corrective actions are on schedule.	Navy
D-2005-108, Review of the U.S. Army Corps of Engineers, Civil Works Balance Sheet Reporting and Financial Statement Compilation, 9/16/2005	The USACE is establishing a comprehensive correction action program to ensure that the instructions provided in the information papers are fully and consistently executed at all USACE activities.	Lack of management attention in fully implementing corrective action.	Army
D-2006-003, Security Controls Over Selected Military Health System Corporate Database, 10/7/2005	Action is being taken by the ASD (HA), USD (I), and the Military Departments to improve protection of sensitive information.	Normal time needed for implementation.	Army, Navy, AF, USD(I), ASD(HA)
D-2006-004, Acquisition of the Objective Individual Combat Weapon, 10/7/2005	Report is FOUO.	Extensive time needed to coordinate and issue policy.	USD(AT&L)

D-2006-007, Contracts Awarded to Assist the Global War on Terrorism by the U.S. Army Corps of Engineers, 10/14/2005	The DCAA will conduct an audit of costs of task orders awarded under Contract No. DACA78 03 D0002. Three of four recommendations in the report are complete.	Normal time for DCAA to plan and conduct an review.	Army
D-2006-009, Independent Examination of Valuation and Completeness of U.S. Army Corps of Engineers, Buildings and Other Structures, 9/28/2005	The U.S. Army Corps of Engineers is updating policy and procedures, assessing system changes to the Corps of Engineers Financial Management System, and working to correct data accuracy deficiencies through new regional assessment teams.	Corrective actions are on schedule.	Army
D-2006-010, Contract Surveillance for Service Contracts, 10/28/2005	The AT&L will issue guidance defining roles and responsibilities of contract administration personnel regarding the monitoring of contractor performance. The Army will develop management controls to ensure contract surveillance is adequately performed and documented.	Normal time to develop and implement new guidance and procedures.	USD(AT&L), Army
D-2006-011, Report on the Foreign Military Sales Trust Fund Cash Management, 11/7/2005	Improve internal controls of the FMS cash management program. Establish adequate audit trails to enable managers or auditors to verify disbursements.	Corrective actions are on schedule.	DFAS
D-2006-013, Report on Compiling and Recording Financial Adjustments Related to DoD Commercial Payments, 11/8/2005	Require periodic training of reconcilers and certifying officers on policies, procedures, and responsibilities in reviewing Standard Form 1081 financial adjustments.	Corrective actions are on schedule.	Army
D-2006-025, Report on Accuracy of Air Force Contract Financing Amounts, 11/14/2005	Assistant Secretary of the Air Force (Financial Management & Comptroller) will direct accounting stations to report all contract financing payments to DFAS Denver. Affected accounting stations are in the process of changing their financial management systems to capture and report contract financing payments to DFAS Denver.	Corrective actions are on schedule.	AF
D-2006-026, Air Force Operational Mobility Resources in the Pacific Theater (U), 11/17/2005	Report is classified.	Corrective actions are on schedule.	AF
D-2006-027, Contract Award and Administration of Coupling Half Quick Disconnect, 11/23/2005	Increase production rates to expedite the replacement of older protective masks and identify a nontoxic sealant alternative to replace the hexavalent chromium sealant on the coupling half quick disconnect in future procurements.	Corrective actions are on schedule.	USD(AT&L)
D-2006-028, DoD Reporting System for the Competitive Sourcing Program, 11/22/2005	Revise DoD guidance to improve accounting of transition costs, tracking and reporting competition costs, validating and reviewing records, capturing contractors' past performance information, and tracking and monitoring the performance of MEOs.	Normal time to review, revise and implement new guidance.	USD(AT&L)

D-2006-029, Report on Potential Antideficiency Act Violations Identified During the Audit of the Acquisition of the Pacific Mobile Emergency Radio System, 11/23/2005	Report is FOUO.	Extensive time needed to investigate potential FMR violations and to resolve related legal issues.	Army
D-2006-030, Report on Diagnostic Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-031, Report on Penetration Testing at the Defense Information Systems Agency, Center for Computing Services, 11/30/2005	Report is FOUO.	Corrective actions are on schedule.	DISA
D-2006-043, Financial Management: Report on Army Management of the Army Game Project Funding, 1/6/2006	Establish procedures to ensure the appropriate funding of the Army Game Project, determine if there have been any Antideficiency Act violations and report any such violations, as required.	Management corrective actions on schedule.	Army
D-2006-045, Endorsement of the Deloitte & Touche LLP Management Letter on the FY 2005 Military Retirement Financial Statements Opinion Audit, 1/10/2006	Report is FOUO.	Management corrective actions on schedule.	USD(P&R), Navy, DFAS
D-2006-046, Technical Report on the Defense Property Accountability System, 1/27/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)
D-2006-048, Report on Reliability of Financial Data Accumulated and Reported by the Space and Naval Warfare System Centers, 1/31/2006	Report is FOUO.	Corrective actions are on schedule.	Navy
D-2006-049, Audit of the FY 2004 Marine Corps Entitlements and Withholding, 2/10/2006	Direct Manpower Management Integration and Administration to review the errors discussed in this report and verify the eligibility of Marines to receive the higher Basic Allowance for Housing, discontinuing the higher Basic Allowance for Housing where appropriate.	Corrective actions are on schedule.	MC
D-2006-050, Report on Accuracy of Navy Contract Financing Amounts, 2/7/2006	Cross SYSCOM Lean Six Sigma black belt project is being completed that will include an end-to-end review of the disbursements process.	Corrective actions are on schedule.	Navy
D-2006-051, TRICARE Overseas Controls Over Third Party Billing Agencies and Supplemental Health	Report is FOUO.	Normal time needed for implementation.	ASD(HA)

D-2006-052, DoD Organization Information Assurance Management of Information Technology Goods and Services Acquired Through Interagency Agreements, 2/23/2006	(a.) Conduct and document annual information assurance awareness training; (b.) establish clear procedures that designate organization-specific roles & responsibilities for tracking training and (c) verifying individual security clearances for all Command employees & contractors; (d) begin using the Joint Personnel Adjudication System (JPAS) to validate individual security clearances.	Competing management priorities.	Army, Navy
D-2006-053, Select Controls for the Information Security of the Ground-Based Midcourse Defense Communications Network, 2/24/2006	Complete System Security Authorization Agreement (SSAA) process for the Ground-Based Midcourse Defense Communications Network (GCN) in full compliance with OMB Circular A-130 and DoD 8510.1-M. Update the GCN configuration. Prepare a contingency plan for GCN and an Incidence Response Plan for GCN to meet requirements of DoDI 8500.2 and NISTSPub 800-34.	Corrective actions are on schedule.	MDA
D-2006-054, DoD Process for Reporting Contingent Legal Liabilities, 2/24/2006	The USD(C) is developing a forum to address development of solutions for providing meaningful assessments of contingent legal liabilities, and develop and implement a uniform methodology for estimating, aggregating, and reporting them. The Services are working to ensure that "Other Liabilities" and contingent liabilities are fully supported and appropriately disclosed.	Corrective actions are generally on schedule.	USD(C), Army, Navy, AF
D-2006-056, Financial Management: Report on Vendor Pay Disbursement Cycle, Air Force General Fund: Contract Formation and Funding, 3/6/2006	The Air Force will conduct reviews of potential ADA violations, review and revise existing policy guidance and training and emphasize the need for additional training in appropriations law and inherently governmental activities.	Normal time to revise and implement new guidance.	AF
D-2006-057, Corrective Actions for Previously Identified Deficiencies Related to the National Geospatial-Intelligence Agency Financial Statements (U), 2/28/2006	Report is classified.	Corrective actions are on schedule.	NGA
D-2006-059, Air Force Procurement of 60K Tunner Cargo Loader Contractor Logistics Support, 3/3/2006	The Air Force will perform analyses to determine the best value approach and the feasibility of teaming with the Marine Corps.	Corrective actions are on schedule.	AF
D-2006-060, Systems Engineering Planning for the Ballistic Missile Defense System, 3/2/2006	Report is FOUO.	Extended time needed to complete and coordinate systems engineering planning documents.	MDA
D-2006-061, Source Selection Procedures for the Navy Construction Capabilities, 3/3/2006	Report is FOUO.	Corrective actions are on schedule.	USD(AT&L)

D-2006-062, Internal Controls Over Compiling and Reporting Environmental Liabilities Data, 3/15/2006	Improve internal controls over the compilation and reporting of cost-to-complete estimates for environmental liabilities.	Corrective actions are on schedule.	AF
D-2006-063, Financial Management: Report on Internal Controls Over Department Expenditure Operations at Defense Finance and Accounting Service Indianapolis, 3/10/2006	Perform reviews and reconciliations of uncleared transactions, ensure appropriate resolution, and enforce applicable DoD FMR policy.	Transfer of the support resources have delayed the reviews.	DFAS
D-2006-064, Financial Management: Appropriated Funds Distribution Within the Program Budget Accounting System, 3/17/2006	Establish controls to ensure that the Program Budget Accounting Fund Distribution Module edit tables are kept current.	Corrective actions are on schedule.	DFAS
D-2006-067, Controls Over Exports to China, 3/30/2006	Improve the guidance and documentation for the export review process. Expand access to USXPORTS within DoD.	Management corrective actions on schedule.	USD(P)
D-2006-068, Financial Management: Implementation of the Business Enterprise Information Services for the Army General Fund, 3/31/2006	Report the existence of abnormal balances and the failure to reconcile beginning account balances with prior year-end balances as material internal control weaknesses in the Annual Statements of Assurance until corrected.	Long-term corrective action on schedule.	DFAS

# APPENDIX G

## DEFENSE CRIMINAL INVESTIGATIVE ORGANIZATIONS STATISTICS

The Defense Criminal Investigative Organizations (DCIOs), comprised of DCIS, the U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service, the Air Force Office of Special Investigations, and the Marine Corps Criminal Investigative Division, protect the military and civilian men and women of the Department by combating crimes, both domestic and overseas, with highly trained special agents, forensic experts, analysts, and support personnel. Examples of the DCIO's mission initiatives and investigative accomplishments are detailed in Chapter 5 under the nine management challenges.

Monetary recoveries of approximately \$384.6 million resulted from the investigations by the DCIOs, and are displayed by major categories in Figure 1 (below). Figure 2 (right) displays the total companies and individuals indicted and convicted is 449 and 478 respectively. Figure 3 (bottom, right) displays the number of companies and individuals suspended or debarred for this period were 26 and 89, respectively.

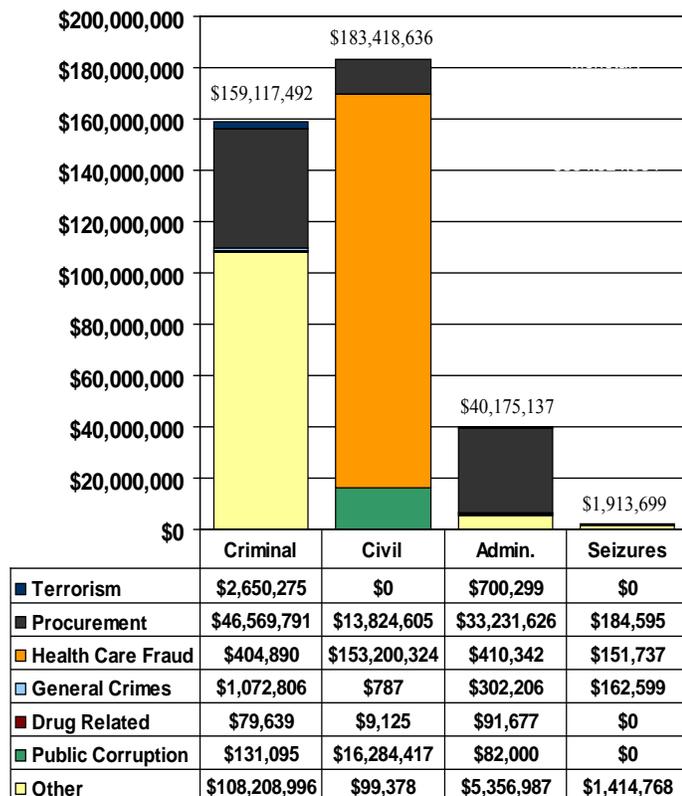


Figure 1

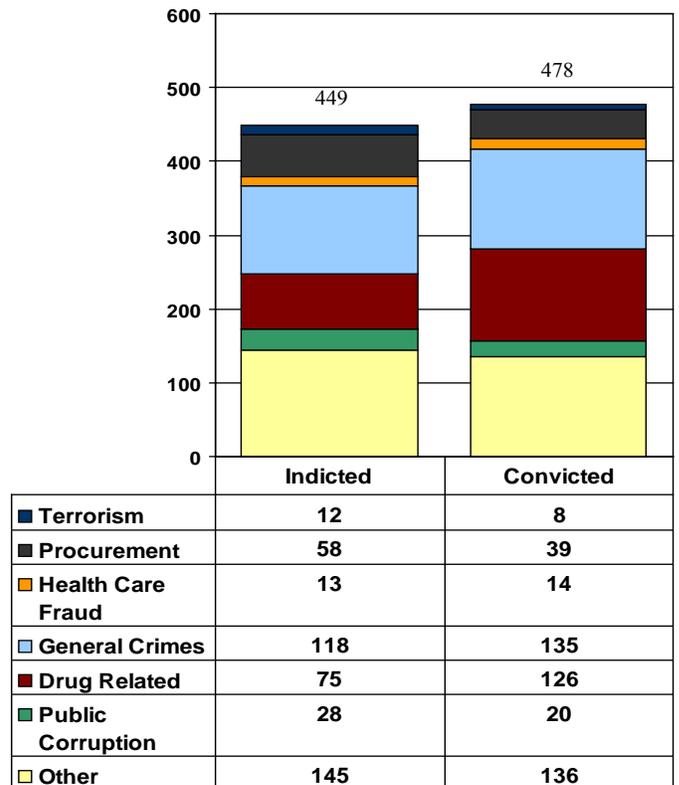


Figure 2

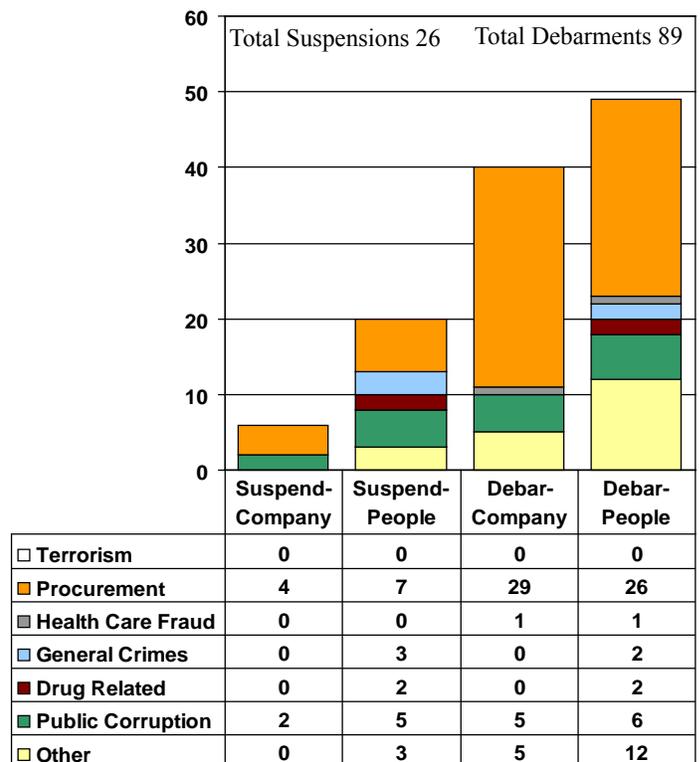


Figure 3

# Acronyms

Active Guard and Reserves (AGRs)	Financial Improvement and Audit Readiness (FIAR)
Air Force Audit Agency (AFAA)	Fiscal Year (FY)
Air Force Office of Special Investigations (AFOSI)	Foreign Military Sales (FMS)
Air Force Office of Special Investigations (AFOSI)	Fuel System Panel (FSP)
American President Lines (APL)	Future Years Defense Program (FYDP)
Area of Responsibility (AOR)	General Services Administration (GSA)
Army Audit Agency (AAA)	Global War on Terror (GWOT)
Audit Policy and Oversight (APO)	Government Accountability Office (GAO)
Ballistic Missile Defense System (BMDS)	Government of Iraq (GoI)
Camp Fallujah, Iraq (LPL-CF)	Headquarters, Air Force (HAF)
Chemical, Biological, Radiological, Nuclear, or high yield Explosive (CBRNE) Enhanced Response Force Package (CERFP)	Human Services Office of the Inspector General (HHS OIG)
Civilian Reprisal Investigations Directorate (CRI)	Hurricane Katrina Fraud Task Force (HKFTF),
Coalition Provisional Authority (CPA)	Immigration and Customs Enforcement (ICE)
Combating Trafficking in Persons (CTIP)	Improper Payments Information Act (IPIA)
Common levels of support (CLS)	Improvised Explosive Device (IED)
Comprehensive Cancer Centers, Inc. (CCC)	Independent public accounting (IPA)
Continental United States (CONUS)	Information Technology (IT)
Counterintelligence scope polygraph (CSP)	Inspector General (IG)
Criminal Investigation Task Force (CITF)	Integrated Accounts Payable System (IAPS)
Defense Contract Audit Agency (DCAA)	Internal Revenue Service (IRS)
Defense Contract Management Agency (DCMA)	International Contract Corruption Task Force (ICCTF)
Defense Council on Integrity and Efficiency (DCIE)	Investigative Policy and Oversight (IPO)
Defense Criminal Investigative Organizations (DCIOs)	Iraqi Security Forces (ISF)
Defense Criminal Investigative Service (DCIS)	Joint Anti-Corruption Council (JACC)
Defense Finance and Accounting Service (DFAS)	Joint Headquarters (JHQ)
Defense Finance and Accounting Service Indianapolis (DFAS-IN)	Joint Operations Center (JOC)
Defense Information Systems Agency's (DISA)	Joint Prosecution and Exploitation Centers (JPEC)
Defense Reutilization and Marketing Service (DRMS)	Kellogg, Brown & Root (KBR)
Department of Defense (DoD)	Law Enforcement Information Exchange (LInX)
Department of Defense Inspector General (DoD IG)	Logistical security (LOGSEC)
Department of Interior (DoI)	Medical readiness review (MRR)
Department of the Navy (DoN)	Military construction (MILCON)
Desert Regional Medical Center (DRMC)	Military Health System (MHS)
DoD Financial Manager Katrina (FM Katrina)	Military Interdepartmental Purchase Requests (MIPRs)
Earned Value Management (EVM)	Military Reprisal Investigations (MRI)
Electrolyzing Corporation of Ohio (ECO)	Ministry of Defense (MoD)
Emergency-essential (E-E)	Ministry of Interior (MoI)
Evolved Expendable Launch Vehicle (EELV)	Miscellaneous Obligation/Reimbursement Documents (MORDs)
Federal Acquisition Regulation (FAR)	Missile Defense Agency (MDA)
Federal Bureau of Investigation (FBI)	Multi-National Security Transition Command-Iraq (MNSTC-I)
Federal Emergency Management Agency (FEMA)	National Institute of Standards and Technology (NIST)
Federal Information Security Management Act (FISMA)	National Joint Terrorism Task Force (NJTTF)

National Procurement Fraud Task Force (NPFTF)	Reserve Travel System (RTS)
Naval Audit Service (NAVAUDSVC)	Surface Deployment and Distribution Command (SDDC)
Naval Criminal Investigative Service (NCIS)	Theater Deployable Communications (TDC)
Naval District Washington (NDW)	Trafficking in Persons (TIP)
Office of Communications and Congressional Liaison (OCCL)	U.S. Army Corps of Engineers (USACE)
Office of Management and Budget (OMB)	U.S. Army Criminal Investigation Command (CID)
Office of Reconstruction and Humanitarian Assistance (ORHA)	U.S. Army's Logistics Civil Augmentation Program (LOGCAP)
Office of Special Plans (OSP)	U.S. Marine Corps (USMC)
Office of the Deputy Inspector General for Auditing (ODIG-AUD)	U.S. Navy Reserve (USNR)
Office of the Deputy Inspector General for Intelligence (ODIG-INTEL)	U.S. Army Installation Management Command (IMCOM)
Office of the Deputy Inspector General for Investigations (ODIG-INV)	U.S. Army Materiel Command (AMC)
Operation Enduring Freedom (OEF),	U.S. Pacific Command (PACOM)
Operation Iraqi Freedom (OIF)	Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L))
Ordnance Information System (OIS)	United States Central Command (CENTCOM)
Outside Continental United States (OCONUS)	United States Central Command Air Forces (CENTAF)
Pacific Mobile Emergency Radio System (PACMERS)	United States Government (USG)
Performance-based logistics (PBL)	United States Marine Corps Criminal Investigation Division (USMC CID)
President's Council on Integrity and Efficiency (PCIE)	United States Special Operations Command (SOCOM)
Privacy Act (PA)	Veterans Affairs (VA)
Property, Plant and Equipment (PP&E)	Weapons of mass destruction (WMD)
Protected personal information (PPI)	
Rapid Engineer Deployable Heavy Operational Repair Squadron Engineer (RED HORSE)	

# Protect the Total Force



REPORT: FRAUD, WASTE, AND ABUSE

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